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Regraded Unclassified
HMJr: Hello.
Operator: Mr. Sproul.
HMJr: Hello.
Mr. Allan Sproul: Good morning, Mr. Secretary.
HMJr: How are you?
S: I'm all right. I want to express my deep sympathy to you. I know how this must hit you.
HMJr: Well, it hits me pretty hard.
S: Yes, I know it has.
HMJr: Yeah.
S: Mr. Secretary, we have taken steps to see that the Government security market behaves itself today.
HMJr: Good.
S: It will be -- there will be trading as there will be on the Exchange, but we've asked the market to discourage all unnecessary trading.
HMJr: Good.
S: And have told it that if there is bidding that can't be taken care of by the market that we will stand ready to take it, and that we don't want to see any changes in quotations in any size.
HMJr: Good.
S: And the market doesn't expect any serious unsettlement, but it agrees with the course we've outlined for it and will cooperate 100%.
HMJr: Fine. Now I had two talks last night with Schram.
S: Yeah.
HMJr: And I was very much in favor of keeping the Exchange open.
S: Yes.

HMJr: ...as was he. And then he wanted to know whether we thought it would be agreeable if out of respect they closed on Saturday.
S: Yes.
HMJr: And I said I thought it was a nice idea.
S: Well, they are going to do that, and we've asked the Government security market to suspend trading tomorrow too, if that's agreeable to you.
HMJr: Entirely.
S: Fine.
HMJr: Now, two things -- I wish you would try to find out how the London market is behaving.
S: I have a report on it, and it behaved very well.
HMJr: It has.
S: Yes. It said it was quiet, but the undertone steady.
HMJr: Good. Well, now suppose about quarter past ten after you have had a chance to see what the Government market and the stock market is doing, will you give me a ring?
S: I'll do that.
HMJr: And I'd like to hear from you.
S: All right, I'll call you then.
HMJr: Thank you very much.
S: Goodbye.
April 11, 1945
9:31 A.M.

HMJr: Hello.
Operator: Mr. Simons at the White House.
HMJr: Who?
Operator: Mr. Simons.
HMJr: Simons?
Operator: That's right.
HMJr: Hello.
Operator: Go ahead.
Mr. Simons: Hello.
HMJr: Is this Mr. Simons?
S: Yes, Mr. Secretary.
HMJr: Can you give a message to Mr. Truman for me?
S: Yes, sir.
HMJr: Have you got a pencil?
S: Yes, sir.
HMJr: Just tell him that I have been in touch with the President of the New York Stock Exchange.
S: Yes.
HMJr: ... and the President of the Federal Reserve Bank of New York...
S: Yes.
HMJr: ... and they have assured me that the financial community will carry on as usual.
S: Right, sir.
HMJr: And that if there is any undue disturbance they are going to let me know.
S: Right, sir.

Furthermore, I've had word that the financial community of London...
S: Yes, sir.
HMJr: ... is going on all right.
S: London is going on all right.
HMJr: You see they are six hours ahead of us.
S: Right, sir. I'll be glad to do that.
HMJr: Thank you.
S: All right, sir.
April 13, 1945
9155 A. W.

Mr. Fred Smith:

Hello.

HMJr:

Fred.

S:

Hi, boss.

HMJr:

How are you?

S:

I feel pretty low.

HMJr:

Well, I feel lower.

S:

Well, I should think you would.

HMJr:

I got your various messages yesterday.

S:

Yeah.

HMJr:

And the reason -- I want to say thank you -- but the particular reason. I'm telling you up in this, you may or may not know that there is a group of so-called Arts and Sciences were putting on a production over your chain at 9:30 Tuesday night from Hollywood.

S:

Yeah.

HMJr:

A Mr. Samish knows about it.

S:

Yeah.

HMJr:

What?

S:

Yeah, all right.

HMJr:

Do you know who he is?

S:

Adrian Samish, yeah, sure.

HMJr:

Well, I didn't know.

S:

Yeah, he's the production man here.

HMJr:

I thought he might just be another vice-president of the Blue.

S:

No, not quite.

HMJr:

What?

S:

He's the one who isn't.

HMJr:

I see. Well, this --- I've got sitting here in the room Mr. Klotz and Alan Barth.

S:

Yes.

HMJr:

And, I got a copy of this script which they did which would have ---- looking at it I can't tell but, of course, it was written before the President died.

S:

Yeah.

HMJr:

And I was to have gone on for six to nine minutes, see?

S:

Yeah.

HMJr:

They tried to get Senator George, and they couldn't and at the last minute they want to throw me in. Well, my own feeling is ---- you know how I fuss when I go on these things.

S:

Yes, I know.

HMJr:

And I just don't frankly feel like taking it on.

S:

Yeah.

HMJr:

Because they'd have to, I think, completely do this script over.

S:

Well, they probably will have to any way. I don't know what it is but I will look into it.

HMJr:

Well, supposing you look into it. My own inclination is, Fred, that I just can't emotionally take on you know going through the throes of taking part in a show next Tuesday night.

S:

That's right. Is it a bond business?

HMJr:

Well, this is a kind of a --- I have plans on it --- they've done a play -- no, it's Britton Woods.

S:

Britton Woods?
HMJr: Yeah.
S: Ahuh.
HMJr: It's Bretton Woods.
S: Yeah. Well, let me look into it and I'll call you back, eh?
HMJr: Supposing you look into it.
S: All right.
HMJr: Do that.
S: O.K. thanks a lot.
HMJr: Bye.

April 13, 1945
10:15 a.m.

AS: PEPPER COMMITTEE
Present: Mr. Lynch
Mrs. Klotz

MR. LYNCH: I believe, Mr. Secretary, that this has to do with Senator Pepper's invitation. I would assume that the hearings will not be held now, but I have information that you doubtless already have. I am trying to check with the Senator's secretary, who told me earlier they will know at twelve-thirty. But, of course, it is presumed not only will there be formal adjournment of conferences, but all work except that of an urgent nature will be deferred for a while.

HMJr: For this week?
MR. LYNCH: Yes, I assume so.
HMJr: I thought this was the 17th, 16th, and 18th.
MRS. KLOTZ: That is for next week.
MR. LYNCH: Yes, that is next week. I thought the adjournment would carry on until next week.
HMJr: Oh, I see. Let's find out. I will be around all afternoon.

MR. LYNCH: All right. Otherwise there is no point in discussing it further now. I might say while I am here that Senator Pepper feels that this would be very good for Bretton Woods because he was pointing the hearing to the interest of the small businessman particularly, and the small manufacturer in foreign trade, and he felt that it would be an opportunity to get Bretton Woods off the level of banking technicalities, and so forth, in the interest of the run-of-the-mill tradesman and businessman.
H.W. JR: Are you sitting in on the ten-thirty meeting on Bretton Woods?

MR. LYNCH: I hadn't heard about it. That is all right.

H.W. JR: Thanks.

---

H.W. JR: Gentlemen, I haven't talked with my own people about this at all other than via teletype, but I thought we could talk ourselves out, anyway. We are exhausted. As you people know, Luxford and Bernstein went up to New York, and then Bell followed them, and there have been these groups--do you mind getting out of my satchel two memos, one from Bell and one from Luxford that came down on Bretton Woods? I sent word to them that if they could get this thing through the House, well, either with no amendments, or possibly just the one that the CED asked for, it seems to me it would strike the opposition greatly when we go in the Senate, because our trouble is going to be in the Senate. And if we start horse-trading in the House, by the time we get to the Senate we won't have any shirt left to trade.

(Mrs. Klots leaves the conference temporarily.)

H.W. JR: I think that whatever we do before we come to a definite decision and talk to the AHA group, I certainly would want to sit down with Spence and Wolcott, see, because the only advice Wolcott ever gave me--and I haven't talked to him since I came back on the train except maybe once on the phone since the debate--was that there may be a time when you will have to give in on something, but I want to make sure that whatever I give in on will be acceptable to him, you see. And I think that some of these suggestions...
are perfectly ridiculous, and it so happens I talked with the President right before last. I was saying that it had just suddenly flashed on me that the very group that had been pushing us hardest was the group that put him in an untenable position in the London Economic Conference, Day and Williams and that crowd that put him in the position where he couldn't agree. They wanted three and one-half dollars to the pound, and he found himself in the position from which America just never could have recovered, and it is that crowd, plus their descendents. I spoke to him about it, and he went and reviewed the whole thing, how he had written this thing coming down. I happened to have been with him and everything else, but it is the same group, only Mr. Day—or Cornell wasn't there. I don't know where he would stand, but Williams, who I understand is the most vehement on this thing, certainly was there. I don't know how George Harrison would be, but I can imagine if we talked to him—I know that he didn't have the best interests of the country at heart at that time, and I vaguely question whether they have now, but I would be more than pleased to listen.

I just did want to make that little statement, but before we go, I wondered whether you agreed. Whatever we did before we talked to the AM, we ought to sit down with Wolcott and Spence.

MR. AGNEW: I think that is the very central key fact in the whole thing. It would seem to me to be most desirable if it is possible to get this through the House with a large vote, and if possible, not a party vote. I think that will do more to strengthen this in the Senate than anything else, but what we do here should be put forward by Wolcott on the concession side and accepted by Spence. Just how it ought to come. I should think we would all be agreed on that.

H.W.JR.: Well, should we take it up item by item and discuss the suggestions they made? Would you think that would be the intelligent way to go ahead?

MR. AGNEW: Yes, I think that would, unless you want to talk further about general strategy.
Nobody yet--this is just all I know. I checked with Spence on it. No one knows where Harry and Helen will snap up. I have a letter Baloun sent to Dew Pearson, and it is equivocal. He could vote any way on the basis of that letter.

What worries me, too, is that I don’t like to see that Committee report this bill on a straight Republican-Democratic all-out. I think that it would be unfortunate on the whole balance of the sponsoring of this bill if it has that partisan characteristic. That was the basis of my conviction last night, that we ought to try, if we can, to bring Holcomb or some of the Republicans along so that we can give this thing a non-partisan aspect.

H.R. Jr: That is all obvious to me. That is nothing new.

Mr. Liver: The only question is whether you evaluate this proposal as one that would maybe bring Holcomb along.

H.R. Jr: I think the only way you can find out is to move from here to Spence. Have you any ideas?

Mr. Lynch: Subject to proprieties, if you are having a conference with Spence, I would like very much to see Mr. Rayburn at the same time, if that could be properly arranged. I think Mr. Rayburn has a little better count of noses in strategy on the general subject. I don’t purport to know enough to have a judgment, except I would personally feel very reluctant to offer a compromise in the House until you knew that the time had come when you had to do it.

H.R. Jr: Herbert?

Mr. Gastro: Well, I think the main question is still to be decided here as to whether you are going to admit a compromise in the House in order to get a non-partisan vote, and that is the thing you are going to decide when you talk to Spence.

H.R. Jr: White?

Mr. White: I think the unquestioned thing to do is what you say, talk to Spence first. I like Tom’s suggestion of having Rayburn there, and I think we might consider having Bob Hannegan there, and you will know much better after talking with them what the next step should be. I think we are taking it a little too easily, the notion that the Republicans will make a partisan issue of this and that you won’t get Republican votes. Nobody knows, of course, and probably they are not going to tell you, but the Republicans will be taking a terrific responsibility if they vote against this at this time. And they are largely political considerations, quite exclusive of any specific matters of Section Woods, and would give the Republicans very considerable pause.

I know that in the Senate we can count on at least half a dozen Republicans that we know of, so that in itself seems to suggest that there will be doubt among the parties themselves as to making it at this time a Committee report on a clearly partisan basis. I think we should bear in mind that merely because we don’t know and can’t guarantee that Republican Congressmen are going to vote for it, we shouldn’t fall into the assumption that they are very likely to, but again I come out with the same thing you come out with. We ought to talk to Spence. If you can appropriately get Rayburn and Hannegan there, that is the thing to do.

H.R. Jr: I don’t think I would get Hannegan at this time.

Bernstein?

Mr. Morgenstein: I think we ought to go ahead along the lines you mentioned, talking to Spence, and if he agrees, to Holcomb in order to get as large a vote as possible in the House.

H.R. Jr: I am sorry, Ferguson?

Mr. Ferguson: I feel much the same way. It seems to me that the bankers are the principal opponents and that if
you found a compromise which they would accept that the Republicans could propose and would get you a large vote in the House; there would be very little for opponents in the Senate to lean on.

H.N.J: Supposing I try to get hold of the Speaker now and find out what his plans are?

MR. ACHERN: I think that is a good idea.

MR. LYNCH: Mr. Secretary, could I say this? I am sure everybody has it in mind. I am sure there is one void in this approach in my mind, and that is how people line up today.

MR. LUKEFORD: That is the thing I can't figure out.

MR. LYNCH: Before there is any further evaluation of the necessity or desirability of what I consider a compromise here, can't something be done by the leadership which I would think would be Mr. Bayburn and Mr. McCormack and others to count noses in the Committee?

Now, I don't think it would be unusual for them to call in their own people and ask them just where they stand.

H.N.J: Mr. Bayburn could send for these two men if he would be willing to.

MR. LYNCH: I would like to see that done independently of this compromise.

H.N.J: Who is the whip up there?

MR. BELL: Ransome.

MR. ACHERN: Ransome. Does anyone have any idea what happened in this Republican meeting two days ago?

MR. LUKEFORD: Dean, I checked on that; Senate is the first one that advised me of it, and there was no meeting two days ago. The meeting occurred a week or so ago with a Republican caucus, and at that caucus Joe Martin was adamant in making this a party issue. Holcomb on the other hand straddled the fence; he would not take a position at that time, and they agreed on having a further meeting—a further caucus on it as soon as Congress reconvenes, which will be a further discussion of the pros and cons of Bretton Woods, but at that time Martin wanted to make it a straight party issue.

H.N.J: I just can't believe the Republicans would be so stupid.

MR. LUKEFORD: Spence has told me that—

MR. WHITE: I think the events of yesterday would make them more reluctant to make it a party issue, although I think they would have been reluctant before then, but it would make them more reluctant if anything, because it would make it appear to the world that they were putting the party in this matter above things more powerful.

MR. ACHERN: Well, I have had a worry that one branch of the Republican Party—I have been afraid that the branch of the Party that Bob Taft and Martin represent is going to take the general line of going along with San Francisco on the idea that that would take the curse off any isolationism, but attacking all the specific things like Bretton Woods and trade agreements and anything else that we do. And if they do that, it would be unintelligent from a long-range point of view, but it would be the kind of thing that wouldn't surprise me much.

MR. WHITE: I certainly think that is true of Taft and Martin and a good many followers; I agree.

MR. BERNSTEIN: Where they would make it a party issue is to bring in a report that is extremely conservative which would go much further than this type of legislation, and they would hold together as a party until the last minute and try to put across a program far worse than this would represent. It may be that after that is defeated on a straight party line, then the lines would break.

H.N.J: Well, certainly before I do any more horse-trading I would like to know what the new horse looks like.
MR. ACHESON: Yes.

H.W.JR.: What?

MR. ACHESON: Yes.

MR. WHITE: I went over the report very carefully for the first time yesterday.

H.W.JR.: Which report?

MR. WHITE: The report of what Burgess might recommend, as Luxford put it now, which was to serve as a basis for discussion, and there is a good deal of it that could be easily accepted. There is no question about that.

H.W.JR.: Well, talk it over. You are the man that wants to do the least compromising. What would you be willing to accept?

MR. WHITE: Well, let's see. There are four major specific points if I remember correctly. The first one is about the Council, I think.

H.W.JR.: Council?

MR. WHITE: The establishment of a Council.

MR. GAATWHO: Advisory Council.

MR. WHITE: It is called Council here, International Monetary and Financial Council, consisting of the Secretary of the Treasury as Chairman, Secretary of State, and Secretary of Commerce. This has been changed.

MR. RENSTEIN: No, that is the text.

MR. WHITE: Well, at any rate, a Council. I think that could be worked out so it would be mutually quite satisfactory with the one exception. I find myself in complete agreement with the Federal Reserve Board in which they feel that the representative of the Federal Reserve Board is adequate and there shouldn't be any representative of private banking interests.

H.W.JR.: Meaning the Open Market Committee?

MR. WHITE: That is right.

MR. HELL: No representation of the Federal Reserve System other than the Board?

MR. WHITE: I would still say private banking interests, but either case.

H.W.JR.: I would go along with that. I would say the Board would be adequate, but I have completely different reasons which I don't think it is necessary to go into.

MR. WHITE: The Board, at any rate. They--

H.W.JR.: I mean, I arrive at the same conclusion, but for different reasons.

MR. WHITE: They want to leave off the Secretary of Commerce, and I said we would be opposed to that. That is one point. But I think you could make something that would follow very closely what the Federal Reserve Board wants.

H.W.JR.: What would this Council do?

MR. WHITE: That the Council would do is, they want--it is something that we would want to consider more carefully, because I am not in agreement with giving them as much power as they have indicated here. They would be both advisory, and they would have powers of directing the representatives selected by the President and Senate on these two institutions. They would have very considerable directive power. Now, that is to be gone over carefully.

MR. LUKSFORD: It is only a couple lines. May I read what they are?

H.W.JR.: Just a second, we certainly don't want a Council which is in the same position that Max Gardner was in.
with Jimmy Byrnes. It was a very peculiar relationship. On the other hand, what they call the Federal Reserve Advisory Council—that isn't the name, but what is that?

MR. BELL: That is the one of the Federal Reserve System.

H.M. Jr.: What is it called?

MR. BERNSTEIN: That is the name of it.

H.M. Jr.: The way that meets, four times a year—they meet and make a report. If it was something along those lines—

MR. WHITE: I think it is something half way between those two.

H.M. Jr.: Having the Federal Reserve Advisory Council to the Federal Reserve Board is innocuous, and they have a statutory position, too.

MR. GASTON: As set up, this is quite different.

MR. LUXFORD: I can read it very quickly.

MR. BELL: This lays down policy, for example.

MR. LUXFORD: (Reading from “Possible Changes in H.R. 2211,” attached.) “The council shall act under the general direction of the President and in accordance with such policies as the Congress may prescribe from time to time.” Then, “The U. S. governor or the executive director of the Fund and Bank, and their alternates shall keep the Council fully informed of their activities and shall act in a manner consistent with the general policies established by the Council.”

Our representative shall act in a manner consistent with the general policies laid down by the Council.

MR. WHITE: Is this the same copy I saw?

MR. BERNSTEIN: It is a carbon; it is the same as has been handed to me.

MR. WHITE: This is something different. All right.

MR. LUXFORD: There is a further provision for a governor or executive director representing the United States who shall not vote in favor of any waiver of article five increasing the amount the country may have, or any declaration of United States dollars or scarce currency, or major policy without prior consultation with the Council.

MR. WHITE: I think that is something we want to examine a little further.

H.M. Jr.: I thought that was the purpose of this meeting because Acheson was going to leave at one o'clock.

MR. JACKSON: I have cancelled that. I am going to stay here.

H.M. Jr.: In the time we have I would like to take it up point by point and discuss it and try to come to some understanding as to how this group here feels, so you can start anywhere you want. I thought that was the purpose of the meeting.

MR. LUXFORD: I have three extra copies here.

MR. WHITE: Yes. That was not the correct copy I was reading.

MR. GASTON: What I have seen is merely a memo of it.

H.M. Jr.: What have I got?

MR. LUXFORD: The same as this.

MR. WHITE: I didn't have the final copy.

MR. BERNSTEIN: When we came back from New York—we had a draft put together in New York with notes on it for changes. We gave Mr. White that copy, and this is the rewrite of that copy.
H.M.JR: What have I got?
MR. BENSON: The latest thing we agree with.
H.M.JR: Wonderful.
MR. WHITE: Do you want to begin section by section?
H.M.JR: Yes, but that was the whole idea. I mean--
MR. WHITE: Do you want me to raise a question on the first section and then discuss it?
H.M.JR: What page are you reading?
MR. WHITE: Page one, which states section three is amended as follows:
MR. GASTON: That follows your general idea.
H.M.JR: Oh, possible changes?
MR. GASTON: Yes.
MR. WHITE: Yes, in the bill.
H.M.JR: Let's take it up by sections. Don't you think we should, Dean?
MR. ACHERSON: Yes, that would be very helpful.
H.M.JR: See what we can agree on and can't agree on.
MR. WHITE: Well, the objection I have to three is the making of the executive director the same person for the Fund and the Bank.
H.M.JR: Let's read three through first.
MR. WHITE: Excuse me.
MR. GASTON: I will read it out loud.

"Section 3: Section 3 is amended to read as follows:
"Sec. 3. (a) (The United States shall be represented on the Fund and Bank by one person serving as governor and another as executive director of both institutions. The President, by and with the advice and consent of the Senate, shall appoint (a) one governor and one executive director to represent the United States on both the Fund and the Bank. The executive director so appointed shall also serve as provisional executive director of both institutions for the purposes of the respective Articles of Agreement. The term of office for the governor shall be five years and for the executive director two years. (A) but the executive director shall remain in office (however,) until a successor has been appointed.

H.M.JR: Let me ask this? If this thing was accepted, that doesn't mean the other countries have to do anything about it?
MR. ACHERSON: No, this does not amend the agreement.
H.M.JR: This is domestic?
MR. ACHERSON: Yes.
MR. GASTON: Instead of having separate representation on two institutions, we will have the same representation on both.
MR. BELL: In the bill I understand it is discretionary. Is that right?
MR. BOWIE: It is possible.
MR. KERNSTEIN: It would be either way, I guess.
H.M.JR: Spruill called up and said everything was quiet, both the bond market and the exchange and the London market. They are all quiet.
MR. BELL: Good."
Mr. LUXFORD: Herbert, I think B ought to be read in conjunction with this.

Dr. GASTON: "(b) The President, by and with the advice and consent of the Senate, shall appoint (an alternate for each of the positions specified in subsection (a) of this section who shall serve for the same term as his principal; provided: (1) alternates for the positions of governor and executive director of the Fund and Bank respectively need not be the same person and--"

(Secretary holds a telephone conversation with Congressman Spence, as follows:)

**HMJr:** How are you?

**Congressman Spence:** I'm pretty well. It's a terrible tragedy for the world, for our country, and for everybody it seems to me.

**HMJr:** Awful.

**Spence:** Awful.

**HMJr:** Yeah. Mr. Spence, I suppose we have to go on working on these sort of things like Breton Woods.

**Spence:** That's what I think. I don't see how we can stop. We've got to go right ahead.

**HMJr:** Well, I'm sure ......

**Spence:** That's what the President -- one of the last words of the President, wasn't it?

**HMJr:** That's right.

**Spence:** Yes.

**HMJr:** Now, we are meeting here in my office -- a group of us -- talking about some suggestions for compromise that the -- that Mr. Burgers has made for the American bankers. Now, what I wondered was this. We've agreed to nothing, see?

**Spence:** I wouldn't agree to anything.

**HMJr:** And we want to ask you whether you ought to tell you and possibly Speaker Rayburn what they are proposing, and then get your advice.

**Spence:** Well, my advice is to fight it out the way we are, and of course, if we can't take it why that's another proposition. But I wouldn't agree to anything.

**HMJr:** You wouldn't agree to anything?

**Spence:** No, I wouldn't agree to anything. Now I think there is going to be some -- well, if you feel there are some amendments that would have no effect at all and wouldn't impair the usefulness
St. (cont.) ...of it that might be another thing. Most of these amendments, I think, that they have proposed are sabotaging amendments, aren't they?

NMJr: Well, they have made one or two that we might accept.

S: Did they?

NMJr: Not they, but this so-called CED - this Committee for Economic Development.

S: Yes. Well, they are coming here to testify. They want to testify. Flanders wants to testify.

NMJr: Yes.

S: And he asked me to question Raul, which I offered Raul an opportunity, but he didn't seem to accept.

NMJr: Yes.

S: When they come here maybe we can see just where they stand, and then we can consider it. Don't you think that would be a good idea?

NMJr: Well, I've just talked -- what they suggested we could accept. You see, it is a perfectly reasonable suggestion.

S: Let's -- let's when we go into it - not accept anything now.

NMJr: That's what you feel.

S: No, but when we do accept something, let's accept that in lieu of all other things. You see, if we accept something now it cuts us just in the same position as if we hadn't accepted it. And then somebody - they won't control - they won't control the amendments, and somebody else may offer an amendment. Every amendment we accept kind of weakens us. Now if -- where after we go into the hearing they'll say, "Well, we'd like to have you accept these amendments." Then we might say, "Well, we'll accept them if that's all the amendments! But if we are going to have to fight it out, we just as well fight it out on all of them.

NMJr: Yeah.

S: Don't you think so?

NMJr: Well, when it comes to tactics up there, I'm more than willing to bow to you.

S: I think the thing to do now is to not make any definite agreements, but to listen to them.

NMJr: I see.

S: See what they want, then we'll consider them.

NMJr: When are you going to resume hearing?

S: Well, I thought I would talk with you about that. You know -- it was impossible to have these hearings while we were in recess because nobody's here. And I had the committee called yesterday, and I think the early part of the week there'll be a quorum present, and I think we'll go along then.

NMJr: Next week.

S: Next week sometime.

NMJr: Well, I don't see any reason to postpone it...

S: I don't see any reason to postpone it....

NMJr: No.

S: We've got to go along, and there are the essential things. I think they mean much with the future peace of the world.

NMJr: I think that we shouldn't lose any time.

S: I don't think we should either. Well, I'll be guided by your advice down there, and what you want to do, but I think we ought to go along next week and start on it.

NMJr: Well, now, that is wholly agreeable to me. Now let me ask you. Is there anyway of our putting this fellow Baldwin and that fellow from New York -- what's his name...?

S: Barry.

NMJr: Barry. Definitely get -- find out where they
HMJr: (cont.) ....stand?
S: I don't know. You know the labor organizations--
I was talking to a fellow connected with the
CIO, down here at a banquet the other night,
and he said they were putting all the pressure
they could on Berry, that Berry's district had
been kind of a silk-stocking district, but it
had changed and labor had gone in there in pretty
large quantities. He thought that they would
have a good deal of effect upon him. Now
Baldwin -- you know Drew Pearson said that Baldwin
was opposed to it.

HMJr: Yeah.
S: I think that Baldwin got ribbed a good deal
by the Dewey -- by the Baltimore Sun.

HMJr: Yeah.
S: His secretary -- not he -- and that sometimes is
a better reflection of opinion -- if he called on
he might conceal it, but his secretary called on
our office and was very angry about it.

HMJr: Yeah.
S: And said Mr. Baldwin was not opposed to bipartite
Waste agreements, and that they had had 150 letters
in the office and only two of them were against it.

HMJr: Yeah.
S: And she thought it was very unfair that they would
say that he was opposed to it. So that is about
all the information I've gotten on the subject,
but it seems that they are having effect on him.

HMJr: Well, hasn't it been done before that the Speaker
or the Party Whip sends for people and met them on
the spot?
S: I wouldn't hesitate to do it.

HMJr: Hello?
S: I said I wouldn't hesitate to do it. I think it
would be a good thing.

HMJr: Well, who would be the proper person to do
that?
S: I'll talk to Sam about it and see what he thinks,
and then I'll call you up -- or you can talk to
him.

HMJr: No. I think it would be nice if you would call
him up and then....
S: Well, I will. I'll talk to him today about it.

HMJr: You'll talk to him today ---
S: I'll talk to him today about both of them.

Let's find out ---
S: Let's find out where they are. Now, you know,
Berry came to see me one day, and I said I hope
you won't sabotage this thing.' And he said I
don't want to do that, but he said I'm in favor
of some amendments.' Well, Berry hasn't thought
it out, you know. He is just in favor of some
amendments because he thinks the people up
there are opposed to part of it, I suppose. I
don't know. Well, I'll try....

Well, I think in the next day or two because
usually those ---
S: I'll try and see Sam -- I don't know whether I
can see him today. I guess they are all wrapped
up here.

HMJr: No, I understand he is up on the Hill.
S: Is he? Well, I'll try and see him today.

And see if we can't decide who up there is the
proper person to send for Baldwin and Berry, and
just have a show-down with them.

S: I will. I'll see that --- Of course, if we lose --
if we lose Berry and Baldwin, and we lose the
Republicans and we lose Hull, they've got 14 to
our 13.

HMJr: Yes.
S: If we gain one of them, we'd have a tie and they couldn't carry anything.

HMJr: Yeah. What about --

S: But we couldn't report it out either.

HMJr: What about Hull?

S: Well, now, I don't know. I've had some people to talk to Hull -- DeBois, of the smaller banker's association, he said he's pretty close to him and he's going to talk to him. And I think that some of the -- this Farmers Union is pretty strong out in his country, and I understood that maybe Patton might have some effect on him. I don't know where he stands. I'm afraid to ask him. I don't want to drive him away.

HMJr: Well...

S: A pretty decent fellow.

HMJr: Yeah. Well, maybe we can be a little helpful on Hull, but the other -- I think the Democratic organization one way or the other ought to....

S: Well, I'll tell you what I'll do -- I'll see Sam today and see what I can do.

HMJr: Fine. Thank you.

S: And I'm going to cooperate with you in every way possible and see if we can't get thing through as soon as possible. I'm --

HMJr: And you'll give me a ring afterwards?

S: I will, as soon as I talk to him.

HMJr: Thank you.

S: All right, Mr. Secretary, and I think the thing to do is to let them present their views and not make any definite commitments.

HMJr: All right. We won't do anything --- we certainly won't make any compromise down here ---

S: Not now, no, because we don't know how we are riding now, we may do better.

HMJr: Anything we do, we'll only do after consultation.

S: All right, Mr. Secretary.

HMJr: Right. Thank you.

S: Goodbye.
(Secretary leaves the conference temporarily.)

H.M.JR: That was Fred Smith on the Bretton Woods broadcast for Tuesday afternoon--evening--and he and I talked it over. They had a sort of play, you see, from Hollywood, the Arts and Sciences, and they want me to talk. He kind of thought it wouldn't be too good, and by the time they rewrite the script--the way the script is written I would have to do the selling, and we decided to postpone it, not call it off, but postpone it.

MR. WHITE: You couldn't get Senator George?

H.M.JR: But he thinks it is a sort of inappropriate thing to do right now anyway. I mean, they need it just as badly as a week hence.

MR. WHITE: I think it had better be postponed.

H.M.JR: And this script isn't particularly--I just don't feel in the mood for going on with a lot of people. They are perfectly--I don't mind going on with movie actors with no music, but a straight play, but that kind of a show I don't think is very appropriate.

MR. LUXFORD: Not at this time.

H.M.JR: I don't think it would be in very good taste, do you?

MR. ACHEUX: I wouldn't do it now.

H.M.JR: But you take care of it.

MR. LUXFORD: Yes.

H.M.JR: Where were we?

MR. GASTON: I had read the first half of Section 3 which provides that the same person should serve as governor and another person as executive director of both institutions, I mean, instead of four.

MR. LUXFORD: That is not the proposal here.

H.M.JR: I know, I can read English, but I can also--

MR. LUXFORD: No, no, no, we are not talking of consolidating the presidents of the two institutions. We are saying that the American Director, who doesn't run the institution, but is merely one of the Board, should be the same for both institutions, which, it seems to me, is a different matter.

MR. HELL: You haven't read B.

H.M.JR: Just before you go--I have read these hastily, and I would just like to state this: Offhand I can't see any objection to a Council provided it is advisory and can't issue directives.

MR. GASTON: We haven't come to that.

H.M.JR: But I think it is a great sign of weakness to have the same man at the head of two institutions, because if you agreed that one man could run two institutions, why not have one institution?

MR. WHITE: Not only that, but it would be a grave error to think one man can handle both jobs.

H.M.JR: If one man can handle two, let's consolidate it and have one.

MR. BERNSTEIN: Do you want coordination of policy and separation of functions?

MR. WHITE: There is more than that at stake, having one man for both institutions, in addition to the tactical point which you have made.

H.M.JR: I have had questions thrown at me, and the whole argument has been that the two institutions are such big jobs they have got to be separately staffed. If one man is big enough to run the two, let's have one institution.

MR. LUXFORD: That is not the proposal here.

H.M.JR: I know, I can read English, but I can also--
MR. WHITE: It may be different so far as the governor is concerned, because the Board of Governors meets once or twice a year, or three times a year. That is one thing, but the executive director is supposed to be a full-time job. The functions of the Fund are run not by the president alone, but they are run by the Executive Committee, and the Executive Committee will absolutely have its hands full to do a good job, and to make the same man handle both, I think, would be to seriously jeopardize the success of both. The American delegate is important. He carries thirty percent of the votes, anywhere from twenty-five to thirty-five percent of the votes, so if the same man were on both institutions, he couldn't possibly devote as much time to his job as he should in view of the difficulties that each presents, and I don't see why people like that who have one hundred vice presidents in their own institutions, who wouldn't be confronted with one-tenth of the problems—why they want to insist on an executive president for both, or an executive representative for both when they recognize that so much depends upon the competent handling of the institution whether or not it is successful. I think it would be a great mistake to accept that. The governor—that is a different story—I think the governor could be on both.

MR. BELL: What was the reason for putting in the legislation that that could be—

MR. WHITE: This is the way the legislation reads.

MR. BELL: I thought—

MR. WHITE: May I read it? It says, "The President, by and with the advice and consent of the Senate, shall appoint one governor of the Fund and an alternate, and one governor of the Bank and an alternate." And then later it also says, "The President, by and with the advice and consent of the Senate shall appoint an executive director of the Fund and an executive director of the bank." In other words, he appoints both.

Now, it doesn't say in the bill that they can't be the same man.
MR. WHITE: Oh, yes, but we have disagreed flatly.

MR. DIXFORD: That's right.

MR. WHITE: Not with Dean.

H.M. Jr.: May I interrupt a minute? I have difficulty concentrating today. May I just say this? If you don't mind, I am going to ask if you wouldn't adjourn to dell's office and continue. In view of my conversation with Mr. Spence, there is no great hurry. I mean, I thought we might—these bankers are meeting tomorrow, but in view of what Mr. Spence said, I don't see—if anybody disagrees, I wish they would speak up—there is anything we can do but sit back now, because Spence told us definitely he doesn't want us to compromise, what do you think, Dean?

MR. AHERON: I am not at all sure Spence understood what this was all about, and the thing I would be worried about if we adopted Spence's view, is that the thing will solidify into a political lineup before you begin talking with people. Now, if that happens, I think we have lost ground. I should hope that we could do several things now. One is to make up our minds about these proposals so that we would know what we were going to do if we have to decide, and not drift into this in a state of disagreement and confusion.

The second thing is that I think Spence and the Speaker ought to be told the type of proposal which has been put forward here and the degree to which we would be willing to go so that at least they have to know that a negotiation can take place and what it is. And then if they are wise, they will probably begin to feel out welcott and let him know that this isn't a situation where he has got to come right over without any face-saving.

H.M. Jr.: You all heard the conversation and what he so vehemently advised. Well, I want to do something. It sort of looked as though I was weakening. I feel this way, he will get—he will find out where Baldwin and Barry stand. If they should get word that Baldwin and Barry will vote for it, then there isn't much use talking about compromise. Is that right?

MR. AHERON: No, I wouldn't agree with that.

H.M. Jr.: Well, if, on the other hand, they are shaky, then I can go back to Mr. Spence and say, "I would like to sit down with you and talk to you." See? That is the way I feel, anyway.

MR. BERNSTEIN: Mr. Secretary, don't you think we owe it to Mr. Spence to bring him up to date on what has happened, anyway, so he will know what happened?

H.M. Jr.: I think you can weaken and worry him if he thinks we are doing all this negotiating. If you don't mind, I would like to omit—it will only be a matter of twenty-four or forty-eight hours—and see what they do with Baldwin and Barry. Has anybody asked Leo Crowley to take on Hull of Wisconsin?

MR. WHITE: Yes, he is being taken care of, Mr. Secretary. Did you see the letter that Patman sent him?

H.M. Jr.: No.

MR. LUXFORD: Harry, I have further information that Patman's man saw Hull and Hull is noncommittal. He has not said he would support it.

MR. WHITE: No, but Patman said he would see to it.

MR. LUXFORD: He has written the letter.

MR. WHITE: We haven't got them in our hand, but they are conscious of what we are wanting from them, and they are going to make every effort now. That doesn't mean they can deliver them, but--

H.M. Jr.: Would it do any good to call up Crowley and ask him to see Hull?

MR. WHITE: It would if Crowley knows Hull.

H.M. Jr.: Or knows somebody who knows him. Do you know Crowley well enough to call him?
MR. WHITE: Oh, yes, if you want me.

H.M.Jr: I would just as lieb call him up. I don't mind.

MR. LIFORD: Mr. Secretary, there is one point I would like to mention. Even if you had Barry and Baldwin, you have not changed this from a straight Republican-Democratic vote.

H.M.Jr: I am just going to sit tight now until I hear from Spenz. I cannot go back to Spenz. I mean, he is up there, and if he would know how worried you are, or if I were as worried as you are, then he would begin to worry. Now he is very confident. I think it would be a great mistake to do anything to break down his morale. Let's see what he does with this thing. But I think if Acheson has the time—if you can talk for another half hour and let Acheson express himself on some of these amendments, and if he has the time—

MR. ACHESON: I can do it later on today. I have to be back over there at twelve o'clock.

H.M.Jr: You can talk to them later in Mr. Bell's office?

MR. ACHESON: Yes.

I would like to give you a little information about Baldwin which I haven't given some of the people here. Baldwin comes from Baltimore County in Maryland where he was President of the Board of Commissioners. He was a big shot and ran the county. He was elected to Congress, but nobody paid any attention to him, so he is very bitter. He has discovered that the way to get along here is to try to imitate Millard Tydings and he against the Administration. It seems that those who go along don't get anywhere, but those who throw rocks do. He has become very bitter. Now, the man who is closest to him and whom he also fears is the State Senator and President of the Senate in Maryland who comes from his own county and is his potential opponent in the primary, Mr. Lindsay. I have asked to have

Mr. Lindsay talk to him and tell him it is all right to oppose the Administration on some things, but not on the others, and if he does oppose it on this, Mr. Lindsay will have to consider that he will have to go into the primary and try to get real representation from Baltimore County. That, I think, may have some effect, but I don't know.

H.M.Jr: I don't know anything that would be more effective. (Laughter)

MR. ACHESON: Howard Bruce is a man who has very great influence, because Howard Bruce lives in his Congressional District and contributes to the Democratic campaign fund in that District. Mr. Bruce has been here in Washington, and I have been trying to see him. And if anybody here who knows him would see him, it might have some effect.

H.M.Jr: Both are most useful and practical suggestions. We are getting right down to the methods that count. How is that?

MR. ACHESON: All right.

H.M.Jr: I think that the paper that is published in Madison, Wisconsin, is not friendly to Crowley. It is an independent paper.

MR. CASTON: Mr. Evjue's paper—LaFollette's paper, the Capital Times.

H.M.Jr: I wonder if anybody has tackled him.

MR. WHITE: I know of some connections.

H.M.Jr: If that newspaper could be reached—

MR. WHITE: They are friendly to Breton Woods.

H.M.Jr: And unfriendly to Crowley, so you can't ask Crowley to go to them.

MR. WHITE: No, I know of some other connections.
H.M. Jr.: That paper has great influence. It is a
darn good paper.

Mr. White: They have come out for Bretton Woods.

H.M. Jr.: If they could go to work on Mr. Hall--

Mr. White: I will find out.

H.M. Jr.: Well, as I say, if you people will pardon
me, and if you don't mind adjourning to Mr. Bell's office
to go over these things, then maybe at least you could
agree on one or two things.

Mr. White: There are a number of them we could
agree on.

H.M. Jr.: See which of those you could agree on, and
I could study those.

Mr. Bell: It seems to me the Treasury should get
together on what they can do and also get together with
Red Brown when he comes in tomorrow.

H.M. Jr.: He will be here tomorrow, but if Acheson
gives us as much time as he can, we can see which of these
things he likes and which he doesn't. I don't think you
are going to get these two wings of the Treasury together.

Mr. Bell: I don't think so, either.

H.M. Jr.: Which amuses me very much.

Mr. Bell: They are not going to be in my office
until they get together.

Mr. White: The best of friends will split on some
rocks.
Secret - Revised
April 17, 1945

Possible Changes in H. R. 2711

1. Section 3: Section 3 is amended to read as follows:

Sec. 3. (a) [The United States shall be represented on the Fund and Bank by one person serving as governor and another as executive director of both institutions.] The President, by and with the advice and consent of the Senate, shall appoint one governor and one executive director to represent the United States on both the Fund and the Bank. The executive director so appointed shall also serve as provisional executive director of both institutions for the purposes of the respective Articles of Agreement. The term of office for the governor shall be five years and for the executive director two years. [.] In] but the executive director shall remain in office [ , however,] until a successor has been appointed.

(b) The President, by and with the advice and consent of the Senate, shall appoint an alternate for each of the positions specified in subsection (a) of this section who shall serve for the same term as his principal; provided: (1) alternates for the positions of governor and executive director of the Fund and Bank respectively need not be the same person and (11) any alternate for an executive director shall be selected by the President from names recommended to him by the executive director. one or two alternates for the governor and one or two alternates for the executive director. Alternates for the executive director shall be selected by the President from names recommended to him by the executive director.

(c) No person shall be entitled to receive any salary or other compensation from the United States for services as a governor, executive director, or alternate.

2. Section 4: Section 4 is amended to read as follows:

"INTERNATIONAL MONETARY AND FINANCIAL COUNCIL AND REPORTS"

Sec. 4. (a) There is hereby established the International Monetary and Financial Council (hereinafter referred to as the Council), consisting of the Secretary of the Treasury, as Chairman, the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the Foreign Economic Administrator [and a president of a Federal Reserve Bank selected by the Open Market Committee of the Federal Reserve System]. The Council shall act under the general direction of the President and in accordance with such policies as the Congress may prescribe from time to time.
(b) The United States governor and executive
director of the Fund and Bank and their alternates shall keep
the Council fully informed of their activities and shall act
in a manner consistent with general policies established by
the Council. Except as otherwise provided in section 6 of
this Act, the Council is hereby authorized, through the
governor and executive director to give or refuse the approval,
consent, or agreement of the United States whenever, under the
Articles of Agreement of the Fund or the Bank, such approval,
consent or agreement of the United States is required before
any act may be done by the Fund or the Bank, respectively.
No governor or executive director representing the United
States shall, without prior consultation with the Council,
vote in favor of any waiver of conditions under Article V,
section 4 or in favor of any declaration of the United States
dollar as a scarce currency under article VII, section 3, of
the Articles of Agreement of the Fund (or on any other major
question of policy before a Fund or Bank without prior
consultation with the Council).

(c) The Council and the United States Governor
and their alternates are directed:

(1) To exercise their full powers and influence
to secure coordinated policies on the part of the Fund and the
Bank and the highest degree of cooperation and collaboration
at every point between their respective managements in carrying
out the purposes of the Fund and Bank.

(11) To exercise their full powers and
influence to see that the Fund is used only where it can
appropriately be used for current stabilization operations
and that the Bank is used only where it can appropriately
be used for reconstruction and development projects and for
programs of economic and monetary reconstruction which may
include long-term stabilization loans.

(111) To exercise their full powers and
influence to [stimulate] develop the basic economic conditions
essential to sound prosperity, to a growing and balanced
international trade and to the establishment and maintenance
of stable and orderly exchange arrangements (among members);
to encourage the Fund to communicate its views to members on
economic and monetary conditions and developments which would
tend to disturb stable and orderly exchange arrangements; to
eliminate as soon as conditions permit all forms of restrictive
and discriminatory currency arrangements among members; and to
facilitate and encourage in other ways the elimination of
discriminatory trade arrangements that hamper world trade and
other forms of economic warfare that disturb harmonious
international economic relations.
(iv) To exercise their full powers and influence to assure the constructive use of the resources of the Fund and the Bank and to see that they are not used in a manner that imperils the financial integrity of either institution; to see that the Fund does not [begin] undertake or continue exchange transactions with any member while its basic economic conditions are such as would lead to use of the Fund's resources on a scale prejudicial to the Fund to sustain an untenable exchange rate [and further, to see that the Fund does not continue exchange transactions with any member after its basic economic conditions are such as would lead to use of the Fund's resources to sustain an untenable exchange rate and thus defeat the purposes of the Fund and be prejudicial to the Fund and its members].

(v) To exercise their full powers and influence to prevent the use of the Fund and the Bank, [directly or indirectly,) for relief or [reconstruction or)] for indebtedness arising out of the war; to see that the resources of the Fund are used only [by countries that can appropriately use such resources] to promote exchange stability, to maintain orderly exchange arrangements, and to avoid competitive exchange depreciation; to see that the Fund is kept informed of the necessary corrective measures that are being taken by members

that use the resources of the Fund; to limit the use of the resources of the Fund to meeting seasonal, cyclical and emergency needs for foreign exchange for current stabilization purposes [;] to have other reasonable needs for foreign exchange for long-term stabilization purposes considered by the Bank.

(vi) To exercise their full powers and influence to see that when a general scarcity of a currency is developing the report issued by the Fund shall set forth fully the causes of the scarcity and shall contain recommendations designed to bring it to an end; to see that the report recognizes fully the common responsibility of the countries whose holdings of the currency are scarce and of the country whose currency is scarce, and that the recommendations are made not only to the country whose currency is scarce but to the country whose holdings of the currency are scarce; to see that prompt corrective measures are taken so that the scarcity of any currency can be terminated as soon as possible, that the limitations on the transactions in a scarce currency are no more restrictive than is necessary, and that they are relaxed and removed as rapidly as conditions permit; and to see that the right of members whose currency is scarce to make representations on the administration of restrictions
on exchange transactions in a scarce currency is fully safeguarded.

(vii) To transmit to the President and the Congress a quarterly report [in detail] on the work of the Council, the operations and policies of the Fund and the Bank, and the [activities] action of the United States governor and executive director and their alternates. [The report shall include a full statement with respect to the degree to which the Fund and the Bank conform with the provisions of this Act.]

(viii) To transmit to the Congress not later than two years after the [date of enactment of this Act] establishment of the Fund and Bank a special report on the operations and policies of the Fund and the Bank, the extent to which they have achieved the purposes for which they are established, recommendations as to how the Fund and the Bank may be made more effective, recommendations on whether the Fund and the Bank should be merged into one institution, recommendations on whether the resources of the Fund or the Bank should be increased or decreased, recommendations on whether the United States should continue membership in either the Fund or the Bank or in both, and recommendations on any other necessary or desirable changes in the Articles of Agreement for the Fund and the Bank or in this Act.

(d) The Council, with the approval of the President, is also directed to coordinate the activities of all departments and agencies of the United States relating to international monetary and financial matters to the end that the policies of the United States in these fields should be integrated and uniform.”

3. Section 9: Section 9 is amended to read as follows:

“STABILIZATION LOANS BY THE BANK”

“Sec. 18. If the management of the Bank does not interpret its powers under the Articles of Agreement as
authorizing the Bank to make or guarantee (long-term) loans for programs of economic and monetary (for economic and financial) reconstruction which may include long-term stabilization loans (in connection with a comprehensive stabilization program), the governor and executive director of the Bank appointed by the United States are hereby directed to propose and support an amendment to the Articles of Agreement for the purpose of explicitly authorizing the Bank, after consultation with the Fund, to make or guarantee such loans. The Council is hereby authorized and directed to accept such amendment on behalf of the United States."

5. New Section: Add the following section:

"WITHDRAWAL"

"Sec. 14. The United States Government expressly reserves the right to withdraw from either the Fund or the Bank, or both, at any time in accordance with the provisions of Article IV, section 1 of the Articles of Agreement of the Fund and Article VI, section 1 of the Articles of Agreement of the Bank. Notice is hereby given that the acceptance of membership in the Fund and Bank shall not be deemed in any way to morally or legally bind the United States to continue such membership if (a) in the opinion of the Government of the United States the policies of

- 10 -
either the Fund or Bank are not in accord with the letter or the spirit of the respective Articles of Agreement or the provisions of this Act of (b) if for any other reason the Government of the United States determines it to be in the interest of the United States to withdraw."
CONFIDENTIAL

April 13, 1945
3:36 P.M.

Operator: Go ahead.

HM Jr: Hello.

Congressman
Spence: Hello, Mr. Secretary?

HM Jr: Talking.

S: This is Brent Spence.

HM Jr: Hello.

S: I went over and had a talk with the Speaker.

HM Jr: Yes.

S: And I've decided that I'm going to -------

HM Jr: Hello?

S: I've decided I'm going to attempt to get Berry myself. I'm going to send for him and tell him how much it means to the administration.

HM Jr: I see.

S: He's the key man, and if he goes with us that not only I will be grateful, but you'll be grateful, and the administration will be grateful, and we hope that he will go along with us.

HM Jr: Well, I think that is most ---

S: I'm going to do that and send for him.

HM Jr: What are you going to do it?

S: I'm going to do it when he comes back. He's in New York now.

HM Jr: Oh.

S: When he comes back I'm going to send for him and have a talk with him.

HM Jr: Fine.

S: And tell him that I'm going to tell you what he did, and that I'm going to tell the administration what he did, and tell everybody down there ---
NMJr: Yeah.
S: And we'll tell everybody down there what he's done. We'll give him full credit for everything. And I think we can get him.

NMJr: Now --
S: Sam said, "How about you doing it?" "Well," I said, "I'll do it. I'm perfectly willing to do it." And I will do it, and I'm going to tell him it means a lot to me as Chairman, and that I've been his friend -- and I have been his friend --

NMJr: Yeah.
S: ... and I want him to go along with us. Maybe we can get him that way, and if we do why then we've got them whipped. That's it to it.

NMJr: Well, that will be wonderful! They've put an awful lot of pressure on him.
S: Well, I know they have, and I'm afraid he thinks that some of these things that have been said may have come from the committee. I never have said anything where he was. When they came and ask me I say I don't know where he is.

NMJr: Yeah.
S: But you know Pearson said he was wrong, and some of the other people have said he was wrong.

NMJr: Yeah.
S: They gathered it all from the questions he asked in there.

NMJr: Yeah.
S: Well, as soon as he comes back I'll send for him and I'll let you know how he is.

NMJr: Will you do that?
S: And I don't care what they do. I'll tell you -- if we can get that bill out even with amendments on it, we'll take them out in the House, in my opinion.

NMJr: Yeah.
S: So -- now, nothing can be done. They are going to have the joint session on Monday, and then - I don't know whether anything can be done next week. This appropriation bill comes up -- well, maybe we can have a hearing starting Tuesday or Wednesday. I'd like to get through with the thing.

NMJr: Yeah. Well, I'm confident that if anybody can do it, you can.

S: Well, I'm going to call him. I'm going to ask and make an engagement with him to come to see me when he comes back to Washington. And I'm going to use every effort I can to get him to go along with us.

NMJr: Well, my money is on you.
S: Well, I know how to tend with these Irish, -- I lived with them.

NMJr: I see (laughs)
S: (Laughs)

NMJr: I bet you do. Thank you.
S: All right. Goodbye.

NMJr: Bye.
NMJr: Hello.

Operator: Go ahead.

Secretary Forrestal: Henry?

NMJr: Yes.

F: Do you know whether the family -- I assume, of course, that you are going up to Hyde Park. I wonder if you know whether they want the rest of us to go?

NMJr: Well, Jim, this is all I know. Mrs. Roosevelt spoke to me, see?

F: Yeah.

NMJr: And then I inquired about reservations, and the answer I got back was that there were reservations for the whole Cabinet.

F: I see.

NMJr: But I'm going over in a little while to see Anna.

F: Yeah.

NMJr: And I will ask her, and tell her that I think that if they want the Cabinet to go they should tell us.

F: Yeah.

NMJr: And when I get back, I'll give you a ring.

F: Thank you very much, Henry.

NMJr: I'll be glad to.

F: Right.
C: That's right.

HMJr: Who could put a little pressure on.

C: Well, he's the --- we can get Patton's Farmer's Union after him a little bit because he comes from an area...

HMJr: I think they already are.

C: Well, fine, but let me go up and find out what he's --

HMJr: If I'm not mistaken I think Patton has called on him himself, I believe.

C: He's got a lot of those Farmer's Union fellows in that area. He comes from way up north, you know.

HMJr: Well ---

C: Where they have those small farms ---

HMJr: Oh, yes.

C: ... and it is poorly ---

HMJr: Oh, yes. Well, Patton is already after him and so are the independent banker's group.

C: Fine. You know, Henry, while you are on the phone---I said to someone this morning ---

HMJr: Yeah.

C: That at the Cabinet meeting the last time ---

HMJr: Yeah.

C: When the President was talking I was watching you look at him---

HMJr: Yeah.

C: And I came to the conclusion that day that you were watching him, and the thought was going through your mind how badly he looked that day.

HMJr: Yes.

C: Because I could tell by the way you were looking at him there.

HMJr: Well, I guess I must wear my heart on my sleeve.

C: Well, you certainly did that day because you had that expression on your face.

HMJr: Well, I was worried. You know, sometimes he would lean back and he couldn't get back up again.

C: Yeah, I noticed you watching him on that a couple of times. And another time he kind of leaned over on table, do you remember?

HMJr: Yeah.

C: And I don't think anyone noticed that outside of yourself.

HMJr: But several times there he didn't seem to be quite in balance.

C: That's right, Henry, that's right.

HMJr: It was worrying me terribly.

C: I'll do what I can.

HMJr: Thank you. Goodbye.
HMJr: Hello.
Operator: Mr. Gamble. Go ahead.
Mr. Ted Gamble: Hello.
HMJr: I didn't know you were back, Ted.
G: Yes, Mr. Secretary.
HMJr: I wish you had told me.
G: I came in this morning.
HMJr: Oh.
G: And I called Fitz and told ---
HMJr: Just a little stuff, but I just happened to be signing.....
G: Yes.
HMJr: ...one of these very elaborate citations for Warren Shee...
G: Yes.
HMJr: Reginald Summerland. Now that's the kind -- the same kind of thing that I give to Forrestal or somebody like that.
G: Well, this particular fellow has done an outstanding piece of work all throughout that district. And, in fact, he has just devoted his whole existence during the War Loans to this operation.
HMJr: You think.....
G: I think it merits it, yes.
HMJr: Both of them.
G: I fixed it myself.
HMJr: You did?
G: Yes.

HMJr: Well, they are signed.
G: Fine.
HMJr: Now, I don't know when I'll get --- are you going to be in town tomorrow?
G: Yes, sir. I'm going to be here. I'll only be out of town one day in the next ten days. I'm going to Chicago on Monday.
HMJr: You'll be here tomorrow?
G: I'll be here tomorrow.
HMJr: Well, we'll get together sometime.
G: Yes. I have several things that I want to talk to you about, but I told Fitz this morning that I was in and didn't want to bother you -- and just let him know I was here.
HMJr: I'm going to ask him why he didn't tell me.
G: Yes.
HMJr: Well, I'll ask --- well, I'll see you tomorrow.
G: All right, sir.
HMJr: Thank you.
G: Goodbye.
April 13, 1945
Dear Henry:

I thought you'd be interested in this copy of a letter I received from Claude Borey.

April 13, 1945

DEPARTMENT OF COMMERCE
OFFICE OF THE SECRETARY
WASHINGTON

Regraded Unclassified
check by Jews with the fascists from Italy and the Nazis from Germany, in the
common effort to end democracy in Spain. The pretender was sent to Italy to be
brought up in the fascist philosophy. The old King died there, except, unhonored and
unmourned. France, supported by the monarchists, gave all possible aid to our
enemies throughout the war and the allies did not resign until Germany was on its
knees and Italy was lost. Gattaca is one of the three monarchist parties who have also
resigned within the last few days and made the arrangements with Mussolini to send an army and arms and
money when the traitors were ready to strike at the republic. This in 1934.

All these facts will come out in time and since "we cannot escape history" I
should hate to see my country enter into any kind of an agreement for the
suppression of the democratic, republican aspirations of a brave and heroic people.

Warmest regards,
Sincerely,

/sig/
CLAUS G. HOVING

Gen. Henry A. Wallace
Washington, D.C.
MEMORANDUM FOR THE FILES

April 13, 1945

TOP SECRET

Lieutenant-Colonel John S. Wise of the Operations Division, War Department General Staff, came in this morning to show me a Top Secret message from Marshall's Eyes Only, in which it was stated that Colonel Bernstein and other officers had inspected the gold and art treasures captured in the salt mine in Germany. He said the treasure was about two thousand feet under the ground and it was estimated that there are approximately 225 to 250 tons of gold and about 2,000 boxes of art treasures. Officers attached to the Currency Section of G5 were also in on the problem and no doubt will take charge of the currency.

The whole seizure is being moved to Frankfort, which is in the contemplated American zone, and will be under heavy guard. Eisenhower asks that this location be kept at very top secret.

Colonel Wise promised that, as additional information is received, he will keep me advised.

*Frankfurt a/Main
SECRET
CONTROL COUNCIL

(Pub. Comment
(MER ITATION)

DEPUTY to C.O., U.S. FORCES, etc.
(U.S. Army Col., member of Control Council)

EXECUTIVE
Coordination & Planning
Secretariat
Personal
Administration

INTELLIGENCE

MILITARY
DIVISION
Functions
Demobilization
Demobilization
Demobilization
Road Construction
Shipping

NAVAL
DIVISION
Functions
Demobilization
Demobilization
Demobilization
Shipyards
Ships

AIR
DIVISION
Functions
Internal Affairs
Reconstruction
Public Works

TRANSPORTATION
DIVISION
Functions
Political Affairs
Propaganda
Public Information

POLITICAL
DIVISION
Functions
Agriculture
Allocation
Foreign & Domestic
Trade
Demobilization
Of War Potential
Industry & Trade
Steel

ECONOMIC
DIVISION
Functions
Finance Section
Control
Agriculture
Allocation
Foreign & Domestic
Trade
Demobilization
Of War Potential
Industry & Trade
Steel

FINANCE
DIVISION
Functions
Public Works
Public Health
Public Education

PREPARATION,
DESTRUCTION & RECONSTRUCTION
DIVISION

INTERNAL AFFAIRS
& COMMUNICATIONS
DIVISION
Functions
Justice
Tribunals
Legal Counsel
Liaison
All Govt. Courts
Office of Justice
(Incl. Penal Affairs)
Public

LEGAL
DIVISION
Functions
Arms, Weapons
Legal Counsel
Liaison
War Crimes

DIVISION
Functions
Arms, Weapons
Legal Counsel
Liaison
War Crimes

WINDINGS OF WAR & DISPLACED PERSONS
DIVISION

MANPOWER
DIVISION
Functions
Labor Section
Employment
Unemployment
Industrial Disputes
Labor
Social Security

SECRET

Regraded Unclassified
MEMORANDUM FOR SECRETARY MORGENTHAU

13 April 1945

MEMORANDUM FOR SECRETARY MORGENTHAU

1. We have been making a study of German control in the countries they occupied together with the means employed against the Germans by the resistance groups in occupied territory. The purpose of this inquiry is to estimate the possible methods of control and evasion that may be employed by the Germans against us.

We are conducting this study by means of interviews with resistance leaders of the various countries, examination of available records, and questionnaires sent to officials of the former Vichy Government thoroughly acquainted with German control procedure. Following are some conclusions which we have reached to date:

(a) German control in France was strictly military. The Armistice created Supreme Control Commission which was responsible to High Command. Under this commission originally were commissions for control of Army, Air, Navy, Industry, Repatriation. Under them were a myriad of sub-commissions, detachments, etc. As time went on new commissions developed for press, radio, transportation, etc.

Throughout the occupation, France was considered to be in state of siege and therefore military could intervene directly at any time to enforce, impose or change laws. All laws were subject to instant change by so much as a simple note. Any order from the military or force of law immediately and urgently.

However, apart from occasional police measures, and isolated actions such as the sudden disembolishment of the Armistice Army in November 1942, the German policy was to refrain from imposing authority directly. In government administration, military and economic affairs, the French were given directives or orders at the top, and execution was left to them. There was a highly organized system of inspection, and failure to execute instructions, when detected, brought prompt and severe punishment, but again, rarely by direct intervention, but rather through French channels.

The German system worked extremely well on short term basis; i.e., they obtained a maximum of collaboration acceptable with minimum of effort. For their long term
planning, which counted on France as a permanent, willing, de-industrialized, agricultural partner in the new European order, the German method was well conceived and might have succeeded.

But in view of events as they materialized, mainly her failure to win unchallenged mastery of Europe, Germany's method of control must be considered a failure. It did not win over the French. It did permit the growth of highly developed and formidable resistance.

The fatal weakness of the system was its failure to have German officials either occupying key points of operational control or sharing these positions as opposite numbers to French officials, instead of being content merely with a policy of inspection. The French for a long time were able to prevent and delay the expropriation of railroad rolling stock simply because there were no German officials at posts of control in the administration of the railroads. Several of the most vital meetings of the top Vichy leaders were actually held in the Headquarters of 1 Prefect, with official transportation of the Prefecture taking the leaders to and from the meetings. A German general responsible for that Prefecture was located a few hundred yards away but because he exercised no direct control, had no knowledge of what was taking place. Those are but 2 of thousands of examples.

(b) French evasion of occupational control was eminently successful, due in large part to errors of the system of control. The heart and brains of French resistance were made up of officers of French Army. First cardinal error of the Germans lay in permitting existence of Armistice Army of 100,000 in Metropolitan France and continuance of army of 110,000 in North Africa and the Middle East, and formation of para-military associations. Resistance inside France, although negative in character at the start, began immediately after Armistice. Because of faulty supervision French were able to conceal large quantities of arms and munitions during demobilization. Army vehicles by thousands took on new coats of paint overnight and ostensibly became property of municipal services or even private industry. Great caches of arms were formed. Armistice Army became elite organization while tens of thousands of demobilized key personnel of engineers, ordnance, communications, etc. went into civilian clothes and jobs but maintained organization and contact. Forty-thousand colonial troops were formed into work battalions but under demobilized cadres of their old NCO's and officers. The
secret financing of resistance movements. This is considered a most important step. Leaders here agree no serious resistance movement is remotely possible without large scale financial aid. Maintenance even of Maquis was estimated at 800 French per man per month. Greatest nightmare of French resistance leaders toward end was that money might be changed.

(c) Immediate, complete census in Germany and issuance of new type identity card, possibly with secret serial number, first digit for example indicating first letter of name of holder, second number indicating province of origin, third number occupational category, etc. This system was started toward end in one vicinity in France, and put ardent fear in hearts resistance leaders, for it would have rendered faking of false documents almost impossible, and would have paralyzed movement.

(d) Accept as principle from start that no German governing authority is to be trusted, no matter how friendly appearances may be. Have allied representative as opposite number to German in every key point of administrative or economic control, with his countersignature necessary for any action, in some places create complete break in chain of command. As arbitrary example, have Allied office, without...
any German representation, at head of each Wehrmacht so that communications between central government and lower echelons would pass through exclusive Allied control.

(e) Hunt down German officers, obtain all promotion lists of last 10 years. Maintain strictest surveillance over them or even send them out of Germany.

(f) Requisition all forms of transportation, from railroads to vehicles, and place under control of Allied officers wearing side arms.

(g) Demobilize Army with all possible speed and make swiftest possible inventories of arms and materiel before they can be concealed.

(h) Maintain closest liaison between different spheres of Allied occupation and strive for uniformity of control laws. Line of demarcation in France was bad mistake on part of Germans, resulting in migrations of people and material to most favored zone and considerable frustration of German aims, especially in requisitioning.

(i) Use iron fist in propaganda from start. Execute promptly and ruthlessly for falsified papers and give wide publicity to executions.

(j) Control Commissions should be well staffed.

with plenty of technicians, particularly at the start. Do not discuss, but order. Avoid use of German Liaison Officers wherever possible. French Liaison Officers were star silent saboteurs.

(k) No communication should be permitted between regions in Germany during demobilization and disarmament.

G. Edward Buxton
Acting Director
13 April 1945

MEMORANDUM FOR SECRETARY MAGNINE

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planning, which counted on France as a permanent, willing, de-industrialized, agricultural partner in the new European order, the German method was well conceived and might have succeeded.

But in view of events as they materialized, mainly her failure to win unchallenged mastery of Europe, Germany’s method of control must be considered a failure. It did not win over the French. It did permit the growth of highly developed and formidable resistance.

The fatal weakness of the system was its failure to have German officials either occupying key points of operational control or sharing those positions as opposite numbers to French officials, instead of being content merely with a policy of inspection. The French for a long time were able to prevent and delay the expropriation of railroad rolling stock simply because there were no German officials at points of control in the administration of the railroads. Several of the most vital meetings of the top Inquisitors were actually held in the Headquarters of 1 Prefect, with official transportation of the Prefectures taking the leaders to and from the meetings. A German general responsible for that Prefecture was located a few hundred yards away but because

he exercised no direct control, had no knowledge of what was taking place. Those are but 2 of thousands of examples.

(b) French evasion of occupational control was eminently successful, due in large part to errors of the system of control. The heart and brains of French resistance were made up of officers of Armistice Army. First cardinal error of the Germans lay in permitting existence of Armistice Army of 100,000 in Metropolitan France and continuance of army of 110,000 in North Africa and the Middle East, and formation of para-military associations. Resistance inside France, although negative in character at the start, began immediately after Armistice. Because of faulty supervision French were able to conceal large quantities of arms and munitions during demobilization. Army vehicles by thousands took on new coats of paint overnight and ostensibly became property of municipal services or even private industry. Great caches of arms were formed. Armistice Army became elite organization while tens of thousands of demobilized key personnel of engineers, ordnance, communications, etc. went into civilian clothes and jobs but maintained organization and contact. Forty-thousand colonial troops were formed into work battalions but under demobilized cadres of their old NCO’s and officers. The
Chantier De Jeunesse, Work Services, Services for the Maintenance of Order, and other youth organizations were formed and received all discipline and military training possible without arms. Regimental and other veterans associations were formed. The old statistical bureau of Napoleon 3rd were reorganized and under this innocent guise became a recruiting system. In November 1942, the Armistice Army was dissolved. In 1943 the Germans began to crack down on all para-military organizations, and recruit membership for forced labor, but the harm already had been done and many of these groups went over as organized units to the Maquis. As resistance developed and became more active, these organizations were the manpower source for all forms of resistance from intelligence agents, to industrial saboteurs, to the secret army itself.

2. These comments are the unanimous conclusions of resistance leaders interviewed:

(a) No army or military organization of any sort should be permitted to remain in Germany. No youth, social or military associations.

(b) German money should be outlawed at once and a new currency issued. This would facilitate prevention of secret financing of resistance movements. This is considered a most important step. Leaders here agree no serious resistance movement is remotely possible without large scale financial aid. Maintenance even of 100 Maquis was estimated at 300 Francs per man per month. Greatest nightmare of French resistance leaders toward and was that money might be changed.

(c) Immediate, complete census in Germany and issuance of new type identity cards, possibly with secret serial number, first digit for example indicating first letter of name of holder, second number indicating province of origin, third number occupational category, etc. This system was started toward end in one vicinity in France, and put entire fear in hearts resistance leaders, for it would have rendered picking of false documents almost impossible, and would have paralyzed movement.

(d) Accept as principle from start that no German governing authority is to be trusted, no matter how friendly appearances may be. Have Allied representative as opposite number to German in every key point of administrative or economic control, with his countersignature necessary for any action, in some places create complete break in chain of command. As arbitrary example, have Allied office, without
any German representation, at head of each Wehrmacht so that communications between central government and lower echelons would pass through exclusive Allied control.

(e) Hunt down German officers, obtain all promotion lists of last 10 years. Maintain strictest surveillance over them or even send them out of Germany.

(f) Requisition all forms of transportation, from railroads to vehicles, and place under control of allied officers wearing side arms.

(g) Demobilize Army with all possible speed and make swiftest possible inventories of arms and material before they can be concealed.

(h) Maintain closest liaison between different spheres of Allied occupation and strive for uniformity of control laws. Line of demarcation in France was bad mistake on part of Germans, resulting in migrations of people and material to most favored zone and considerable frustration of German aims, especially in requisitioning.

(i) Use iron fist in propaganda from start. Execute promptly and ruthlessly for falsified papers and give wide publicity to executions.

(j) Control Commissions should be well staffed.

with plenty of technicians, particularly at the start. Do not discuss, but order. Avoid use of German Liaison Officers wherever possible. French Liaison Officers were star silent saboteurs.

(k) No communication should be permitted between regions in Germany during demobilization and disarmament.

G. Edward Barton
Acting Director
13 April 1945

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

My dear Mr. Secretary:

The attached copy of radiotelephone message #292, dated 11 April 1945, may be of interest to you.

It was received last night from our representative in Berne.

Respectfully yours,

[Signature]

E. J. Putzell, Jr.
Lieut. (jg), USNR
Acting Executive Officer

13 April 1945

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Secretary of the Treasury
Treasury Department
Washington, D. C.

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Respectfully yours,

[Signature]

E. J. Putzell, Jr.
Lieut. (jg), USNR
Acting Executive Officer
GERMANY

1. The press this evening announces that, following the departure from Berlin of several foreign embassies and legations to places in southern Germany, a part of the Swiss Legation together with the Minister has been removed to Tegernsee in southern Bavaria. A part of the Swiss Legation personnel is remaining in Berlin.

2. It is interesting to note that the place selected is not really in the German Reich, but on the outer fringes of it, and this rather leaves open the question as to whether a Swiss representative is being sent into the Reich. However, Tegernsee is only about sixty miles from Berchtesgaden as the crow flies.

3. The relatively quick surrender of the fortress of Memmingen is one of the most interesting developments of the past few days. The will to fight, even on the southeastern front, is waning. One of the reasons for this is the disappearing threat for the families of the German generals and soldiers who give themselves up. With such a large part of Germany occupied, the families of many are now safe. In Allied hands and beyond the reach of the Gestapo. Further, the soldiers know well that, except in special cases of prominent military leaders, the Gestapo no longer has the time to run down and break revenge on individual families. Hence, one of the great deterrent weapons is slipping from the hands of the Gestapo.

4. What is going on in the inner circle of the Nazi Party is still a mystery. We have lurid stories in the press from various Allied and neutral capitals. But there is as yet no evidence here that Hitler has lost the Berlin area or that there has been any break in the inner Nazi ring. It is reported on reasonably good authority that Goebbels is gaining in power and is often seen with Hitler, who is supposed to have offered him Ribbentrop's job. Since it is hard to tell whether and where there is any German office really functioning, it is unlikely that he will accept, even if the job were offered to him.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION
DATE: April 13, 1945

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

Subject: Gold sales in China.

In connection with your discussions with Dr. T.V. Soong on gold sales in China, you may be interested in the following new developments:

1. Sales of gold during March totalled more than 800,000 ounces or the equivalent of nearly $18 million of gold.

2. The short gold position of the Chinese Government is now approximately 1.3 million ounces or the equivalent of more than $360 million of gold.

3. The official selling price of gold has been raised from CHS20,000 to CHS35,000 per ounce, but the black market price for gold is about CHS60,000.

4. The increase in the price of gold has resulted in a rise in the open market rate for U. S. currency which is now between CHS7000 and CHS9000 per US$1 as compared with the official rate of CHS20 to US$1.
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.

Signed: Thank you. I will look into it. You can give it back.

Mr. White
Room 313
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 (N. Man.), Kelley (K. Misc.), Capehart
(N. Ind.), and Aiken (N. Ver.), and Representatives
Baldwin (N. Y.), Emslie (D. Misc.), Luther
Johnson (D. Tex.), McCormack (D. Mass.), Patterson
(D. Colo.) 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 1,000 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, Collier's,
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
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
Association National Congress of the American Teachers'
Parent Teacher's Association
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

TO: Secretary Morgenthau

FROM: Mr. Lynch

Date: April 10, 1945

For attention

Since our discussion of the subject this morning, I have learned that Senator Pepper plans to go forward with the hearings of the Senate Small Business Committee at which he wants you to appear on April 19 to discuss post-war foreign trade prospects with emphasis on the relationship of the Bretton Woods proposals.

I was not able to reach Senator Pepper, but his assistants handling the hearing for him said they were certain that he wanted the hearings to go ahead as scheduled.

The theme of the hearing will be the importance of the small trader and the small business of foreign trade in the post-war period. The Senator believes that the hearings will offer an excellent forum for bringing out the significance of the Bretton Woods proposals in that direction. He understands that any appearance on your part would probably be a brief one, and the discussion would be very general with the decision left to you as to the degree of elaboration upon the Bretton Woods proposals.

If you cannot appear on April 19, then I am sure the Senator will want to know the earliest alternative date for your appearance.

Mr. White and I would like to discuss this subject with you at your earliest convenience.

cc: Mr. White

[Signature]
April 13, 1945

Secretary Morgenthau

Mr. Lyman

For attention

Since our discussion of the subject this morning, I have learned that Senator Pepper plans to go forward with the hearings of the Senate Small Business Committee at which he wants you to appear April 16 to discuss post-war foreign trade prospects with emphasis on the relationship of the Bretton Woods proposals.

I was not able to reach Senator Pepper, but his assistants handling the hearings for him said they were certain that he wanted the hearings to go ahead as scheduled.

The theme of the hearings will be the importance to the small trader and the small businessman of foreign trade in the post-war period. The Senator believes that the hearings will offer an excellent forum for bringing out the significance of the Bretton Woods proposals in that direction. He understands that any appearance on your part would probably be a brief one and the discussion would be very general with the decision left to you as to the degree of elaboration upon the Bretton Woods proposals.

If you cannot appear on April 16, then I am sure the Senator will want to know the earliest alternative date for your appearance.

Mr. White and I would like to discuss this subject with you at your earliest convenience.

cc - Mr. White

T.H.: Mr.
Every American rejoices in our victory over Germany.

We now turn the whole of our might against the enemy in the Pacific. Only then that enemy has been smashed into unconditional surrender may we think of resting from the tasks of war.

At home, another mobilization of America’s “fighting dollars” -- the Seventh War Loan -- is just ahead. Victory over Germany has not lessened the Government’s need for this loan by so much as a penny.

Our expenditures during March were the greatest for any month of the war. There is every indication that a high level of expenditures will continue for many months. The necessity of meeting approximately half of these costs through the sale of bonds remains unchanged. There must, therefore, be no interruption with our plans for the Seventh War Loan. I feel confident that the American people, inspired by victory over the Axis, will make the Seventh War Loan Drive an overwhelming success.

In Europe, proceeds of the Seventh War Loan will be needed to help meet the army’s maintenance and occupation expenses. In the Pacific, these proceeds will pay for redeployed forces by which our air, sea and land forces will tighten the noose about Japan. In America, the dollars lend to the Government by its people, in addition to paying for continued production of vitally needed munitions, will provide well-worn aid to wounded and discharged veterans. And as our troops are brought home from Europe or are transferred to the Pacific theater, there will be exceptionally heavy expenditures for transportation and re-equipment.

A resounding public response to the Seventh War Loan will serve still other important purposes.

It will have the effect of dropping a vast tonnage of psychological block buster on Tokyo.

It will provide continued protection against the still-present danger of inflation.

In sheer self-interest, our battle against inflation must go on. Unchallenged bond buying, plus stubborn resistance to any impulse to cash the bonds we already own, is our best anti-inflation insurance.

To surrender to inflationary influences or to lessen in any respect the support of our armed services would be to let down the men who still must fight.

The way to bring them home -- back to the happy, wholesome land they long to see -- is to buy more War Bonds.

April 18, 1945

My dear Mr. Prime Minister:

It was thoughtful and considerate of you to have sent us a telegram at this very sad time. I am afraid that it will be impossible to replace President Roosevelt, and I only hope that the war effort will not suffer too greatly.

I know how much the President thought of you, and he often spoke of you as one of his real friends.

With kind regards from Mrs. Morgenthau and myself, I remain

Very sincerely yours,

(Signed) Henry Morgenthau, Jr.

The Honorable W. L. McKenzie King,
The Prime Minister of Canada,
Ottawa, Canada.

Sir, M.P.
April 13, 1945

My dear Mr. Prime Minister:

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With kind regards from Mrs. Morgenthau and myself, I remain

Very sincerely yours,

(Signed) \[Signature\]

The Honorable W. L. McKenzie King,
The Prime Minister of Canada,
Ottawa, Canada.

Mr. Mail
WU7 20 NL CNT OTTAWA ONT APR 12 1945
THE HONORABLE HENRY MORGENTHAU JR
TREASURY DEPT
PLEASE ACCEPT THE EXPRESSION OF MY DEEPEST SYMPATHY FOR MRS
MORGENTHAU AND YOURSELF IN THE LOSS OF YOUR DEAR FRIEND
MACKENZIE KING
819 AM APR 13.
EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEES BOARD
INTER-OFFICE COMMUNICATION

DATE April 10, 1945

TO Secretary Morgenthau

FROM William O'Dwyer

The War Refugees Board is now faced with the problem of arranging for financing for the fiscal year 1946. No request has been presented to Congress for an appropriation for the fiscal year 1946 in view of the uncertainty of the length of our existence.

It now appears that we shall be operating beyond June 30, 1946, at least for winding up purposes, and that funds will have to be available during the fiscal year 1946.

There are two methods by which we can obtain the necessary funds: (1) by requesting an appropriation on the last Deficiency Appropriation Bill which will go to Congress the last of May; or (2) by an allocation from the Emergency Fund for the President.

I feel that a request for an appropriation from Congress is impractical since it would raise publicly the question of the future course of the War Refugees Board, a question which we are not yet prepared to decide.

I feel strongly that we should attempt to obtain an allocation from the Emergency Fund for the President. We have been advised by Mr. Reilly of the Budget Bureau that such a request could be honored in such an allocation. I would appreciate your help in pressing with Harold Smith, the Director of the Budget, for an allocation for the War Refugees Board from the President's Emergency Fund, at least for the balance of the calendar year 1946.

[Signature]

William O'Dwyer
PARAPHRASE OF TELEGRAM SENT

TO: London
DATED: April 13, 1945, 11 p.m.
NUMBER: NIACT 2074

US URGENT,
FOR WINANT FROM SECRETARY MORGENTHAU

Please inform the Chancellor of the Exchequer
if possible by nine o'clock Friday morning that the
New York Stock Exchange will be open as usual and
that Treasury is taking adequate steps to see that
nothing happens to the Government bond market.

STEFANINI

Date: 4/15/45
PARAPHRASE OF TELEGRAM RECEIVED

FROM: London
DATED: April 13, 1945, 9:00 a.m.
NUMBER: NIAC 3707

PERSONAL FOR THE SECRETARY OF THE TREASURY
FROM AMBASSADOR WINANT

Before 9 o'clock this morning we read your message to me, NIAC 2874, April 12, to the Chancellor of the Exchequer.

WINANT

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATED: April 13, 1945
NUMBER: 3707 (NIAC)

TOP SECRET

U3 URGENT

Ambassador Winant transmits the following message for the personal attention of Mr. Morgenthau.

Before 9 o'clock this morning your message to me, NIAC 2874, dated April 12, was read to the Chancellor of the Exchequer.

WINANT

Dd/L: HAA: KRM
4/13/45
EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD
INTER-OFFICE COMMUNICATION

DATE APR 13 1945

TO
Secretary Morgenthau

FROM
Miss Hodel

Re: Raoul Wallenberg

Prior to receiving your note, the Board, in conjunction with the State Department, sent a cable to the American Embassy in Moscow asking it to support the Swedish Legation in Moscow in its request to the Russian Government for assistance in determining the fate of Wallenberg. A copy of this cable is attached.

Upon receipt of your note, General O'Dwyer wrote the enclosed letter to Secretary Stettinius in which your personal interest in Mr. Wallenberg was indicated.

Attachments.
CABLE TO Harriman, Moscow, FROM Department and War Refugee Board

Reference is made to Stockholm's No. 14 of April 4 to you, repeated to the Department as No. 1881 of April 4. Department and Board would appreciate your giving all possible support to the Swedish Legation in Moscow in its request to the Russian Government for assistance in determining the fate of Haoul Willemsen, Attaché to the Swedish Legation in Budapest.

The War Refugee Board had special interest in Willemsen's mission to Hungary because of his outstanding work in protecting Jews and other victims of enemy oppression during the enemy occupation of Hungary.

April 18, 1946

My dear Mr. Secretary:

We have recently learned through the American Legation in Stockholm of the disappearance of Mr. Haoul Willemsen, Special Attaché to the Swedish Legation in Budapest, and of the unconfirmed report that he has been murdered. We have requested the American Embassy in Moscow to support in every possible way the request of the Swedish Legation there for the assistance of the Russian Government in determining Mr. Willemsen's fate. There are attested copies of the pertinent cables concerning his disappearance.

During the height of German occupation of Hungary when hundreds of thousands of Jews were in grave danger, Mr. Willemsen undertook, at great personal risk, a special mission to Hungary. His services were available to the War Refugee Board through the Swedish Foreign Office, and as the result of his unsparing efforts and ingenuity, thousands of Jews were protected and saved from Nazi persecution. We are sorely distressed over the news of his disappearance.

Secretary Morgenthau has asked me to tell you of his personal interest in Mr. Willemsen. I would deeply appreciate your advising me of any information which the Department of State is able to obtain concerning Mr. Willemsen's fate.

Very truly yours,

/s/ William O'Dwyer

William O'Dwyer
Executive Director

The Honorable,
The Secretary of State.

Regraded Unclassified
MEMORANDUM FOR THE SECRETARY.

April 13, 1945.

Mail Report

The day was not an hour old before telegrams began to pour in from widely scattered sections of the country, urging that the Seventh Drive be a memorial to President Roosevelt. Senders of the telegrams suggested that promotional material be re-designed for this purpose, and that, if possible, his picture appear on bonds offered during the Drive.

During the week, news of General Patton’s capture of the Nazi gold hoard was made public, and immediately suggestions began to come in. Credit- ing it against our Lend-Lease expenses, depositing it in the world bank, or using it for reparation from Germany were among the proposals submitted. There were one or two anti-English communications urging that what the Americans found be devoted to curtailing American expenses, rather than to aid the English.

So far as the Bretton Woods Agreement is concerned, more letters approve it than disapprove it, but the general tenor, of course, is still a quest for information rather than comment. There has been little allusion to the San Francisco Conference.

Tax correspondence was exceptionally light and uninteresting, with a few requests for refunds and a number of questions.

In the bond mail, emphasis was, of course, on the Seventh Drive, with many promotional ideas, and another report of a business firm that had already topped its quota. Only two bonds for redemption were received through this office, and complaints about delays in delivering bonds remained at the level of the past few weeks.

From the standpoint of gifts, this was an especially profitable week. There were nine in all, three of them small, but the others much larger than usual -- one being a check for $56,000.00
Mrs. Anna Greulin, Grand Forks, North Dakota.
I wrote Senator Langer, Washington, D. C., in regard to a Government check. He has written to me to write to the Secretary of the Treasury. I have written there several times. I have a son 3 years in the front lines. Patton is his General, and he sent me $20.00 every month for 3 years, and every check I put in my deposit box to save him when he got home. So in August 1944 he sent money home and was sent to England. He sent home some money. I went to my deposit box and took out a check dated June 1, 1944, for $20.00. Went to the Post Office, they cashed it, got my money Order for $20.00 and sent it to my son. In 3 days the check came back and I had to make it good... which I did. On the back of the check it told me when to send it back, so I sent it in. That's over 8 months ago. I have written and written but I never got my money. Every time I wrote I got an answer from eight different places -- passing it from one to another. Please give this your special attention as I am getting tired of waiting and writing. Senator Langer requested that I write you and notify him when you make my reply.

Henry J. Abrahams, Omaha, Nebraska. Enclosed herein please find Treasury checks, one dated February 1, 1945, in the amount of $12.50, and the other dated March 1, 1945, in the amount of $6.25. Even though we are advised that the War is progressing most favorably for the Allies, I still feel that it is a very good idea for us all to continue to lend our efforts toward a speedier conclusion of this worldwide conflict, and so I will ask that you please use the proceeds of these checks to buy whatever materials can be purchased, that will bring us victory quickly.

Joseph P. Marcelle, Collector of Internal Revenue, Brooklyn, New York. Your communication of April 2nd addressed to "Fellow Employees" on the matter of donating blood through the Red Cross will, I am sure, be quite helpful in accomplishing the purpose for which it was written. Perhaps you will be interested to know that, without advance notice about three weeks ago, the local Red Cross Unit phoned me explaining how urgently blood was needed. I immediately issued a call for volunteers and was pleased to have response from eighty-four of our employees within the following three hours. Thirty-six of our women employees and forty-eight of our men employees responded. Last Saturday, by previous appointment, one of the Red Cross speakers addressed the employees here in the main office and I am gratified to inform you that fifty-one additional volunteers responded.

Mrs. Ethel Jamison Engel, New York City. Tonight I heard Representative Frederick C. Smith, of Marion, Ohio, make a speech in Columbus, discussing the Bretton Woods Agreement. Of all the distortions...the panic he seemed to instill in his audience... It seems to me that the Treasury Department should get a copy of this speech and have someone answer it. Mr. Smith outdid the American Bankers Association... In fact, I was astounded at the interpretation and the sinister implications he found for this effort at world money stabilization. Too many people hear that sort of stuff and nothing else, if their Press takes the same stand.
Favorable Comments on Bonds

Preston E. Reed, Executive Vice President, Financial Advertisers Association, Chicago, Illinois. When a man does a splendid job, I want to give him credit, and I want you to know that Mr. Robert W. Coyne gave one of the best speeches on behalf of any War Loan Drive that I have ever heard. The privilege of hearing him talk today before the Financial Advertisers Association here in Chicago and thrilled his audience. I just wanted you to know it.

Unfavorable Comments on Bonds

Senator Edwin C. Johnson (Colorado) forwards the following letter he has received from Frank E. Hulper, Mining Engineer, Denver, Colorado: "I have just been confronted with conditions, the principle of which does aggravate me most decidedly, and I am certain that many fathers in the country are finding the same conditions and I believe have the same reaction. My son, Alex, who is a Private in the Infantry overseas, being in the European theatre, is the owner of a U. S. Government Saving Bond, which matured on April 1, 1946. My son before sailing overseas did, in accordance with instructions from the Army, submit to me his Power of Attorney to handle his business affairs. Having this Power of Attorney, I did take this bond of his to the bank in order to have it redeemed. There I was advised that the Power of Attorney did not apply to this Savings Bond. True enough, the face value of this bond is only $25.00, and it is for this reason that I stated that it was the principle of the matter to which I take exception. When I was advised at the bank, they instructed me to call at the Redemption Office of the Federal Reserve Bank in Denver. This I did and I was there advised that they could not redeem these bonds under Power of Attorney, nor would they re-issue a new Series "E" Bond unless I had the letter of instructions and authorization from my son. As I advised them, my son had no secret in the fox hole, and even as it is, he finds little time for writing, and in most instances has little paper for this purpose. This entire situation did aggravate me for I felt that this Power of Attorney as prepared by the Army must certainly have been prepared in connection with proper officials of the Treasury Department. Certainly the two Departments could and should have cooperated in the preparation of such a document in order to assist the boys who have been taken from the country."
Bert Keough, Secretary-Treasurer, Muskegon Federal Savings and Loan Association, Muskegon, Michigan.

The policy of this association is to buy issues of 5 years or less maturity, as near five years as possible, (plus ads.). You will not permit us to buy these in the current offering. We must wait until after the drive and then pay some banker a profit of some considerable amount. We don't like that. We hope the next drive will permit us to fill our needs without payment of tribute to the commercial banker. We need that income as much as he does.

Unfavorable Comments on Taxation

The following is a carbon copy of a letter addressed to Clarke Squire, Collector of Internal Revenue, Tacoma, Washington: "I regret that the Department's rulings are so arbitrary and apparently serving no good purpose except to make extra work for the Government and the taxpayer. It will result only in that my wife and I will stop buying tax notes and other Government securities. The purchase of tax notes by us was, as far as we were concerned, a service to our country as we actually paid the bank 4% and 5% interest on borrowed money. It seems so silly for us to have to go to the bank to cash tax notes in order to send you the money when you could accept the notes. Please return the tax note. Check for the amount of the tax is enclosed. You now compel me to go to the bank and pay 5% to borrow the money to wait for the Treasury Department to redeem our tax money which we let the Government have in advance. (Signed) Frederick W. Schmidt, Olympia, Washington."

Max Brueil, Woodmere, New York. On March 20, I took the liberty of making a few suggestions to you about the very praiseworthy effort to stop tax evasion. In reply, I received a letter of the Intelligence Unit dated March 31, also a duplicate -- the letter apparently enclosed by error. I hope you will not take it amiss if I point out respectfully that just as it is customary in business circles to always express a word of thanks for individual efforts to render services, it would be a good idea for the Treasury staff to adopt the same policy. ** ** **
Regraded Unclassified

# In light of this information ICGO is now making
special effort to obtain immediately a few buses from

Prus army to supplement limited number of POW parcel

trucks available for such evacuations. ICGO is also exam-

ining possibility of using blocked POW parcel train now at

Hooeberg for similar purpose. Committee has hopes

that outside of French and Belgian detainees they may be

able to get some of other nationalities on an "ad hoc"

basis depending on attitude of individual camp commanders.

Will keep you informed.

HARRISON

JMR

Regraded Unclassified
RECEIVED

WASHINGTON, D.C.

Dated April 13, 1945
Rec'd 4:18 p.m.

Secretary of State
Washington

777, Thirteenth.
RUS 3DG DUC 215
FOR LEAVITT FROM TRURO

Further our 367 Gottsfarb cables: "American
Red Cross who also has large stores packages for
war—prisoners in Germany in Gothenburg. Believe
they cannot be used for original purpose because
of war situation. Couldn't New York try get part
of them for us." Please advise soonest decision
relative purchase stock of medical supplies in
Stockholm.

CROCKETT

US-234
Distribution of true
reading only by special
arrangement. (SECRET)

Dated April 13, 1945
Rec'd 1:58 p.m.

Secretary of State
Washington

2174, April 13, 1 p.m.

FOR QUARTER OF USG FROM NEUMANN

It would be of greatest value to me if Board
could obtain as soon as possible from our competent
military authorities information concerning condition
in which following concentration camps (in immediate
line of advance of our armies) are found upon
liberation: Bergen Belsen, Breisach 20 kilometers
SN of Colle) Buchenwald midway between Erfurt and
Neunark and Hamburg—Neumgammes in environs of former
city.

HARRISON

DUN

Regraded Unclassified
CABLE TO AMERICAN EMIGRANT, LONDON, FROM THE U.S. REFUGEE BOARD

Please deliver the following message to Mr. Charley M. Sharp from Mr. Charles M. Joy of the U.S. Refugee Board:

"256. Before cable to British emigrant is completely received please identify by all communications with the British Government and in all communications with emigrants in America that the emigrant was directed by the U.S. Refugee Board as far as possible and in all communications with the British Government and in all communications with emigrants in America that the emigrant was directed by the U.S. Refugee Board as far as possible."

This is U.S. London Cable No. 170.

4:15 p.m.
April 13, 1945

CABLE TO HABIT, LONDON, FOR SAIN FROM U.S. REFUGEE BOARD

Reference Department's No. 1905 of March 12 (W.B. No. 56).

Board would appreciate reply as soon as possible.

This is U.S. London No. 67.

4:45 p.m.
April 13, 1945
CASEX TO AMERICAN EMBASSY, GENEVA, FOR SWITZERLAND, FROM THE WAR REFUGEES BOARD

Please deliver the following message to Gerhard Mager, 37 Goul Wilson, Geneva, from Kurt Gutenmann of World Jewish Congress:

QUOTE: PLEASE FIND THE FOLLOWING VICTIMS FEBRUARY 1945:
NAME: ALFRED MAYER (NEE FUCHS)
DATE OF BIRTH: 29, OCTOBER 1922
SEX: MALE
HUSBAND OF: MARGARET MAYER
CHILDREN: 2
BORN IN SIBERIA. PLEASE CONTACT THIS CASE.
END.

THIS IS WAR CASES NO. 409

4:15 p.m.
April 13, 1945

CASEX TO AMERICAN EMBASSY, GENEVA, FOR SWITZERLAND, FROM THE WAR REFUGEES BOARD

Please deliver the following message to Salty Baker, St. Gall, from

R. A. Levin of American Jewish Joint Distribution Committee:

QUOTE: IMPORTANT FOR FREDERIK LINDENMANN 209, ZURICH
GROUP HAD BICHENHAT DATE OF BIRTH FOR THIS HOSPITAL. AND SERVITIES—
WE ADVISE THE FUND TO PAY MILLION DOUSSLL TO AUTHORITY, THE
COLLECTIONS. PLEASE CAGE US STATUS THIS INSTITUTIONS
END.

THIS IS WAR CASES NO. 408

4:15 p.m.
April 13, 1945
Information received up to 10 a.m., 13th April, 1945.

**Navy**

1. **Home Waters.** 11th. One of H.M. Frigates destroyed two explosive motor boats off Walcheren. She also captured two German naval ratings from sailing vessel off Dunkirk.

2. **Anti-Submarine Operations.** 12th. 8th Escort Group sank U-boat in Irish Sea and took 38 prisoners.

3. **Enemy Attack on Shipping.** 12th. A 7200 U.S. ship torpedoed by U-boat in Irish Sea has reached Holyhead.

**Military**

4. **Western Front.** Southern Sector: 1st French Army gained up to 5 miles south of Karlsruhe. 7th U.S. Army evacuated Crailsheim but made slight gains N.E. of town. Schweinfurt and Nuremberg captured. Central Sector: 3rd U.S. Army armour advanced along Dresden Autobahn to point just south Jena, and now half way between Erfurt and Leipzig. 1st U.S. Army armour also within 40 miles Leipsig and Nordhausen taken. In Ruhr pocket, troops of 1st and 9th U.S. Armies advanced between 2 and 7 miles and captured Essen. 9th U.S. Army armour have reached neighbourhood Magdeburg. Northern Sector: 2nd British Army occupied Celle, and secured several bridgeheads across River Aller, north of Celle. Good progress made towards eliminating enemy salient north of Osnapbruck. 1st Canadian Army made further advances into N.E. Holland and finding little resistance east of River Ijssel. 3rd Canadian Division advanced across that river on 11th and made good progress west towards Apeldoorn against moderate resistance.

5. **Eastern Front.** Russians made steady progress N.E. Vienna and cut main Vienna-Bruno Highway at one point. In Vienna, Russian attacks from South and West have pressed enemy back almost to line of River Danube. Other slight advances made in S.E. Austria.

6. **Italy.** 8th Army within 6 miles Argenta by assaulting across Lake Comeacio. Further south bridgeheads already gained over River Santerno, N.W. of Imola considerably extended and Castel Bolognese (5 miles E.S. along highway 3) captured. 5th U.S. Army has captured Cerrara and advanced 2 miles to N.W.

7. **Balkans.** 9th to 11th. In Mlektilla area our troops accounted for over 2000 Japanese killed in these operations. 11th. Our troops captured Pyawhee. Leading troops now in contact with enemy 7 miles south of Yemethin.

**Air**

8. **Western Front.** 11th/12th (night). 113 Bomber Command Mosquitoes despatched (81 missing) Berlin 105 (3 attacks) and Munich 8. Weather clear and bombing concentrated. 12th. BLIND (air). 204 medium bombers (3 missing) attacked rail and other targets. 2547 fighters and fighter bombers (16 missing) operated over battle areas. Over 1000 road and rail vehicles destroyed, mainly in Central Sector. Enemy casualties 11,1,1,5 in combat and 174,2,147 on ground (mainly Leipsig/Esreyth/area). 940 U.S. aircraft carried 1483 tons petrol and 910 tons other supplies. 1922 casualties and 2195 F.W. evacuated. 12th/13th (night). 120 Bomber Command Mosquitoes despatched (all back). 97 attacked Berlin (3 attacks).

9. **Mediterranean.** 10th/11th (night). Liberatora attacked Innsbruck Railway Centre (133 tons), 11th. 349 escorted heavies (10 missing) attacked 7 railway bridges (generally unobserved), 2 railway centres (good results) and 2 industrial targets in North Italy (total 1168 tons). 351 Mitchells, 95 Marauders and 997 fighters and fighter bombers (3 missing) attacked similar targets and operated in close support of our troops. 40 reported (damaging) operational casualties. 12th. Tornado/1 hit Mess/.

Regraded Unclassified
April 14, 1945
12:25 P.M.

HM Jr: Hello.
Operator: Feltus.
HM Jr: Feltus?
Mr. Feltus: Yes, sir.

HM Jr: I don't think I can see you. When are you leaving?
F: Well, I think I had better stay over for the weekend. I think I've decided not to go back this weekend.
HM Jr: Oh, why is there....
F: Well, I think there is enough going on around town here that...
HM Jr: Well....
F: ....everyone ought to be on hand.
HM Jr: Yeah. Well, I'll be available either -- I'll be back Sunday night, but I can see you -- did you get the note I wrote you?
F: Yes, I did.
HM Jr: Well ---
F: I'm delighted that you agree on that.
HM Jr: I just wanted to let you know that I was pleased with what you are doing.
F: Yes.
HM Jr: I just don't think I can do much of anything today, so...
F: Ahah. Well, if you should need me, I will...
HM Jr: I tell you what you do - tell White or Luxford to show you the conversations I had yesterday with Spence and with Leo Crowley.
F: I see.
HM Jr: Will you do that?
F: Yes, I will.
BRENTON WOODS

Present: Mr. D. W. Bell
Mr. Gaston
Mr. White
Mr. Red Brown
Mrs. Klotz

H.W. JR: Well, I got your message that you are going to be here a couple of days. Is that right?

MR. BROWN: Yes, I am going to be here until Thursday afternoon.

H.W. JR: Is that CED? Is that what it is?

MR. BROWN: It is this Business Advisory Council at the Commerce Department. It pointed to CED, and they started it on its way.

H.W. JR: I didn't know that. That is the best thing the CED ever did.

MR. BELL: The best thing the bankers committee ever did. It is Davis who is here in the CED.

H.W. JR: Well, Red, in order to make life easier for me and you, would you give me your advice as to what you think we should do with regard to legislation pending on the Hill and also in connection with--does this bother you?

MR. BROWN: No.

H.W. JR: ...AM. I mean, I told Bell I didn't want a discussion. I want your advice, see. We may discuss it afterwards, but I want to know what you think.
MR. BROWN: I want to preface my remarks with the fact that except for one five-hour discussion I had with Burgess at Dan Bell's suggestion--

MR. JU: That was my suggestion.

MR. BROWN: Your suggestion! Well, Danny talked me up.

MR. JU: For good or bad, I told him to call you.

MR. BROWN: And subsequently there were one or two discussions between Bell, Luxford, and Bernstein with Burgess and others in New York, and I know the reports of those only second-hand which I got today from Bell and Luxford and Bernstein.

I have deliberately not talked with Burgess or any of the New York bankers since my first discussion, because I didn't want to cross any wires, and I had no idea of how the discussions were developing or how they were going. I have gotten some gossip back as to what was going on on their side. I don't feel that the majority of the discussion is, I don't know. That is a prologue. I will state my conclusions and then I'll be glad to be cross-examined afterwards as to my reasons.

MR. JU: Please do.

MR. BROWN: Number one, I think it is obvious that nothing should be conceded which means that we have to go back to the other countries either in the way of a new conference, an inquiry, or an amelioration in our reservations.

Too, short of going back to other countries, I think almost any concession in the enabling legislation which would have the result of taking away most of the intelligent opposition to the bill would be desirable. You won't get rid of all of it. If you could get Solcott and some of the more intelligent larger bankers who have opposed it like it. Run and people who have opposed it to come out in favor of it, that would leave only a minority of the opposition group in the House to fight it, and it would add greatly to the subsequent advantage of this country and all the international operations, and I think it would in turn make the functioning of the Bank and Fund much more desirable.

H.R.J.: I didn't get that last sentence.

MR. BROWN: I think it would tend to make the functioning of the Bank and Fund much more feasible if it were supported and passed by a large majority and with general approval in this country. I don't know, except for the gossip I hear, how far Burgess could control the American Bankers Association as a body, but if you could get a number of prominent bankers of the type of Will Potter or Sloan Colf who are not officers of the APA--if you could get some of the outsiders--

H.R.J.: Warrant officers?

MR. BROWN: Who aren't officers of the APA. And if you could get some of the other outside critics to say that they would accept this compromise, you could give some of the opposition or semi-opposition like Solcott in the House or in the Senate credit for getting some of these modifications, or I think you could go ahead without formal APA support.

Speaking for myself, I am quite sure that as far as Burgess himself is concerned, he would be prepared to accept modifications which wouldn't involve action by other countries. I have my doubts as to whether he could get his Committee of the APA to agree to go along with him in that position from what I have heard; and if they don't go along with him, he may feel that loyalty to the APA and duty there prevents him expressing his own individual view. I didn't see the detailed discussions or suggestions that were drawn up in some form by Luxford and Bernstein, and I don't know who else, until today. I saw them this morning. We went over them. With one or two minor exceptions, I think they could be adopted in the enabling legislation.

(Secretary leaves the conference temporarily.)

MR. BROWN: Well, that is about all.
Mr. J: Well now, may I ask some questions? I may be able to bring out some discussion. I asked Bell to show you these telephone conversations I had yesterday.

Mr. Bell: No.

Mr. J: I didn't?

Mr. Bell: The only things I got were the things in the confidential envelope, and I sent those right back to Mrs. McHugh. That was all I got.

Mr. J: Let me give it to you as I remember it. I had two conversations yesterday with Chairman Spence. Of course, what I am telling you now is in strict confidence, Ned.

Mr. Brown: Yes.

Mr. J: I mean, there is no reason why I can't tell you this?

Mr. Brown: No.

Mr. J: Before I start, may I thank you for coming down yesterday, because I know going back and forth isn't very pleasant. Did you get a room at the Carlton all right?

Mr. Brown: Yes, I got one, thank you.

Mr. J: I asked him about the question of making some compromises, see? And before I could get on the thing, he said absolutely no. He said, 'I wouldn't make any compromises of any kind.' Is that right?

Mr. Bell: Yes.

Mr. Gaston: Yes.

Mr. J: And then I asked him where he stood on the votes, and he didn't know. Then I asked him who was going to see Baldwin and Harry, and he said he would speak to the Speaker, which he did. Then he called me back and said the Speaker said, 'Spence, why don't you see Harry?'

He said he was going to see Harry and have it out with him and say he wants to know how Harry is going to vote, yes or no, see? And he's going to let me know in a day or two. And I got Leo Crowley. He said he was going to see Congressman Hull of Wisconsin. But Spence was absolutely adamant that we shouldn't make any concessions.

Now, we were sitting here, Acheson and the rest of us, and I just couldn't see why—there was no use discussing with him whether he should or shouldn't make concessions in view of the second conversation I had with him yesterday where he was going to see Harry at the suggestion of the Speaker. Now, if he gets Harry's vote, he has got fourteen votes. And he said he could get the thing through, see, the Committee in the House.

Now, my own feeling is this: And some of the people here agree with me, so don't—if we could get the thing through the House without any concessions, it would strengthen our position very much in the Senate, and Spence said, "Any concession you make now would be forgotten by the time you get to the Senate, or would be forgotten when you get on the Floor." He said, "If you make any in the Committee, it wouldn't be considered a concession; it would be forgotten when you get on the Floor." Now, he was very positive. Have I left anything out, Herbert?

Mr. Gaston: No, that is the story; that is the whole story.

Mr. J: He was adamant.

Mr. Gaston: He was very positive. I thought he made an assumption that may not be entirely valid. He seemed to assume we were going to have a fight all the way through, and I say as a matter of strategy—we are going to have a hard fight all the way through, so as a matter of strategy, the less and latest you conceded was the better.

There is another view, and that is that these people are fairly sincere, and meeting their objections might dissipate
their opposition so you wouldn't have a partisan battle, but what he is saying is all--

H.M.JR: I forget Lynch, the Assistant General Counsel.

MR. GASTON: It was on the basis you were bound to have willy-nilly a partisan battle all the way through, and I don't know if that is a sound assumption or not.

H.M.JR: I am in a position, having called up the man--he went to the Speaker, and the Speaker told him to do this. I have to wait now until he gets the answer. I mean, I have no choice.

MR. BROWN: That is a matter of politeness.

(Discussion off the record.)

H.M.JR: The Speaker is directing this thing himself. I had a few minutes this morning with Mr. Truman, and he is very much interested, and I gather Spence takes an interest in this thing himself.

Anyway, I am glad you will be here until Wednesday or Thursday. Is that right? While I have got a little time--I am in a position where I have no choice, you know. This thing on the hill is all a matter of Spence announcing he is going to go out. If I started to make compromises behind his back, well, I might just as well resign, I mean, as far as my prestige I would have.

MR. GASTON: Whatever you do now has to be with Spence's concurrence with that Committee.

MR. BELL: The thing that worries me on that front is we have talked to the bankers and if that comes out, I wonder if it wouldn't hurt a little.

H.M.JR: Well, that cuts both ways, Dan. It certainly won't come out of the Treasury. Well, there is no use worrying about it. What is the use? If it comes out, it is like anything else--there will be time enough to worry about it.

May I just go on and get the most out of Brown's counter? I want to get his reaction as to which of these suggestions in Luxford's and Bernstein's memo he would go along with or what suggestions he has of his own. Do you want the memo to talk from?

MR. BROWN: No, I think I read it carefully, and it is fairly--

H.M.JR: Did I shut you off?

MR. BELL: No, I was going to say that it might help if Spence knew what was going on.

H.M.JR: I am afraid--

MR. BELL: If it comes out--

H.M.JR: We haven't gone anywhere. I haven't. Bernstein and Luxford told him they couldn't commit me to anything. Is that right?

MR. BELL: That is right.

H.M.JR: Well, Luxford and Bernstein and you went up to have a chat, and you talked. Well, now, there is no harm in talking. You haven't gone anywhere. I haven't agreed to a thing.

MR. BELL: No. I wondered what his reaction would be if it appears in the press.

H.M.JR: It isn't going to appear in an official story. It might come in the Weekly Review of the Wall Street Journal, or the Outlook, or something like that, gossip of the week.

MR. GASTON: Is there any harm in telling Spence just exactly what has happened?

H.M.JR: The only reason I am afraid to tell him, or say that I am bothered is that he is raring to go, and I don't want him to, you know--
Mr.只有一个: I am perfectly sure the bankers have told McColloch what has been going on.

Mr. Bell: You are? You think so?

Mr. Johnston: He knows.

Mr. 说: I don't know, but I am perfectly sure it has—

Mr. Gaston: It puts us in an uncomfortable position.

Mr. Johnston: All right. Let me see on that. You can't do anything between now and Monday, anyway.

All right, which of these things do you like, and which don't you like, and what suggestions have you got of your own?

Mr. 说: Well, one, my conversation with Buggin today is predicted—he had a great long sheet with a lot of reservations in it and the legislation was conditional, that is, the acceptance of the Fund and the Bank by America was conditional, and all the countries agreed to all the reservations, so I told him that as far as I was concerned it was a sure waste of time to discuss any such approach. I had no authority, obviously, from the Treasury, but it might be interesting to ramble around and see what could be done—along the line of meeting some of the objections to the plan in the enabling legislation which wouldn't require any change in the agreements themselves, wouldn't require concurrence by other countries. Out of that discussion came the idea that it might be possible for the American Governor or Executive Director to be the same in the Bank and the Fund. Personally I think that is desirable. It doesn't mean that the Manager of the Fund or President of the Bank would be the same person. I don't think he should be.

These instructions to the American delegation, or declarations of policy, went much further than any discussion I had with Buggin. I said it might be possible to adopt some general language such as B. Ruml's and the CED report that gifts should be gifts and loans should be loans and monetary fund advances should be for the purpose of currency stabilization, and that the American Governor and Executive Director should govern themselves accordingly.

Mr. Gaston: Then there was the creation of the Advisory Council.

Mr. 说: That came later. As to this, generally I thought it would have a good deal of moral value. I see no objection to the declaration of policy as drawn up in this Ruml-Haseltine memo on the question of the Council.

Mr. Johnston: Yes, I just stop a minute before we go to that? The thing that bothers me is this: In talks that I have made and questions I have answered, I have tried to explain why you have to have a separate bank and separate fund. I stressed the fact that it was a Treasury job and you need separate staffs, and have to use just as intelligent people as you can on both.

Mr. Gaston: You have also said that the functions are quite different.

Mr. Johnston: Now you come along and have the same man. I mean, if during a debate you agreed to that, wouldn't the opposition say, 'Oh, well, if you can have the same man on both, why can't you have this weld, the two institutions?' I can say that for years we ran a trust company in the savings bank—in the National Bank—which performed entirely different functions, but they had a common board of directors, and one was held in trust for the other. The National City Bank runs the City Farmers Trust Company under their arrangements, but they have different executive staffs. They have common directors and separate presidents.

Mr. 说: A separate president for the Trust Company and a separate president for the bank, but the board of directors is common.

Mr. Bell: Separate operating people.
MR. BROWN: Except operating people, but the policy-making is in the hands of the same people.

MR. GASTON: You have men on your board who are on boards of packing companies and steel plants.

H.M.JR.: Wait a minute! I can see this advisory group of Federal Reserve, or the Department of Commerce or Treasury--

MR. GASTON: They left out the Department of Commerce. It was Treasury, and State.

H.M.JR.: Whatever it is—which would correspond in my way of thinking to the Board of Directors—it would be one Advisory Council. That would be the Board of Directors who would act in an advisory capacity, just the way the Federal Reserve Advisory Board is, of which you are head.

MR. BELL: Advisory to the Federal Reserve system.

H.M.JR.: And that would be advisory to both institutions which would be analogous, to my way of thinking, to what you are talking about. There would be one Board of Directors for the National City Bank and the Farmers City Loan, the same board.

MR. BROWN: Well, this idea goes further. I think it is obvious if the United States appointed identical people as executive directors and governors of the Fund and Bank, virtually all other countries would do likewise, and you would get a general—apart from the United States—you would get a general international situation in which the same group of people would be familiar with the policy problems of both institutions and would cause them to work together more harmoniously. I think you have to have separate staffs. I don't think--

H.M.JR.: You don't think of putting in just one man. What do you call him, an Executive Director? Is that what you call him?

MR. BROWN: An Executive Director. The United States appoints an Executive Director who sits on what might be called an Executive Committee which is a full-time job. They also appoint a Governor, which isn't necessarily a full-time job. The Executive Council is much smaller than the Board of Governors, which comprises all forty-four countries.

MR. GASTON: Your Governors are--

MR. BROWN: But the actual management of the Fund is to be in the hands of a man called a Manager who is to be elected by all the countries, in the active management of the Bank. It used to be in the hands of the President who is elected by all the countries. Now, the President of the Bank and the Manager of the Fund can, and probably should be different people because their administrative jobs are totally different, but the Executive Committee of the Bank and the Executive Committee of the Fund, in my opinion, could well be composed of identical people.

H.M.JR.: But that has been a suggestion, hasn't it?

MR. GASTON: Yes.

H.M.JR.: My suggestion was the Director--

MR. GASTON: Both Governors and Executive Directors would be the same under this plan, that is, for the United States. They would elect one man who would be a Governor for both the Bank and the Fund. Well, that Board of Governors doesn't amount to much. It is like a stockholders' meeting; they meet once a year. But also the Executive Director should act for both the Bank and the Fund.

H.M.JR.: That's one person.

MR. GASTON: Two. One Governor of both institutions, and another Executive Director for both institutions.

MR. BELL: They are just representing the United State's side of it.
H.M.JR: Get me a chart, will you, Harry?

(Mr. White leaves conference temporarily.)

MR. BELL: The Managing Director of the Fund is an administrative officer who would be elected by this so-called Board of Directors.

MR. BROWN: There will be a dozen Executive Directors, not one, both in the Bank and Fund.

H.M.JR: For each country?

MR. BROWN: Each of the five large countries has one and the small nations together elect another four or five, and then one or two countries which happen to be creditors of the Fund, but which haven't the right of permanent representation, Canada and Holland, rate one after the first two years so that actually you get down to a Board of Directors of a dozen or fifteen. I have forgotten just how many there are.

MR. BELL: They are called Executive Directors?

MR. BROWN: Yes. It would be more correct to call them Directors.

MR. GASTON: United States has one of those people.

MR. BROWN: England has one, Russia and France have one each.

H.M.JR: If I had a chart of the organization, I would understand it better.

MR. BELL: There would be a Board for both the Fund and Bank, almost alike, and you have explained it to Congress that there would be one for the Fund and one for the Bank. So what you do is elect the same man and he fills both positions as executive Director, and then you go over to the Governors and you have a Governor of the Fund and a Governor of the Bank--is that right--which is the overall Board of Directors?

MR. GASTON: Yes.

MR. BELL: And they meet how often?

MR. BROWN: At least once a year.

MR. BELL: Once a year. Now that contemplates you have a Governor for the Bank and a Governor for the Fund?

MR. BROWN: Each of the forty-four nations has a representation on the Board of Governors, so that would be forty-four of them, but that is too big a group to run an institution.

H.M.JR: Let's let that ride a minute until we get a chart.

What was another suggestion?

MR. BROWN: The other suggestion concerns this Advisory Council which is given power in certain matters to direct the American Executive Director or the American Governor as well as to consult with him. To my mind that Council should be made up entirely of people appointed by the President, certainly the Secretary of Treasury, the Secretary of State, and I think the Department of Commerce, and the Governor of the Federal Reserve Board.

(Mr. White re-enters the conference.)

MR. BELL: Chairman.

MR. BROWN: Chairman of the Federal Reserve Board.

MR. WHITE: Here is a chart of the Banks, and this one is the Board of Governors (indicating) and it doesn't show on the chart very well, but here is the President of the Bank, and he is called the Managing Director of the Fund, and he is under the Executive Directors. The Board of Governors is on top.

H.M.JR: This is the world organization.
MR. WHITE: This is the Board of Governors' organization, one from each country, so that would be forty-four. There are twelve members of the Executive Directors. They are in continuous session. It's a full time job, supposedly. They direct the President of the Bank or the Manager of the Fund. He has his own staff, and the proposal is that the Executive Directors and this group shall be the same.

H.M.JR: Which group?

MR. WHITE: This group.

MR. GASTON: Both of them. This group and this group. (indicating)

MR. WHITE: They shall be the same men—the same individuals in the Bank and in the Fund.

H.M.JR: You mean the Board of Governors? How many?

MR. WHITE: Forty-four, and they will be the same forty-four as the Board of Governors in the Fund if all the countries follow our suit, but as far as the United States is concerned, the same man—John Smith—will represent the United States on the Board of Governors of the Bank and represent the United States on the Board of Governors of the Fund.

MR. BELL: Now, go down here. (indicating)

MR. GASTON: Now, we elect Tom Jones as Executive Director of the Fund and Bank--

H.M.JR: Just a minute. Please let me get this. Who appoints the American representative on the Board of Directors?

MR. WHITE: The President with the approval of the Senate.

H.M.JR: The President?

MR. WHITE: The President with the approval of the Senate.

H.M.JR: What is he called?

MR. WHITE: He is called the Governor.

H.M.JR: And is that a full time job?

MR. WHITE: No. Maybe one, two, or three times a year.

H.M.JR: And the talk is that this so-called Governor should both represent the Bank and the Fund.

MR. WHITE: That's right.

H.M.JR: And he is not a—what shall I say?

MR. BELL: A working Governor.

MR. WHITE: No, it's not a full time job.

H.M.JR: No?

MR. WHITE: Not that one.

H.M.JR: And this one man is representing what, the Executive Director?

MR. BELL: Imagine a chart out here exactly like that for the Fund.

H.M.JR: Where does he go?

MR. BELL: Over here to the--

H.M.JR: Is he one of the Executive Directors?

MR. WHITE: No, just the Board of Governors, a member of the Board of Governors. The President can, if he wants to, so the lawyers claim, under the present legislation—somebody has some doubt on that—can elect the same man—John Smith—appoint the same man on the approval of the Senate, to be also an Executive Director. But I gather that has not been recommended. That's not the issue.
The issue is whether John Jones shall be a member of two Boards of Governors. Monday he sits in on the Bank and Friday he sits in on the Fund. Two, three, or four times a year. The second important issue is whether John Smith shall be Executive Director to the Bank and the same John Smith be Executive Director to the Fund.

H.M. Jnr: You are getting me all mixed up. Let's say Dan Bell is appointed by the President to be a Governor.

MR. WHITE: Of the Bank.

H.M. Jnr: Of the Bank. Now, I understand the proposal is that Dan Bell should also be the representative for the Fund.

MR. BELL: Governor of the Fund. It's the same relative position.

H.M. Jnr: That's right. You would be in the bank. What would you be called?

MR. BELL: The Governor.

H.M. Jnr: And in the Fund.

MR. BELL: The Governor.

H.M. Jnr: And that is the suggestion. You would represent in this world organization both institutions?

MR. BELL: As Governor.

H.M. Jnr: Is that right?

MR. GASTON: That's step one.

H.M. Jnr: Now, I got that through my head, and you are not an operator. What would you do the rest of the time?

MR. WHITE: He would have some other job, Under Secretary of the Treasury, President of a bank--

MR. GASTON: He runs his coffee plantation.

MR. WHITE: He should pay some attention to this in between times, but he still could hold a major responsible job.

H.M. Jnr: Does it pay?

MR. WHITE: Not by the United States, but the Bank can pay his expenses if he comes for one day.

H.M. Jnr: Not a salary?

MR. BROWN: If a meeting in London is necessary, they could pay his travel expenses.

MRS. KLOZ: You don't want it?

H.M. Jnr: No, if it doesn't pay. If it's for free, no. I just wanted to find out.

MR. WHITE: They can pay expenses.

H.M. Jnr: Now, I have that. Now, what's the other suggestion?

MR. BELL: Drop down in the next block.

MR. BROWN: The Governors are something like the Board of Officers of Harvard College. They have the right to vote and review actions, but the real power is concentrated in a small group under the President and the fellows who are not elected by the Officers. Now, leave out the title of Executive Director because it is confusing. There are Directors of the Bank, of whom the United States appoints one. There are twelve or fifteen altogether, because later on there are some creditor countries.

H.M. Jnr: All right. Now, Dan Bell is the Governor, and say that now the United States has a member on the Executive Directors.

MR. BROWN: Call it the Board of Directors.

H.M. Jnr: And say that is you, and the suggestion is you also be on the Executive Committee for the Fund.
MR. BELL: The same tentative position.

H.M.JR.: Is that a full time job?

MR. BROWN: Yes. I mean, the person taking that job should move to New York or wherever the headquarters are.

H.M.JR.: This is a full time job?

MR. BROWN: This is a full time job.

H.M.JR.: Without committing myself, I can see--

MR. WHITE: The Governor being the same man.

H.M.JR.: I can see that.

MR. WHITE: It is probably desirable.

H.M.JR.: I can see that, but this thing is going to take some selling.

MR. BROWN: I can only say while it is a full time job it is a job not charged with administrative responsibility. It's a job comparable to the Executive Committee of a steel corporation.

MR. BELL: That's what I felt.

MR. BROWN: Or Executive Committee of the Santa Fe Railroad.

H.M.JR.: Didn't Stettinius give it full time when he was Chairman?

MR. BELL: He did a lot of other things, too.

MR. BROWN: When he was Chairman of the Board. But I mean Chairman of a Finance Committee of a steel corporation. That doesn't require full time.

H.M.JR.: As Chairman of the Executive Committee of the United States Steel, he gave his full time.

MR. WHITE: I mean, certainly the elder J. P. Morgan who held that job didn't give it his full time.

H.M.JR.: How do you feel about this?

MR. WHITE: That can be one man or two. I don't care.

(Discussion off the record.)

MR. WHITE: The reason I think it is better to have it separate--if the choice were with me it would be different because they require different kinds of people entirely. The Board of Governors of one or the Board of Governors of the other--you can get a splendid board of Governors for the Bank. I can name a thousand off-hand who could do a wonderful job who would know nothing about the operations of the Fund.

H.M.JR.: You wouldn't fight it?

MR. WHITE: No. But as to the Executive Director, that, in my judgment, is different. It's a full time job, and the reason you can't use comparable agencies such as have been used in the Fund and Bank, too, but more in the Fund, is because of the kind of decisions the Executive Directors make which which the President does not make. He is the operating man, and the decisions, if he does make them, should be subject to constant review. These are policy decisions all the time. A policy decision is a decision as to whether you can crack down on this country or that one, whether to permit this country to do this or that. They are not decisions the President can make except as tentative to present to the Executive Committee. The Executive Committee would be sitting all the time and would have more than it could possibly handle of decisions which are of the most difficult kind. That's why I wouldn't compare it to steel organizations or railroad organizations, because the kind of policy decisions they have to make do not come frequently. They are spaced out, but the kind of decisions the Fund would have to make dealing with fifty or sixty countries, that doesn't mean necessarily eight hours a day.
MR. BROWN: When you say continuous you don't mean they'd have a meeting every day or every other day.

MR. BELL: They would be available.

MR. BROWN: They would probably operate about the same way as the Board of Governors of the Federal Reserve System.

MR. WHITE: They would have many more problems. They would have more problems in a week than the Board of Governors have in a year.

MR. BROWN: What I mean is--

H.W.: Would they give it as much time as the Board of Governors?

MR. BROWN: They would give it as much time as the Board of Governors, but bear in mind that the decisions of both this Board of Directors of the Fund and the Board of Directors of the Bank are policy decisions. They are not operating decisions. The two are necessarily closely intertwined. When information about a country determines a policy situation, then the Bank will require very similar information to make a policy decision as the Fund, and then the situation would be similar as the Executive Committee of the National City Bank, and the Executive Committee of the City Farmers Bank and Trust Companies. It is, and the two are interrelated, and I really believe that if we had a Board which was identical in the two, we'd get more intelligent decisions in each.

H.W.: Well, I am beginning to see what the thing means. I want to have more talks on it, too. About the suggestion of having the Executive Committee the same for the Fund and the Bank, that bothers me. The other one doesn't, but I'd like to think about that some more, see? Now, let me--I've got another ten minutes. Let me ask you, are we in agreement here that if the representative--there is a representative of the Federal Reserve Board on this Advisory Committee, there is no necessity of having a representative of the Open Market Committee?

MR. BROWN: I'd say--I wouldn't say a representative of the Federal Reserve Board should be on. I would say the Chairman of the Federal Reserve Board should be on. I think that's mighty important, because the members of the Board are appointed for fourteen year terms. There is minority representation, whereas the Chairman of the Board is appointed by the President and can be altered by the President.

I think whoever is on this Board in the last analysis, to get coordination, should be somebody responsible to the President. The reason that the Federal Reserve Board suggests it be a member of the Board is Matt Szymczak's desire to shine in international affairs. He wants to be the Federal Reserve Board member.

(Discussion off the record.)

MR. WHITE: He should be responsible to the President.

MR. BROWN: It should be the Chairman and not a member of the Board.

MR. BELL: I think that's a good point.

MR. WHITE: He should be in the same position as a Cabinet member.

MR. BROWN: I think State, Treasury, and Commerce should certainly be on, and probably to get an odd number you should have one more. I mean, put the Federal Loan Administrator on.

MR. WHITE: RFC.

MR. BROWN: Or the Federal Loan Administrator.

H.W.: Oh, I don't think so.

MR. GASTON: Foreign Economic Administrator.

MR. BELL: What you should have is some representation that would control the Export-Import Bank because they tie in. That was one reason for putting the Foreign Economic
Administrator on there.

H.W.JJ: Well, that could be decided later, but let me ask you--

MR. BROWN: But I am opposed to putting anybody not appointed by the President and who is not regarded as part of the Administration as a member of this Council, and for that reason I would be opposed to putting any President of a Federal Reserve Bank nominated by the Open Market Committee on.

(Discussion off the record.)

MR. BELL: In all fairness to the bankers, it was suggested that--

H.W.JJ: Do you question that he wants to be fair to the bankers, Mr. Bell?

MR. BELL: Burgess suggested you not put in Wallace, because he didn't want to have to argue with his group. I don't think a lot of them would care. It really wasn't the right move. I think it was wrong not to put Wallace in.

MR. BROWN: Certainly Commerce should be on.

H.W.JJ: Now, then, the other thing I want to ask you--I think that the functions of this Advisory Committee to the Bank and the Fund are terribly important. Are they going to be advisory, or are they going to be able to give them orders?

MR. BROWN: I think that that question of the membership as restricted to the people appointed by the President is academic and a question of verbiage. The advantage of a Council is that Treasury wouldn't want an important decision to be made which might be suggested by State or Commerce without its knowledge. Whether the Board is advisory or whether it has authority to direct the American representative of any matter if any matter of importance comes up, and any one of these important departments like State or Commerce or the Treasury or the Federal Reserve strongly object to the decision of the majority, the matter is sure to be carried to the President and decided, and that's going to be equally true whether the Council in form is given the right merely to advise or is given the right to direct.

Personally, I would rather see the Council advisory only, practically.

H.W.JJ: Sometimes like the Advisory council to the Federal Reserve Board.

MR. BROWN: Don't compare it to that--pardon me--because Mr. Eccles carefully conceals what he is doing from us, and when he doesn't--in spite of provisions of the law that they shall give us information, he doesn't give it to us--and when he doesn't want to meet us he goes out of town or stays in his office and doesn't appear, and every other member of the Board is afraid to tell what he is doing.

All this is being written up for posterity. The Council has to be stronger than the Federal Advisory Council if it is going to be of any use, and I think that if it would make it easier to get this thing carried through, that there is no difference in its practical operation as to whether it is given the right to direct the American Director or the Governor, or whether it's merely got the right to advise them, but I do think that particularly if it's got the right to direct, it's vital that every member of that Council be somebody who is part of the Administration and appointed by the President.

MR. WHITE: The difference doesn't lie there. The difference whether they have the power to direct or the power to advise rests rather in the relationship between that group and the representative. If it's clearly drawn, if their powers of direction are wisely used, doesn't matter, but if they make of the Director an errant boy, every time he has the slightest decision he has to come to the Board and thrash the thing out, he's going to hamstring his own men. That's why I think it's better to have it somewhere in between. The language could be drafted.
H.W.JR: One of the things that interested me very much is that Mr. Brown said here this afternoon—I haven't discussed this with him before—that he feels the President and his administration should settle whatever policy the American representative on these two institutions should carry out. That's what you are really saying.

MR. BROWN: Yes, and I took that stand before the Federal Reserve Board tried to get me, or Saynck tried to tell me that the Council would have the power to direct the American representative. I told him I wouldn't support any such idea, and Eccles agreed with me that in the last analysis the President has to determine the policy of the American representative.

H.W.JR: That has been the whole philosophy of my financing the war as an appointed officer of the President of the United States. As such it is my responsibility to finance the war, and you know every country in the world has a fight between its Treasury and its Central Bank. I just didn't know where you stood.

MR. GASTON: As the thing is drawn now in this proposal, this Council is not in any sense advisory. It is very powerful.

H.W.JR: I am going to stop now, but this discussion has been very useful to me, and early next week I'll call up and find out what time you can spare me another hour.

MR. BROWN: I'll be free all day Monday or Tuesday. I've got plenty of other things to do, but I'll be available Tuesday, Wednesday, and Thursday.

H.W.JR: I'll be here Monday.

MR. BROWN: Wednesday and Thursday.

H.W.JR: I won't be here Wednesday, but Monday I would like to call you up in the morning when I get back. We could just sit around for another hour or two like this and discuss this thing. We have made a lot of progress. We are all getting toward the point—I don't want to do anything, Dan, between now and the time I hear from Spence, but I would like within the Treasury to have a united front between now and then which we haven't now, you see. We were not together here. We'll have Acheson, too.

Well, gentlemen, thank you very much.
April 14, 1945

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

Dear Henry:

I have your letter of April 12, stating that Mr. Winthrop Aldrich, President of the Chase National Bank, told Mr. Bell that I had told Mr. Aldrich that I had been compelled to move forward in the case against the Chase Bank because of a call from you following the release of the American Bankers Association report. This is not true. I have not seen nor spoken to Mr. Aldrich for several years. The case was set in due course for trial and, of course, there was never any suggestion that the release of the A B A report had anything to do with trying the case.

Mr. Aldrich has absolutely no ground for attributing such a statement to me.

Sincerely yours,

Franklin D. Roosevelt

THE WHITE HOUSE
WASHINGTON

April 14, 1945

Dear Mr. Secretary:

I can't tell you how much I appreciated your letter of the 12th, as I value your praise very highly. I can only repeat that I most certainly could not have accomplished what I did if you had not been good enough to lend me your Schmidt. I should be delighted to talk over the situation with you any time that you are free.

Yours sincerely,

Franklin D. Roosevelt

Regraded Unclassified
Dear Mr. Brand:

Secretary Morgenthau is away from Washington for a few days and I am, therefore, acknowledging your letter of March 20th in which you quoted a message received from the Chancellor of the Exchequer. You may be sure I shall bring this to Mr. Morgenthau's attention as soon as he returns to his desk.

Yours sincerely,

(Signed) H.S. Klotz

Mr. H. Klotz,
Private Secretary.

Mr. H. H. Brand,
United Kingdom Treasury Delegation, Box 600, Reganin Franklin Station, Washington, D.C.

[Handwritten note: Send copy to Bantu.]
Dear Mr. Secretary:

You will remember the talk we had together on the 22nd February when you asked me to send to the Chancellor the sense of your remarks.

I duly did this, and have now been asked by the Chancellor to send you the following message from him:

"Brand sent me a personal message on February 23rd telling me that you had become seriously concerned whether owing to an alleged influence of certain British officials in Italy, Fascists are being sufficiently purged, and that you were also concerned with respect to feeling amongst Americans returning from Italy that British influence in Allied Commissions is predominant. I immediately consulted my colleague Harold Macmillan, and asked him to look into the matter and give me his views. I have now heard from him that he is convinced that there is no good ground for the allegations which you reported to me. His reply is unemphatic and unequivocal. I do not think there is anything further that I can usefully do but if you think there is please do not hesitate to let me know. It is our common desire that our representatives should work in the closest cooperation in all parts of the world and you can rely on me, at all times, to give any help I can to ensure this."

Yours sincerely,

R.H. Brand.

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

April 14, 1945.

Dear Mr. Secretary:

It was very good of you to write, expressing your sympathy in the loss of our President and your appreciation of the part he has played in the difficult war years.

Thank you on behalf of both Mrs. Morgenthau and myself for the message in which Mrs. Roosevelt joins you.

Sincerely,


Mr. Herbert Victor Armstrong,
New York Coast Ammunition Company,
1050 Park Street,
San Francisco, California.

G7/68a
WUS 55 CD MEXICO CITY VIA MEXTEL APR 13 120A
SECRETARY AND MRS HENRY MORGENTHAU JR
UNITED STATES TREASURY
MRS STURDIVANT AND I JOIN YOU IN YOUR GRIEF OVER YOUR LOSS
TODAY STOP THERE IS NO DOUBT BUT THAT THE SACRIFICE WHICH
OUR PRESIDENT MADE WAS JUST AS GREAT AS THAT ON ANY
BATTLEFIELD STOP ALL MEXICO TONIGHT IS SORROWFUL WITH THE
KNOWLEDGE THAT LATIN AMERICA HAS LOST ONE OF ITS MORE DEVOTED
FRIENDS
BERTRAM VICTOR STURDIVANT
815 AM.
April 14, 1945.

Dear Mrs. Klamm,

It was most kind of you to wire us news of the death of the President. I know that you understood how deeply we both grieve over this personal loss, and took a staggering blow it is to the nation and to the world.

Mrs. Morgenthau is ill and away from Washington, but I shall see that she knows of your message, and I know she will wish me to add her thanks to yours.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mrs. Margaret Sanger Klamm,

Tucson, Arizona.
MY HEART GOES OUT TO YOU BOTH IN SYMPATHY OF THE TRAGIC LOSS
OF YOUR CHIEF AND OUR FRIEND AND NEIGHBOR YOU MUST FEEL
CONSOLED THAT YOU HAVE DEVOTED YOUR BEST YEARS AND TALENTS
TO SUPPORT HIS IDEALS YOUR LOYALTY AND FRIENDSHIP HAS DONE
MUCH TO LIGHTEN HIS HEAVY RESPONSIBILITIES FOR THIS YOU MUST
BE ETERNALLY GREATFUL MY SONS GRANT AND STEWART WOULD JOIN
ME IN THIS EXPRESSION OF SYMPATHY WERE THEY HERE WE ALL
SUFFERED YOUR SPIRIT OF SERVICE TO THE NATION AND TO A
GREAT STATESMAN FRANKLIN D ROOSEVELT=
MARGARET SANGER SLEE.
TREASURY DEPARTMENT
WASHINGTON

April 14, 1945

Dear Mr. President:

Subject to your approval, I propose to offer for cash subscription, under authority of the Second Liberty Bond Act, as amended, issues of 2½ percent Treasury Bonds of 1945, 2½ percent Treasury Notes of 1945, 1½ percent Treasury Bonds of 1945, and one-year 7 ½ percent Treasury Certificates of Indebtedness, all to be dated June 1, 1945.

These four issues, Series A, F, and G savings bonds, and Treasury Savings Notes, will constitute the securities available in the Treasury's seventh War Loan Drive, with an objective of $1,000,000,000 to be sold to non-banking investors. In general, the terms and conditions of the new securities will be similar to those sold in previous drives, and the amount of securities to be issued will not be specifically limited. I propose to start the Drive and make the new securities available for subscription on May 14. I am planning to enroll commercial bank holding savings deposits and issuing time certificates of deposit to make a limited investment in the 1½ percent Treasury bonds and the certificates of indebtedness during the last two weeks in June. The securities so acquired by the banks will not be included in the Drive.

The authorizing act provides that bonds may be issued only with the approval of the President. Accordingly, I trust that the proposed issues will meet with your approval.

Faithfully yours,

[Signature]

Secretary of the Treasury

The President,
The White House.
Dear Mr. President:

Subject to your approval, I propose to offer for cash subscription, under authority of the Second Liberty Bond Act, as amended, issues of 2-1/4 percent Treasury Bonds of 1957-72, 2-1/4 percent Treasury Bonds of 1959-62, 1-1/2 percent Treasury Bonds of 1959 and one-year 7/8 percent Treasury Certificates of Indebtedness, all to be dated June 1, 1945.

These four issues, Series A, F and G Savings Bonds, and Treasury Savings Notes, will constitute the securities available in the Treasury’s Seventeenth War Loan Drive, with an objective of $4,000,000,000 to be sold to non-banking investors. In general, the terms and conditions of the new securities will be similar to those sold in previous drives, and the amount of securities to be issued will not be specifically limited. I propose to start the Drive and make the new securities available for subscription on May 14. I am planning to permit commercial banks holding savings deposits and issuing time certificates of deposit to make a limited investment in the 1-1/2 percent Treasury bonds and the certificates of indebtedness during the last two weeks in June. The securities so acquired by the banks will not be included in the Drive.

The authorizing act provides that bonds may be issued only with the approval of the President. Accordingly, I trust that the proposed issues will meet with your approval.

Faithfully yours,

[Signature]

Secretary of the Treasury.

The President,

The White House.
A general license relating to trade and other current transactions with France, including her colonies, was issued today by the Treasury Department. This license is the first of its kind issued with respect to any liberated country and is a major development in the Treasury's program of lifting the freezing restrictions as rapidly as conditions permit.

Under General License No. 70, trade between France and the United States or the generally licensed trade area may be carried on through normal banking and commercial channels without obtaining specific Foreign Funds Control licenses. Accordingly, shipping, title and other documents incident to trade with France may now freely be transmitted. The license provides, however, that payment for goods exported from France may be made only by depositing the dollar amount in an American banking institution to the credit of the consignee or a bank in France, or by the purchase of francs from a licensed exchange dealer.

Dollars accruing in French accounts maintained with domestic banks from French exports may in turn be used to finance payments in the United States or to effect remittances from France to the United States. They may also be transferred from the account of one French bank to the account of another. Balances which have accrued since November 4, 1944 from remittances to France may likewise be freely used for these purposes.

In addition, the general license permits the collection for French account of certain types of financial instruments, and provides that the proceeds of these collections may be utilized in the same manner as the proceeds of exports from France.

It was pointed out that French assets in this country continue to be blocked and that only the balances specified in the general license may be utilized for trade transactions and other current payments. Withdrawals from other French balances may only be made pursuant to appropriate license. It was also emphasized that the license does not authorize any transactions on behalf of nationals of blocked countries who are not within France or the generally licensed trade area.
SECRET

Istanbul

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

126, April 14, 5 p.m.

Please transmit following message to Moses Leavitt Joint Distribution Committee New York from Arthur Fishman Joint Distribution Committee Istanbul.

"No. 6 called Jerusalem Lisbon:

'Passengers on Turkish tender fifth day. Making every effort for immediate disembarkation at Istanbul as Turkish nationals or right of domicile here. Outstanding friends extending excellent cooperation. Nevertheless War Refugees Board and intergovernmental committee should stand by. Sending you by pouch a list of Jewish passengers and names of nearest relatives to be notified. Should we call this list?"'

TRANTHAM

WASHINGTON

Bern

267, April 14, 9 p.m.

Please deliver following from Deignen Geneva to Baruch Beckerman of JDC New York.

'Yours of March 16. Only Yugoslav soldiers interned in Switzerland have been repatriated. Out of 2,200 about 1000 are left here mainly those who refused under present circumstances to return Yugoslavia. There are only few Jews among them. Repatriation of civilian refugees is in progress but view political situation majority still undecided to return despite pressure and arbitrary measures being taken by occupation. Jewish civilian refugees are supported to certain extent by Swiss Jewish Welfare Organisations but help insufficient. Cable whether what amount you could contribute monthly.'

HARISON
DC-1553
This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (RESTRICTED)

Secretary of State,
Washington.

23 28, April 14, 10 a.m.

Handy deliver following from Hagaer to Kurt Grossman
of HIC.

"The Jasenovac. View present lack communications
any help for these camps in Yugoslavia impossible.
According last reports Jewish Relief Committee at Zagreb
continued sending food parcels up to middle March to
about 500 Jewish internees Jasenovac, 100 Imajovla,
see more Gradiska.

HNC delegate Schmiedlin and Swiss Consul left
Zagreb 20 weeks ago.

Above information based on reports supplies by
Dragutin Rosenberg."

HARRISON

SP-1459
Distribution of true
reading only by special
arrangement. (RESTRICTED)

Dated April 14, 1945

Secretary of State
Washington.

23 29, April 14, 11 a.m.

FOR MR. FROM MOORELAND

Regarding number of HNC parcels still at Oteborg
and number already shipped either to concentration
camps or to Linz to be delivered to camps, HNC supplied
me on April 11 with following details: (Legation's 1766,
March 24).

On March 3, 10800 parcels went to Hamburg-Dosenshan
March 16 ditto; March 17, 9600 parcels to Ravensbrueck;
March 17, 12,400 parcels to HNC depot at Linz. Total
44,400.

Original number of parcels at Oteborg was 224,328.

3924 HNC "ES" parcels were released to HNC in Sweden.
HNC informed HNC entrusted these parcels to the "Exper-
tative Food Bundle" in Oteborg for shipping.

This left eone 160,004 HNC parcels still at Otebog.
HNC has instructed its delegate there to ship
these as rapidly as possible to Linz to be further
distribution by Renail trucks now on route.

Repeated to Stockholm for Glenn of HNC.

HARRISON

Regraded Unclassified
Distribution of true reading only by special arrangement (SECRET) 1 p.m.

AMBASSADOR

LONDON

2917

The following for Rome in WIB 67.

Reference Department's No. 1905 of March 12 (WIB No. 56).

Board would appreciate reply as soon as possible.

STATEN

(DES)

STATEN

MR-11

PLATE

Born

Dated April 14, 1945

Read 10:45 p.m., 19th

Secretary of State

Washington

2199, Fourteenth

FOR WIB FROM MCCALLA

Kindly deliver following message from Baily Mayer to

JCG New York:

"Dr. Pope of Belgrade informed me in cable of March 26 there were still nearly 4000 Jewish survivors in the following localities: Belgrade 1663 of whom 432 men 977 women and 287 children, Smederevo 360 Macedonians 340 that is 86 in Smederevo 340 in Tito's. The rest in Srpska 29, Sabotica 483, Krajina 483, Sremska 117, Zemun near Belgrade 30, Najovica 111, Vojvodka 28.疳

Children in Belgrade are mostly orphans. Lodgings are very difficult to find and there is great lack of shoes and clothing. Soup kitchens have been opened. Relief scale: 6000 dinars for adults and 1000 for each child. Have placed 900,000 cemats at their disposal." 2380

HARRISON
PLAIN

Burn
Dated April 14, 1945
Read 10:20 p.m., 15th

Secretary of State
Washington
2000, Fourteenth

FOR YOUR FUTURE

Please deliver following message from Union One
Geneva to Leo Wilkam of American One: "Mission for
Hungary left Belgrade without supplies in order organize
local work and transport of medicines and restoratives.
Details will be communicated after arrival unit Budapest.

Yugoslavian Mission with 4 tons medicines and 4 tons
foodstuffs arrived Naples en route to Belgrade.

3 tons foodstuffs and 5 tons medical and pharma-
ceutical supplies have been assembled in Switzerland

for Polish Mission. According most recent news some
facilities transporting relief supplies to Poland are
obtainable. Question of visas for personnel is however
complicated requiring lengthy negotiations.

Let us know what sums you may have immediately
available for Poland and Hungary. Also in there any
possibility purchase and ship medical supplies from
United States". 2059.

HARRISON

SECRET

OPTEL No. 119

Information received up to 10 a.m., 14th April, 1945.

NAVAL

1. NORTH ATLANTIC. 13th. One of H.M. Destroyers sank
midget U-boat off Heerdsoord. Aircraft made 9 attacks on midgets
off Dutch coast and claim at least four sunk.

2. EAST INDIES. Four of H.M. Destroyers during anti-
shipping sweep sank five small craft off Burma Coast.

MILITARY

3. WESTERN FRONT.
   Central Sector: Troops of 3rd U.S. Army captured
   Coburg. After fort on 11th/12th by U.S. troops now
   taken. Troops of 9th U.S. Army 15 miles S.W. of Leipzig and
   reached Sittenberg. More advances made from south, east and
   north into Ruhr pocket. Fighting continues in Brunswick and in
   Magdeburg.

   Northern Sector: British 2nd Army advanced 15 miles
   N.W. of Celle. 1st Canadian Army reached Apeldoorn.

4. EASTERN FRONT. Fall of Vienna, small advances to
   north and N.W. of city, and capture of Kobrin on west bank of
   River Morava (35 miles S.W. of Brno) is reported.

5. ITALY. Further progress made by 8th Army troops on
   wide front beyond the Sapphine to north of Highway 9. Advance
   being strongly opposed.

6. BURMA. Central Sector. Our troops occupied Kyaukpadaw S.W.
   and west of Kalaha. Other forces made thrust of 21 miles
   against negligible opposition.

AIR

7. WESTERN FRONT. 13th. 212 U.S. heavies (none missing)
   attacked Düsseldorf Railway Centre (515 tons), 378 escorting
   fighters (20 missing or outstanding) destroyed locomotives 26,
   and enemy aircraft casualties on ground were 284.0.220. 1423
   fighters and fighter bombers (1 missing) flew offensive sorties
   over battle areas. Enemy casualties in combat 6,1,1 and on
   ground 51,0.44. 331 U.S. and 141 railway vehicles destroyed.
   13th/14th (night). 856 Bomber Command aircraft des-
   patched (3 missing): 1 Kiel 462, sea mining 109, Hamburg 87
   Mosquitos, other targets 72 and bomber support 108.

8. MEDITERRANEAN. 11th/12th (night). Liberators dropped
   201 tons on enemy troop concentrations east of Bologna.
   12th. 456 escorted U.S. heavies (1 missing) dropped
   915 tons on four railway bridges and other targets in N.E. Italy
   and Austria. 1343 aircraft (15 missing) attacked bridges in
   Austria and communications and army support targets in North
   Italy and Yugoslavia. Railways out in 51 places.

9. BURMA. 11th. Liberators dropped 82 tons Rangoon.
Bonn

Dated April 15, 1945
Rec'd 2:45 p.m.

Secretary of State
Washington
2214, April 15, 1 p.m.

Contents: telegram under reference (Department's 677, February 12, V/3 309) conveyed Swiss Government which replied April 6 stating Swiss Legation, Germany just obtained authorization visit Theresienstadt and that representative being sent very soon. Swiss Legation endeavoring obtain authorization visit Bergen Belsen.

HARRISON

(*)

 ankara

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

Dated April 15, 1945
Rec'd 4:45 p.m.

Secretary of State
Washington

US (SECRET)
519, April 15, 10 a.m.

I informed the appropriate Foreign Office official yesterday that rooms had been reserved for the 80 refugees ex-US CAMP THIENH to now on board another vessel at Istanbul (TELEGRAM 503 April 12) (*) more hotels in that city and inquired whether it would not be possible to allow them to come ashore particularly in view of the fact that no sleeping accommodations were available on board the small vessel in question and of the fact that eating facilities on board were unsatisfactory. He informed me later that instructions had been issued to allow the refugees to come ashore.

PACKER

NVT

(*) Apparent omission.
SECRET

OPTEL No. 120

Information received up to 10 a.m., 15th April, 1945.

HAY FALT

1. MEDITERRANEAN. 12th. Allied M.T.B.'s attacked enemy convoy in Gulf of Genoa. Cargo ship and corvette probably sunk. M.T.B.'s also sank 5 ships in convoy in Gulf of Trieste.

2. ANTI-SUBMARINE OPERATIONS. 14th. 25 U-boat survivors picked up by U/S trawler off Peterhead.

MILITARY


4. EASTERN FRONT. In the North gains of ground in area N.W. Königsberg towards Pillau reported. In South further progress across Norwegian border S.E. of Brand. Progress also reported North and West of Vienna as far as a town about 5 miles north of St. Polten. Special report from Marshal Tito states considerable advances across River Drava including capture of Vinkovci and Osijek.

5. ITALY. Good progress made by 8th Army. New Zealand troops secured bridgehead across Dillaro River despite terrific bombs by the C.S. and U.S. troops on their right have closed up towards this river. Farther North, U.K. forces north of the Reno less than 3 miles from Argenta.

6. POLISH forces preparing to attack Imola from the N.E. South of Highway 9 Italian troops have reduced salient south of Imola.

5th Army began its offensive with attack by U.S. mountain troops west of Verzate. This was preceded by air and artillery support.

6. BURMA. Our troops occupied Patmauk, some 40 miles S.E. of Kyaukpadaung on the Kyaukpadaung-Rangoon railway, and a village on the Weiktila-Kyaukpadaung road, both without opposition. Other troops reached a point 18 miles west of main road 14 miles south of Namethik.

AIR

1. WESTERN FRONT. 11th/14th (night). 1906 tons (including six 12,000 lb bombs) were dropped in Riel shipyards through cloud. 14th. 1133 U.S. heavies (9 outstanding) dropped 3962 tons on enemy strong points and flak batteries in the Royan, Poitou de Grave and Poitou de la Courbe areas in S.W. France with good results. 479 aircraft (4 missing) operated over Northern Germany, North Holland and Dunkirk, others 237 (3 missing) operated over Ruhr pocket and 181 over Southern sector. 92 locomotives, 465 railway wagons and 502 M.T. destroyed or damaged and railways cut in 33 places. Enemy casualties 18,044 in combat and 27,412 on ground. Coastal Command Beaufighters attacked shipping off Southern Norway obtaining hits on U-boat, naval auxiliary and 2500 ton vessel.

2. MEDITERRANEAN. 12th/13th (night). Liberators dropped 126 tons on targets in Eastern battle areas. 13th. 901 fighters and fighter bombers (9 missing) attacked communications on Brenner route and in S.E. Italy.

I had lunch with Fred Vinson, and he immediately brought up the question of taxes. He said the statement given out by his Committee was given out without his approval, and that he feels it is absolutely the Treasury's responsibility to formulate a tax policy. He said that he looks to us to continue to do it, and he is absolutely positive about it. I told him about my differences with Byrnes on this matter but he, Vinson, wants us to be responsible on taxes as far as he is concerned. I asked him if he would like to know what is going on, and he said he would. I told him I would have Blough call him up and go over to see him and explain where we stand. I am also going to send him a copy of my letter to Truman on taxes.
Mr. White
Mr. Luxford
Mr. Bernstein
Mr. Felts
Mr. O'Connell
Secretary Morgenthau

At lunch today, I reviewed the whole matter of Bretton Woods with Fred Vinson, and told him about the amendments as well as I could. He said he thought it might be a good idea to have these amendments agreed to in the Committee.
MEMORANDUM FOR THE FILES

April 16, 1946

(1) There was a meeting today in Clayton's office on reparations. Those attending the meeting included: State - Clayton, Depres and Lathringer; War - General Hilldring and Robert Lovett; Navy - Bums and Fowler; Treasury - DuBois and Glasser

(2) Although no definite decisions were taken at this meeting (there will be another meeting in a few days), on the whole the meeting was very unsatisfactory.

(3) The War Department, with Clayton's support, is attempting to prevent the Reparations Commission in Moscow from making any basic decisions with respect to Germany. The War Department, arguing partially on the basis of the March 28 Directive approved by the President, takes the position that the Control Council in Germany is supreme. Thus in the memorandum which the War Department submitted they state:

"The Reparations Commission clearly should not plan for the removal of facilities, equipment or goods unless the Control Council determines that they are not needed for the support and protection of the occupying forces or to prevent disease and unrest endangering the occupying forces."

What their position amounts to in effect is that nothing can be moved out of Germany unless there is unanimous decision by all four commanders sitting on the Control Council.

This is obviously an effort on the part of State and War to prevent any really effective reparations program.

(4) State and War objected strenuously to Treasury's program designed to permit reparations removals to start as soon as possible. Lovett of War referred to the Treasury program as another version of a program to make a 'pastoral country out of Germany.' During the meeting, Clayton expressed himself as favoring the following:

(a) It is in the interest of the United States to have a reparations policy which would make reparations removals 'difficult.'

(b) It is in the interest of the United States to leave the machinery, plants and equipment in Germany to insure that Germany will be able to export so that she can pay for her necessary imports. Specifically, Clayton mentioned that Germany will have to import cotton in order to make clothes to keep her people from freezing and she should be permitted to have enough exports so as to pay for these cotton imports.

(c) He said that he did not see how we could let anything go out of Germany until we completed surveys to determine what there was in Germany and what could be removed from Germany without destroying the German economy and the basis for the continuation for the German economic system.

(5) In conclusion it may be said that if the basic position taken by State and War on this problem at today's meeting prevails the Reparations Commission in Moscow cannot help but be a complete failure. Clayton's attitude on this whole problem had obviously changed tremendously. Even Depres of State told Glasser and Dubois after the meeting that he was greatly troubled by the trend of events.

Josiah E. DuBois, Jr.

Harold Glasser.
MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Nunan

The tax drive against irregular currency operations and black market activities has been organized on a nation-wide basis and many angles are in process of development. A large volume of material has been dispatched by the Bureau to the field services including approximately 2,200 CPA violations, 70 Federal Reserve memorandums, and 97 communications from the public, anonymous and otherwise. A list of adjudicated cases of the War Prices Administration is being obtained and it is expected that several hundred violations will be compiled from that source. Many black market liquor cases had been referred by the Alcohol Tax Unit before the drive started and some of these were already under investigation. The field services also have been gathering data locally from Federal Reserve Banks, check cashing agencies, insurance brokers, real estate records and large Western Union money transfers. Real estate activity in resort areas is under scrutiny at Miami and Atlantic City with indications that the examinations should be extended to include other resort areas along the New Jersey coast, particularly in Monmouth County.

In addition to this information the Intelligence Unit has a large number of cases of this kind awaiting investigation. Preliminary progress reports relative to other cases received from ten of the thirty-eight field divisions of the Income Tax Unit and from ten of the sixty-six collection districts show that 501 separate items of information are on hand in those offices awaiting investigation.

Page 2

Memorandum
Secretary Morgenthau

This information has been classified in the field as follows:

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>Leads in Hands of Int. Rev. agents</th>
<th>Leads in Hands of Collectors</th>
<th>Total Leads</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquor</td>
<td>77</td>
<td>96</td>
<td>173</td>
</tr>
<tr>
<td>Currency transactions</td>
<td>38</td>
<td>44</td>
<td>82</td>
</tr>
<tr>
<td>Produce</td>
<td>3</td>
<td>23</td>
<td>26</td>
</tr>
<tr>
<td>Jewelry</td>
<td>10</td>
<td>17</td>
<td>27</td>
</tr>
<tr>
<td>Textiles, clothing, etc.</td>
<td>3</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>General merchandise</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Meat</td>
<td>10</td>
<td>6</td>
<td>16</td>
</tr>
<tr>
<td>Machinery</td>
<td>1</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Restaurants</td>
<td>3</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Automobiles</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Petroleum products</td>
<td>3</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Scrap metal</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Tires</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Gambling</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>74</td>
<td>27</td>
<td>101</td>
</tr>
<tr>
<td>Totals</td>
<td>231</td>
<td>270</td>
<td>501</td>
</tr>
</tbody>
</table>

The analysis of the 501 leads here shown is the best index so far obtained as to the nature and extent of the cases involved. The tabulation relates to only a small part of the country, and the volume doubtless will be increased proportionately when all reports are received. This condition suggests the conclusion that quantitatively we are reaching a saturation point on leads which will be beyond the capacity of the field forces to handle within a reasonable time. Orderly management of the program will require that we begin a careful reappraisal of this data in relation to tax histories or affected taxpayers with the view that our available manpower be directed toward those situations that have the best prospect of immediate development. The largest concentration of information is in New York. A member of Mr. Woelfl's staff will visit New York next week to cooperate with officials there in a general survey of the situation and to determine what additional help may be needed to give effect to the objects of the program.
The second completed case on which the Chief Counsel will be requested to apply special procedure has been received. This case which was begun before the drive relates to unreported black market profits of J. G. Perry and Co., wholesale of wines, liquors and groceries in Indianapolis. During 1943, approximately 94,000 cases of whiskey were sold to one Frank J. Clark, Dayton, Ohio, at prices in excess of $16A ceilings, totalling $1,760,298.98, which amounts were not recorded on the corporate books or reported in the tax return. Mr. Robert R. Hare, secretary of the corporation, has admitted the receipt of $168,146.20 of the omitted sales. The examination covered the years 1938 to 1943, inclusive, and while the available evidence will sustain prosecution for the year 1943 only, additional taxes and penalties proposed for assessment against the corporation and its officers aggregate $537,298.20 for the six year period.

There are enclosed weekly reports received today from field offices. Of particular interest it may be noted that 10 deputy collectors, under the direction of a division zone deputy, have been conducting a survey on fur and jewelry businesses at Boston as an excuse tax investigation and with particular attention to the purchasers of expensive items and large cash transactions. A similar drive is to be undertaken by the collector's office at Hartford, Connecticut. There is at the present time one case nearing completion in the Boston District concerning a firm of manufacturing jewelers in which the taxes and penalties will amount to approximately $270,000.

Mr. McQuillan in his progress report advises that all New York cases received from the Bureau have now been referred to revenue agents in charge and collectors or assigned to revenue agents in charge. There are a substantial number of checks to overt acts and agents. There are a substantial number of checks to overt acts and agents. There is a substantial number of checks to overt acts and agents. There is a substantial number of checks to overt acts and agents. There is a substantial number of checks to overt acts and agents.

The magnitude of the operation is indicated in the following tabulation showing the names of the taxpayers under investigation and amounts of checks cashed:

<table>
<thead>
<tr>
<th>Name of Taxpayer</th>
<th>Amount of Checks Cashed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fresh Grown Preserves Corporation</td>
<td>$367,297.79</td>
</tr>
<tr>
<td>New York, New York</td>
<td>$336,144.79</td>
</tr>
<tr>
<td>Harry Leibowitz</td>
<td>$110,699.86</td>
</tr>
<tr>
<td>New York, New York</td>
<td>$10,777.57</td>
</tr>
</tbody>
</table>

In the matter of the Fresh Grown Preserves Corporation, it is expected that a special agent's report will be submitted shortly recommending additional taxes in excess of $1,000,000, and prosecution of the taxpayer. A fifth case now under investigation involving U-Man-A Nash Brokers, Inc., New York, New York, originated as the result of information developed in the examination of Harry Leibowitz.

A confidential memorandum of the Federal Reserve Bank of New York regarding large currency deposits of Irving S. Weisblum and Company, insurance brokers of New York City, has led to important developments. There was indicated that one of the currency deposits amounting to $50,000 had been withdrawn from a safe deposit box by an unnamed client of the insurance brokers. Inquiry developed that during May and August 1943 Charles Hoffman deposited $116,693.49 with Irving S. Weisblum and Company as advance premium payments on the purchase of insurance annuity policies. A further examination of the records of the insurance brokers disclosed that on December 21, 1943, Auer B. Taub made a deposit of $10,429.20 for the purchase of an insurance policy. Both of these individuals (Hoffman and Taub) are partners in the Gordon O'Neill Company of Jersey City, retailers and distributors of alcoholic beverages which firm is under investigation by the Alcohol Tax Unit, the Office of Price Administration, and Internal Revenue Agents. A special agent of the Intelligence Unit will join this investigation in the near future.
MEMORANDUM
Secretary Morgenthau

While examining the records of the insurance brokers, it was further noted that during September and November 1944, Max Cohen, sole owner of the Art Novelty Doll Shoe Company, Inc., New York, New York, deposited $3,600 for the purchase of insurance policies. Max and Lena Cohen filed a joint income tax return for the year 1942 in the Second New York Collection District, although inquiries failed to disclose any record of a 1943 return in either the First, Second or Third Collection Districts of New York. A further investigation of this matter will follow.

Information received by the Federal Reserve Bank, New York City, indicated that a number of clients of insurance companies were making large cash payments on account of loans, advanced premiums and annuities. In one instance, it was found that two individuals purchased annuities calling for annual premiums of $3,000 each and that each paid ten years premiums in advance. A brother of one of the individuals also paid $1,500 on an annuity. The total payment of $41,500 in currency was taken to the office of the insurance company in a suitcase.

Thus far the names of forty-five individuals making payments of substantial amounts in currency to various insurance companies have been obtained.

In the Philadelphia Division arrangements have been made to have an agent of the Alcohol Tax Unit photograph the abstracts of deeds of real estate sold in Atlantic City, New Jersey. An analysis of the abstracts indicates that many deeds have been recorded without any or only a portion of the Federal Revenue stamps being affixed. Certain deputy collectors in the collector's office at Philadelphia have been assigned to make confidential inquiries of check bounce officers regarding any accounts showing large deposits in cash.

The report from the Detroit Division points out that in the office of the collector at Detroit there were on hand at the end of the week 230 cases and that this was due probably to the reason that they had been engaged on this type of work in a substantial way for at least a year.

The collector at Chicago has assigned 47 deputy collectors to this project. Four of the deputies are assigned to jewelry cases while the others have been instructed to give special attention to retail liquor dealers.

A case under investigation in the Chicago Division involving Crucible Steel Casting Company of Milwaukee, a family corporation which manufactures castings has disclosed various sales made by the corporation which were withheld from the books of account and the proceeds of such sales diverted by the officers. Other irregularities were the recording of fictitious purchases, the paying of substantial bonuses to various employees which they were required to return, personal expenses of the officers charged to operating costs, etc. The amount of income involved in such irregularities for the years 1941, 1942 and 1943 is in excess of $2,500,000 and will result in the assessing of additional taxes against the corporation and its officers of well over $6,000,000.

There are also under active investigation in the Chicago Division two other important tax cases involving the suppression of proceeds of sales. One case relates to sales of automotive equipment in which the additional taxes and penalties of the corporation and its principal officer will be in the neighborhood of $600,000. The other case involves a corporation engaged in the wholesale rubber business. Thus far, omitted sales of over $200,000 have been identified, the proceeds of which were diverted by the principal stockholder of the corporation.

A case under investigation at New Orleans, Louisiana, involving five brothers who are members of a partnership engaged in the diamond, jewelry and luggage business had an interesting development during the week, in that an inventory of the safe deposit box of the partnership disclosed $250,000 in twenty dollar bills which had not been reported for income tax purposes. It had previously been determined that two sets of records were maintained; that inventories had been understated and that collections on charge sales amounting to approximately $1,000 per day were omitted for a period of several months.

In my memorandum of March 30, I mentioned a meeting at your suggestion with Mr. Houghteling of the War Finance Division and Mr. Goodman of the C. I. C., concerning the matter of rewards for information. Mr. Houghteling
Memorandum
Secretary Morgenthau

has sent me a memorandum and a copy of Mr. Goodman's
publication, "Watchwords From Washington" containing an
article upon the subject, both of which I quote:

"Leo Goodman, Washington representative
of the United Retail, Wholesale and Department
Store Employees of America (C.I.O.), whom I
brought to your office last week to discuss
'tax cheaters,' has sent me the enclosed two
copies of his column 'Watchwords from Washington'
which he distributes to the publications of his
international unions and other C.I.O. organiza-
tions. On page 3 you will note that Mr. Goodman
calls the attention of his members to the prob-
lem of tax cheating and the existence of
Government rewards for citizens who aid the
Bureau of Internal Revenue to collect taxes
where evasion has been attempted.

"I think this is about as effective a use
of labor union cooperation as is possible under
existing circumstances."

Excerpt from Watchwords From Washington:

"Government Seeks 'Tax Cheaters'!

"Treasury Department efforts to check up
'tax cheaters' such as current drives in Miami
will be aided by a provision of the tax law
which provides for a maximum of 10% reward to
any person offering information leading to col-
clection of unpaid taxes.

"Treasury Department officials reveal that
under section 7701 of the Internal Revenue Code,
any person providing information regarding any
method of evading taxes is eligible to 10% of
the net amount recovered by the government.

"Application for claim for reward (Form 211,
Internal Revenue Service, Treasury Dept.) may be
secured from the Washington Office of USARR, or
from any Collector of Internal Revenue. Due to
cheating of the government by many in the black
market, it is expected that USARRA members
and others who handle large sums of money will
aid the government by reporting tax cheaters
who are not willing to pay their taxes while
thousands give their lives at the fighting
fronts."
TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

April 16, 1945.

In re: Special Tax Drive, Narrative Report, Week ending April 14th

Special Agent Lathan and Internal Revenue Agent Ford have been actively engaged in the investigation of Harry Wright Company. Mr. Wright is to appear in court on Wednesday, the 18th, on a citation of contempt.

Special Agent Kuebler of the Richmond Branch Office has conferred with the Internal Revenue Agent in Charge at Richmond and the Collector at Richmond at which time tentative plans were made for a coordinated effort in the special tax drive. He is to confer with the Revenue Agent in Charge and the Collector at Greensboro on the 17th for the same purpose.

Special Agent Kuebler suggests that we have Collectors submit weekly report showing the number of delinquents and amended returns received and the amount of tax so reported.

Special Agent Wison at Huntington, West Virginia, has conferred with the Collector in Charge at Huntington and with the Collector at Parkersburg and he informs us that a program has been devised which he believes will accomplish the desired results.

The following is quoted from a communication received from Special Agent Hawk, Baltimore Branch Office:

"During the past week the Collector of Internal Revenue has assigned two deputy collectors, who have been engaged examining the land records of Baltimore City for the purpose of obtaining information concerning the transfer of real estate during the years 1943 and 1944, involving a purchase price of $10,000,000 or more. In addition he has designated two deputy collectors to canvass the larger jewelers and furriers doing business in Baltimore City. Also, one deputy collector has developed what appears to be a fraud case involving a wholesale produce dealer; another has developed an apparent fraud case involving transactions in cosmetics and liquor."

"On April 12, Special Agent Herbstreit interviewed Mr. John A. Heinz, in connection with the news item appearing in The Sun on April 7, 1945, a clipping of which is attached. Mr. Heinz furnished the names of five large wholesale meat dealers at Baltimore, Maryland, who are alleged to be operating in the black market. Other information was furnished indicating that persons from Pennsylvania, Delaware and New Jersey were purchasing substantial quantities of cattle at Baltimore and shipping same out of the state. The names of these wholesale meat dealers, and the information relating to them was referred to the office of the Internal Revenue Agent in Charge, who has assigned two agents to make appropriate investigation.

"The Internal Revenue Agent's office has received information prepared by the Office of Price Administration concerning known violators of price regulations, and it is expected that a number of substantial cases will result from investigation of some of the persons and firms indicated thereon."

"Special Agent Herbstreit, together with an internal revenue agent, is engaged on an investigation of the income tax liability of Jacob Spevak, who was indicted at Baltimore on April 10, on 24 counts alleging sales of meat in excess of ceiling prices. Newspaper clippings relating to the indictment are attached hereto. Mr. Herbstreit has interviewed several former employers of Spevak and from them obtained information which indicates that during the year 1944 Mr. Spevak received nearly a million dollars overage money on meats sold. This taxpayer has not yet filed his return for the calendar year 1944, having received an extension of time within which to do so. However, I have talked with the taxpayer's accountant, who is preparing the 1944 return, and he advised me that he expected to file the return on or before Monday, April 16th. He stated that he has compiled the figures and that it appears from the information furnished by the taxpayer that during the year 1944 Mr. Spevak derived a net profit from his business of approximately $45,000."

"In his communication transmitting the form reports this week, the Collector of Internal Revenue advised that during the
period from April 6th to April 12th, inclusive, his office
received 420 delinquent income tax returns showing taxes
totaling approximately $222,000.00, and that his office has
also received, during the same period, 365 amended income tax
returns showing additional taxes totaling approximately
$78,000.00."

J. R. Cox,
Special Agent in Charge.

TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE
BOSTON
Boston, Mass., April 14, 1945

Chief, Intelligence Unit
Bureau of Internal Revenue
Washington, D.C.

In re: Special Tax Drive

This report covers the activities in the Boston Division in con-
nection with the special tax drive for the week ending April 14, 1945.

Up to the present time a large part of the activity has been
explored with regard to the possibilities of obtaining leads on
currency transactions and on black market cases.

Following a suggestion made at the meeting in Washington, inquiries
were made at the principal banks in the Boston district and it was
ascertained that for the years 1943 and 1944 no records were kept of
large denomination bills. Simultaneously the Federal Reserve Bank
was contacted and it was ascertained that they had already requested
the banks to forward them information regarding suspicious transac-
tions. These, however, will be confined to transactions in the current
year and will be valuable only as leads for past years.

A conference was held with Mr. Wilbur Lawson, who not only is
Controller and Vice President of the First National Bank but is also
Chairman of the management committee. The contact with Mr. Lawson
was principally to attempt to sell the banks the idea of cooperating.
Mr. Lawson is an old friend of mine and after listening to my talk,
which stressed the anti-inflation angle as equally, if not more im-
portant than the income tax angle, he agreed to attempt to influence
the other banking officials and persuade them to give us full cooperation.

Mr. Lawson is at present out of town and is expected to return
next week. At that time I will contact him and ask him to have the
information channeled through the Federal Reserve Bank, as requested
in your letter of April 11, 1945.
In re: Special Tax Drive.

Inquiries were made as to the possibility of obtaining leads through cashiers' and treasurers' checks purchased for cash. This is a matter which will be taken up with the Federal Reserve Bank next week. It would appear that if we can obtain access to the bank's records through the good offices of the Federal Reserve Bank, an important avenue of information will be obtained.

Real Estate

A thorough survey of the real estate situation in and around Boston was made and it was decided to abandon that line as not promising any especially productive cases. The survey, however, has indicated a possible source of information for the future.

Deputy Collectors

For the past week ten deputy collectors under the direction of a division some have been conducting a survey on fur and jewelry in the Boston district. Already some information has been transmitted to other districts regarding sales of jewelry to persons outside the district. Special attention is being given in this drive to obtaining the names of persons purchasing expensive diamonds and mink coats.

Revenue Agents

In the Boston district ten revenue agents were assigned to this office and put to work immediately investigating cases which had been held in this office because of the lack of revenue agents to work with the special agents, and also exploring the possibilities of lists of cash checks obtained from the Pilgrim Trust Company. At present all ten revenue agents are busy occupied. An other revenue agents can be used advantageously, they will be requested from the Revenue Agent in charge.

Connecticut

A meeting was held at Hartford, Connecticut on Friday, April 13, at which were present eight representatives of the office of the Revenue Agent in Charge, including Revenue Agent in Charge Thomas E. Doyle, three representatives of the Collector's office, including Chief Field Deputy A. Don Pitgold and two representatives of the Intelligence Unit, including the Special Agent in Charge. The Collector of Internal Revenue at Hartford and his assistant were unavoidably absent at the funeral of the late Collector of Internal Revenue Fred C. Martin, Burlington, Vermont.

In re: Special Tax Drive.

The meeting was most cooperative. Both the Revenue Agent in Charge and the Chief Field Deputy promised full cooperation and the assignment of as many men as were necessary. It was suggested and decided that the Collector initiate a drive on fur and jewelry, ostensibly as an excuse for investigation but with particular attention being given to the purchase of expensive items and large cash transactions. A drive on small poultry dealers was suggested by the Chief Field Deputy, who said that a preliminary survey had indicated that some of them were making considerable deposits in savings banks, particularly in the southeastern part of Connecticut.

Arrangements were made to have four revenue agents assigned immediately to Senior Special Agent David T. Parker at Providence, Rhode Island and as many revenue agents as are necessary to Special Agent Aquino, who is working out of Bridgeport, Connecticut. Arrangements were also made to have the review of the black market and currency cases made by Revenue Agents Johnson and Koon who have been working with the Intelligence Unit for a number of years and are thoroughly familiar with fraud cases. Revenue Agent in Charge Doyle promised that after review the cases would be comptometered and would be given special preference in comptometering and typing. Revenue Agent in Charge Doyle agreed to my suggestion that a request be made for the appointment of Revenue Agents Koon and Johnson as Acting Special Agents for the duration of the drive in order that they could assist in the supervision of the fraud cases and, if necessary, write special agents' reports.

Whereas previously the lack of revenue agents has proved the big bottleneck to production in the Intelligence Unit, it appears that at the present time the lack of special agents will be the delaying factor.

Maine, New Hampshire and Vermont

It is planned to visit the Collectors' offices at Portsmouth, New Hampshire; Augusta, Maine; and Burlington, Vermont next week. At that time it is believed that constructive suggestions can be made to the Collectors and Acting Collectors which will assist them in understanding and prosecuting the drive.

Cases Near Completion:

We have at present one case involving currency which concerns a firm of manufacturing jewelers, in which the taxes and penalties will amount to approximately $270,000.00 and in which there will be a recommendation for prosecution. The report of the special agent has been written in this case and we are awaiting the report of the revenue agent, which should be received some time next week.
In re: Special Tax Drive.

A black market liquor case is nearing completion in Connecticut. While there will be a recommendation for prosecution in this case, the fact that the taxpayers are already in prison as a result of a conviction of violation of WRA regulations will probably mitigate against the case coming out. However, the case will involve approximately $1,000,000.00 in taxes and penalties.

The form reports requested throughout this district have not all been received. This is probably due to the fact that the death of the Collector of Internal Revenue in Vermont has interfered, and the other officials have nothing to report. This situation will be cleared up as rapidly as possible and it is hoped that by next week the reports will be received from all the officials concerned.

David A. Kelchis
Special Agent in Charge.
Weekly reports have not as yet been received from Internal Revenue Agents in charge Harley Howard, Jacksonville, Florida, and Mark T. Folk, Nashville, Tennessee. It is possible that there will be received by Monday and a supplemental report will be made to include the information they submit.

Form SI-106 covering operations of the Intelligence Unit, Sixth District, is enclosed. It reflects the following:

<table>
<thead>
<tr>
<th>Cases on hand beginning of week</th>
<th>108</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resolved during week</td>
<td>10</td>
</tr>
<tr>
<td>Reported during week</td>
<td>2</td>
</tr>
<tr>
<td>On hand close of week</td>
<td>116</td>
</tr>
</tbody>
</table>

This information does not include the Columbia and Hill offices, reports from which have not as yet been received. A supplemental report will be submitted to cover these omissions.

P. N. West, Augusta, Georgia, wholesale liquor distributor operating as Richmond Wholesale Liquors, was recently sentenced to serve two years in the penitentiary for CPA violations. It is understood that he is to begin his sentence within two weeks. Information has been reported by Internal Revenue Agent Young, Augusta, Georgia, that Mr. West is now disposing of his property prior to serving sentence. A joint investigation is contemplated immediately with the view to protecting the Government's interests since we already have considerable information of black market operations by this individual. If it is found to be necessary, a recommendation will be made for jeopardy assessment.

P. E. Sanders
Acting Special Agent in Charge

TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

Chief, Intelligence Unit,
Bureau of Internal Revenue,
Washington, D.C.

In compliance with instructions contained in your letter of April 6, 1946, concerning procedure in the investigation of black market and currency cases, there are transmitted herewith form reports submitted by the Collectors of Internal Revenue for the districts of Kentucky and Tennessee, the Intelligence Unit in Charge of the Louisville and Nashville divisions, and the form reports required of this office. Due to the fact that this program is in its initial stages and that the heads of some of the agencies listed above may not understand clearly the necessity of submitting forms promptly, some of the required reports have not been received. The heads of the agencies who are delinquent in this respect are being notified, and it is believed that in the future all forms desired will be submitted promptly.

This program was taken up personally with the Collector, the Internal Revenue Agent in Charge, and the District Supervisor at Louisville, and by correspondence with the Collector and the Internal Revenue Agent in Charge at Nashville. After a conference in this office, Special Agent G. M. Mallory, who is the senior special agent at Nashville, personally contacted Collector Honalee and Internal Revenue Agent in Charge Folk concerning the procedure to be followed.

With reference to personnel, Collector Glenn at Louisville has submitted to this office the names of eight deputies located at various posts of duty throughout the state of Kentucky who may be called upon to cooperate in any investigation which may arise under the contemplated program. Collector Honalee at Nashville, Tennessee, several months ago designated four deputies in that state who could be called on to assist in any fraud investigation, and he has agreed that these deputies shall continue to be subject to call, and that any additional personnel needed will be assigned.

Internal Revenue Agent in Charge Folk at Nashville has designated four revenue agents located respectively at Memphis, Nashville, Knoxville and Chattanooga, who will hold themselves in readiness for any assignment that may be required in connection with this work, and
additional personnel will be made available if necessary. Internal Revenue Agent in Charge Cox at Louisville already has five revenue agents working part time on black market and currency cases, and they will continue to be available as well as any additional agents that may be needed.

District Supervisor H. B. Taylor, Alcohol Tax Unit, has suggested the name of one special investigator who can be used immediately, and he plans to designate other investigators if needed. At the present time a number of his best men are cooperating in investigation of black market liquor dealers with representatives of the Office of Price Administration, and for this reason his ability to furnish assistance at this time is limited.

It is not contemplated that all of the personnel referred to above will be needed at any one time, but favorable distribution has been arranged and the investigation of any cases can be handled with a minimum of travel expense, etc. Although it will require some training, it is believed that the deputy collectors who eventually will work on this program will be a source of valuable assistance because of their distribution and over-all familiarity with conditions in the vicinities in which they are assigned. Collector Glenn at Louisville has issued a form letter to all deputies in his district, wherein he requests that they report the names of any persons or firms who are suspected of having realized substantial profits as result of conditions brought about by the war. Collector Bocals at Nashville will be requested to issue a similar circular letter.

Representatives of this office are now completing the investigation of a group of cases at Henderson, Kentucky, involving operators of slot machines, dice games, and other gambling devices. A similar investigation of a group of numbers operators at Knoxville, Tennessee, and vicinity is being concluded. Both investigations have resulted in the proposal of substantial deficiencies in tax, and the income unreported was for the most part cash that had been received from war workers engaged in the vicinities of Henderson, Kentucky, and Knoxville, Tennessee.

This office has under investigation and pending investigation a number of cases relating to black market liquor operators. Kentucky is one of the leading states in the production of whisky and other alcoholic beverages, and it is contemplated that black market cases will relate principally to liquor.

The jewelry and fur business in Treasury District No. 7 is limited in extent, but Collectors Glenn and Bocals have issued instructions that representatives of their offices are to make such investigations of taxpayers engaged in these businesses as will determine whether any substantial violation of excise tax regulations have been practiced and, further, whether any leads as to income tax evasion on the part of the dealers or their customers can be developed.

Steps are being taken to contact the sources of information suggested in the notes of the meeting held in the Commissioner's office on March 28, 1945.
In re: Special Investigations

the black market operators, most of which are in the retail fields. It will be seen from the Detroit Collector's report that they have on hand at the end of this week 250 cases covering a wide variety of businesses, and while most of these will not be large individually, yet collectively they will produce a substantial amount of tax as has been evidenced by past experience.

It is believed that the experience of the Detroit office is indicative of what can be expected from the other larger cities in this District, as the same conditions prevail at all of these points.

Within the next week or two it is proposed to make a drive on retail grocers and meat markets, where it is believed a considerable amount of income tax has been assessed where there have been black market violations. I have obtained information from the local C. P. A. offices of individuals who have been violating C. P. A. laws and have been penalized by that office. Taking such cases as a start, it is intended to follow through with a fair sampling to ascertain what can be done with respect to their income tax liabilities. As a result of the check being made of excise taxes in the Detroit area, several good income taxes are now being developed among the furriers. There seems to be considerable excise tax evasion among the fur people and undoubtedly a fair percentage of tax cases will be developed from this source also.

A. G. Grunewald
Special Agent in Charge
Chief, Intelligence Unit
Bureau of Internal Revenue
Washington, D. C.

This is the third weekly report covering the so-called black market income tax investigations.

The Federal Reserve Bank in Chicago has thus far furnished no information regarding currency transactions at member institutions. It reiterated on April 11 that it would communicate with this office promptly upon receipt of any information of interest. The outlook under the present plan is not encouraging, in view of the fact that considerable time has now elapsed since the transmission of the Under Secretary’s telegram.

The Office of Price Administration in Chicago, has agreed to furnish a list of selected cases on April 15. The matter has been delayed and assurances are now given that the information will be furnished early in the coming week.

Collector of Internal Revenue Elmer R. Campbell has assigned forty-three deputy collectors to this project. The Assistant Chief of the Field Division is in immediate charge of their work and he will, in turn, report to this office. Ten of the deputy collectors will be employed in five divisions outside of the city of Chicago. Four of the deputy collectors employed in Chicago are assigned to jewelry cases. All of the others, both inside and outside of Chicago, have been instructed to give special attention to retail liquor dealers. They have been instructed to concentrate, to a somewhat lesser extent, upon retailers of moderate size in other fields, especially these dealing in foods.

The plan outlined in the preceding paragraph is somewhat in the nature of an experiment. Its expansion, contraction or modification will depend upon results in the early stages. However, it has had careful thought and there is reason at this time for some optimism.

The entire fraud division in the office of the Internal Revenue Agent in Charge, consisting of thirteen agents, is already engaged upon work which falls well within the scope of the Department’s instructions, as they are viewed here. Apparently it will be necessary shortly to assign additional internal revenue agents to this project, who have heretofore had little or no experience in the investigation of fraud cases. That would already have been done if it had been known that there would be delay, and perhaps failure, to procure information from the Federal Reserve Bank.

The Collector of Internal Revenue at Springfield, in this project, has arranged to assign six deputy collectors to excise tax work and six to income tax work. In the beginning, at least, they will give special attention to cabarets, retail liquor dealers, restaurants and retailers of foods. A particular effort will be made in Peoria, which is the largest city in the collection district. The Collector, on April 12, had not yet received instructions from Washington, but he agreed, nevertheless, to proceed.

The Internal Revenue Agent in Charge at Springfield is assigning six internal revenue agents to cases reported by the Office of Price Administration. A seventh internal revenue agent, for a considerable period, has been employed upon an involved income tax case which includes several individuals who are looked upon as the leaders in the county liquor traffic in down-state Illinois. A special agent has been employed upon the same assignment for a similar period.

No report in detail has been received regarding plans of the Collector of Internal Revenue at Indianapolis. A conference was held in Chicago on April 11, with the senior special agent from the branch office of the Intelligence Unit at Indianapolis. He said that the Collector would undoubtedly proceed with vigor and expectation that the plans of the Collector will be available for outlining in the next weekly report.

No detailed information is now available regarding the plans of the Internal Revenue Agent in Charge at Indianapolis. The senior special agent at the conference referred to above stated that the Internal Revenue Agent in Charge had advised him that he would cooperate in the project to the limit of available facilities. Attention may be called to the fact that the case of J. C. Perry and Company, Inc. (Bldr.150017), concerning which the report has already been submitted, was investigated jointly. There are other cases within the scope of the so-called black market program now under investigation in the
State of Indiana. The Gas City Transfer Company, Inc. (81-20564-F) is one of them. The Gary Wine and Liquor Corporation (81-20565-F) is another.

The Collector of Internal Revenue at Milwaukee had received no instructions from Washington until yesterday. The senior special agent held a conference at the Collector's office yesterday afternoon. Details covering the plans for the Collector's work are not yet available.

The Internal Revenue Agent in Charge at Milwaukee has assigned Internal Revenue Agent Alex Himelman to directly supervise the work to be performed by his office on this project. It should be stated that Agent Himelman is an experienced officer of outstanding ability, and that satisfactory results are virtually certain to follow his efforts.

It is expected that in the next weekly report it will be possible to outline the plans of both the Collector and the Internal Revenue Agent in Charge at Milwaukee.

In the following, there is set forth information regarding cases to which reference has been made in previous reports and information regarding cases to which no reference has heretofore been made.

Gas City Transfer Company, Inc., Walter J. Low,
President, Gas City, Indiana. No. 20564-F

This case relates, in part, to unreported income from sales of automotive equipment, such as trucks and semi-trailers, possibly in violation of prices established for each such equipment by the Office of Price Administration. It also relates to unreported income received by Mr. Low, as reflected by currency transactions in which he was involved during 1943 and earlier years.

The examining officer has completed schedules covering the income tax liability of the corporation and of Mr. Low. At this time, those schedules reflect additional taxes and penalties against the corporation in excess of $287,400. They likewise reflect additional taxes and penalties against Mr. Low in excess of $284,600.

The senior special agent in Indianapolis, in a communication addressed to this office on April 18, states that the report in this case will be submitted about May 10.

Michael Poteau, et al., Chicago, Illinois. No. 19655-F

Mr. Poteau owns or controls practically all of the capital stock of the 13128 South Wabash Restaurant Corporation, which operates a sales, night club and restaurant, known as "Coliseum." He has been in that business for many years. The establishment is located in the heart of the old tenderloin district of Chicago. It has had a rather bad reputation, despite the fact that included among its patrons are many persons of respectability. Mr. Poteau, himself, has had a bad reputation.

The investigation of this case was conducted over a long period. The books and records are inadequate and much of the information necessary in the determination of income tax liability has had to be procured from outside sources at widely separated points.

The examining officers' reports are now being processed in the office of the Internal Revenue Agent in Charge. The taxes and penalties which will be recommended for assessment in Mr. Poteau's individual case approximate $284,000. Taxes and penalties in excess of $40,000 will be recommended for assessment against the 13128 South Wabash Restaurant Corporation. A substantial portion of the deficiencies will rest upon the years 1941 to 1943, inclusive. It is the intention of the special agent to recommend prosecution, and this office probably will occur in that recommendation.

This case appears to fall well within the outlines of the typical case in which the Department is now especially interested. Evidently Mr. Poteau has derived large profits out of the operations of his business during the high spending years. He has acquired properties of substantial value, which evidently represent the investment of profits enjoyed during recent years. The explanation of Mr. Poteau, thus far, is that his present assets result from conversions of assets in his possession many years ago. As an offset, the government is able to show that numerous judgments were taken against Mr. Poteau in the local courts during periods when, he now says, he was possessed of capital in large amounts. There is other evidence of similar character which appears to support the contention that the property now owned by him results from recent years' profits.

Amazon Rose and Rubber Company, Harry K. Jacoby,
President, Chicago, Illinois. No. 20116-F

In the report of April 7, it was stated that Mr. Jacoby had made the assertion that suppressed proceeds of sales to the United States Rubber Company would aggregate an amount between $200,000 and $180,000.
It was also stated that the agents engaged upon the investigation were inclined to believe that Mr. Jacoby’s estimate was too low. It may now be stated that data procured during the week from the New York Division disclosed that suppressed proceeds of sales to the United States Rubber Company for a portion of 1941, and for all of the years 1942, 1943 and 1944, exceeded $12,000. Diversion of proceeds of sales, apart from those made to the United States Rubber Company, have been identified to the extent of approximately $12,000. The Chicago internal revenue agent, to whom reference was made in the last report, has returned from Miami. While he was in Miami, among other things, he examined Records book of bank and furnished data covering a large number of checks which Mr. Jacoby cashed or deposited in Florida. The names of the makers of the majority of these checks are not on the books of the American Rose and Rubber Company, and the agents employed upon the investigation are entirely unfamiliar with them. It appears, for the most part, that the checks represent diversions of proceeds of sales.

This case is unique in several respects. Among other things, it may be said that a case is rarely, if ever, encountered wherein so high a percentage of proceeds of corporation sales have been diverted to a stockholder. There can be no doubt regarding the suitability of the evidence in this case for prosecution. The evidence already at hand would amply support a prosecution. If it is desired, a summary report can now be written. It appears best, however, to go forward with the investigation, which now has for its principal objective the identification of additional diversions of proceeds of sales. It is difficult to state how much time will yet be consumed if the investigation of this case follows the customary lines. It is altogether unlikely that any such concentration of diversions of proceeds of sales will be found elsewhere as has been found with respect to sales to the United States Rubber Company.

J. G. Perry and Company, Inc., et al.,
Indianapolis, Indiana, 11-16-1946

In the report of April 7, it was stated that the file in this case would go forward to Washington at a date early enough to permit of its consideration in the Office of the Chief Counsel on April 9, or immediately thereafter. The case was, as a matter of fact, delivered in Washington in the mail of April 9.

Curtis Steel Casting Company, involving
W. V. Lange, F. A. Lange, Jr., A. C. Lange,
Milwaukee, Wisconsin, 11-20-1946

Reference has heretofore been made to this case. There is attached a status report, dated April 13, 1946, addressed to this office by Special Agent Paul T. Roesman. That report was written solely for the

Enclosure: Status Report

Special Agent in Charge

Regarded Unclassified
of the Lange family, in turn, own the common stock of Gulf Securities Holding Corporation. For the years 1941 and 1942 corporate income tax returns were filed by Crucible Steel Casting Company. For the year 1943 a consolidated corporate income tax return was filed in the name of Gulf Securities Holding Corporation, which included the income of Crucible Steel Casting Company.

During the years under investigation, each of the above-named individuals were officers of the principal taxpayer corporation, Mr. Albert C. Lange, known as A. C. Lange, who is married, was the president of the corporation, and the principal duties related to the production end of the business. His son, Fred A. Lange, known as F. A. Lange, Jr., was treasurer and purchasing agent for the corporation. He is unmarried, having been divorced from his former wife, Mrs. Walter N. Lange, known as N. W. Lange, was the secretary of the corporation. He is married and has no dependents.

For many years there has been a bitter feeling of enmity between the non-living members of the family in which N. W. Lange and F. A. Lange, Jr. are aligned against A. C. Lange and Mrs. Carrie Lange Herberg, a sister. This feeling exists principally by reason of the fact that, upon the father's death, his fortune, consisting principally of the common stock of the Gulf Securities Holding Corporation, was left almost exclusively to F. A. Lange and V. A. Lange, Jr. Consequently, N. W. Lange and Mrs. Carrie Lange Herberg were dependent almost entirely upon the whins of N. W. Lange with respect to having any participation in the operations of these corporations as a means of helping their livelihood.

All three of the Lange brothers have a general reputation of being "play boys" and are well known to the "sporting and gambling" element. They have always lived extravagantly and beyond their financial means. They have an unfavorable reputation for their associations with other women. In this connection, A. C. Lange was involved in a case in Wisconsin of contributing to the delinquency of minor girls. In another instance, a suit was entered against him for damages in the amount of $200,000 by a seventeen-year old girl, who alleged that he seduced her by means of promise to marry and false representations, kept her at an apartment hotel in Chicago where he lavishly provided for her, in addition to giving her other expensive presents at a time when he was already married.

V. A. Lange is an inveterate gambler on horse racing and makes daily wagers in huge amounts with various "bookmakers" throughout the country. In 1943 he purchased a string of race horses, which
he entered in races at various tracks throughout the country under the name of Royal Palm Stables. It has been ascertained that in 1943 alone he made wagers with various "bookmakers" exceeding $20,000,000. He appears to have been extremely fortunate in this business, however, for the net results from these wagers resulted only in net losses of approximately $15,000,000.

The corporation's officers, excepting A. S. Lane, entirely failed to cooperate during the investigation, and placed every conceivable opposition in the way of the examining agents. W. W. Lane, particularly influenced many of the witnesses, mainly employees of the corporation, not to cooperate with the examining agents, and induced them to give testimony which borders on perjury, if not actually so. He did likewise with certain outside witnesses with whom the examining agents had contact.

Summary Scope of Investigation

The investigation of this case is nearing completion. The remaining work to be done consists of that of an accounting nature by Internal Revenue Agent Lawrence Avanski in setting up detailed schedules of various adjustments to be made to corporate and individual incomes, and the writing of that will be, in ordinary, procedure, lengthy and detailed reports by the internal revenue agent and me. A summary of the understated income on the part of the corporate taxpayer, Crookston Steel Casting Company, thus far determined is as follows:

<table>
<thead>
<tr>
<th>Nature of Expense</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppressed sales</td>
<td>$30,000,000</td>
</tr>
<tr>
<td>False purchases</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>Salaries and bonuses of &quot;key men&quot; or personnel</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Commissions and certain office employees</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Supplemental factory pay rolls</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>Personal expenses of officers and employees, and expenditures for capital items charged to operating expenses</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Petty cash expenditures</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Total</td>
<td>$60,000,000</td>
</tr>
</tbody>
</table>

The additional tax due from the corporation, as a result of the above understatement of income, has been roughly computed to be $10,000,000. In addition to the tax due from the corporation, there will be additional taxes approximately $11,000,000 due from its officers and approximately twenty-six employees of the corporation, all of whom are involved in a general conspiracy to evade taxes resulting from their fraudulent acts. The additional tax due from the individuals results from their failure to report on their individual returns, the income diverted from the corporation.

The scope of the investigation consisted of a detailed examination of the books and records of the Crookston Steel Casting Company and of firms and individuals who transacted business with that company. It also consisted of the obtaining of testimony from approximately eighty individuals, including officers, employees, and outside parties who had transactions with the corporation, and voluminous photostats of fraudulent documents have been obtained.

The investigation ascertained voluminous manipulations and fraudulent transactions of large proportions. Large sums of money were involved in these manipulations, each of which passed through the personal bank account of W. W. Lane. The nature of operations and the basis evidence relied upon to prove fraud are hereinafter briefly and separately discussed under the following captions:

Suppressed Sales

The suppressed sales involve seven customers of the corporation and the manipulations in withholding these sales from records of Crookston Steel Casting Company were accomplished by withholding the invoices billed to these customers in a separate file. Then payment therefor was received, the proceeds were deposited in the bank account of Gulf Securities Holding Corporation. Withdrawals in the same amount were then diverted from that account to the individual bank account of W. W. Lane. As a result, withdrew similar sums from his account, some of which went to pay personal use, while the larger portion thereof was withdrawn in currency.

Fictitious Purchases of Scrap Steel

During the years 1941 to 1943, inclusive, there is recorded on the corporation's books fictitious purchases of scrap steel in the amount of $20,777.56 from the Armstrong Iron and Steel Company, Biloxi, Miss. Louis Armstrong, principal officer of that concern, has testified, under oath, that no scrap metal was delivered by his concern covering these purchases, altogether, thirty-eight separate payments are involved whereby Louis Armstrong furnished W. W. Lane with false invoices for these purchases. Checks thereafter were issued by Crookston Steel Casting Company. Louis Armstrong endorsed the checks and mailed them, and returned the
proceeds to V. L. Lange. After commencing the investigation, V. L. Lange approached by circumstances to have him file amended income tax returns for the Amoroffs Iron and Metal Company, and report these items as sales on that corporation's income returns, which had not previously been reported, in order to substantiate the false purchases recorded on the books of the Crucible Steel Casting Company. V. L. Lange offered to pay the Crucible Steel Casting Company $15,000 in lieu of the amended returns to be filed by the Amoroffs Iron and Metal Company. Although already involved in the transaction, Mr. Amoroff refused to cooperate with Mr. Lange's request. With regard to these fictitious purchases, V. L. Lange claims that they represented actual purchases of "black market" aluminum which he attempted to cover up by recording them as purchases of scrap steel. Mr. Amoroff declareth, and quite an extensive investigation made by investigators of the War Production Board apparently failed to substantiate Mr. Lange's claim that "black market" aluminum was delivered for these payments.

There is recorded on the books of the Crucible Steel Casting Company in 1942 a total of nine checks aggregating $11,773.10, representing fictitious purchases of scrap steel from the Amoroffs Iron and Metal Company, Chicago, Illinois. Sales in the line amount are not recorded on the books of Amoroffs Iron and Metal Company, and testimony has been obtained that purchases in the amounts designated were not made by Crucible Steel Casting Company.

Shortly after the start of this investigation the amount of $11,773.10 was restored to the corporation by V. L. Lange. He stated that this sum was found in an envelope in the company's vault and represented money set aside for scrap steel purchases. Similar fictitious purchases from the Amoroffs Iron and Metal Company, all recorded on the books of Crucible Steel Casting Company, were paid in a like amount was restored to the corporation after the investigation was in progress.

Salaries and Salaries of "key men" as foremen and certain office employees

The foremen or supervisors of various departments of the corporation are designated as "key men." During the years 1940 and 1941 the base pay of these individuals ranged from $10,000 to $15,000 annually. During the years 1942 and the early part of 1943, large quarterly bonuses were allegedly paid to these individuals. The bonus checks, in practically all instances, were endorsed by the individuals, but were then turned over to George Sandle, accountant for the corporation, and who is a brother-in-law of V. L. Lange, and he (Sandle) cashed the checks. Effective August 1, 1942, the corporation discontinued its alleged bonus policy and allegedly increased correspondingly the base pay of these individuals, and thereafter all salary payments were made in currency. The increased pay of these individuals ranged from $25,000 to $35,000 annually. It is asserted that substantial sums of money were left by each of these employees to George Sandle for purported safekeeping. At the end of each year, Mr. Crystal Friedlander, personal secretary of V. L. Lange, prepared the federal and state income tax returns of each of these individuals and all of their individual income taxes were paid for allegedly from the fund held by George Sandle, and the copies of each of their personal returns were retained by George Sandle. The foreman had organized a.B.P.A. Union Association, and the records of the organization show that, during the years 1941 to 1942, inclusive, an aggregate amount of $150,000 was returned to V. L. Lange by the individual foremen. This money is alleged to represent personal loans made to V. L. Lange, for which he is purported to have given his personal notes, although the money he personally retained was supposed to have been reinvested in the corporation. The foreman were supposed to receive therefor stock in the corporation at some future date. No accounting was ever made by George Sandle to the individuals for the sums he allegedly retained or expended for them.

Included in the office payroll of the corporation were aggregate payments to Mr. Terrie Lange amounting to the amounts of $15,000, and her two daughters, Beatrice June Sandle; in the amount of $8,000, and Bertha June Sandle, in the amount of $4,000, and V. L. Lange's father-in-law, Joseph J. Krentstein, in the amount of $10,000. These individuals performed little or no services whatever for the corporation.

Supplemental Factory Pay Rolls

Approximately seven hundred employees are employed in the factory of Crucible Steel Casting Company, and all payments to wage earners in the plant are paid by check. However, included on a supplemental factory pay roll was a list of employees of Mr. John J. Krentstein and W. J. August J. Krentstein, both of whom are general construction contractors. The employees of Mr. Krentstein were engaged solely in the construction of an apartment building taken over by V. L. Lange and in the construction of the personal
residence of W. H. Lange and the personal residence of W. H. Lange, Jr., a son of W. H. Lange, and another residence for one of the foremen of the company. The employees of W. H. Lange were escorted principally in new construction work at the plant. In addition to the above, there were included on the welfare pay rolls the wages of domestic employees of W. H. Lange and W. H. Lange, Jr. It also included wages paid to several individuals who were hired for these two officers. All of the wage payments on the supplemental welfare pay roll were charged to operating expenses of the corporation.

Personal Expenses of Officers and Employees, and Capital Expenditures

There are charged as operating expenses of the corporation thousands of items representing personal expenses of the officers and employees. Some of the items included in this category are as follows:

Personal clothing.
Medical, dental, and hospitalization expenses for members of employees' families, including maternity care and birth of children.
Liquor and groceries.
Airplane trips for foreman's wives.
Hotel and roomer's rent expenses for employees' families.
Rents, camera, garden tools, outboard motors, boats, and sporting equipment.
Personal effects, including perfume and jewelry.
Fire and personal life insurance premiums.
Household furnishings.
Personal attorneys, architects, and landscaping services.
Fuel oil and coal for personal residence.
Purchase of personally owned real estate (land).
Construction of personal residences and apartment buildings.
Construction of buildings and tennis at polo field.
Painting and erecting improvements to personal residences and cars.

In numerous instances the individual or firm who performed the personal service for the individual officer or employee of Crucible Steel Casting Company submitted, to the proper recipient, no invoices describing the work as having been performed at the foundry plant of Crucible Steel Casting Company. The false invoices were furnished at the request of the officers of Crucible Steel Casting Co., and upon their receipt were recorded on the corporation's books as current operating expense of the corporation.

In addition to the above, the corporation made substantial improvements to factory buildings, constructed new buildings, and purchased large amounts of new machinery and equipment for the foundry plant, which were charged on its books as current operating expense of the business.

Petty Cash Expenditures

During the years involved there are expended from the petty cash fund of the corporation the sum of $63,127.00. This amount represents the purported travel expense of the officers and "key men" of the corporation. Each of these individuals submitted an expense voucher every month. These represented only memorandum slips of paper, upon which was claimed an amount allegedly spent for travel to various destinations throughout the country. Of the total petty cash expenditures, W. H. Lange alone expended the sum of $26,944.79, or 52% of the monthly expense accounts of the individuals "key men" have been found to be false and fraudulent in that it has been established in instances that they were in Illinois at the time they were alleged to have been elsewhere in furtherance of company business, for which they claimed travel expenses. In one instance alone, Mr. Frank Rosser, who is foreman of the scrap steel department, submitted expense accounts during the months of August and September, 1946, wherein he claimed substantial travel expense to Washington, D.C., Chicago, Illinois, New York, and Boston. In each of the individual foremen admitted in their testimony that they did not make some of the trips for which they submitted expense reports, and that some of the trips, the expenses for which were charged as operating expenses of the corporation, were of a personal nature. In another example, Mr. Crystal Diedrich, personal secretary to W. H. Lange, claimed travel expenses for many trips allegedly made to the Chicago office of the corporation, allegedly in furtherance of company business. Evidence has been obtained which indicates that she has never been in the Chicago office of the corporation. With respect to the petty cash expenses of employees and officers, and particularly in Lange, these memorandum vouchers include large amounts for entertainment at night clubs, liquor, hostesses, and niggers made at various race tracks throughout the country.
CONCLUSION

From the foregoing evidence, it is concluded that an enormous fraud has been perpetrated on the government in the attempted evasion of income and excess profits taxes due from Crucible Steel Casting Company for the years 1941 to 1943, inclusive, as well as an attempted evasion of income taxes on the part of its individual officers and several of its employees. It is further concluded that the evidence obtained is so clear, convincing and overwhelming with respect to President's acts that there is no doubt that a successful criminal prosecution in this case could be sustained if such proceedings are instituted. A recommendation for the institution of criminal proceedings against certain officers and employees of the Crucible Steel Casting Company will be made in my final report.

This communication is transmitted to you in order to fully acquaint you with the status of the investigation, in accordance with the instructions issued in connection with the current drive designed to detect and investigate tax evasions on the part of individuals resorting to cash transactions in the conduct of their business enterprises.

[Signature]

Paul J. Schuster
Special Agent
Special Agent Anderson has practically completed the investigation of Hal V. Patton, exchange broker at El Paso, Texas. According to available information, Mr. Patton reported substantially all of his profits from this venture.

Special Agent George A. Collins commenced his investigation of Alex Steinberg, et al. Mr. Steinberg filed amended declaration and reported and paid additional tax in the amount of $275,000.

This report is being curtailed on account of the President’s death and it is now noon.

[Signature]

James L. Connor
Acting Special Agent in Charge
Office Memorandum - UNITED STATES GOVERNMENT

TO: Mr. Hanes, Commissioner of Internal Revenue
FROM: James L. Houghteling
SUBJECT:

Leo Goodman, Washington representative of the United Retail, Wholesale and Department Store Employees of America (C.I.O.), whom I brought to your office last week to discuss "tax cheating" has sent me the enclosed two copies of his column "Hatchet's from Washington" which he distributes to the publications of his international unions and other C.I.O. organizations. On page 3 you will note that Mr. Goodman calls the attention of his members to the problem of tax cheating and the existence of Government rewards for citizens who aid the Bureau of Internal Revenue to collect taxes where evasion has been attempted.

I think this is about as effective a use of labor union cooperation as is possible under existing circumstances.

[Signature]

Regraded Unclassified
Regarded Unclassified

HUSBANDS FROM WASHINGTON

VOL. II, NO. 2
March 20, 1940

A Column of News from Washington for UNITEA Members
by Leo Goodman, Washington Representative,
UNITEA-GIL

NET MEETS, 10 MAY

Phil Johnston, President of the U. S. Chamber of Commerce, has joined
with Phil Murray and William Green in announcing a new charter for
Labor and management.

The charter consists of seven points, including high wage rates, full
employment, advancing standard of living, social security, foreign trade,
and enduring peace.

The most specific section relates to labor's rights. The charter states:
"Fundamental rights of labor to organize and to engage in
collective bargaining with management shall be recognized
and preserved."

One leading member of the U. S. Chamber of Commerce and bound by this
statement of policy is Mr. W. J. Hay, who controls the Hay Department
Stores throughout the United States. Mr. Hay continues to oppose
organized labor in his many stores.

In the Famous-Barr store in St. Louis, Mo., an election case has been
pending since 1936. The company has been found guilty of unfair labor
practice.

Can Mr. Hay continue active in the U. S. Chamber of Commerce and at the
same time ignore the public policies it supports?

BAD MESS

It may be that Mr. Hay like General Avery will join Mr. Murray, President
of the National Association of Manufacturers, who failed to sign the
statement although, according to press reports, he had participated in the
negotiations leading to its preparation.

Mr. Murray said it is time "to get down to cases."

He did state that "the seven principles that make up the so-called charter
are generalities on which there is already wide agreement."

RELLIY SHOWS TRUE COLORS

The wide agreement referred to by Mr. Murray was broken by ILER member
Gerald Reilly who the day before issued a dissenting opinion covering
the timely problem of foremen's rights under the protection of the
National Labor Relations Act. Mr. Reilly has always taken the position
that foremen should not be granted the protection of the Wagner Act.

The decision in the Maryland Drydock Case resulted in widespread strikes
throughout the Midwest as management took advantage of this decision to
harass associations of foremen who attempted to protect the working
conditions of their members.

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In the Packard Motor Car Co. case the majority of the board specifically
overrules Mr. Reilly's policy.

This action brought out Mr. Reilly's true colors. In a vituperative dissent
opinion which was immediately condemned by President Philo Murray, Mr.
Reilly in effect cautions Congress to amend the Wagner Act to confer
upon the board the same judicial processes against management labor union
organization which it now possesses in regard to disobedient employers."

As this column has repeatedly contended, this proves that Mr. Reilly is
not a fit person to administer the purposes and policies enunciated by
Congress in the adoption of the Wagner Act.

HUSBANDS PREDICT PRICE POLICIES

One of the cases Mr. Murray wants to get down to relates to post-war pricing
policy. In a special bulletin of the UAM News, entitled "Post-War Preparation",
Mr. Murray called upon government to file a bill on that subject.

In the parallel article, entitled "Recessionary Pricing Engages UAM
Attention," did so without waiting for government permission. In effect
the article called for an immediate stimulant advance in prices of civilian
goods in preparation for post-war production.

PRICE CONTROL OR PRICE INFLATION?

There is increasing evidence that the policies of the present administration
of the AAA are more concerned with securing high profits than bringing
about effective price control.

Instead of complying with a good price control program, Chester Bowlus has
spent a good part of the past few months complaining to the press on one
of the情人 recession program. As a former advertising agent (he is
the Bowlus of Boston & Bowlus, advertising agency for big industry), Bowlus
believes in publicity (for himself). He has neither the background, nor
knowledge regarding production problems in this country, nor the common sense
needed to solve the vital recession program which is necessary to prevent
ruin when the war program ends.

HUSBANDS ADMIT LACK OF PLANS

Philip Murray on each possible occasion points up the fact that government
promises to date have not developed any plan to bring about orderly
reconversion from war-time production to peace-time production.

Proposed economy of 30 million jobs after the war continues to be "the policy
predicted."

Major cutsbacks are coming soon no matter what the developments in Europe.

POLITICAL DEMANDS PROGRESS

In support of congressional proposals that all piped be taxed as a means
of ending the labor shortage, President Voilich and Executive Board
members Leonard and Simon have urged New York City delegation in Congress
to support Congressman Rayburn's proposals that the side of the age

(1026)
slaughtered in federally inspected slaughterhouses be saved for turning into leather. This program would provide enough leather for 200 million pairs of shoes and leave room for manufacture of industrial belts, luggage and gloves, all essential in the war effort and necessary to sustain our civilian economy. Farmers Union and other progressive organizations have rallied to support this program and will demand that it be institutionalized as soon as possible.

UNION OF UNION AFFAIRS

Martin Ryan, Executive Vice President of the UNUFAA, recently on assignment in London under orders of its President Philip Harray, has made contact with the National Union of Distributive and Allied Workers in England. The Union's official organ 'The New Deal', issue of March 30, 1942, carries a feature article regarding its appearance before a meeting of the London branch of that body.

GOVERNMENT REVS "TAX CHEATERS"

Treasury Department efforts to check up "tax cheaters," such as current drivers in film, will be aided by a provision of the tax law which provides for a maximum of 10% reward to any person offering information leading to collection of unpaid taxes.

Treasury Department officials reveal that under Section 3702 of the Internal Revenue Code, any person providing information regarding any method of evading taxes is eligible to 10% of the net amount recovered by the government.

Application for claim for reward (Form 811, Internal Revenue Service, Treasury Dept.) may be secured from the Washington Office of the Internal Revenue Collector of Internal Revenue. Due to the interest of the government in seeing large sums of money will be realized by the government by reporting tax cheaters who are not willing to pay their taxes while thousands give their lives at the fighting fronts.

TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

New York
Chief, Intelligence Unit,
Washington, D.C.

In re: Special Tax Drive
Progress Report for Third Week ending April 14, 1946

In accordance with your instructions to submit a weekly progress report, the following is a summary of information obtained during the past week:

Barber Asphalt Corporation, Jersey, New Jersey - Deposit of $96,000 in large bills in the bank account of the Barber Asphalt Corporation at the Chase National Bank, New York, N.Y., during the period August 22, 1944 to November 15, 1944.

Under date of April 4, 1945, you transmitted copy of a confidential circular of the Federal Reserve Bank indicating the above deposit. An investigation was made by Special Agent Benjamin J. Kress and the following facts were developed:

In December 1942, the Marine Department of the Barber Asphalt Corporation executed a contract with the War Shipping Administration to operate twenty-three steamships. At the time the contract was signed, the War Shipping Administration advanced the Barber Asphalt Corporation $250,000, which amount was later increased to $500,000, and said amount was used as a revolving fund to finance the operation of the steamships. The funds advanced by the War Shipping Administration were deposited in a special bank account at the New York Trust Company under the name of Barber Asphalt Corporation General Agent, Special Account, and checks were issued against this account only to bonded employees and contractors of the War Shipping Administration for payrolls, repairs, supplies, etc. Income received from the operation of the steamships and other sources was deposited in this account and when it declined to a certain figure, the amount was replenished in sufficient amount to bring it up to the original $500,000.
At the time the Barber Asphalt Corporation started to operate these boats for the War Shipping Administration, they opened another account in the New York Trust Company under the name of Barber Asphalt Corporation, Marine Department account. This account was used for the purpose of paying the wages of the crews of the various boats after they arrived in port. A balance of $100,000 was kept in this account, which was replenished by funds transferred from other bank accounts of the corporation.

It was the practice when a boat arrived in New York, the master thereof would notify the Barber Asphalt Corporation as to the amount of the estimated payroll due the employees, at which time a check for the estimated amount would be drawn on the Marine Department bank account, which check would be cashed at the same bank and the funds thus obtained would be given to the master. At the same time, a check for the same amount would be drawn on the Special account in the New York Trust Company, which check would be leased to the order of the master of the boat. When the cash previously obtained from the Marine Department account was handed to the master, he would endorse the check drawn on the Special Fund account as a formal receipt for payroll funds. This endorsed check would then be cashed at the New York Trust Company and the cash thus obtained would be deposited in the general account of the company at the Chase National Bank.

It will therefore be noted that the large cash deposits in the Barber Asphalt Corporation account in the Chase National Bank merely represent a transfer of funds to the revolving account provided by the War Shipping Administration. Special Agent Kress' report setting forth the above in more detail goes forward today.

Revised Material:

During the course of the investigation now being conducted at the Federal Reserve Bank with respect to large currency deposits, referred to in a press release of April 7th. Information was obtained to the effect that certain insurance companies had notified the Federal Reserve Bank that a number of their clients were making large payments on account of loans, advance premiums and annuities. Our investigation was extended to cover this feature and to date information has been obtained relative to forty-five individuals making payments of substantial amounts in currency to various insurance companies. Information obtained on one outstanding case follows:

Nathan Dines and George Triller - Business address, 1725 Boyes Walls Parkway, Baltimore, Maryland.

The Bank of Manhattan advised the Federal Reserve Bank that the Superintendent of the John Hancock Mutual Life Insurance Company, Queens Village, New York, had informed the bank that these individuals each purchased annuities calling for annual premiums of $8,000 and each paid ten years' premiums in advance. $1,500 additional was paid on an annuity policy purchased by Benjamin A. Triller, a brother of the aforementioned George Triller. Benjamin Triller's address was given as 126 West 5th Street, Trenton, New Jersey. In payment of the above, $41,500 in currency was delivered to the John Hancock Mutual Life Insurance Company in a suitcase. This sum was collected by one of their agents in Baltimore, Maryland, who delivered the cash to their office in Queens Village, New York.

Kerby Saunders Manufacturing Co., 671 Bergen Street, Brooklyn, New York.

P. O. Sayfang, 107 North Virginia Avenue, Atlantic City, New Jersey.

Your communication of the 31st ultimo enclosed a copy of confidential circular furnished by the General Counsel for the Treasury, indicating that Kerby Saunders Manufacturing Co., 671 Bergen Street, Brooklyn, during the year 1944 deposited large sums of money in bills of large denomination with the Chase National Bank of New York City for transmission to the Bank of逐lock National Bank for the account of P. O. Sayfang, said to be a subcontractor on contracts awarded to the Kerby Saunders Manufacturing Co. for the manufacture of balloons for the United States Navy.

Under date of April 12, this office forwarded to you a memorandum report enclosing a report by Revenue Agent B. K. Kantrow of the Brooklyn Division, covering information obtained by him with respect to these transactions. It is noted that Kerby Saunders Manufacturing Co. made payments to P. O. Sayfang for the calendar year 1944 in a total amount of $137,819 on account of a purchase order for 150 balloons. All of this amount was paid in cash, with the exception of $10,000 paid by check. The information with respect to this matter was referred to the Special Agent in Charge in Philadelphia for his use in further investigation with respect to P. O. Sayfang at Atlantic City, New Jersey.

Irving R. Weilshim & Co., Inc., 111 John Street, New York, N. Y.

Your communication of March 31, 1946, enclosed a copy of a confidential circular furnished by the General Counsel of the Treasury, indicating that large deposits had been made in the account of Irving R. Weilshim & Co., Inc., 111 John Street, New York, N. Y. The memorandum stated that a $60,000 deposit on March 24, 1945, was allegedly taken from the safe deposit box of an undisclosed individual.

Under date of April 12, 1946, this office forwarded to you a report enclosing copies of report by Revenue Agent J. Van Ackere covering his inquiries with respect to this matter. It was noted that on April 24, 1945, a cash entry was credited to the account of one Charles Hoffman in the amount of $68,000. Weilshim & Co.'s records further show total credits to Hoffman in the amount of $116,998.49 during the year 1945.
These payments were disbursed by Walsingham & Co. to several insurance companies for advance premium payments on annuities at a discount rate of about 2%. These policies had been purchased by Hoffman through Walsingham.

Charles Hoffman is a partner in the Gordon-O'Neill Co. of Jersey City, New Jersey. They are under investigation by the Alcohol Tax Unit, the Office of Price Administration, and also for income tax evasion by the Internal Revenue Division. A joint investigation with this office with respect to evasion of income taxes on the part of Charles Hoffman and other members of this company for the years 1942 and 1943 will be undertaken in the near future by this office.

Joseph Russo, Alexander Hotel, Paterson, New Jersey.

Under date of March 29, 1944, you forwarded to this office a communication from one Max Teberman of Paterson, New Jersey, relative to alleged evasion on the part of the above-named Joseph Russo. The memorandum alleged that Russo was a big gambler, made frequent trips to Florida in the wintertime, was collector for local politicians in Paterson and Passaic, New Jersey, and had purchased a number of parcels of real estate.

Under date of April 13, 1944, a preliminary report was submitted by Special Agent V. F. McNally. It will be noted that Russo shows income from the Belmont Victory Company, which had been determined to be manufacturers and dealers in pinball and other slot machines. The investigation thus far discloses that he has several parcels of real estate but that he obtained them on inheritance from his father. Special Agent McNally has now the 1943 return of Russo. He has requested returns for other years, and also returns for the Belmont Victory Company for the years 1940 to 1945, inclusive. His investigation thus far indicates that Russo bears an unsavory reputation. The investigation is now under way and the progress thereof will be promptly reported.

Jacob Lieberman, 164 Palms Street, Brooklyn, New York.

Reference is made to your communication of March 20, 1945, referring to certain individuals whose automobile numbers were noted in Florida during February of this year, which cars were said to be used by gamblers. Among them was that of Jacob Lieberman. It was stated that Lieberman's returns for the years 1942 and 1943 are with the Revenue Agent in Charge at Brooklyn, New York, and it is requested that an immediate investigation be made to determine whether or not any gambling gains were reported by Lieberman on his returns.

I have to state that Lieberman's returns show no income from gambling. Mr. Lieberman is still in Florida. The investigation has been referred to Special Agent Mielke. Immediately on Lieberman's return to New York, investigation will be continued.
Treasury Department
Internal Revenue Service

Chief, Intelligence Unit,
Bureau of Internal Revenue,
Washington, D.C.

In re: Current Tax Drive

In accordance with the request of the Commissioner, there is
set forth herein a report of progress made during the past week on
the current Income tax drive:

Atlantic City Real Estate

During the past week photostatic copies of abstracts of deeds
of real estate sold at Margate and Longport, New Jersey, during the
years 1943 and 1944, were made with the cooperation of the Alcohol
Tax Unit in Philadelphia.

Arrangements were made for the Alcohol Tax Unit to supply a
camera and operator to cooperate with a special agent of this Unit
to photograph the abstracts of deeds of real estate sold in Atlantic
City, New Jersey. This phase of the operation will commence on Mon-
day, April 16, 1945. As soon as these pictures are developed, the
Collector of Internal Revenue, Philadelphia, Pennsylvania, will as-
sign a sufficient number of deputy collectors to assist the informa-
tion according to districts. The abstracts of local taxpayers who
purchased real estate for cash will be alphabetized, their filling
record checked, and the information transmitted to the appropriate
Internal Revenue Agent in Charge or Collector for immediate exami-
nation of the returns.

Mr. William A. Blair, County Clerk of Atlantic County, New Jer-
sy, is cooperating in this drive by submitting to this office copies
of all abstracts of deeds prepared by his office after April 1, 1945.

Mr. A. F. Schuster, Internal Revenue Agent in Charge, Philadel-
phia, Pennsylvania, has advised that he will prepare information re-
ports, Form 937, of the grantors of real estate at Atlantic City, so
that their returns may be examined at the appropriate time.

An analysis of 800 abstracts on file in Atlantic City, indicates
that many deeds have been recorded at that place without any or only
a portion of the Federal revenue stamps being attached. A consider-
able number of grantors are residents of Philadelphia, Pennsylvania,

Current Tax Drive

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some of whom have purchased more than one property in the last two
years.

There is transmitted herewith a clipping taken from the editorial
page of the Atlantic City Press of April 10, 1945.

Stock Brokers

A conference was held with Mr. Joseph F. J. Mayer, Acting Col-
lector of Internal Revenue, Philadelphia, Pennsylvania, during the
past week, as a consequence of which, Mr. H. L. Kaines, Chief of the
Field Division, has assigned deputy collectors to make confidential
inquiries at stock brokers' offices regarding any accounts showing
large deposits of cash.

Poultry Dealers, State of Delaware

A conference was held with Mr. Horace L. Brown, Senior Internal
Revenue Agent, Wilmington, Delaware, to discuss this situation. Mr.
Brown stated that he would assign, at the earliest possible date, six
revenue agents to examine the returns of the poultry dealers in the
southern part of the State. It was decided that their efforts would
be directed to four taxpayers whose returns had disclosed indications
of fraud during preliminary investigation. It is understood that
said revenue agents will, if necessary, contact purchasers and com-
mision brokers in New York and Baltimore and advise this office weekly
of developments.

Pittsburgh Area

A conference was held with Mr. Robert H. Corey, Senior Special
Agent in the Pittsburgh office of the Intelligence Unit, for the pur-
pose of explaining the methods to be used in and the results hoped to
be obtained by this drive. Mr. Corey was instructed to contact the
Collector of Internal Revenue and the Internal Revenue Agent in Charge,
Pittsburgh, Pennsylvania.

Newspaper Clippings

Using the file of newspaper clippings maintained as part of the
regular service of this office as leads, the income tax filing record
of the persons involved in being checked and the pertinent information
is being forwarded to the office of the Internal Revenue Agent in
Charge or the Collector of Internal Revenue, as expeditiously as possi-
ble.
Current Tax Drive

Current Investigations

Joint investigations conducted with the offices of the Internal Revenue Agents in Charge progressed during the past week without disclosing any further information of current interest.

Reports

Statistical reports are forwarded as follows:

- Agency Intelligence Unit, Treasury District No. 9
  - 101-105
- Internal Revenue Agent in Charge, Philadelphia
  - 101-103-105
- Internal Revenue Agent in Charge, Pittsburgh
  - 101
- Collector of Internal Revenue, Philadelphia
  - 101-102-104

Alfred P. Fleming
Special Agent in Charge

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE: April 16, 1945

TO: Secretary Morgenthau
FROM: Mr. H.

SUBJECT: The Business Situation

WEEK ENDING APRIL 16, 1945

Summary

Stock market: The shock of the President's death last week, and rapid war developments, failed to unsettle the stock market. On the contrary, the Dow-Jones average of 65 stocks at the close on Friday was 3 percent higher than a week earlier and only slightly below the 1945 high attained early in March. Industrial stock prices in London weakened somewhat on Friday, after previously advancing to a new high for the entire war period.

Reconversion: Sweeping Allied military gains have focused increasing interest on reconversion plans and on outbuildings in munitions production. Following cancellation of contracts for new naval combat vessels in April, the Navy has announced a cutback of nearly $200 million in the 1945 artillery ammunition program authorized last December. Likewise, it has been decided not to complete 16 new tank plants that had been scheduled to reach peak operations in the last quarter of this year.

Income payments: The annual rate of income payments in February rose to a new high of $1,014.7 billion from $1,013.5 billion in the previous month. The principal factor in the rise was a substantial gain in the adjusted index of cash income from farm marketing, although increased payments for salaries and wages was a contributing factor.

Commodity prices: Commodity futures in the past 2 weeks have moved noticeably higher. A feature of the futures market has been a sharp advance in the price of rye under the influence of reports of heavy Government purchases for shipment abroad. The BLS all-commodity index has remained unchanged at its wartime high for 5 consecutive weeks.

Farm parity: Prices paid by farmers (the parity index) rose 1 point to a new wartime high in March. While prices received declined 1 point. In consequence, farm prices averaged only 114 percent of parity as compared with 116 percent a month earlier.
Securities markets firm in face of somber news

The smoking news of President Roosevelt’s death, and the swift onrush toward a climax in European military developments, failed to cause unsettlement in the securities markets last week. Following the trend in stock prices in the early part of the month, traders and investors had displayed greatly increased caution in easing weeks. Thus, by the first week in April, daily average stock trading dropped to only 717,000 shares as compared with an average of 1,450,000 shares in March and 1,605,000 shares in February. However, after a slow start last week stock prices strengthened and trading on Wednesday rose above 1 million shares for the first time since March 17.

The overnight news of the President’s death caused some selling of stocks at the opening on Friday, but religious tendencials quickly developed under the leadership of utility shares. At the close of the day the industrial, railroad and utility stock averages all showed net gains, with the utility group rising nearly 6 percent. (See Chart 1.)

The Dow-Jones average of 20 stocks at Friday’s close was 3 percent above the previous week’s level, although it was still slightly below the 1935 high attained early last month.

In contrast to the increased caution which characterized trading in the New York market in the latter part of March and early April, industrial stock prices in London moved gradually higher. Furthermore, despite a slight decline on Friday, average industrial stock prices in London last week attained a new high for the entire war period. (See Chart 2.)

In addition to the rise in stock prices, a notable feature of securities trading in London in the early part of April was a sharp rise in Japanese and Chinese bond prices, following the Russian demobilization of the Manchurian neutrality pact and the resignation of the Japanese cabinet. Moreover, German 3 percent bonds of 1924 on Monday and Tuesday moved up to a new high since the war began, but subsequently declined.

Outlook prospects emerge increased attention

As the Allied Armies move deeper into Germany, increasing business interest is being focused on probable cutbacks in war orders in the near future and the many problems involved in reconversion. While recent official statements on the scope of cutbacks have tended to be reassuring, some observers fear that actual cutbacks will be heavier than currently envisaged. At the same time, recent favorable developments in the war against Japan have posed the possibility that the war in the Pacific may end sooner than previously expected.

During the past week, the Army announced that it had decided not to complete 15 new tank plants that had been scheduled to reach peak operations in the last quarter of the year. However, it was emphasized that the action constitutes an elimination of a planned increase in output rather than an actual cutback in existing production. At the same time a cutback of nearly 200 millions in projected plants and ammunition production schedules for 1945 was revealed by Army Ordnance officials. This represents a reduction of about 10 percent of the entire artillery ammunition program authorized last December.

These developments follow in the wake of an announcement late in March that 72 naval combat vessels would be cut from the new Navy shipbuilding program. In this connection the Iron Age last week commented that “the drop in maritime plate demand combined with the effect of the cancellation of 72 naval combat vessels has resulted in open space in many plate mills in May and June.”

Material requirements after V-E Day

Recent estimates indicate that in the first quarter after the end of the war in Europe military requirements for carbon steel are expected to drop 1.5 million tons, or about 25 percent. Moreover, manufacturers are expected to cut down on inventories, thus releasing additional steel supplies for civilian purposes. The cutback in aluminum production will be somewhat greater than in steel, while copper will be available for civilians in about the same proportion as steel.

On the other hand, it now appears likely that the reduction in military requirements for textiles and leather will be somewhat less than the cutbacks in hard goods. In recognition of the changing material requirements outlook, the 1945 Requirements Committee last week asked all claim agencies to submit within ten days a new set of requirements for raw materials, based on the assumption that V-E Day will occur on or before June 30.
Reconversion plans receiving increased attention

In contrast to the tendency earlier this year to shun public discussion of reversion plans, the US government has been focusing increasing attention on the steps being taken to cope with reversion problems. Earlier this month the US government outlined a 12-point program which will be put into effect in a time schedule depending upon the expediency of actual military outlays. Among other features, the program contemplates positive assistance in the making available the tools, equipment, materials, etc., needed to effect rapid conversion, and positive measures also to be taken to step up production of a limited number of civilian products now in dangerously short supply. The operation of the Controlled Materials Plan will be eased, and at the earliest possible date a simplified priority system will be introduced.

Steps taken to facilitate automotive reversion

In view of the vital importance of the automotive industry, the US government has taken special steps to facilitate reversion of the industry to civilian production. A special office was established in Detroit recently to assist in reversion preparations, and during the past week approval was given to a program for the manufacture of 350 million dollars worth of bottleneck tools and equipment to be used in passenger car production. Schedules are being worked out so that production of the pressed steel and other items needed will not interfere with war production required for the war in the Pacific. Nevertheless, it is expected that from 3 to 7 months will elapse before the first items are delivered by the machine tool plants.

The president of General Motors recently stated that his company had prepared reversion plans for all contingencies after Germany's defeat, and indicated that if unlimited production is possible the company will introduce only one model of each of its cars. He further stated that the assembly of cars will not be as difficult a problem as the procuring of parts involved, constituting the greatest reversion bottleneck in the General Motors organization.

Annual rate of income payments at new high

Although actual income payments decreased in February, the decline was less than seasonal, and the annual rate of income payments advanced to a new high of $104.7 billions from $105.3 billions in the previous month. (See Chart I.) The principal factor in the further rise in the rate of income payments was a substantial gain in the adjusted index of cash income from farm marketings, partly due to heavier than usual marketings of tobacco.

Payments for salaries and wages also moved higher, with increases for Government salaries and wages (including military pay), reaching a new high. Total income payments in February were 4 percent above the previous year's level, with all major components showing gains except salaries and wages in the commodity producing industries, chiefly manufacturing. (Refer to Chart I.)

Commodity futures sharply higher

While some settlement was shown in the futures markets at the end of the week on news of the death of the President, the trend of these markets over the past two weeks has been sharply higher. Spot prices of most basic commodities are held down by ceilings, but futures generally have been above the ceilings, particularly during March. The recent upturn tends to correct this discrepancy, but it also apparently reflects an increasing upward pressure on prices of farm products in view of expanded world requirements and prospects of reduced production.

The Box-Jones futures index has regained about one-half the amount lost since its early-January peak, while the short price index has held practically unchanged recently. (See Chart II.)

While all grain futures show a trend upward, the feature of the markets has been a sharp advance in the price of rye. May rye futures recently on three separate days rose 3 cents a bushel, the permissible limit, influenced by reports of heavy government purchases for anti-malaria use. The Commodity Credit Corporation has confirmed the purchases of 4 million bushels of rye, of which 2 million will be sent to Belgium and the rest distributed among other liberated countries. Recent Government buying of both rye and wheat flour has also been a factor in the market.

Cotton prices have also risen, supported by a tightening spot situation, by an increase in the parity price, and by a continued movement of cotton into

Regraded Unclassified
Government hands under the loan and purchase program. It is estimated in the trade that about 4,500,000 bales of the 11,600,000-bale crop will be in Government hands by the end of the season.

Steer prices have risen 2 percent in the past four weeks, while hogs have held firm at ceiling levels. Cotton has advanced. Among the feed grains, corn is slightly higher while barley has declined. Other commodities have shown little or no movement. As a net result, the BLS price index of 22 basic commodities in recent weeks has moved gradually higher. (See Chart 2.) The BLS all-commodity index (shown in Chart 2) has held unchanged at its wartime high for five successive weeks.

Farm prices lower in March

The index of farm prices declined 1 point in March to 196 percent of the 1939-41 average, largely because of sharply lower prices for truck crops. At the same time, the index of prices of goods bought by farmers (the parity index) rose 1 point to a new wartime high. In consequence, farm prices averaged only 118 percent of parity, as compared with 116 percent a month earlier and 110 percent in March last year.

The stability of farm prices over the past year is shown by the almost flat trend of the farm price index. (See Chart 6.) Actually, there has been very little change in the combined index since April 1943, and the present index is only one-half of one percent higher than in that month.

Among the major group indexes (shown in Chart 6), it will be noted that truck crop prices are substantially lower than last year. The declines are especially pronounced for such staple vegetables as onions, tomatoes, carrots, cabbage, and spinach. Prices of meat animals and of poultry and eggs are somewhat lower than last year, but other groups are unchanged to slightly lower.

Record wheat crop seen

As one of the bright spots in the food outlook, a record wheat crop seems in prospect this year, assuming normal weather. The Department of Agriculture forecasts a winter wheat crop of 663 million bushels, the largest on record based on April 1 conditions. Planting intentions for spring wheat, with average yields, point to a spring wheat crop of 281 million bushels. This would bring the total 1945 crop to 1,146 million bushels, compared with the previous record of 1,079 millions in 1944.

Much concern is expressed in the grain trade, however, over a shortage of freight cars to move wheat to the central markets. Depleted stocks of cash wheat at central markets, such as Chicago, have been one of the factors tending to raise wheat futures prices in recent weeks. On the other hand, storage space is abnormally filled in the interior markets, which has led to the fear that much of this year's winter wheat harvest will have to be piled on the ground and subject to spoilage.

In a letter replying to a statement of the president of the Kansas City Board of Trade recently, the director of the GPO said: "The outlook for the next 15 months is most alarming. You will probably store more grain in the producing areas this year than ever before. I am informed that the Department of Agriculture is making provision and arrangements therefor. There will be throughout our commercial activities difficulties in transportation. We hope that such difficulties may be averted for the military."

Government and railroad agencies last week indicated that no further measures would be taken to improve the freight car situation for the movement of wheat, because other needs are at least equally as urgent. In addition to the heavy demand for cars to move war materials to both fronts, there is now the huge problem of transporting grain and other foodstuffs for shipment to liberated countries. An additional problem is the fact that many elevators in the Middle West are filled with damp corn from last year's crop, which is beginning to spoil. Recent press comment suggests that the car shortage may soon force a choice between cutting down on munitions shipments or on programmed "waste of battle" food consignments.

1945 crop acreage expected to equal that of last year

Despite the tight farm labor supply, the total acreage of the principal crops planted this year is expected to about equal the near-record acreage of last year, according to the March 1 "Prospective Planting" report recently released by
the Department of Agriculture. This forecast is based on reports from farmers in all parts of the country, and takes into consideration the past relationship between such reports and acreages actually planted. Substantial reductions in acreages are indicated for the South in less productive areas, but small increases are planned in the Pacific Coast and in northern and central areas on more productive land.

The crop acreages planned fall below the 1945 goals in most cases, but considerable increases are expected in the acreages of several crops especially needed to meet war needs. For instance, the planned acreages of flaxseed, sugar beets, and rice are 37, 20, and 2 percent, respectively, above those planted in 1944, although the first two fall noticeably below the 1945 goals. The planned acreages of soybeans and peanuts, also important war crops, fall slightly below both the 1945 goals and the acreage planted last year. Of the grain crops, the acreages of wheat and oats are expected to be larger than last year and larger than the goals, while the reverse is true of corn and barley. Declines in the acreages of potatoes, sweet potatoes, dry edible beans, and some vegetables are indicated, probably due to labor shortages.

Proposals to alleviate food shortages

In view of the critical food outlook and the indication from the recent intentions-to-plant survey that the crop acreage may fall about 13 million acres below the goals set by the UPA, the Food Administrator has appealed to farmers to plant larger acreages of important food and feed crops. He said that a review of the food situation made it clear that production in line with established goals is even more necessary now than when the goals were set in January.

He asked particularly that the goals for all crops be met—flaxseed, soybeans and peanuts—and also the goal for dry beans, badly needed for relief feeding. He suggested that some of the acreage intended for spring wheat be shifted to other crops, in view of the very favorable outlook for the winter wheat crop.

Following a recent suggestion of a House Food Investigating Committee for increasing pork production, the War Food Administration announced jointly with the UPA last week that the support price for hogs will be increased from $12.50 to $13.00 per hundred, and continued at that level until September 1946. At the same time, it was announced that there would be no reduction in the present $14.75 ceiling price before that date. The Food Administrator asked farmers to raise 37 million hogs next fall or 15 percent above the 1945 production last fall.

A major reason for the poor distribution of meats in this country is the fact that meat not slaughtered under federal-inspection cannot legally move in interstate commerce, nor can it be purchased by government users. As a consequence, the large takings of meat for military and relief purposes are concentrated in federally-inspected plants. Since the larger cities must rely largely on meat shipped across state lines, their supply depends upon the amount left by the Government from federally-inspected production, while supplies available to smaller cities in producing areas are little affected. Proposals are being considered to correct this situation.

Frosts injure fruits and truck crops

A widespread cold wave from the 4th to 7th of April brought severe frosts to many parts of the country from California through Oklahoma to South Carolina. Many fruits and truck crops, made vulnerable by a month of exceptional warmth, received light to considerable damage in unfavorable locations, according to the weather bureau, but estimates of the extent of damage cannot be made until later.

The reports appear to indicate rather heavy damage to fruits and some other crops in Virginia, West Virginia, Maryland, Pennsylvania, New Mexico, and locally in such states as North and South Carolina, and in Wisconsin, Illinois, and Pacific Coast states.

Drought is becoming serious in Florida, where only 21 percent of normal rainfall was received during March. Truck crops have deteriorated, and many fruit trees show considerable dropping of leaves and young fruit, according to the last weekly weather bulletin. The drought has for some time affected a considerable part of the Caribbean area, including Puerto Rico and Cuba, where it has seriously reduced the prospect for the sugar crop. Droughts which began to develop earlier in the Southern Hemisphere have materially reduced the production of crops and livestock in Argentina and Australia.
NATIONAL INCOME PAYMENTS AND COMPONENTS

Chart 3

Chart 4

COMMODOITY PRICE INDEXES IN U.S.
WHOLESALE COMMODITY PRICES

100 101 102 103 104 105 106 107
PERCENT

100 101 102 103 104 105 106 107
PERCENT

JAN. MAR. MAY JULY SEPT. NOV. JAN. MAR. MAY
1944 1944 1944 1944 1944 1944 1944 1944

1926=100 1926=100 1926=100 1926=100 1926=100 1926=100 1926=100 1926=100

28 Basic Commodities, B.L.S.
889 Commodities, B.L.S.
AVERAGE PRICES RECEIVED BY FARMERS

Indexes, August 1909 - July 1914 = 100

PERCENT

All Farm Products

PERCENT

Truck Crops

PERCENT

Food Grains

PERCENT

Poultry and Eggs

PERCENT

Feed Grains

PERCENT

Cotton

PERCENT

Meat Animals

PERCENT

Dairy Products

Office of the Secretary of the Treasury
Division of Research and Statistics

P-357-C
Chart 6
April 16, 1945
10:00 a.m.

GROUP

Present: Mr. D. W. Bell
Mr. Blough
Mr. Luxford
Mr. Fehde
Mr. Haas
Mr. White
Mr. Leo
Mr. W. S. Bell
Mr. Gaston
Mr. Fussell
Mr. Lynch
Mr. Bartelt
Mrs. Klots
Mr. Feltus

H.M.JR.: Good morning.

Mr. D.W. BELL: Good morning, Mr. Secretary.

H.M.JR.: I just received a message that Mrs. Morgenthau had a good night.

The first thing I wanted to talk to you people about is really a matter of public relations. Would I have a press conference this afternoon, or shouldn't I?

Mr. GSTON: Oh, I think so. I don't see any reason for omitting it.

H.M.JR.: Well, Mr. Truman is going to make his talk, and one immediately asks the question, am I staying or am I not staying, and all the rest of that stuff.

Mr. GSTON: Well, those questions are all damned up and aggravated by waiting. I think the routine is better.

H.M.JR.: General Greenbaum is very insistent that I should not. He thinks it's a great mistake.

Mr. GSTON: Well, departure from the usual always is positive. I think it would be a mistake not to.

H.M.JR.: All right, we will go right on talking.

Fussell?

Mr. FUSSELL: I think it should be held, Mr. Secretary. It would just raise a question as to why it was not being held. Everything will go back to routine. I think any positive action is better than negative action at this time, as a matter of principle.

H.M.JR.: My own inclination has been to do it.

Mr. WHITE: I would.

H.M.JR.: Dan?

Mr. D.W. BELL: That's the thing to do unless you have a good excuse to get out of it by going some place out of the building.

H.M.JR.: No. I am not going anywhere.

Mr. D.W. BELL: I would have it.

H.M.JR.: Does anybody want to volunteer?

Mr. WHITE: It would be nice if you could have something positive, I mean to say, if there is something you can dig up about financing, and so forth.

H.M.JR.: Well, Fussell, you ought to see what you can dig up. That's part of your job. I can give you two suggestions. One, by now they ought to have something on this black market tax evasion. I mean, there is something wrong if they don't have something for me by now. There is just something wrong, and I am not going to be too squeamish about this law thing that I can't talk about it either. You can get me out of jail afterwards, but there is something wrong if they haven't got it. Don't they have something, Herbert?
Mr. Gaston: It would have to be something about what they are doing which wouldn’t have very much news in it. You couldn’t have anything on any particular case unless they were cases they have been working on for a long time.

H.M.Jr.: Haven’t they found anything? I mean—oh, it must be, I don’t know how long.

Mr. Gaston: I don’t think they have found anything that you can give out as a news story. I think we can take a look and see.

H.M.Jr.: What are they doing?

Mr. Gaston: They don’t make tax cases in one week, or two weeks, or six weeks, or six months. Sometimes they make them in six months, but it is an extraordinary tax case that is made in a few weeks.

H.M.Jr.: They don’t have to have it completed.

Mr. Gaston: There might be something that we can do.

H.M.Jr.: You threw out some hints the other day that there are some very important cases.

Mr. Gaston: We have a review of what was done in the black market liquor cases written up in quite a bit of detail for you. I think perhaps it is in your hands and it was rewritten to eliminate the names, and, well, to eliminate certain particular cases, rather, certain references in it that were intended for you only, and what we planned to do with that was give it a sort of special planting with a few men who could write a background story that would give a review of what was coming in those black market liquor cases.

Mr. D.W. Bell: Wouldn’t that be kind of bad after the Secretary has told this press group they would get the first crack at it?

Mr. Gaston: No.
You are going to have plenty of news. The principal reason for having a press conference is not to avoid having one. The competition is going to be terrific, you know. President Truman is making an address before a joint session, and it isn't a favorable day to get news stories out.

H.W.Jr: I disagree with you. I think that Fussell's job is to see--I have these press conferences twice a week, and I am never prepared for them. I am looking to him, not just today, but Thursday and next Monday, when I have these press conferences that he comes in before press and tells me in advance, "Here are half a dozen things. Do you want to use any of them?"

Mr. GASTON: I think that's quite right. I was only suggesting as of today.

H.W.Jr: I don't mean just today. Here are half a dozen things--Peale's got this, he's doing this, or White's doing this, I mean, half a dozen things lying on my desk so I can say, "Well, I'll use this." But just going into these things always cold--I don't think I should be allowed to go into these things just cold.

Mr. FUSSELL: I will be glad to do that, Mr. Secretary.

H.W.Jr: You have no difference on that have you, Herbert?

Mr. GASTON: There can't be any difference on that, Charles.

Mr. C.S. BELL: McMillan has a record of all the persons that ever cashed large checks with these checking companies in New York. Sometimes a name appears two or three times. The checks range up to one hundred or two hundred thousand dollars. Possibly a story could be made out of that. There is quite a file and it is very current. He has been around to these checking companies and found out who the checks are payable to and who gave them the check, and they go in there to get discounts to get a check cashed. It's a direct lead in the black market.

H.W.Jr: What is a checking company?

Mr. C.S. BELL: They cash checks for people for commissions.

Mr. D.W. BELL: A great many check cashing offices have sprung up over night in New York, and they are now even authorized by State legislature.

H.W.Jr: I didn't know that.

Mr. C.S. BELL: Some of those checks go as high as two and three hundred thousand dollars.

Mr. WHITE: How much commission do they pay? Have you any idea?

Mr. C.S. BELL: I don't know. I didn't go into that. It depends on the size of the check.

Mr. WHITE: It couldn't be very substantial unless it is something dishonest.

Mr. C.S. BELL: That's the suggestion, of course. They don't want to run the check through their own bank.

H.W.Jr: Feed this stuff into Fussell so he can have something, see? I am not going to have a press conference if I have to sit here and answer questions. Am I resigning or am I staying?

Mr. D.W. BELL: Regardless of what you have in the way of news you might be asked that question, whether or not you are going to stay.

H.W.Jr: There is only one answer I can give them. It's up to the President.

Mr. D.W. BELL: You are here at the pleasure of the President.

H.W.Jr: Let's get on to Bretton Woods. That's what I wanted Fussell here for. Where do we stand now, Harry?
MR. WHITE: There is a meeting again at ten o'clock on reparations. I asked Joe DuBois to go and Harold. If you want me to go, I better go now. Glasser and DuBois are there.

H.M.JR: Where?

MR. WHITE: At a State Department meeting.

H.M.JR: All right.

MR. WHITE: Do you want me to go there or do you want me to stay?

H.M.JR: We are not doing anything here. You might as well go over there.

MR. WHITE: All right. I can't think of anything new on Bretton Woods. I spoke to Senator Downey for an hour or so Saturday morning and had lunch with Senator Pepper and talked about Bretton Woods to both of them, but they are strong for it anyhow. They are just getting some information about it and they will get more.

H.M.JR: One minute before you go, because that meeting will be still on when you get there. Am I appearing?

MR. WHITE: That's where it was when I discussed it earlier with you, Mr. Secretary. I haven't talked to Senator Pepper personally, but his people are preparing the hearings and say there is certain he wants to go ahead, that definitely he does want to go ahead. Now, in your absence, merely to fill in to get a definite date, I mean tentatively, it was--you were put down for the 10th, which is Wednesday. It was understood, of course, by everyone that that was their selection of the date.

Senator Pepper has been quite anxious to have you appear. He thought it would be an excellent forum for Bretton Woods. He would like to give cases of the ordinary businessman and the smaller manufacturer and trader in foreign trade, and how they will be helped by Bretton Woods. We had earlier suggested to him how tentative was the possibility of your being there, but he still seemed to feel very strongly that he would like to have you there if at all possible.

MR. WHITE: He feels strongly and I think you should go. A statement is being prepared and I think you should go, particularly now, to get in the swing of it as quickly as possible.

MR. LYNCH: There is still some play on the date.

H.M.JR: I can do it the 10th.

MR. LYNCH: I am sure that will be agreeable.

H.M.JR: But I mean, how are you going to carry Bretton Woods in this small business?

MR. LYNCH: Into post war foreign trade.

H.M.JR: Oh, I thought it was small business?

MR. GOZ: It is the Small Business Committee addressing itself to the whole problem of post war foreign trade.

MR. LYNCH: The Committee will show the developing interest of the small businessman, and the small manufacturer, and the small trader in post war foreign trade.

H.M.JR: Who is working on this thing? When can I see it?

MR. WHITE: They are working on it down the line. They said they will have something for today. I'll make sure there is a draft of it by the end of the day.

H.M.JR: Do I look to Harry?

MR. WHITE: On this, yes, to see that there is a draft. Suppose I give Luxford the responsibility? They have already started on that.

H.M.JR: He may want a little plug.
MR. LUXFORD: We may get in a little plug.

MR. WHITE: So, I'll give Luxford the responsibility.

H.M.JR: Do you think it's safe?

MR. WHITE: Oh, yes, if he takes the responsibility, you will have it.

MR. LUXFORD: If I don't change it, huh?

H.M.JR: Who are you going to give the responsibility to, Luxford, now that White has given it to you?

MR. LUXFORD: That's a secret.

MR. WHITE: If you look to him, I'll help see that it is done. The two things that you probably have in mind—in any case we are going to decide today what the line up of witnesses should be and Spence is going to open up hearings as quickly as possible, and today we will agree as much as possible on the suggested compromises or recommendations, and on the specific language of what is satisfactory here and see how much is left that there is disagreement about, so you can concentrate on small portions on which there is disagreement.

H.M.JR: Well, Hannegan told me yesterday afternoon at lunch with Truman and Byrnes—Hannegan took great pains to bring out the question of Bretton Woods, because he wanted to see where Byrnes stood, and Byrnes said this is an absolute must, and so did President Truman. There was no question about it. It had to go through, and if this didn't go through it would be terrible, and that was Byrnes. He said—he was very emphatic on Bretton Woods.

MR. COE: Wouldn't there be an angle there that would be good for your press conference today?

That's an absolute must.
H.M. JR: Commissioner?

Mr. D.W. Bell: Former Commissioner, yes.

Mr. White: Is Spence going to call you, or were you going to call Spence when he has found out something specific?

H.M. JR: He is going to call me. I am not crazy about going up before Pepper on this thing, but if you all think I should, I will.

Mr. White: You don't think it is worth while?

H.M. JR: I don't want to hurt Pepper's feelings.

Mr. D.W. Bell: Is there going to be any feeling--

Mr. White: Do you think you ought to call Spence and say you have been asked to do this, or some one of us can take care of it, and ask him does he see any objection to it, since we are playing ball wholly with him on Bretton Woods? He might feel this would steal some of the play.

H.M. JR: I think--

Mr. Lynch: We had that in mind, Mr. Secretary.
H.W.Jr: White, you won't be here, will you? Why don't you, if I can get him—who represents the Treasury over there?

Mr. White: Joe DeRosa and Harold Glasser.

H.W.Jr: I would let them carry through. It is reparations, isn't it?

Mr. White: That is right.

H.W.Jr: The whole thing is so mixed up.

Mr. White: Either they will accept the recommendations we are taking—if they don't, the boys will reserve their position and we will have to discuss what to do from there on.

H.W.Jr: I would be surprised if Lubin was there. He left last night to go to New York to see Baruch.

Mr. White: I see.

H.W.Jr: And he is—in the frame of mind he was in I gathered he wanted to resign, so—

Mr. White: Well, it was important to see what changes were evidenced, and they won't recede from their position without coming back to talk.

H.W.Jr: I would rather have you here this morning.

Mr. Gaston: Is Baruch back?

H.W.Jr: Baruch, Ed Flynn, General Elliott Roosevelt, and Judge Roseman all came back together on the same plane.

Mr. Gaston: That is right.

Mr. O. W. Bell: Jimmy got here too late.

H.W.Jr: I gathered that.

Mr. Gaston: Yes.

H.W.Jr: What else?

Mr. C. S. Bell: Just a deferment case, a Bureau of Engraving employee.

H.W.Jr: Is he around?

Mr. Aloys: They are going to find out.

H.W.Jr: Take care of it. And if anybody has any notes they have written to me that they are waiting for an answer on, they had better start fresh, because I took a whole set of full with me up to Hyde Park and back and never opened it. So if there is anything pressing, get it to Mrs. Kiota.

Mr. C. S. Bell: He is a bookbinder at the Bureau of Printing and Engraving, on the key list, married, has one child, and is thirty-two.

H.W.Jr: Why ask for the deferment?

Mr. C. S. Bell: He can't replace him, he have trouble getting bookbinders here. They are just not available. It means cutting machine binding and a whole series of jobs down there.

Mr. White: If there is no urgency, there is going to be some drastic change I think probably within the week. I heard from fairly good authority. You would be in a better position than I to know, but it bears on the point that V-T Day was going something either approximating it, or some new statement would be made very quickly. Now, whether that would alter that situation or not, I don't know. It may be a small matter.

Mr. White: That is the first bookbinder Al has sent over.

H.W.Jr: I can't—how much time have we got left.

Mr. C. S. Bell: We've got enough time.
MR. C. S. BELL: I thought you might want to know that Bernard and Sullivan are going to open a law office in town. Larry Bernard was with us.

MR. WHITE: And John Sullivan?

MR. C. S. BELL: He is getting out of the Coast Guard the last of May, yes.

H.W. Jr.: They let him go?

MR. C. S. BELL: Yes, sir, they did.

H.W. Jr.: My apologies to you, Lynch. When that sort of thing happens it makes me feel--

MR. LYNCH: Certainly no apology is even appropriate, Mr. Secretary.

H.W. Jr.: If you are happy, I am happy to have you here.

MR. LYNCH: That is nice of you to express it so, but I have a feeling that no such statement is at all called for.

MR. C. S. BELL: That is all, sir.

H.W. Jr.: How old is Larry Bernard?

MR. C. S. BELL: He must be approaching forty now. He was in the draft age when he went over, around thirty-five.

H.W. Jr.: Don't get me started.

MR. C. S. BELL: All right.

H.W. Jr.: We talked about him, and somebody said he was an administrative officer. Was it you, Herbert?

MR. GASCH: I told you I thought he could be gotten away from the Coast Guard.

H.W. Jr.: But somebody said he was still over there.

MR. WHITE: Well, you may have heard that from someone else. I did tell you that he had been sort of an administrative officer for General Marshall, but I thought that he was to be getting out before long.

MR. WHITE: There will be an awful lot of that. I wouldn't be disturbed about that. From now on there will be a lot of that.

H.W. Jr.: Who is going to lick the Japanese?

MR. WHITE: The same people who licked them before these fellows left town.

H.W. Jr.: Are you all right?

MR. C. S. BELL: Yes.

MR. D. W. BELL: When you were down South I cleared a couple letters for Hartwell over the telephone, you remember, so he could get going. That is just for the record.

H.W. Jr.: Just a bit of gossip--Byrne called up the man in charge of the train and said he wouldn't go on the train unless he could go in a private car.

MR. WHITE: Up there?

H.W. Jr.: Yes, up there. He wouldn't ride unless they would rearrange it, and move Mrs. Roosevelt and get another car for her. He wouldn't go on the train unless he could go in a private car.

MRS. KLOTS: You mean all to himself?

H.W. Jr.: Ride in a private car. He knew there was only one.

(Secretary signs letter to Heads of Bureaus dated April 16, 1945.)
MR. JR: That is what happens when you go to Yalta and talk to Stalin. They put him in the car with President Truman and got another car for Mrs. Roosevelt.

(The Secretary signs letter to employees, dated April 16, 1945.)

MRS. K. H. JR: Maybe that was an idea.

MR. E. W. MELL: That is all I have.

MR. JR: White?

MR. WHITE: I have nothing.

MR. LUXFORD: I haven't anything.

MR. JR: I saw a friend of yours on the train.

MR. LUXFORD: Did you?

MR. JR: You know it already.

MR. LUXFORD: No.

MR. JR: I had a nice talk with him for about an hour.

MR. LUXFORD: He is pretty discouraged.

MR. JR: He said you boys were wiping up the floor with your chins.

MR. LUXFORD: So was he.

MR. WHITE: I have quite a few things, various tidbits. The picture is beginning to be filled in. Whether it is a correct picture or distorted, I have no way of knowing, but some of the things are pretty encouraging.

MR. FEHLM: I would like to hear some of the things.

MR. WHITE: We can see if they bear fruit. I don't think it is as hard as it was at first.

MR. LUXFORD: It couldn't get any darker, that is all.

MR. JR: How far did we get? White says he has got a lot of gossip and doesn't tell it to us. You know what we do with fellows like that. They don't come to our bridge game again. Did I get by you, Luxford?

MR. LUXFORD: Yes.

MR. COE: I have nothing, sir.

MR. WHITE: Mr. Adler is here; he just returned.

MR. JR: You fellows have to start fresh, because I don't know what is in that black box of mine, the Pandora box. If anybody wants me to do anything, you boys had better start fresh.

MR. WHITE: Before you pass that, Mr. Adler and Soong are here with Leon Henderson, and they are going to doubtless put on a drive for gold. Now, whether they will put that drive on here or elsewhere or both places remains to be seen. Henderson is coming to see me tomorrow. He asked to see me. I don't know whether he is representing the Chinese Government or is a neutral observer, but he is being paid by the Chinese Government.

MR. JR: Send him over to see something something Vinson over at the State Department.

MR. D. W. MELL: Speaking of gold, I sent you a memo. I don't know whether you have seen it or not.

MR. JR: I served notice on everybody I haven't seen any-

MR. D. W. MELL: It is on the gold in Germany. Bernstein has been there and inspected it and more or less--

MR. JR: I did see that. I think you showed me that.

MR. D. W. MELL: Yes.
H.W.JR: It was either you or Mrs. Klotz, but that I
did see.

MR. WHITE: What would you think of the wisdom of
getting up a memo for the President on gold to China,
bringing him up to date, and reasons for it, and what the
situation is? I think it might be a good idea.

H.W.JR: I never sent the one over to Mrs. Roosevelt.

MR. WHITE: Shall we or not?

H.W.JR: Yes.

MR. WHITE: I think it ought to be gotten over there
as quickly as possible.

H.W.JR: If State would join us, it would be very nice.
Don't Visson and we see alike on that?

MR. WHITE: Yes, we do, but I think that we might
merely say somewhere in the telegram to General Farley
and the State Department are in agreement with this position
rather than getting a joint agreement on a matter of that
kind, whichever you prefer. We can get a joint signature,
I think, unless they have changed their minds in the last
couple of days.

H.W.JR: I thought the thing State was withholding
from us was the information that they had an old memo
between themselves and Spain. The I. T. and T. thing was
outgrown.

MR. WHITE: On the economic ground we can take the
position that you are taking now, and if you went to, you
can add a paragraph and say that the State Department feels
likewise on sum and such a ground, and have them initial
it. I didn't get a chance to buy I. T. and T.,--if I had
only known that memo was around! I don't think it is fair
that only the State Department boys know they are going to
let the I. T. and T.---what can it, twenty-six million dol-

MR. CON: Twenty-six, yes.

H.W.JR: How are you fellows going to pay the black
market prices?

MR. WHITE: The fellows that are buying in the black
market probably ought to block the I. T. and T.

MR. CON: They have to wait two or three years. They
probably not caught many times on rumors the other way,
because that is certainly about the fifth version of that
deal.

H.W.JR: Feltus?

MR. FELTUS: I have nothing specific on Bretton Woods.
I can throw out a piece of gossip if you are interested.

H.W.JR: That is all we know, Government by gossip
and leaks. (Laughter) So you did it. Go ahead.

MR. FELTUS: I spent yesterday afternoon with Harlay
Kilgore, who, as you know, is quite close to Truman, and
he is quite sure that Truman is going to be all right.
And things he said, I think, are very encouraging. One
thing which may not mean anything particular to you, but
it does to me because I know the man, is that Fulton has
not been in the picture, Hugh Fulton.

H.W.JR: He has not what?

MR. FELTUS: He isn't in the picture, in spite of all
rumors to the contrary. Fulton is important because he is
not a very good person, and if he is too close, that would
be bad. If he is too close, it is not going to be good.
Kilgore says that he has not been called in yet despite
all the rumors to the contrary. And Fulton, I think you
probably know, represents a lot of the war contractors who
were in trouble with the Truman Committee in the old days.

H.W.JR: I didn't know that.

Well, to sort of let you people know where I stand--
I don't know how many I have told, but I did see President
Truman Saturday, and I made it very easy for him to say that
he did or did not want me. I also made it plain that sitting here with the thought that I could only continue if I got one-hundred percent backing from the President. He asked me to stay and assured me he would give me his one-hundred percent backing, so that is where he stands now. I don't want to—I would like to, while the war is on, see this job through provided President Truman will back me. He assured me of that. I won't give you the gossip, but both the Democratic machine and the Republican machine have been consulted, strangely enough, about the Cabinet changes. I have gotten this straight, and both the Democratic machine and the Republican machine have told Truman that he should keep me, strangely enough. It seems peculiar, but I will continue just as long as I have got a big responsibility here and the war is on. I have a great personal stake in it, and I told Truman this: I have just two interests in life outside of my family: One is to win the war, and the other is to win the peace, and he said, "Those are my only two interests."

I told him that we had moved the financial center of the world from London and New York to this desk, but it could only stay here as long as I had the backing of President Roosevelt.

He said, "You will have the same backing from me," so we will see.

MR. GASTON: I think that was very profitable to have that talk. I think that is very fine to have that talk.

H.W.JR: So we will see.

Now, I am not going to continue to talk about the resignation, but I did make this suggestion to Hannegan, which was Greenbaum's suggestion to me, that the whole Cabinet resign, that he accept them and then that he reappoint those of us that he wants, and we would be confirmed by the Senate. We would become Truman's Cabinet with the backing and recognition of the United States Senate, you see. And the sooner they did it, the sooner the people would settle down and go to work. And Hannegan liked the idea very much.

I tried it out on some of my fellow Cabinet Members, and they didn't.

MR. WHITE: I think it is a good idea.

H.W.JR: But then the whole thing would settle down. He could decide this week who he wants and who he doesn't want.

MR. D. W. BELL: It would certainly stop all the rumors.

H.W.JR: They said, "Some of us might have trouble on confirmation, but I said, "All right, if we couldn't.""

MR. GASTON: Don't you think that is too much like holding the gun to the President's head, that he should make an instant choice?

H.W.JR: No, no, no, only if it was agreeable to him, not on the basis--

MR. GASTON: It couldn't be done unless it was agreeable.

H.W.JR: No, he said it would be agreeable and he would know whether it was all right with Barkley and all the rest of the business and it would be worked out, but he wouldn't be embarrassed. It would become his Cabinet with the confirmation of the Senate, and the whole country would settle down and go to work. I thought it was an excellent idea.

MR. FERRE: It would make a lot of difference.

H.W.JR: And Hannegan liked it. But strangely enough Governor Dewey also thought that I should stay, as did Vandenberg.

MR. FERRE: You have got some strange people backing you.

MR. D. W. BELL: I am not surprised at Vandenberg.

H.W.JR: Truman consulted Vandenberg.
MR. D. W. BELL: I am not surprised.
MR. WHITE: I am not surprised at Vandenberg saying that.
H.W.JR.: He consulted Vandenberg. But the one fellow
that they have all got it in for is Middle.
MR. D. W. BELL: That seems to be true.
MR. PEBLE: The difficulty about that is it makes the
President make up his mind about the State Department right
away before the San Francisco Conference.

H.W.JR.: Well, he should.
MR. LUNSFORD: I think so.
H.W.JR.: He should. I mean, the thing is imminent. It
starts the 26th of April, doesn't it?
MR. WHITE: The 26th.
H.W.JR.: He should; he has got to.
MR. PEBLE: He might want to ride through the conference
and then switch.
MR. WHITE: On the one hand you have doubt as to whether
you are talking to the future Secretary of State, and on
the other--
H.W.JR.: When the thing came out in Scripps-Howard,
"Morgenthau on the inside, Stettinus out--" people outside
were joking with me, "Should we look for a new job, or
shouldn't we?"
MR. PEBLE: Oh, I realize the present situation isn't
good.
H.W.JR.: I am talking frankly here, but I just thought
you people ought to know how I feel and what I would like
to do. That is all. Somebody asked me the question, "What
will you do if you are told to settle the Higgins case?"
MR. WHITE: You're betting that?
H.M. Jr.: Yes, that he won't. I am giving even odds.

MR. GASTON: What will he do, open a law office?
(Laughter)

MR. WHITE: Make it a carton of cigarettes. It would be worth our while.
H.M. Jr.: Anybody want to bet me?

MR. FEHTIS: I will bet with you on that.

MR. COR: I will take you on.


MR. WHITE: They're got to be bought legally, too.

H.M. Jr.: Now statutory—everybody puts in a package of cigarettes that wants to put in, statutory or on the payroll.

MR. LUXFORD: In advance?

MRS. KLOTS: They will get stale.

MR. D. W. HILL: What is this, another Leo Croseley?

H.M. Jr.: What do you mean?

MR. D. W. HILL: He is on the payroll as an associate something.

H.M. Jr.: Are you putting in?

MRS. KLOTS: On the other side, with Cor.

H.M. Jr.: Lynch is on my side, and Fehtis is on my side. White is on the other side.

MR. WHITE: I am on the winning side, and the Secretary is on the losing side.

MR. FEHTIS: I am with Harry on that.

H.M. Jr.: Say again who is opposite me.

MR. WHITE: Luxford, Cor, and Mrs. Klots.

H.M. Jr.: Who else, Pehle, Mlough, Fussell?

MRS. KLOTS: We all say he will be put on.

MR. GASTON: He is going on the Government payroll.

MR. FEHTIS: That may we win either way.

MR. MLOUGH: A dollar a year doesn't count.

MRS. KLOTS: No, a dollar a year does not count.

H.M. Jr.: Thank you.

MR. MLOUGH: That wouldn't be fair.

MR. WHITE: This is not a pool in which the total is divided, each winner gets a package from a loser?

H.M. Jr.: No, no, no.

MR. WHITE: O.K., if you want odds.

H.M. Jr.: No, no, I didn't know how they would come out. I am looking after—that is the way we did the pool. (Laughter) I am looking after Fehtis' interest. Isn't that the way you understood it?

MR. FEHTIS: Yes.

H.M. Jr.: If Fehtis doesn't know how to gamble in a sportsmanlike manner—

MR. LUXFORD: Under those odds I think I will switch.

(Laughter)

H.M. Jr.: All right, we will call it off.
MRS. KLOTZ: Where are you?
MR. LIEFORD: On White's side.
H.M.JR.: Let me call it off; they want odds.
MRS. KLOTZ: You are afraid you are going to lose.
H.M.JR.: No, I am willing to stay. I didn't know; I thought they might all be on my side. All right.
MR. WHITE: What do you think, Mr. Secretary, of considering telling either by a report or orally what happened at the last conference you had with the President, telling Truman that and maybe giving him the manuscript to read on the German book?
H.M.JR.: I think it is a little early. I am going ahead with the German book, anyway.
MR. WHITE: Well, don't you think it is appropriate for him to have a report of your last conversation with the President? If you don't give it to him now, I don't think it is ever appropriate. Maybe I am wrong, but--
H.M.JR.: I will think about it.
Well, how far did we get, as far as Feltus?
MR. WHITE: Feltus was giving us a little gossip.
MR. FELTUS: Incidentally, you mentioned Higgins. He is one of Fulton's clients.
H.M.JR.: Who is it?
MR. FELTUS: Higgins.
MR. BAAS: I have nothing.
MR. LYNCH: Mr. O'Connell expects to be gone until Sunday. He was in Salt Lake City yesterday, and I haven't had any further word. That is all.
MR. FUSSELL: I have a V-E Day statement that I want cleared today and another one they want cleared tomorrow. I would like an O.K. on the one they want cleared today, Mr. Secretary.
since this thing began, see, saying we started last fall, and this is the thing—I'd give him a little history of what has been going on.

Mr. BLOUGH: About one page?

H.M. JR.: Two pages. Give him a little history on where we stand on this thing, and also add that we got along better with the Committee than we ever had since I've been here, see?

Mr. BLOUGH: Yes.

H.M. JR.: It is a good chance for me to find out what has been going on.

Mr. BLOUGH: You would like that by two o'clock?

H.M. JR.: Is that possible?

Mr. BLOUGH: Oh, yes.

H.M. JR.: That ought to go over.

Mr. WHITE: If you are sending memos, what would you think about sending a memo suggesting that Mr. Truman is in a very strategic position to advocate an increase in salaries of Congressional people. He has had to live on that salary. He knows what it is. He is just coming in. Do you want to think it over?

H.M. JR.: I don't think that's most important.

Mr. WHITE: It is not most important.

Mr. LUXFORD: It would be politically smart, Mr. Secretary.

H.M. JR.: Let me think that over. This is, so to speak, spot news for him. He ought to know what this is.

Mr. BLOUGH: That's all I have.

H.M. JR.: I do expect to see him this week and talk to him about Bretton Woods, though.

Mr. WHITE: Why not—maybe there is an agenda—if you have time, have an agenda prepared, either in writing, or orally bring him up on all important things that the Treasury is engaged in, so he would be familiar with what is going on over on this front. Bring him up on the things that the Treasury is undertaking.

H.M. JR.: Do you want to do that, sir?

Mr. CHARLES BELL: Yes, sir. I like Harry's idea about proposing an increase in Congressmen's salaries, tying up everything under it.

H.M. JR.: That is not Treasury business. I don't want to go to him right away with something that is not Treasury business. I'd like to go to him and summarize what the Treasury is doing. That was a good suggestion. I'd like to have it Wednesday. I am going to see him Thursday or Friday.

Mr. BLOUGH: That doesn't cancel this?

H.M. JR.: No, because that is spot.

Mr. PEHLE: I haven't anything, Mr. Secretary.

Mr. GASTON: There is a Secret Service matter I should like to talk to you about for just a minute.

H.M. JR.: All right, we can—who is going to be here with me on Brown?

Mr. D. W. BELL: Mr. Gaston, Mr. White, Luxford, and Bernstein.

H.M. JR.: Who?

Mr. WHITE: Luxford and Bernstein weren't here.
MR. D. W. BELL: They weren't here Saturday, but I have been talking with them this morning.

H.M.JR: Are they in a nice, gentle frame of mind?

MR. D. W. BELL: I think so.

H.M.JR: All right, and Lynch was here.

MR. D. W. BELL: He wasn't Saturday.

H.M.JR: But I tried to get him.

H.M.JR: Hello.

Operator: Nunan. Go ahead.

H.M.JR: Hello, Commissioner.

Commissioner: Good morning. How is Mrs. Morgenthau?

H.M.JR: She is getting along nicely, thank you.

N: I was terribly sorry to hear about that.

H.M.JR: Commissioner, have you got anything that I can tell the public about what you have been doing on the Black Market tax evasion people?

N: Well, I just got back myself Friday night. I'll have the reports brought in and go through them, then I'll call you within an hour.

H.M.JR: Yeah, because I've got a press conference at four o'clock and I'd like to tell them something.

N: I'll do that. I'll have it all compiled for you.

H.M.JR: You want to come over here around three-thirty and tell me what you got?

N: Yes, sir. I'd be very happy to.

H.M.JR: Supposing you do that.

N: I'll do that.

H.M.JR: Thank you.

N: Thank you.
April 16, 1945
11:10 a.m.

BRETTON WOODS

Present: Mr. D. W. Bell
Mr. Gaston
Mr. White
Mr. Bernstein
Mr. Luxford
Mr. Lynch
Mr. Ned Brown
Mrs. Achts

H.M.JR: Well now, Ned, I would like to start where we left off when I last saw you, and that was that we had gotten as far I don't know where that chart is. Have you got that chart, Harry?

MR. WHITE: No, but you can have both charts now. Do you want both charts now, the Bank and the Fund? Have you got that chart of the organization?

MR. LUXFORD: I haven't a chart of the organization.

MR. WHITE: Bernstein, are they in your office?

(Mr. Bernstein leaves the conference temporarily.)

MR. WHITE: Just the organization.

H.M.JR: Well, we will pick up where we left off. I haven't heard anything from the Hill. While we are waiting, Ned, have either you or Brown heard anything from Burgess or the bankers or the Army?

MR. BELL: Not since I talked to you. I haven't since I told you last time he called up. I told him that I didn't have a thing for him.

H.M.JR: I didn't know whether you had picked up anything around town that you passed along.

MR. BELL: I haven't.

H.M.JR: Saturday I said that it sounded fairly reasonable to me that the same man-I got mixed up on these titles--sat as--

MR. BELL: Governor.

H.M.JR: And then we were talking about the next level below that.

MR. BELL: The Executive Director.

H.M.JR: Of which there are twelve.

MR. GASTON: Yes.

H.M.JR: And the question was why that man should hold both the position in the Bank and the Fund. Now,White, you are opposed to it, aren't you.

MR. WHITE: Yes. The history of that might throw a little light--when we first started out we thought there would be just one Governor for the Bank and one for the Fund, and that the Executive Directors would be elected from the Governors. That means that in the big countries the Governor and Executive Director would be the same, and in the smaller countries there would be an election. But there was objection to that, particularly from the British and others, so it was decided there would be appointment of a Governor and Executive Director so there would be some thought in the early stages that the Governor and the Executive Director would be the same man on the Fund and separate men for Governor and Executive Director of the Bank, but in the later discussion that was abandoned.

H.M.JR: Well!
MR. WHITE: In answer to your question I feel that the Executive Director ought to be a different individual, because I don't think that I am in agreement with Mr. when he says that the problems are much the same. I think they are very different. I think a good deal of the information would be the same, but that information would be available in both cases, and there ought to be easy exchange of information of that kind which is provided for, but I think that the kind of decisions that would be made and the kind of attention that would have to be paid to the decisions are in my judgment of quite a different character.

H.M.J.R: Well, what--

MR. WHITE: I will be glad to illustrate.

MR. BROWN: Largely based on the same set of facts, I might say, Mr. Secretary, that in Atlantic City Keynes argued very strongly that the Executive Directors, instead of being in continuous session, should meet only once a month or once every two months. His theory was that there wouldn't be enough to do to occupy the full time of a first-class man. But if they had meetings once a month or once in two months, the Finance Ministers and important people in various Governments would serve as Executive Directors, and if they were required to be in continuous session, there wouldn't be enough work to take up their full time.

MR. WHITE: And it was their position which I think throws light on that. And our position was precisely that that should not be the case because they were trying to make of that Fund an automatic operation. They were driving in the direction that a country ought to have the right of access to the resources and that therefore it was the administration that was important. It was our position that access to the resources was not a question of right, but was one of continued behavior and continued policy shaping, and we opposed it on that very ground, and the British were driving toward making this automatic, and we were driving in the opposite direction. That is why we refused to go along with that recommendation, you see, and there it bears right on the point.

MR. BROWN: There is no question that the truth is somewhere between the two. I mean, according to Keynes' statement, they would sit there fiddling their thumbs, and it was ridiculous. On the other hand, I think that there wouldn't be tremendous and constant pressure of work because it would be a matter of settling the policy, deciding whether this country or that country should have a right of access, this country or that country should have a right of access, whether it meant that the conditions which would give the access to the Fund--I think that knowledge of the basic facts on which the policy decisions would have to be made would be very similar in the case of the Fund and the Bank. Of course, when it comes to the examination of particular projects in the Bank, it is a matter which would very largely have to be passed upon by the staff. I really think that combining the two might make the job more important, should attract able men to the job, than would otherwise be the case.

H.M.J.R: Let me--Luxford and Bernstein agree on this?

MR. LUXFORD: We agree with each other.

H.M.J.R: Will one of you save my time and express where you stand?

MR. LUXFORD: Mr. Secretary, I would like to express--it won't take very long--that I don't think this view is as grave an issue as has been suggested here. That is, I can't see how you can get excited about whether there is one man or two men. I think that--

H.M.J.R: Nobody is excited.

MR. LUXFORD: Well, you must be, though, in terms of whether you would want to accept compromises where this is a factor. That is the crucial point, whether or not this is of serious enough magnitude, this objection, that you might. We'd just say, "No, we can't accept that. It is an issue of principle." If it isn't of that character--

MR. WHITE: If it isn't, why can't the same thing be said both ways? If it isn't, let's have it our way.
MR. LUXFORD: What is the price you are getting for it?

MR. WHITE: They must think it is important.

MR. LUXFORD: One reason is saving face. They can say, "We came out for one institution." This doesn't say we have gotten somewhere. We got coordination that we were urging by this consolidation.

H.M. JR: Why the hell should we save their face?

MR. LUXFORD: There is a very good reason, to get their support.

H.M. JR: I don't think we need it.

(Secretary holds a telephone conversation with Basil O'Connor.)

H.M. JR: That was Basil O'Connor. He wants to be sure Mrs. Roosevelt's big house.

MR. GASTON: The estate?

H.M. JR: ...continues to be protected--guarded. Do you want to just step out?

MR. GASTON: Yes, I will. Of course, the general understanding is we don't remove any of the guards until.

H.M. JR: Just step out a minute, Herbert. The big house at Hyde Park is to continue to get protection until further notice, Herbert--one man.

MR. GASTON: I suppose what we have had heretofore would be all right. It was a skeleton guard when the President wasn't there.

H.M. JR: Three men?

MR. GASTON: It takes about five to keep at least one man on duty all the time.

(Mr. Gaston leaves the conference temporarily.)
MR. GASTON: On that guard business, we used to have the skeleton guard I spoke about until—the President had a military guard around the house, and that military guard was put on, simply having a man at roughkeepsie go over to the President wasn't there. No Secret Service guard, just a daily visit when the President wasn't there. There has been a military guard and Public Buildings Guard for the library twenty-four hours a day. Do you think that ought to be changed?

H.M. JR: That is what they want; they want a guard. They would like a guard on the house until they can turn around.

H.M. JR: They have taken the military guard away?

H.M. JR: Leave it this way, the house should have some kind of protection, either military or Secret Service. They don't care what kind as long as there is protection.

MR. GASTON: That was the plan. It would go on indefinitely, I think.

H.M. JR: Oh, just as long as it is necessary.

MR. GASTON: I am sorry to interrupt you.

H.M. JR: That is all right.

MR. WHITI: It is clear, Mr. Secretary, the way the legislation is drawn now that the President would have the authority to put either the same man in both places or not.

It leaves the decision with him. Is that understood?

H.M. JR: Yes, but just let me get this thing straight here. I am not going to just in order to try to attempt to get the support of these organizations when I want them to do something in regard to this legislation—I don't think it is feasible or workable, and that is number one.

Number two—I mean, I am approaching this thing from a wholly detached viewpoint as an afterthought. Well, this thing and that thing—is it all right? And the reason I am approaching it from that point is, I think as soon as we give them this much they will ask for more and more. I don't think anything would satisfy them. I don't know whether you agree with me or not.

MR. BURKH: Well, I think if you can get the support of the acquiescence of all the opposition it will mean that the legislation will go through the House and the Senate, and it will go through, not on the basis of a party vote, but a very large majority, which I think would be very helpful. I don't care anything about the A.N.A., the Reserve City, or the New York State Bankers, or any other group as such, but I think it is highly important that this legislation should be adopted, if possible, by a vote that is not split—that is not split on Republican or Democratic lines.

H.M. JR: I am sorry.

(Secretary holds a telephone conversation with Basil O'Connor.)

H.M. JR: I got that. I think we can arrange that with the General in charge up there and the Area Commander.

H.M. JR: What are they going to do, keep a military guard there, Herbert? I don't think they will; I think they will pull it out.

MR. BID: Not right away, but eventually.

H.M. JR: What will they keep all these M.P.'s. up there, two or three hundred of them, for?
MR. GASTON: Well, they are up there in that area, anyway, and they might as well be there as anywhere; this is to be a public museum and grounds eventually.

MR. WHITE: As a plain citizen, may I ask may these grandchildren have to be protected by the Government?

H.M.JR: Until the lot of May against kidnapping.

MR. WHITE: Oh, are they any more vulnerable than anyone else?

H.M.JR: Oh, yes, they always have--just until this publicity dies down. It is merely a continuation of what has been the practice for two weeks after the President's death.

MR. HELL: My question would be whether it was long enough. July 1 would be my suggestion.

H.M.JR: They only asked for two weeks.

MR. GASTON: What the Chief and I agreed on was thirty days--at least thirty days--and then we would review the situation again, I will check up on that military guard there, but the Chief told me they were planning to stay on there indefinitely.

H.M.JR: If the military guard is there--

MR. GASTON: They can take care of the little house on the hill, yes, as long as they stay.

H.M.JR: I am sorry.

MR. BROOKS: Going on, I would say that if it can be passed by a large majority other than a partisan vote, it is highly desirable. I don't think that anything ought to be conceded which would necessitate the agreement of other Governments. That is number one, and I think everybody is agreed to that.

Number two is, I don't think anything ought to be considered which would interfere with the working of the plan. I don't believe that the question of having the same man as Executive Director of the Fund and the Bank would. As a matter of fact, I honestly believe it would increase the efficiency of the two, but at any rate, I don't think it of much importance whether they are one man or two men, and if it would help to get this thing through, all well and good. For some reason the opponents have all urged that the two ought to be consolidated. This is a means of consolidating them, as far as general policy is concerned, in management. It doesn't mean any consolidation of their actual operations.

H.M.JR: Well, let's go to the next one, because I want to eventually talk to you people about--I don't want to talk about the question of trading with these people. I want to get out of trading on this thing, and I don't have too much confidence in Burgess' power to deliver anybody.

MR. WHITE: I think it is fair to say, Mr. Secretary, that the assumption of this discussion is this—if I get the point of the consensus of the group or unanimous feeling of the group—that this in turn will be a statement either to Wolcott or others that would keep some Republicans satisfied, that those groups are satisfied, if you don't get that, I take it that the tenure of the conversation alters so that it is not a question of getting Burgess' approval or getting some, but rather--

MR. BROOKS: Getting Wolcott and his followers to agree.

MR. WHITE: Getting it clear to the Republicans that what they would call a compromise would be satisfactory to them and they would no longer oppose the legislation. We would start with that, and to be sure this is not a vital question, and if it were a question of getting their support or not on the basis of this, that is a different story, but I hope we don't fall into the assumption of what would be an error—every time something doesn’t matter, to say, "Let's have it their way." If it doesn't matter to us, it doesn't to them, either. If it matters to them, we want to examine it.

MR. D.W. HELL: This isn't their way.
MR. WHITE: It is their recommendation.

MR. WELL: They recommended that the two institutions be combined.

MR. BROWN: I think for better or worse I would take the responsibility of suggesting to Burgess the possibility of having a common Board of Governors as a means of saving his face, if he wants to compromise, which wouldn't require going back to the other countries or wouldn't require a new conference.

MR. BOSTON: You suggested that as an out to Burgess?

MR. BROWN: One of the things he was talking about was that the Bank and Fund ought to be combined.

I said that was out. It was the consensus of the other forty-four or forty-three countries wasn't it couldn't be done. I don't see as it is any good. If you say it is important that the two policies ought to be the same, I would say, "It might be that if the United States appointed the same man as Executive Director or Governor of the two, my guess is that without binding any other country to do likewise most of the other countries would do so. They would follow our example." I mean, I don't think he meant on it as a means of retracing, call it face-saving if you want to. Face-saving is safely important for people as a means of getting out of it. And I want to make it clear that in all my discussions with him I wasn't trading for anything. I was just trying to see what could be done that wouldn't involve a new conference or agreements with other countries which would afford a means of the AFA withdrawing its opposition.

Mr. JR: Does this have to be in the law? Does it have to be written?

MR. LUXFORD: Yes.

MR. WHITE: The way it is now it is optional with the Presidents. He can make it one man or two, or start with one and then make it two.
MR. LUXFORD: Mr. Secretary, I could say this, that I am confident Mr. Spence wasn't familiar with what we were talking about, that if he were, I think he might reconsider.

H.W.JR: That is an assumption.

MR. LUXFORD: It is one I would be willing to bet on, Mr. Secretary.

MR. WHITE: Particularly if you had a chance to explain it.

MR. LUXFORD: Of course. But the question is whether you can get Spence's support, and his answer is you can get it.

H.W.JR: Let's get along. I have only got fifteen minutes. What is the next one?

MR. WHITE: The next, Mr. Secretary, are a number of statements which are directives to the Executive Director that he will exercise full powers to accomplish the following, that he will be certain to do this and that. Most of it, I would say probably ninety-five percent of it is acceptable. There may be some changes in wording that might be mutually agreed upon.

There remains the larger question—I don't think it is terribly important—that remains in my mind as to the peculiar procedure whereby you agree to certain documents and pick out certain things you tell your Executive Director to be sure and abide by, but I don't think it is important one way or another if we can agree on the other five percent of the wording, which I think we could. We can run over them if you like. There are four or five paragraphs.

H.W.JR: No, no, no. Let's just say that for a minute and talk about the relationship of the Advisory Board to the American Governor. And I rather there is a difference of opinion as to what the authority is of this Advisory Board. Is that right, Ned?

MR. BELL: Yes.

H.W.JR: I said Ned.

MR. BRENN: Oh, I think certainly an Advisory Board is almost necessary from the standpoint of our Government. It would seem conceivable to me that there should be some group following this very closely from State and Treasury, Commerce, and the Federal Reserve Boards whose business it would be to know what is going on, and I think their powers have got to be more than merely advisory. I think they have got to be directory to a certain extent. Whether they are directory or merely advisory, I think, is really unimportant, because if the Board is in a position to know what is going on and there is a divergence between the different departments concerned, ultimately the matter has finally got to be settled by the President; and if the Board is composed of people appointed by the President and removable by him, whether it is to be given directive powers or whether it is limited to an advisory function seems to me to be relatively unimportant or absolutely unimportant, because I think that the result would be the same in both cases.

I think on the Board as set up the Secretary of Commerce ought to be included. I don't believe that any President of a Federal Reserve Bank nominated by the Open Market Committee ought to be in there, because I don't think any member of the Board ought to be other than a Presidential appointee. I think that the Governor of a Federal Reserve Board who is removable by the President ought to be the member. And so if you want to, you could take care of the situation by having one member of the Board provided it be a member of the Board nominated by the President, who may be removed at his pleasure. At any rate, the final authority has got to go back to the President in case of a disagreement amongst the departments mainly concerned.

H.W.JR: Well, there is no argument between myself and you on that.

MR. BELL: On the latter?
H.W.Jr: As to who should be on the Board.

MR. FELL: That is what I mean.

H.W.Jr: Secretary of State, Secretary of Treasury, Secretary of Commerce, and Chairman of the Federal Reserve Board, and I wouldn't worry—and whoever is the officer in charge of the Export-Import Bank.

MR. FELL: You could have—well, I don't know.

MR. BROWN: I don't think you want to go any further than that. If you proceed to get Labor, Agriculture, and so forth, you get mixed up with too many people.

MR. WHITE: You mean the top people? It might be the Federal Loan Administrator.

H.W.Jr: Whoever the supervisor—

MR. WHITE: Whoever is on top. For example, now it would be Crowley.

H.W.Jr: Tomorrow it might be Stats.

MR. WHITE: The Federal Loan Administrator.


MR. WHITE: As distinct from the President of the Export-Import Bank, who reports to somebody else.

H.W.Jr: That is right.

MR. FELL: I agree.

H.W.Jr: Whatever agency it finally lodges in, or as it would, wandering from one agency to another.

MR. BROWN: It has been under three now.

H.W.Jr: If the FEA has any continuing powers, then that would be the logical place for it, particularly since it also has control of the Export-Import Bank. It has a lot of things to do with winding up Land-Lease, property sales, and so forth.

H.W.Jr: Well then, we agree as to who should be on the Board, but it is a question as to what authority the Board should have, the Advisory Board.

MR. BROWN: I don't think whether it has got authority to advise if it is composed exclusively of people appointed by the President, makes any difference. I think the final result is the same, and I think it has got to have more advisory powers than the Federal Reserve Advisory Council has, for instance, based on my experience.

MR. WHITE: But the way it is written here they have pretty specific powers, and though it is true they are Cabinet appointees, they are also Senate confirmations, and that means you don't change somebody of that character on the basis of some decision made here. There are a lot of other major issues so that the degree of Presidential or administrative control over decisions that there may be some difference of opinion about is greatly attenuated by the kind of instructions given here.

MR. LUCEFORD: Can we meet that by saying, "Subject to the approval of the President they shall have the power?"

MR. WHITE: There can be some language to get in between the purely advisory which would have no powers, and that which would exercise so much that it would make a pure messenger boy of the representative so he wouldn't be able to sneeze without running back to the Council.

MR. LUCEFORD: Wouldn't that do it? Say they can decide general policy subject to the approval of the President?

MR. BERNSTEIN: You wouldn't give them power to assent, why the Government of the U.S. must assent.
H.N. JR: Well, gentlemen, I am not going to give in on that. That is that, and this thing of the CED saying that the Bank can make--

MR. WHITE: I thought you said that was quite acceptable.

H.N. JR: What else is there?

MR. LUXFORD: Are you troubled about the withdrawal provision, Harry?

MR. WHITE: That should be mentioned.

MR. BERNEST: Maybe one of the directives might get special attention, and that is the one on the report two years after enactment of the legislation.

MR. WHITE: That is in the language of five percent.

MR. LUXFORD: That is where you have included it, but we have got to discuss it.

MR. WHITE: By five percent I don't mean five percent in importance. I mean five percent in volume of verbiage.

MR. LUXFORD: The issue there is under the legislation presently drafted you are requiring our representatives on the Board and Fund and Council to report to Congress within two years on how the Fund is operated, whether it should be the Fund and Bank, whether they should be continued as one institution or two institutions. Now, that is the issue, whether you put that language in there.

MR. BELL: They have that authority whether you put it in--

MR. WHITE: We can argue that and get a satisfactory compromise among ourselves before we state it to you. The way it is stated now it is two years from enactment of the bill. It allows a year of operation and starts out as though they expect the thing to fail, and the recommendation should be made on these and specific points, but I think it would be--

MR. LUXFORD: We are both looking at that end.

H.N. JR: Mr. Wolcott wants to contact Mr. Burgess and say, "Does this satisfy you," that is all right. But now Mr. Wolcott impressed on me very, very strongly when it came to handling the Congress and how he was going to vote and what he was going to do, the technique, and he reminded me of how he was going to try to be helpful on OPA last year, and the Congressman from Texas almost made it impossible for him to be helpful--what?--his name?

MR. GASTON: Right Patman.

H.N. JR: Now, I think this: If that is all there is to this thing--is all there is to it?

MR. WHITE: Well, there is, as I say, those changes. Well, those changes may be important.

H.N. JR: You have got all your faculties.

MR. WHITE: Don't dispose of it with just that kind of--well, it is still in abeyance.

H.N. JR: I am going to let you decide with your own men.

MR. WHITE: We can work something out. This Council, as it stands now, with the approval of the President is also directed to coordinate all the activities of all the departments and agencies of the United States relating to monetary matters.
MR. LUXFORD: No, international.

MR. WHITE: International, yes.

MR. LUXFORD: You have got the people who are going to coordinate it anyway, State, Treasury, and Commerce, on the Board.

MR. WHITE: Well, I am sure if the Secretary understood the full impact of that he would hesitate a long time before accepting it. Before we bring it up tomorrow we can change the language back in such a way that it would be acceptable.

H.M.JR: The Secretary of State, Federal Reserve Board, Commerce, Treasury, and whoever is head of the agency where the Export-Import Bank happens to rest for the moment is to coordinate things, of which the Secretary of the Treasury should be chairman? What? Is that what you are objecting to?

MR. WHITE: That is right. Do you know what coordinate means? I don't.

MR. HELL: Isn't that what you've been working for?

H.M.JR: Sure. Take a look at what the Open Market Committee is supposed to do and what I actually do. There is no strict interpretation-the Open Market Committee could tell me to jump in the Potomac. I mean, they call me up and tell me they will do this in the Government bond market-they will do this and that, and the President of the New York Stock Exchange called me up and asked if he should stay open or close. There is nothing in the law about that.

MR. HELL: That is the way it should work.

H.M.JR: It depends on how much enthusiasm the Secretary of the Treasury has.

MR. WHITE: I think that is true.

H.M.JR: Look at the Federal Reserve Board. I mean, Mr. Brown says he can't find out--he is Chairman of the advisory thing, and he can't find out what they do.
H.M. JR: We made progress in twenty-four hours. At least I have mentally.

MR. BRONB: I repeat what I said before, without knowing anything about it, that seven or eight people talked to New York, and with each of those talking to seven or eight more, it is inconceivable to me that the knowledge of these New York discussions isn't in the hands of Colcott or some other Republican member of the Banking and Currency Committee. I think that the sooner it is discussed with them from the Treasury side, the sooner, the less chance there will be of feeling that you are dealing behind their backs.

H.M. JR: All right.

MR. FELL: It seems to me Eccles ought to be brought in some place along the line.

H.M. JR: I told you--

MR. FELL: We have told Ronald Hansen and Kayczek and Goldenweiser all about the meetings and how far we have gone, and they have told other members of the Board, including Eccles. Now, I think where you go from here in changing it, Eccles ought to be in on it.

MR. WHIT: Or if you have a meeting with Dean, Eccles ought to be here.

H.M. JR: That suits me. All right, will Gaston and Bell just stay behind a minute? Thank you, Ned; I am much obliged.

MR. BROWN: Not at all.

H.M. JR: I am mentally progressing on this thing.
Operator: Go ahead.

Mr. Basil O'Connor: Henry, forgive me. I not only meant the big mansion, but I meant his new cottage, you know, too.

HMJr: Well, that's very difficult.

O: I know it is and so......

HMJr: That's very difficult.

O: All I'm doing is making the statement. Now if you find out ultimately that it is difficult -- period -- call me back, let me know in two or three days.

HMJr: Yeah -- you mean the cottage up on the hill.

O: Yes, his new one.

HMJr: Yeah, well, that may be difficult.

O: Yeah, unless you can have a roaming guide or something like that. However, you just take it cold. You see what I mean?

HMJr: Yes.

O: And do what -- if you find that is impossible, let me know, will you?

HMJr: O.K. Now, Basil......

O: Yeah.

HMJr: ...I've agreed, you know, to keep a guard on the grandchildren - all of the, you know, at least until the first of May.

O: Yes.

HMJr: Which I think is very important.

O: Yes, I think so too.

HMJr: But, I'll take a look at it.

O: Yes, all right, Henry. Bye.
April 18, 1948
3:55 p.m.

Present: Mr. D. W. Bell
Mr. White
Mr. Gaston
Mr. Russell
Mr. Blough
Mr. Sheaffer
Mr. Lane
Mr. Engelmann
Mr. Lynch
Mrs. Klotz
Miss Chauncey

H.M. Jr: What do you have? If you have anything as good as last time, it's good.

MR. LANE: I have a lot in quantity. I don't know what you want. Our poster is just off the press today. It is going to be in the mails tomorrow. I thought you might want to show that to the boys, (indicating poster).

(Mr. Lynch enters conference)

MR. BELL: I thought it was the other way. Isn't that backwards, reversed from what it was?

MR. GASTON: I don't think so.

MR. LANE: We raised the flag a little for composition.

MR. GASTON: You opened up the flag.

MR. LANE: That's right, we opened it up a little. I have two short stories, one of which is typed up, one on figures on interim sales, which goes for the three months between the Sixth and Seventh War Loan, which have been forty-one percent ahead of where they were for the three months between the Fifth and Sixth War Loan Drives. I have another little story--

MR. BELL: That's January, February, March, or--is that due to--

(Mr. Blough and Mr. White enter conference)

MR. LANE: That's January, February, and March as compared with September and October.

MR. BELL: Do the limited purchases have anything to do with it?

MR. LANE: It could be.

H.M. Jr: Yes. The big jump is in January.

MR. BELL: Yes. Not all of it, though.

H.M. Jr: No.

MR. BELL: One hundred and fifty million in February and one hundred and ninety million in March.

H.M. Jr: Would you use that?

MR. BELL: Yes, I think that's good news. I wouldn't have used it if it is all in January, but it's not.

MR. LANE: That's E's, F's, and O's. There are some copies there if you want them. I don't know whether you want to get into this, but these magazine covers with the messages from admirals and generals are starting to come in, just these first few proofs.

H.M. Jr: No.

MR. BELL: If you do mention it, I would mention the fact that January is included, which is part of the increase.
MR. LANE: Here is this V-mail promotion we are bringing up again for the Seventh War Loan, and there might be a pretty good angle in that that the Army and Navy are picking that up for the Seventh War Loan and just changing the form very slightly, and the Army has ordered eight hundred thousand of those forms and the Navy has ordered about five hundred thousand, to have the boys in the service buy a bond and fill it in with the names of their mother and father or what have you.

H.M. Jr.: Do you want me to promote that from here?

MR. LANE: I just picked it up. I don't think it is of any major importance.

H.M. Jr.: Are you going to put it on the Associated Press wire?

MR. LANE: We can. The forms themselves are not back from the printers yet, so this may be a little premature. This is the poster for issuing agents.

H.M. Jr.: Is that what it is going to be like?

MR. LANE: In color this business here (indicating) -- it's practically the same. It's a Christmas design except the thing there has been cleaned up, see?

H.M. Jr.: You don't think this is a little early?

MR. LANE: It might be. I don't know whether you want a lot of material today or not. The only other fact I have may be news to you or may not be. The War Finance Division of the Treasury is over its quota.

MR. ENGELSMAN: Sure.

MR. LANE: I just got a figure of sixty-eight, three seventy-five.

MR. ENGELSMAN: We have raised three times as much from bonds this time than in the Sixth War Loan over and above the regular pay roll for the War Finance Division.

H.M. Jr.: The War Finance Division.

MR. GASTON: The employees there.

MR. BELL: Is that voluntary?

MR. ENGELSMAN: Well, we asked them. We get about ten thousand dollars a month, and we have thirty-five thousand dollars additional subscribed already, and that is excluding Mr. Gamble. I was waiting for that, Mr. Bell.

H.M. Jr.: It's kind of expensive to work over there.

MR. ENGELSMAN: It averages nearly two hundred dollars per person.

H.M. Jr.: I am glad I work over here.

MR. ENGELSMAN: Gamble of course pushed that up a bit, too.

MR. ALEN: For those three months it is twenty-two percent of our pay roll for those three months going into war bonds, twenty-two percent.

H.M. Jr.: That's all right. What else have you got on the plants?

MR. ENGELSMAN: I just came back from Baltimore. I spoke at a meeting there at lunch, so--

H.M. Jr.: Nothing particular?

MR. ENGELSMAN: We have one firm that went over the top of four hundred and one-half million dollars, Chrysler and Dodge, Chicago, but they asked us to withhold publicity because they would like to have their final figures from the accounting department.

H.M. Jr.: I think just one isolated case is not so good.

MR. ENGELSMAN: No, that's just a big one.
H.M.Jr: Now, where's Fussell? What suggestions have you got to make?

Mr. Fussell: Well, we have been getting a great many more inquiries on Bretton Woods during the last two weeks than we have had before, and I really think that's something worth while.

H.M.Jr: What can I say? The hearings are going to start again, aren't they? That's about all.

Mr. Fussell: The President came pretty close to mentioning Bretton Woods in his address there.

H.M.Jr: Not close enough.

Mr. White: He missed it by about seven miles. He mentioned the economic cooperation.

H.M.Jr: What else have you got?

Mr. Fussell: I have nothing else. I have a little comment here on that prohibition and black market stuff, but I don't think it is worth while at this time.

H.M.Jr: What did the President say in his speech? How did he put it about carrying on? What did he say? You haven't got his speech, have you?

Mr. Fussell: I don't have his speech.

Mr. Sheaffer: I have one copy. It is outside for you if you haven't got it.

H.M.Jr: Get it quickly.

(Mr. Sheaffer leaves conference temporarily.)

H.M.Jr: What did he say on that?

Mr. Sheaffer reenters conference.

Mr. Sheaffer: (returning) I was saying that about Sewell Avery as Secretary of Commerce?

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Mr. Sheaffer: (returning) I was saying that about Sewell Avery as Secretary of Commerce?
H.M.JR: The Internal Revenue says I may. It's just a question of usage. When it leaves their office and goes to the Department of Justice, that is when they say we have a case and I can begin to talk about it.

MR. GASTON: One case, I think, does not do an awful lot of good. I was thinking particularly of that liquor black market thing. I think we should adopt some means to give some of the boys an outline of a whole big job that is being done there so they can overshoot on it, so we would have those cases come up.

H.M.JR: I don't think we can do it today.

MR. GASTON: I don't think we can, no.
HOLD FOR RELEASE

APRIL 16, 1945

CONFIDENTIAL: To be held in strict confidence and no portion, synopsis or in- 
tuition to be published or given out until delivery of the 
President's message to the Congress HAS BEGUN.

Release expected about 1:00 P.M., E.W.T., April 16, 1945. The same 
release also applies to radio announcers and news commentators.

CAUTION: Extreme care must be exercised to avoid premature pub-
lication.

JOSEPH DANIELS
Secretary to the President

Mr. Speaker, Mr. President, Members of Congress:

It is with heavy heart that I stand before you, my friends 
and colleagues, in the Congress of the United States.

Only yesterday, we laid to rest the mortal remains of our beloved 
President, Franklin Delano Roosevelt. At a time like this, words are in-
adquate. The most eloquent tribute would be a reverent silence.

Yet, in this decisive hour, when world events are moving so rapid-
ly, our silence might be misunderstood and might give comfort to our 
enemies.

In His infinite wisdom, Almighty God has seen fit to take from 
us a great man who loved, and was beloved by, all humanity.

No man could possibly fill the tremendous void left by the pass-
ing of that noble soul. No words can ease the aching hearts of untold 
millions of every race, creed and color. The world knows it has lost a 
heroic champion of justice and freedom.

Tragic fate has thrust upon us grave responsibilities. We must 
carry on. Our departed leader never looked backward. He looked forward 
and moved forward. That is what he would want us to do. That is what 
America will do.

So much blood has already been shed for the ideals which we cher-
ish, and we wish Franklin Delano Roosevelt lived and died, that we dare 
not permit even a momentary pause in the hard fight for victory.

Today, the entire world is looking to America for enlightened 
leadership to peace and progress. Such a leadership requires vision, cour-
age and tolerance. It can be provided only by a united nation deeply de-
oted to the highest ideals.

I call upon all Americans to help as keep our nation united in 
defense of these ideals which have been so eloquently proclaimed by 
Franklin Roosevelt.

I want in turn to assure my fellow Americans and all of those 
who love peace and liberty throughout the world that I will support and 
defend these ideals with all my strength and with all my heart. That is 
my duty and I shall not shirk it.
So that there can be no possible misunderstanding, both Germany and Japan can be certain, beyond any shadow of doubt, America will continue the fight for freedom until no vestige of resistance remains!

We are deeply conscious of the fact that much hard fighting is still ahead of us.

Having to pay such a heavy price to make complete victory certain, America will never become a party to any plan for partial victory!

To settle for merely another temporary respite would surely jeopardize the future security of all the world.

Our demand has been, and it remains — Unconditional Surrender!

We will not traffic with the breakers of the peace on the terms of peace.

The responsibility for the making of the peace — and it is a very grave responsibility — must rest with the defenders of the peace, the United Nations. We are not unmindful of the duties of humanity. We do not wish to see unnecessary or unjustified suffering. But the laws of God and of man have been violated and the guilty must not go unpunished. Nothing shall shake our determination to punish the war criminals even though we must pursue them to the ends of the earth.

Lasting peace can never be secured if we permit our dangerous opponents to plot future wars with impunity at any mountain retreat — however distant.

In this shrinking world, it is futile to seek safety behind geographical barriers. Soul security will be found only in law and in justice.

Here in America, we have labored long and hard to achieve a social order worthy of our great heritage. In our time, tremendous progress has been made toward a really democratic way of life. Let us assure the forward-looking people of America that there will be no relaxation in our efforts to improve the lot of the common people.

In the difficult days ahead, unquestionably we shall face problems of staggering proportions. However, with the faith of our fathers in our hearts, we fear no future.

On the battlefields, we have frequently faced overwhelming odds — and won! at home, Americans will not be less resolute! We shall never cease our struggle to preserve and maintain our American way of life.

At this very moment, America, along with her brave allies, is paying a heavy price for the defense of our freedom. With characteristic energy, we are assisting in the liberation of entire nations. Gradually, the shackles of slavery are being broken by the forces of freedom.

We of us are praying for a speedy victory. Every day peace is delayed, costs a terrible toll.

The arms of liberation today are bringing to an end Hitler’s ghastly threat to dominate the world. Tokyo rocks under the weight of our bombs.

The grand strategy of a United Nations’ war has been determined — due in no small measure to the vision of our departed Commander in Chief. We are now carrying out our part of that strategy under the able direction of Admiral Leahy, General Marshall, Admiral King, General Arnold, General Eisenhower, Admiral Nimitz and General MacArthur.

I want the entire world to know that this direction must and will remain — UNCHANGED AND UNHEARD!
To build the foundation of enduring peace we must not only work in
harmony with our friends abroad, but we must have the united support of our
own people.

Even the most experienced pilot cannot bring a ship safely into harbor,
unless he has the full cooperation of the crew. For the benefit of all, every
individual must do his duty.

I appeal to every American, regardless of party, race, creed, or
color, to support our efforts to build a strong and lasting United Nations
Organization.

You, the Members of Congress, surely know how I feel. Only with
your help can I hope to complete one of the greatest tasks ever assigned to
a public servant. With Divine guidance, and your help, we will find the new
passage to a far better world, a kindly and friendly world, with just and
lasting peace.

With confidence, I am depending upon all of you.

To destroy greedy tyrants with plans of world domination, we
cannot continue in successive generations to sacrifice our finest youth.

In the name of human decency and civilization, a more rational
method of deciding national differences NOW and WILL be found.

America must assist suffering humanity back along the path of
peaceful progress. This will require time and tolerance. We shall need also
an abiding faith in the people, the kind of faith and courage which Franklin
D. Roosevelt always had.

Today, America has become one of the most powerful forces for good
on earth. We must keep it so. We have achieved a world leadership which
does not depend solely upon our military and naval might.

We have learned to fight with other nations in common defense of
our freedom. We must now learn to live with other nations for our mutual
good. We must learn to trade more with other nations so that there may be —
for our mutual advantage — increased production, increased employment and
better standards of living throughout the world.

May we Americans live up to our glorious heritage.

In that way, America may well lead the world to peace and prosperity.

At this moment, I have in my heart a prayer. As I assume my heavy
duties, I humbly pray to Almighty God, in the words of Solomon:

"Give therefore thy servant an understanding heart to judge thy
people, that I may discern between good and bad for who is able to judge
this thy so great a people?"

I ask only to be a good and faithful servant of my Lord and my
people.
It is a happy augury that your interest in an expansion of foreign trade for small business coincides with one of the principal objectives of the program drawn up at Bretton Woods last summer, and now pending before this Congress.

All of the 44 nations participating in that conference recognized that a large volume of foreign trade is essential to the realization of the United Nations’ hopes for a prosperous and peaceful world. We in this country have a special stake in this program since we, more than most countries, must carry on a large volume of trade abroad in order to insure full utilization of our manpower and productive facilities at home.

As our late President said, when hostilities cease and war production tapers off, we must find jobs for approximately 60 million people. Little business, in my opinion, is one of the most promising areas for an expansion in post war employment. The Bretton Woods proposals, by stabilizing rates of exchange and encouraging the revival of private international investment, will go a long way—indeed, farther than we have ever gone before—toward removing the obstacles that have prevented small business from participating in foreign trade on a significant scale.

Small business has not played a prominent role in this country’s foreign trade for two principal reasons. Let me summarize them briefly.

The small businessman has not had adequate information concerning markets abroad. The Government’s foreign commercial service has not been equipped either to collect the detailed information concerning potential buyers or to disseminate that information in this country. I shall have something further to say on this point a little later.

Even if he had this information, the small businessman has always been confronted with the discouraging and dangerous complexities of fluctuating exchange rates. He may be an authority on the manufacture of furniture, bicycles, specialized electrical appliances, or textiles, but he does not understand the workings of the foreign exchange market, nor is he able to employ specialists who are.

But the truth of the matter is that in the past, and particularly during the period between the wars, a successful foreign trader had to be also a dealer in foreign currencies. This was necessary because the values of currencies in terms of one another were subject to constant yet unpredictable change. Unless he had the means and the ability to hedge, the exporter’s normal business profits might be wiped out overnight by fluctuations in exchange rates—a business he did not understand, one that he had no intention of entering. Yet that was the business that too often controlled his margin of profit, or loss.

A producer who undertook to sell abroad, therefore, had to have a certain agility as well as large resources against possible adverse fluctuations in exchange rates. By dealing in forward exchange on a sufficiently large scale, any loss sustained from the depreciation of foreign currencies received in payment of exports was offset by corresponding gains from the hedging transaction in the speculative exchange market. This is an entirely legitimate practice. It is more than that:
It is an essential part of every foreign trader’s daily transactions. These operations provide a sort of insurance which, however, are costly; they require capital as well as an expert knowledge of a field that has always been a mystery to the layman.

As a result, the little businessman has in the past profited from foreign trade only indirectly. And if on occasion he succeeded in making a sale abroad, he was in the unfortunate position of banking too heavily on the stability of a single currency. That is to say, he did not have the advantage of spreading his risks, such loss covering them through hedging operations, so that a slight alteration in a single currency vis-à-vis the dollar was generally enough permanently to damp his enthusiasm for markets abroad.

The Bretton Woods proposals, when adopted, will provide all of the elements of stability. They will require all countries to define their currencies in terms of gold, and having defined them, to maintain them within one percent of that value. They will also hasten the removal of all artificial barriers against the making of payments across international boundary lines, and encourage a revival and an expansion of private international investment. Once stability of exchange rates is achieved, American investments abroad will have as their counterpart an immediate and direct foreign demand for American goods. Many of these demands, if for goods not suited to mass production, must be filled by little business or be passed on to suppliers in other countries.

Through the War Production Board, the NPMC and the procurement offices of the armed services, production for war has been distributed throughout American industry, to large and small plants alike, according to their respective capacities and specialized abilities. Likewise, in the post war period the opportunity to reach markets abroad must be open to small as well as large business.

In my opinion, a government representative in every economically important consular office abroad should be designated as a Small Business Specialist. The Specialist should be directed to seek out, stimulate, and find possible markets in the foreign country for specific products which small American industries might produce and export. The search should be concentrated on products not customarily exported by large American enterprise, products which do not lend themselves to assembly-line or quantity production. Outlets for such commodities will increase our total volume of foreign trade and help toward achieving full employment.

The reports from the Small Business Specialists would filter back through government channels to some such agency as the Smaller War Plants Corporation, which could use existing facilities to disseminate the information to all small manufacturers who might be interested.

Probably the small plants will find it advisable to pool their facilities as a means of improving their competitive position in foreign markets. In particular, they might find it advisable to adopt a common trademark, and under the provisions of the Webb-Pomerene Act form pools solely for the purpose of operating in competition with foreign-owned cartels.

If I have gone a little beyond the topic that you expected me to cover,
It is because I am convinced that the future welfare of the United States is intimately associated with the survival and the expansion of small business. And while the Bretton Woods program will provide the necessary setting, something in addition will be required to small producers and foreign buyers together.

TO Secretary Morgenthau
FROM Mr. Luxford

For your information

Attached is the text of Stettinius’ speech in Chicago. The whole speech deals with the economic side of the peace.

For your convenience in checking the particular portions which may be of interest to you, I have placed a single blue pencil line along the margin of that portion of his speech dealing with the general argument for economic cooperation (pp. 3 to 5), and I have put three pencilled lines along the margin of that portion of the speech relating specifically to the Bretton Woods Agreements (pp. 6 and 7).

Attach.
I welcome this opportunity to come to the Middle West to talk with you some of the problems and objectives of United States foreign policy.

My father was brought up in St. Louis and began his business career in Chicago. I was born in Chicago and began my own career in business in the automobile industry.

I feel that here I am among friends and in familiar territory. And I know also that a tremendous contribution the Middle West is making in this war. From your farms and factories and homes, you are making an unbroken, unflinching, unselfish effort that is bringing victory.

We are fighting this war in order that all Americans may gain the opportunity to live securely and in peace, I say opportunity -- for victory will not be enough. Victory is the essential condition of our success, but not the assurance of it.

The foreign policy of the United States is directed toward providing that assurance -- in combination with domestic policy. Our objective in all our relations with other nations is to prevent aggression abroad from again disturbing the peace of the United States and to develop those conditions of international life that will make it possible to maintain high levels of productive employment and farm income and steadily rising standards of living for all the American people.

This is a tremendous undertaking. We face difficulties and dangers whose magnitude it is hardly possible to overestimate. Idealism and good intentions will not be sufficient. Our only chance of success is to face squarely the realities and to pursue a course of action firmly based upon those realities. Without bold, realistic and effective action it will not be possible to prevent this war from being followed by economic collapse and economic anarchy far more disastrous than the depression of 1929; nor will it be possible to prevent another war from bringing bitter sorrow and suffering to every American home.

Of one reality I believe the great majority of the people of the United States are now wholly convinced, and that is not because the people of the Middle West are any different in this matter from people in other parts of the country. After two World Wars and a terrible world-wide depression, all within the space of twenty-five years, we are convinced that political isolationism and economic nationalism are utterly unrealistic and can only lead to complete disaster for our country and for the world.

So our foreign policy is based upon the hard facts that if we are to prevent the disaster of another war for the United States we must find the means to act effectively with other nations to prevent aggression anywhere in the world; that we cannot have prosperity in the United States, if the rest of the world is sunk in depression and poverty.

In other words, since we live in a world where every nation has become virtually our next-door neighbor, we cannot achieve our objectives alone, but only in the close cooperation that neighbors in any American town are accustomed to practice in settling affairs that mutually concern them.

Upon these facts the United States Government has based its foreign policy program to help achieve security and prosperity for the United States after the war is won.

The United Nations Conference at San Francisco later this month will mark a critical turning point in the history of the United States and of the world. For at San Francisco it is the purpose of the United Nations to write the charter of a world organization which will become strong enough to maintain peace for generations to come.

I know that many of you would like to hear from me tonight a discussion of temporary difficulties of a political nature that have recently arisen in connection with the San Francisco Conference. I regret that I shall not be able to do so, because the United States Government is at this moment engaged in very active efforts to resolve these difficulties and there is little that I can add tonight to the statement which I made yesterday in reference to some of them.

I do, however, want to say this much. I have full confidence that we shall be able to resolve these difficulties -- and others of this nature that will inevitably arise as we approach the end of the war.

We are going right ahead with our plans for the San Francisco Conference and we are resolved to make it the success that it must be. I ask you to remember: first, that the United Nations have repeatedly overcome other difficulties and dangers far more serious in the past three years.
second, that the vital national interests of the United States
and each of our allies are bound up in maintaining and
committing to the extent our peace is an agreement that is far wider and not fundamental
than the extent of our differences. If we keep these facts
constantly in mind, we shall be able to keep our sense of
proportion.

Tonight I want to speak to you about other issues that
are of fundamental and long-range importance to the future
well-being of the United States and to the success of the
World Organization. They are issues that call for the utmost
that we as a people can give to continued and successful resolution.

Most of the public discussion of the Dumbarton Oaks Prop-
osals upon which the Charter of the World Organization will
be based has centered upon the security aspects of the
Organization — upon its power to prevent or to suppress
aggression through the Security Council.

That is a vital part of the plan, but I wish to remind
you that it is, in fact, only half of the task that the World
Organization must accomplish if it is to be successful. At
the conclusion of the Crimea Conference President Roosevelt,
Marshal Stalin and Prime Minister Churchill declared that
the earliest possible establishment of the world organization
was — and I quote — 'essential both to prevent aggression
and to remove the political, economic and social causes of
war through the close and continuing collaboration of all
peace-loving peoples.'

It is the second part of that statement to which I refer
and about which I wish to speak to you particularly tonight —
the removal of the political, economic and social causes of
war. That is the responsibility which will fall principally
upon the Assembly and the Economic and Social Council of the
Organization, rather than upon the Security Council. That is
the task to which the energies of the United States and the
other members of the World Organization must be principally
directed now and in the years following war.

This is so, because no machinery for combined action to
prevent or suppress aggression will work for any length of
time in a world in which the causes of war — particularly
the economic causes — are permitted to poison relations
between countries.

Economic warfare, depressions, hunger, poverty, and
depair — these are the conditions that undermine democracy
and block its development, that breed tyrants and aggressors
and that turn nations one against the other. These are con-
ditions that we must fight to master if any international
organization is to succeed in preserving peace.

That is another of the realities upon which our foreign
policy is based.

As I have said, we face a task of extreme difficulty.

The battles of this war have left in their wake
destruction of factories and homes and transport that is
unparalleled in history. This damage has to be repaired.

The

The demands of war production have distorted the economies
and the economic relationships of all nations as never before
and have made necessary restrictive government controls of all
sorts on normal business and agriculture. The transition from
war to peace economy will challenge our patience and ingenuity
to the utmost.

We and our fighting allies alike have enormously increased
our national debts and our allies have, in many cases, incurred
heavy new international debts as well.

Add to all this the fact that when this war began we had
an inheritance of years of economic warfare among nations and
that we have this earlier damage, as well as the damage caused
by the war, to repair. This earlier economic warfare took many
forms — restrictive government monopolies and private cartels,
artificial restrictions on exchange, currency manipulation,
high tariffs, quotas and other artificial barriers to profit-
able foreign trade and investment.

Finally, we have to face the fact that never before in our
history, even in the periods of our greatest prosperity, have
we attained a volume of production, trade and employment and a
national income that came even close to what we have achieved
in response to the demands of this war.

In order to achieve high levels of employment after this
war — and to make sure that the men who return from the battle-
fronts will have secure jobs and good wages — it is estimated
that we shall have to reach and maintain a national income in
the neighborhood of 100 billion dollars, compared to the highest
figure we reached before the war — less than the war — in 1929.
This, we hope, will provide close to 60 million jobs,
year in and year out, compared to the previous prewar peak
of 47 million in 1929.

Our problem thus adds up to this:

We know that we have the physical ability to reach the
higher level of production that we must have, because we have
done it in this war. We have added enormously to our produc-
tive capacity and unlike many of our allies, our factories and
fields have escaped entirely the destruction of war. But in
peace we cannot reach this high level of production unless
we can find markets abroad as well as at home for our invest-
ment and our goods and services.

We know also that such of the world will emerge from this
war in desperate need of supplies and equipment from us to get
their own economies going again, but that they will often not
have the money to pay for what they need until they have
succeeded in restoring their own productive economic life.

We know also that short-sighted economic nationalism,
either on their part or on ours, would prevent any real recovery
and would therefore destroy the markets we need and lead to unem-
ployment and depression in our own country.

What we have to do is to match our need for full production
with the world's need for our products in such a way as to reach
and maintain over the years a permanently higher level of inter-
national trade — and to maintain it on a sound and profitable
basis.

I have
I have already stressed the difficulty of doing this. But I have seen too much of the achievements of American industry, both its management and its workers — and I have seen too much faith in American enterprise and initiative to think that it is impossible. On the contrary, I believe we as a nation are before us the greatest opportunity in our history to achieve in this generation the substantial fulfillment of the purposes of the American way of life.

Once in a while one of my business friends speaks to me of government planning as if it were either ridiculous or dangerous. I reply that when I was in business, planning was fundamental to successful management and I don't suppose things have changed since. It seems to me that to assemble all the pertinent facts, analyze them, and then plan ahead on the basis of these facts is merely the most elementary common sense. If those of us who are in positions of responsibility did not plan ahead, we would be guilty of criminal negligence.

The United States Government has a well-rounded and carefully prepared program to achieve the results we seek in our foreign economic relations. We have been working actively on this program right through the war, and developing it step by step in consultation with our allies and with the Congress and the people of the United States and preparing to put it into effect. The Atlantic Charter; the United Nations Declaration; the Atlantic Charter; the establishment of UNRRA; the conferences on food and agriculture at Hot Springs, on the International Bank and the Monetary Fund at Bretton Woods, and on international agricultural cooperation in Washington and Mexico city; these have all been steps in the development of this program.

It is a program that is aimed at expansion, not restriction. It is rooted in the American traditions of freedom and enterprise.

You already know a good deal about this program, but you may not have seen how each part was related to the other and to the whole, nor how closely related this program is to our other efforts to help our Allies and our own people get back on the road to normalcy and prosperity. But you will see it hereafter in detail, and you will see what an important role this program has played in our current effort to make the world safe for democracy.

We begin with UNRRA, which is an emergency and temporary agency created to assist in meeting the urgent needs of relief in liberated countries. It is already functioning.

The UNRRA program is a modest one. Probably four-fifths of the relief job will be done by the liberated countries themselves.

The purpose of UNRRA is to help the liberated peoples get enough food to eat, clothes to wear and shelter over their heads for relief which will make it possible for them to start growing again. It will not, however, meet the enormous problems of reconstruction — the rebuilding of destroyed or damaged factories and homes, the provision of materials and industrial machinery, and the supplies required for the restoration of agricultural production.

I should like at this point to state again what the President and other officials of the Government have often stated before.

It has never been intended to use Lend-Lease for post-war reconstruction or for any other purpose except those concerned with fighting and winning the war. And these are the only purposes for which Lend-Lease has been used. Lend-Lease is solely a war measure.

I make this statement because of the repeated distortions and mis-statements that continue to be made on this subject. The core of our whole post-war economic program is the expansion of private trade and the encouragement of private enterprise, with such assistance as is required from the Government to maintain high levels of production and employment.

We are resolved that the terms of the Lend-Lease settlement shall not be such as to endanger this program by placing unnecessary and restrictive burdens upon our commerce with other countries. We do not want war debts to affect this trade this time as they did after the last war, and to poison relations between countries.

On the contrary, Article VII of the Lend-Lease Agreement with our principal allies in this war provides that the terms of the settlement shall be such as to expand production, employment, the exchange and consumption of goods, to eliminate all forms of discriminatory treatment in international commerce and to reduce tariffs and other trade barriers.

To meet the urgent needs of reconstruction, many of the countries which have suffered from the war will be able to buy a part of what they need out of their current resources. But there will be real danger that the dollar and the gold that they now have or can acquire through their exports in the immediate future will be wholly inadequate to the dimensions of the task.

It is clearly evident that international credits in large volume and at reasonable rates of interest will be necessary to tide them over the next few years. It is also clearly evident that private investment cannot do a job of this magnitude unless it is done by the United Nations delegates at the Bretton Woods Conference and is now before Congress for approval.

The principal purpose of the Bank is to guarantee loans made by private investors for sound foreign projects of reconstruction and development and thus to extend the scope of private international investment.

Without the Bank I do not believe it will be possible to bring about the economic recovery of some of our best potential customers abroad and the development of the resources of other countries which can also buy products from us in large quantities if they have the money. China and many of the American Republics are outstanding examples of countries in this latter category.
This is an important point which is often overlooked or misunderstood. Sound industrial and agricultural development abroad does not take customers away from us. On the contrary, past experience has proved time and again that the countries which buy the most from us are those whose economies are the most highly developed. Great Britain, for example, with a population of less than 15,000,000, bought more from us before the war than all of South America with a population of almost 20,000,000.

Economically undeveloped countries are not good customers because they do not have enough income to pay for purchases from us. Therefore, the influence of the Bank in advancing industrial and agricultural development in such countries will be of direct advantage to our export trade. The more wealth they produce and the higher their national income, the more they will wish to buy from us and be able to pay for it.

The essence of the plan for the International Monetary Fund, which your fellow countryman, Mr. Edward Brown, had a part in drafting, is an agreement on rules governing foreign exchange which will provide some assurance to international traders and investors of the value of the money they are dealing with and to exporters that they will get paid for their exports in their own money and not in some blocked foreign currency they cannot use.

The proposed Fund will not provide loans for reconstruction. But the substantial stabilization of the world's currencies which it will make possible when it goes into effect will be essential to the high volume of international trade.

As a supplement to the International Bank and to private capital in the tremendous task of restoring peace-time production and trade in a world exhausted and bled white by war, we plan also to ask Congress in the near future to expand the lending authority of the Export-Import Bank. This Government institution has a ten-year record of profitable operations. It operates principally through private banks, manufacturers, and exporters. Its capital is already largely utilized. It will have to have substantially increased capital to help meet the urgent needs for economic reconstruction and for rebuilding trade. And obviously if lending by private investors or the Export-Import Bank or by private investors with the guarantee of the International Bank, is actually to take place, Congress must remove the restrictions of the Johnson act and similar legislation.

Thus we have UNRRA and other emergency relief measures, which prepare the way for the tremendous tasks of reconstruction.

We have the International Bank and other financial measures to make possible the financing of this economic reconstruction and of further economic development in the immediate post-war years. And we have the Monetary Fund providing for stabilization of currencies in the form of currency manipulation and exchange restrictions.

These are the foundations for building up the extensive and profitable international trade which is essential to high levels of production and employment in the United States.

Last year our wartime exports were valued at more than 14 billion dollars. Our greatest previous volume of peacetime exports was scarcely more than one-third of that. For example, Canada, with a population of less than 12,000,000, bought from us before the war than all of our exports to Japan. But specialists in this field do estimate that it will be necessary to approach the figure of ten billion dollars a year if we are to maintain our production and employment at the levels we seek.

Only the most vigorous measures to remove artificial barriers to trade will make it possible for us to reach this goal after the war. We have, first of all, to remove wartime restrictions as rapidly as the paramount requirements of defeating Japan, as well as Germany, will permit.

We have also to work toward a general lowering of the tariff barriers which prevailed before the war.

I hear it often said that high tariffs protect the American living standard. If there are any tariffs that really do that, I favor maintaining them. I also believe in looking at the record in these matters. What does the record show?

It shows that, actually, high tariffs today act as a depressing influence upon the living standard of the American people. The record shows that on the average the wages paid by the highly protected industries are lower than the wages paid by those industries which have little tariff protection or none at all. Our most efficient industries pay the highest wages and need no tariff protection.

The record also shows that consumers -- and every American is a consumer -- have to pay more for products manufactured by highly protected industries than they would if more of these products were imported. This means they have that much less money to spend for other products they would like to buy.

In thinking of tariffs, we have also to bear in mind that in the post-war period, or by private investors with the guarantee of the International Bank, is actually to take place, Congress must remove the restrictions of the Johnson act and similar legislation.

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Economically undeveloped countries are not good customers because they do not have enough income to pay for purchases from us. Therefore the influence of the Bank in advancing industrial and agricultural development in such countries will be of direct advantage to our export trade. The more wealth they produce the higher their national income, the more wealth they produce and the higher their national income, the more wealth they wish to buy from us and be able to pay for.

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Last year our wartime exports were valued at more than 14 billion dollars. Our greatest previous volume of peacetime exports was scarcely more than one-third of that figure. I do not suggest that it will be possible, or that it will be necessarily desirable, to export 14 billion dollars' worth of products a year in peace. But specialists in this field do estimate that it will be necessary to approach the figure of ten billion dollars a year if we are to maintain our production and employment at the levels we seek.

Only the most vigorous measures to remove artificial barriers to trade will make it possible for us to reach this goal after the war. We have, first of all, to remove wartime restrictions as rapidly as the paramount requirements of defeating Japan, as well as Germany, will permit.

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The record also shows that consumers — and every American is a consumer — have to pay more for products manufactured by highly protected industries than they would if more of these products were imported. This means they have that much less money to spend for other products they would like to buy.

In thinking of tariffs, we have also to bear this in mind: our exports are the imports of other countries just as our imports are their exports. If we impose unwise tariff barriers that prevent Americans from buying from other countries products they would like to buy if they could, then we invite retaliation by those countries against our exports of products that we would like to sell to them.

It was this sort of competition in tariffs that strangled trade, restricted production and stimulated economic warfare before the war. We cannot afford to let it happen again.

We do not need to fear imports. On the contrary, we need imports of many commodities in order to live, because we do not produce them ourselves. We need more imports to replace some of our own raw material resources that we have consumed in such tremendous quantities in fighting this war. More imports mean not only more goods for American consumers, but more jobs and income for Americans engaged in the processing and distribution of imports.

Finally, without more imports other countries will not be able to pay us for the increased exports that we seek.

For every reason of our own national interest it is my firm conviction that tariffs must be further lowered in the next few years, both by other countries and by ourselves.

In the last five years before the war we sought through the reciprocal trade agreements program initiated by my great predecessor Cordell Hull to repair some of the damage done to our economy by the Hawley-Smoot tariff bill. We made considerable progress in spite of the economic warfare which Germany and Japan were then pursuing and the generally unfavorable conditions which prevailed. Recognizing its efficacy, Congress has three times renewed the Trade Agreements Act since it was first passed.

Now it is necessary to move further. The Act is again before Congress for extension. As it stands it authorizes reductions in our tariffs up to fifty per cent of the excessively high rates in effect in 1934. A good part of this authorization has been used up in the negotiation of the 88 trade agreements now in effect.

We need more bargaining power in persuading other countries to reduce their tariffs against our exports. We have therefore asked Congress to authorize an agreement which will apply the fifty per cent limit to the tariff rates as they stood in 1945 instead of the higher rates of 1934. This will give us a new "bully pulpit" in negotiating new agreements with other countries.

In addition to restrictive tariffs, there are other obstacles to wider trade and an expanding economy for the United States and the rest of the world. Preferences and quotas, for example, are artificial restrictions on trade between nations and export subsidies encourage unwise production, upset the world market and invite retaliation. In agreement with other countries we must seek the means by which we can substitute for these practices measures better calculated to maintain a healthy and expanding international trade.

We must also deal vigorously and effectively with international cartels. These restrictive and monopolistic agreements among private business interests fix prices, limit production, prevent the use of new inventions and productive techniques, arbitrarily divide markets and have in general a dangerous and throttling effect upon international trade. The evil effects of international cartels can be prevented only by supplementing national by international action against them and by taking the other measures which I have outlined to ensure that all nations will be able to live better without such practices than with them.

Some of our most serious economic problems arise out of chronic world-wide surpluses of such commodities as meat and cotton. You in Chicago remember what happened to wheat farmers in this country after the last
when the bottom dropped out of the market for wheat and
tens of thousands of farmers lost their homes and their
livelihood. We do not want to see a repetition of that.

It is important that governments act together to
deal with the problem of such surpluses primarily by
coproductive measures to expand consumption, such as I
have outlined tonight. In the exceptional cases where
commodity agreements are necessary, they should
be directed toward shifting excess productive resources into
more profitable lines, and both consuming and producing
countries should be fully represented. Otherwise
individual governments will continue trying to deal with them
by such deceptively easy routes as artificially supported
prices and competing export subsidies. As we have learned
from bitter experience, these can only lead to economic
warfare and in the end make the problem worse instead of
better for all concerned.

These problems and others like them can be faced and
handled in time only by calling a conference of the principal
trading nations of the world. We shall do all in our power
to have such a conference convened within the next year.
This conference would also prepare the way for establishment
of a permanent trade organization within the framework of
the World Organization, to deal with these problems on a continuing
basis.

In the field of food and agriculture, we are further
advanced. The President last week asked Congress to approve
United Nations participation in the United Nations Food and
Agriculture Organization. This organization results from
the conference at Hot Springs in 1943. Eighteen nations
have already ratified the agreement for membership. We
should do so too.

The Food and Agriculture Organization will have powers
of recommendation only, not of control or command, but I
believe with the President that its work can do much to raise
the standards of nutrition of all peoples and to establish
and maintain expanding prosperity for agriculture in our
country and in all countries.

The food organization, like the other post-war interna-
tional agencies to which I have referred this evening, would
all eventually come within the framework of the World
Organization when it is established.

I think you will agree that the program upon which we
have begun is of great scope. It must be so if we are to
deal successfully with problems and difficulties of equal
magnitude.

The close cooperation of the United Nations in a program
for economic reconstruction and expansion such as I have out-
lined to you tonight is fundamental to the success of the
World Organization. Without it the world will be able neither
to recover from the effects of this war nor to prevent the
next war.

There are many pitfalls ahead of us. So closely is each
part of the program interlocked with the others part of this
peace front, the whole program and our overall objectives
will be placed in gravest jeopardy.

If we fail we are not likely to get another chance to
fulfill the purposes for which we have fought -- the assurance
of a secure peace and a decent life for all Americans.

The task will require the utmost of us as a people in
clear thinking, in understanding of where our real interests
lie and in the ability to act courageously and wisely -- and
in time.

I return to the point at which I began. The preservation
of peace requires something more than a desire for peace,
no matter how strong that desire may be. It requires, in a
world as complicated and as closely inter-knit as this modern
world of ours, a great design. It requires, in other words,
the more courage, the same boldness and realism in the field
of international affairs which the citizens of this Republic,
and of this great central valley, have so often demonstrated
in the past.

If we Americans are proud of one thing more than any
other, we are proud of the fact that our forefathers were
willing to face tremendous and complicated problems and to
bring to them new and daring solutions. And there are no
Americans who take more pride in that tradition, than the
Americans of these great central states.

Believing in America as I do, I am confident that we will
meet this greatest crisis of our modern history as we have
met all the crises of our history before. I believe that we
will not with understanding of where our real interests
lie -- wisely and courageously and in time -- and that we
will force the difficult circumstances of our time to yield
up to us the sure and enduring peace which we are determined
to leave to those who will follow us in this country we love
so well.

...
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date April 16
1945

TO Secretary Morgenthau

FROM Randolph Feltus

For your press conference today, I suggest that you restrict mention of Bretton Woods to the following:

Hearings will be resumed in the House this week. Witnesses on both sides will be heard fully before hearings are closed. No change in the handling of this legislation is contemplated as a result of President Roosevelt's death.
April 16, 1945

MEMORANDUM FOR THE PRESIDENT

For your information I want to indicate the work being done on the problem of revising Federal taxes for the transition and postwar periods. This problem has been under consideration for some time by the Congressional Joint Committee on Internal Revenue Taxation, under the Chairmanship of Representative Dougherty, on this work it has had the services of the Treasury tax staff as well as of the Joint Committee staff.

The Treasury Department has been cooperating closely with this Committee. In my opinion, which I believe is shared by Congressional tax leaders, relations between the Treasury and the Congressional tax committees are more cordial and on a more effective level of cooperation than at any time since I have been Secretary of the Treasury.

The Joint Committee is scheduled to meet Tuesday morning, April 17, to consider suggestions for tax revisions to be applicable during the interim period between V-E day and the end of the war. It is expected that it will report to the House Committee on Ways and Means and the Senate Finance Committee in the near future.

Concentrated work on postwar tax revision began in June 1934. The Congressional Joint Committee on Internal Revenue Taxation at that time made itself into the Joint Committee on Internal Revenue Taxation for postwar taxation by adding a Republican member from each House, thus giving equal party representation on the Committee. A resolution was passed calling on the staff of the Joint Committee and the Treasury tax staff (including the Bureau of Internal Revenue) to work as a unit on the study of postwar tax revisions and to submit facts, materials and suggestions to the Congressional Joint Committee.

The two staffs have worked closely together as a unit. They have made extensive research studies. They have conferred with a large number of business, labor, and agricultural groups. Beginning in December 1944, they have submitted a series of reports to the Joint Committee, including reports on the outlook for expenditures and revenues and on the postwar economic outlook. Recently they have submitted tax suggestions for the interim period between V-E day and the end of the war.

The two staffs are continuing their tax studies and expect to submit further suggestions covering the longer-run transition and postwar periods.

Steps have also been taken to coordinate the tax thinking of the different agencies in the executive branch of the government. About a year ago I invited the heads of several agencies to appoint high-level technical men to an informal working interdepartmental tax committee. The composition of the committee is flexible and varies somewhat, depending on the subject under consideration. At the present time the Director of War Mobilization, the Director of Economic Mobilization, the Director of the Budget, the Director of the Office of Price Administration, the Chairman of the Federal Reserve Board, and the Secretary of Commerce, as well as the Treasury Department, are represented on the committee. This group holds weekly meetings and has, I believe, been very helpful in developing a mutual understanding of tax problems among the agencies involved and a unified administration position.

The ability of the Committee on Ways and Means to consider taxation legislation at this time is affected by its other responsibilities. This Committee expects to conclude hearings today on the extension of representation beyond its present expiration date, June 30, 1945. It is scheduled to begin hearings Wednesday, April 18, on the extension of the power of the President to negotiate reciprocal trade treaties, which expires June 12, 1945. A large roster of witnesses is expected to be heard and the House hearings might last as long as a month, according to present advice.

Abide.
4/16/45

(Signed) Harry Morgenthau, Jr.
April 16, 1945.

My dear Mr. President:

The United States Secret Service, as I have no doubt you know, is an arm of the Treasury Department.

Its responsibility for guarding the lives and safety of Presidents and their families is one which all of us in the Department take very seriously. I myself have devoted a great deal of time to supervising this work.

I hope therefore to have an opportunity soon to talk to you about the organization of the White House detail. I should like to suggest that in the meantime we do not attempt to reorganize or to make any permanent assignments.

Sincerely,

(Signed) H. Morgenthau, Jr.

The President

The White House

Dear Mr. McMillan:

Before the Seventh War Loan drive begins I want to thank you for the splendid cooperation and untiring energy you have given the Treasury’s program for war finance.

The success of the program in Alabama is due in large measure to your keen interest and able leadership. Through your efforts and those of the other State Chairmen, a total of $500 million dollars has been invested in Government securities by non-bank investors, of which $44 billion was bought by individuals alone, and today more than 85 million Americans hold War Bonds.

This is a remarkable achievement, and one that has proven a great source of strength to your Government. It demonstrates in a very concrete way that our democratic way of life is stronger and our leadership more intelligent than that possessed by any despotic power.

I know that you are finding a two-fold satisfaction in this work. You are telling your fellow citizens the safest investment in the world—a share in America—and at the same time you are helping them to supply the funds needed to win the war and assure the peace.

The Seventh War Loan will challenge the enthusiasm and determination of all of us, especially since the $4 billion loan quota is the largest of all drives to date. I know that you will meet Alabama’s $49 million share with the same undaunted resolution as before. May I express again heartfelt thanks for your past cooperation and best wishes for success in the tasks that lie ahead.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Ed Leigh McMillan
War Finance Chairman
2000 Comer Building
Birmingham 3, Alabama

P.S.: JWMr
Typed 3/30/45
Letters for the Secretary's signature addressed to following State Chairmen, with appropriate state quotas inserted:

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<td>Mr. Fred W. Bartle</td>
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MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Nunn

The tax drive against irregular currency operations and black market activities has been organized on a nationwide basis and many agencies are in process of development. A large volume of material has been dispatched by the Bureau to the field services and local sources of information also are being thoroughly canvassed by the field forces. A great variety of these cases are now under active investigation.

A number of completed cases are now under consideration with the view to prosecution. These are typical of the class of cases now under investigation by the various field offices. In keeping with the policy of the Department, however, I believe it would be unwise to give the names and other information concerning these cases until indictments are returned. One of the cases involves a taxpayer of Cincinnati who is described as a black market machinery and metals operator and a free spender of currency in cigarettes and night clubs. This case is now under review by the Chief Counsel. A second case relates to a black market dealer in electric appliances at Chicago and this case also is receiving the attention of the Chief Counsel.

The third case involving a wholesaler of wines, liquors and groceries in Indianapolis will be referred to the Chief Counsel this week. During 1943 approximately 94,000 cases of whiskey were sold by this taxpayer at $172,298.98 which amounts were not recorded on the taxpayer’s books or reported in the tax return. Prosecution of this taxpayer for the year 1943 will be recommended.

A partnership engaged in the meat packing business in Los Angeles willfully understated its sales for 1942 and 1943 and thereafter filed amended returns reporting additional sales of $285,000. Examination of the income tax liability of the partners disclosed that in addition to the $285,000 there were other items aggregating $235,000 which constituted additional income and had been willfully omitted. This case has been referred to the Chief Counsel.

Another case involving a wholesale and retail liquor dealer of Washington, D. C., has been approved by the Chief Counsel for prosecution and is now pending in the Department of Justice.
MENGRANDUM

TO: Secretary Morgenthau

FROM: Mr. Ruman

The tax drive against irregular currency operations and black market activities has been organized on a nationwide basis and many angles are in process of development. A large volume of material has been dispatched by the Bureau to the field services and local sources of information also are being thoroughly canvassed by the field forces. A great variety of these cases are now under active investigation.

A number of completed cases are now under consideration with the view to prosecution. These are typical of the class of cases now under investigation by the various field offices. In keeping with the policy of the Department, however, I believe it would be unwise to give the names and other information concerning these cases until indictments are returned. One of the cases involves a taxpayer of Cincinnati who is described as a black market manipulator and metals operator and a free spender of currency in cabarets and night clubs. This case is now under review by the Chief Counsel. A second case relates to a black market dealer in electric appliances at Chicago and this case also is receiving the attention of the Chief Counsel.

The third case involving a wholesaler of wines, liquors and groceries in Indianapolis will be referred to the Chief Counsel this week. During 1943 approximately 94,000 cases of whiskey were sold by this taxpayer at prices in excess of GSA ceilings, totaling $374,298.98 which amounts were not recorded on the taxpayer's books or reported in the tax return. Prosecution of this taxpayer for the year 1943 will be recommended.

A partnership engaged in the meat packing business in Los Angeles willfully understated its sales for 1942 and 1943 and thereafter filed amended returns reporting additional sales of $289,000. Examination of the income tax liability of the partners disclosed that in addition to the $289,000 there were other items aggregating $235,262 which constituted additional income and had been willfully omitted. This case has been referred to the Chief Counsel.

Another case involving a wholesale and retail liquor dealer of Washington, D. C., has been approved by the Chief Counsel for prosecution and is now pending in the Department of Justice.
MEMORANDUM

TO: Secretary Morgenstau

FROM: Mr. Numan

A partnership engaged in the meat packing business in Los Angeles willfully understated its sales for 1942 and 1943 and thereafter filed amended returns reporting additional sales of $285,000. Examination of the income tax liability of the partners disclosed that in addition to the $285,000 there were other items aggregating $25,862 which constituted additional income and had been willfully omitted. This case has been referred to the Chief Counsel.

Another case involving a wholesale and retail liquor dealer of Washington, D.C., has been approved by the Chief Counsel for prosecution and is now pending in the Department of Justice.

The tax drive against irregular currency operations and black market activities has been organized on a nationwide basis and many cases are in process of development. A large volume of material has been dispatched by the Bureau to the field services and local sources of information also are being thoroughly canvassed by the field forces. A great variety of these cases are now under active investigation.

A number of completed cases are now under consideration with the view to prosecution. These are typical of the class of cases now under investigation by the various field offices. In keeping with the policy of the Department, however, I believe it would be wise to give the names and other information concerning these cases until indictments are returned. One of the cases involves a taxpayer of Cincinnati who is described as a black market merchant and metals operator and a free spender of currency in cabarets and night clubs. This case is now under review by the Chief Counsel. A second case relates to a black market deal in electric appliances at Chicago and this case also is receiving the attention of the Chief Counsel.

The third case involving a wholesaler of wines, liquors and groceries in Indianapolis will be referred to the Chief Counsel this week. During 1943 approximately 94,000 cases of whiskey were sold by this taxpayer at prices in excess of OPA ceilings, totalling $178,938.48 which amounts were not recorded in the taxpayer’s books or reported in the tax return. Prosecution of this taxpayer for the year 1943 will be recommended.
MEMORANDUM

To: Secretary Morgenthau

From: Mr. Rumah

April 10, 1943

The tax drive against irregular currency operations and black market activities has been organized on a nationwide basis and many angles are in process of development. A large volume of material has been dispatched by the Bureau to the field services and local sources of information also are being thoroughly canvassed by the field forces. A great variety of these cases are now under active investigation.

A number of completed cases are now under consideration with the view to prosecution. These are typical of the class of cases now under investigation by the various field offices. In keeping with the policy of the Department, however, I believe it would be unsafe to give the names and other information concerning these cases until indictments are returned. One of the cases involves a taxpayer of Cincinnati who is described as a black market operator and a large spender of currency in cabarets and night clubs. This case is now under review by the Chief Counsel. A second case relates to a black market dealer in electronic appliances at Chicago and this case also is receiving the attention of the Chief Counsel.

The third case involving a wholesaler of wines, liquors and groceries in Indianapolis will be referred to the Chief Counsel. This case involved approximately 94,000 cases of whiskey and they were sold by this taxpayer at prices in excess of OPA ceilings, totaling $174,298.92 which amounts were not recorded on the taxpayer's books or reported in the tax return. Prosecution of this taxpayer for the year 1943 will be recommended.

A partnership engaged in the meat packing business in Los Angeles willfully understated its sales for 1942 and 1943 and thereafter filed amended returns reporting additional sales of $285,000. Examination of the income tax liability of the partners disclosed that in addition to the $285,000 there were other items aggregating $235,352 which constituted additional income and had been willfully omitted. This case has been referred to the Chief Counsel.

Another case involving a wholesale and retail liquor dealer of Washington, D.C., has been approved by the Chief Counsel for prosecution and is now pending in the Department of Justice.
MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Bush

The tax drive against irregular currency operations and black market activities has been organized on a nationwide basis and many angles are in process of development. A large volume of material has been dispatched by the Bureau to the field services and local sources of information also are being thoroughly canvassed by the field forces. A great variety of these cases are now under active investigation.

A number of completed cases are now under consideration with the view to prosecution. These are typical of the class of cases now under investigation by the various field offices. In keeping with the policy of the Department, however, I believe it would be unwise to give the names and other information concerning these cases until indictments are returned. One of the cases involves a taxpayer of Cincinnati who is described as a black market operator and a free spender of currency in cabarets and night clubs. This case is now under review by the Chief Counsel. Another case, involving a black market dealer in electric appliances at Chicago, was also referred to the attention of the Chief Counsel.

The third case involving a wholesaler of wines, liquors and groceries in Indianapolis will be referred to the Chief Counsel this week. During 1943 approximately 94,000 cases of whiskey were sold by this taxpayer at prices in excess of $4,801,392, totaling $1,375,856,968 which amounts were not recorded on the taxpayer's books or reported in the tax return. Prosecution of this taxpayer for the year 1943 will be recommended.

A partnership engaged in the meat packing business in Los Angeles willfully understated its sales for 1942 and 1943 and thereafter filed amended returns reporting additional sales of $285,000. Examination of the income tax liability of the partners disclosed that in addition to the $285,000 there were other items aggregating $23,208 which constituted additional income and had been willfully omitted. This case has been referred to the Chief Counsel.

Another case involving a wholesale and retail liquor dealer of Washington, D. C., has been approved by the Chief Counsel for prosecution and is now pending in the Department of Justice.
Lisbon
Dated April 16, 1945
Rec'd 6:50 p.m.

Secretary of State,
Washington.
791, April 16, 6 p.m.

THIS IS 3009, UCG 403 FOR CHARLES JOY FROM
MARTHA SHARP.

Albert Asa condemned to death. Execution takes
place within two or three weeks. Immediate action necessary.
Please cable Dr. Humberto in Obis del Olmo 7 Calle Cenerima
Cuba to urge friends of Asa to request Cuban Foreign
Ministry to intervene through Cuban Embassy, Madrid with
Spanish Foreign Office. Contact also for assistance
Abraham LincoLn Association, New York.

Barron

EDS
CABLE TO JOHNSON, STOCKHOLM, FOR CLEAR FROM WAR REFUGEE BOARD

Reference Department's No. 409 of March 15, 1945.

Interested labor groups are very anxious to know how long presently available funds will last for financing Norwegian project. Please report urgently to board. Please also confirm receipt of 200,000 War Refugee Board funds transferred from Ankara to you.

THIS IS WAR STOCKHOLM CABLE NO. 354

5:00 P.M.
April 16, 1945
SUB-337
PLAIN
Lisbon
Dated April 16, 1945
Rec'd 2:47 p.m.

Secretary of State
Washington

709, Sixteenth

URS JDC 236 FOR LEAVIT?? FROM TOVE
Trobe Fishhohn boarded HARRINGTON April 16.

Advise only 30 passengers permitted disembark, rem-
aining 112 on boat Turkish tender awaiting official
decision concerning validity of Turkish authorities
may seriously question nationality of great many this
group. They working towards solution of problem but
may require intervention URS and JDC. Promise fuller
report advised Limber.

BAUCH
Secretary of State,
Washington.

1999, Sixteenth

JDC 33 FOR MISSION LEAVITT AMERICAN JOINT CREDIT COMMITTEE FROM ARTHUR GORBULEN.

"Harrington's trunk arrived here but visa not yet issued because application only recently received by Foreign Office here. Am doing everything possible expedite. We confirm receipt second contribution from Universal."

CAPPEL

JDC

SECRETARY OF STATE,
Washington.

790, Sixteenth

JDC 33 FOR LEAVITT FROM THOMAS

Margolis now Brussels. Cables address SHARP Mission Belgium AP. 727 care of O.S. displaced persons, Postmaster New York. Notify family. Most urgent problem is the issue of the breadless budget that has been in order plan work since budget setup by neglect only to May 1. Please refer to cable February 9 giving breakdown budget and stressing minimum requirements 5 million francs monthly. New recent arrival and only enough money on hand operate to May 1 cannot allow time study situation thoroughly but first estimate and conversation as convinced committee ought asked budget 4 million francs monthly from us next 3 months equivalent of $160,000 monthly. Break down food 1,250,000 francs maintenance 3,110 children under care this date and 2,150,000 francs relief 700 adults. Committee has just taken over 3 new homes housing 250 children formerly managed by resistance group and more children daily coming from hiding and turning over our care. Children's section of committee in good hands and if funds available can guarantee constructive work. Clothing situation inexcusably poor quality. Many children unable to attend school lack shoes. Important to concentrate all efforts getting clothing shoes here now.

To date committee has received no funds intergovernmental committee or other sources and their request 4 million from us based on hope additional funds still forthcoming from others. Also hoping reduce relief budget by getting loan from local government would appreciate favorable consideration budgetary request to issue continued work until able get into situation thoroughly. Have here detailed figures supplies you by May 1. Please advise decision soonest so we can plan accordingly. Please transmit my name $1000 immediately for personnel administration expenses. Unfortunately Howard Hubbell in Paris so unable consult him this budget. Have advised Belmontlander please advise appropriation made by reconstruction committee for loan base Belgium.

HARBUR
With the compliments of British Air Commission

who enclose Statements Nos. 163 and 164 —

Aircraft Despatched — for the weeks ended

March 30th and April 6th respectively.

The Honourable Henry Morgenthau, Jr.
Secretary of the Treasury
WASHINGTON, D. C.

April 16, 1945.

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Movements Freight I
R.A.F. Delegation
April 6, 1945.

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<td>NORTH AMERICAN</td>
<td>Mustang</td>
<td>Australia</td>
<td>Brisbane</td>
<td>6</td>
<td></td>
</tr>
</tbody>
</table>

Total: 35 28 0

* with radio equipment.

Movements Freight I
R.A.F. Delegation
April 12, 1945.
SECRET

Information received up to 10 a.m. 16th April 1945.

NAVAL

1. Home Waters. 15th. French Naval Force bombed targets at entrance to Gironde in support of ground attacks by French Army.

2. East Indies. 11th. East Indies Fleet and a French battleship bombarded Sabang and Odeh in S.E. Coast Sumatra. 10 enemy aircraft unsuccessfully attacked fleet; 2 shot down. During recent patrols two U.S.N. Submarines sank 5 coasters, 1 KDB, 3 landing craft and 3 Junk's off Sumatra.

3. Anti-Submarine Operations. 15th. 5th Escort Group made promising attack on U-boat in S.W. approaches. 16th. 17th Escort Group sank U-boat off Start Point, survivors picked up.


MILITARY


7. Italy. Continued good progress in Eighth Army attack and line River Stilaro reached on broad front N.E. of Highway 9. New Zealand troops maintained substantial bridgehead over River East of Medicina while Polish troops secured second bridgehead in area due south Medicina.


AIR
