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Dan Bell
Secretary Morgenthau

I wish that between now and Saturday you would talk to me about how many tax exempts the government owns. I am thinking about selling some more of them, and replacing them in the Seventh War Loan with the long 3-1/2s. Please be sure to talk to me about it.

Trne -
Assistant Secretary of the Treasury

Date...April 6th...1946

To: Secretary Morgenthau

This is to remind you that you told Senator Pepper, in reply to his request, that the Treasury would be glad to work on suggestions as to how the small businessman could get more export business.

I've asked Coe to take care of this.

H.D.W.

Mr. White
Room 3434
April 20, 1945

I told Stettinius after Cabinet that I wanted to talk to him and be asked me what I had on my mind. I told him that I felt things weren't going very well on reparations, and that I felt that Grew just represented the old line tradition in the State Department. I told him that Clayton was fine, so he said that he would have Clayton come over to see me.

I have the feeling that Stettinius is the kind of man who carries grudges a long ways. He still hasn't gotten over that cable that was sent while he was in England telling him not to take up financial matters, and I think what is burning him up now is that after the President signed that March 10th memorandum it had to be withdrawn and replaced with a new one.
The main thing I asked you people to come in so early for is because I am seeing President Truman at nine-thirty. I am seeing him on this thing (indicating). If you can't hear me, Harry, why don't you bring your chair up?

Mr. Smith: I haven't seen the final document, but I am a little of the opinion, Mr. Secretary, that a much shorter one is appropriate, because it looks a little too much as though we are trying to impress him with all the Treasury activities. And I thought if a shorter one could be used, which should include just the problems you would like to take up with him, I think it would be a little more appropriate and a little more effective.

Mr. C. S. Bell: Dan has seen the short one.

H.M.Jr.: Let me just go over this, because he may ask some questions. Tax stuff—that I understand is perfect, isn't it?

Mr. Blough: Sure.

H.M.Jr.: Law enforcement, I understand. China—Sooong—

Mr. White: I want to talk to you about that; it is important.

H.M.Jr.: Do you want an appointment?

Mr. White: Oh that? Soong has seen him, and I would very much like to see you before nine-thirty.

H.M.Jr.: Shall I give him an appointment for tomorrow morning?

Mr. White: You decide that after I talk to you. I don't think so, but I want to talk to you in some detail about it.

H.M.Jr.: Is that so?

Mr. White: It wouldn't take long, five or ten minutes.
H.M.Jr.: Well, what about gold? I mean, he will ask me and say, "What about it?"

MR. WHITE: Chinese Gold--

H.M.Jr.: President Truman will say, "Shall we or shall we not let them have gold?"

MR. WHITE: I want to talk to you today.

H.M.Jr.: My dear fellow, I have from now until nine-fifteen.

MR. WHITE: It will only take five minutes; it is important.

H.M.Jr.: What is the answer?

MR. WHITE: No.

H.M.Jr.: The answer is no.

MR. WHITE: We will need five minutes to discuss it.

H.M.Jr.: Try two minutes. Go ahead.

MR. WHITE: Well, Soong is here, and Leon Henderson is here primarily to get as much gold as possible. The story that they have appears to be a very defensible one that they are going to re-establish order reforms in China, but that is not the real reason in either Soong's mind or the Generalissimo's mind. I don't know what is in Henderson's mind. He now is adviser to the Chinese Government at a very fancy salary.

H.M.Jr.: How much?

MR. WHITE: I don't know how much, but name your own figure, and you won't be far from it. And the political ramifications are the most important things. Mr. Secretary, I think, that are on the docket.

H.M.Jr.: Yes, but I am going over the paper and--
MR. WHITE: He wants to.

MRS. ALOTA: Thank you, Harry.

MR. FABER: He is earning his salary.

H.M.Jr: Well, where does that leave Tom Corcoran?

MR. WHITE: I wouldn't be surprised but we will hear from him, too.

H.M.Jr: Well, I think Dan Bell made a good suggestion. In other words, I should handle these as a sort of red flag—

MR. D.W. BELL: This is an agenda that you want to discuss with him.

H.M.Jr: Have you got a copy with you? I will take the short one.

MR. C.S. BELL: Yes.

MR. WHITE: That would be particularly true about the British, for example.

H.M.Jr: What about the British coming in?

(Mr. C.S. Bell leaves the conference temporarily)

MR. WHITE: I think you can give him a brief statement of how you left it with the British authorities and that they are coming here right after Y-A Day to discuss financial assistance with you. That is another thing you will want to talk to him about.

H.M.Jr: I think that is the best approach. I only asked for fifteen minutes.

France--

MR. WHITE: The same thing there—they are here now.

They have just arrived with a group to give us all the factual data.

H.M.Jr: Was Peven here?

MR. WHITE: Peven is coming this week, and he is going to see you, but their Treasury man came here with the answers to the questions that we had asked him before the negotiations.

H.M.Jr: Did he bring any cognac with him?

MR. COX: He brought Monnet instead.

MR. D.W. BELL: This is a stimulant.

H.M.Jr: Jean—

MR. WHITE: There is a mass of discussions on that, and that is something else you will want to talk to the President about later.

H.M.Jr: I see.

MR. WHITE: And if you want to go down the list there—

H.M.Jr: That is what I am doing. Mexico.

MR. WHITE: Mexico, you will remember, wanted to re-establish their stabilization loan which ends in June, and that is, too, something you may want to take up with them later.

H.M.Jr: India.

MR. WHITE: Indian silver.

H.M.Jr: Enemy assets.

MR. ID: There is one more development on Indian silver. F.E.A. is running out of money and can't give them enough to hold them over.

H.M.Jr: What about having the Alien Property Custodian back in the Treasury, in with Foreign Funds? Would you like to have it?
MR. COTE: I think the answer is no.

H.W.JR: You don’t know.

MR. PERRILS: I doubt whether Treasury would want it. I doubt it.

MR. LUXFORD: You just get rid of one of those dirty jobs, Mr. Secretary.

MR. PERRILS: Unless the Treasury is awfully free to handle the thing, there will be all kinds of complications like Colonel Johnson of the general free stuff Corporation, and you ought to be awfully free to avoid all that out. You are, I think it would be pretty bad at this moment.

H.W.JR: How are the directives coming along on the peace plans?

MR. WHITE: Well, there may be a serious development with regard to reparations, and you got a memo, didn’t you?

(Secretary holds a telephone conversation with Colonel Adams)

H.W.JR: Just to break the tension a minute, I took those two doctors down from New York, one a famous heart specialist and the other the family doctor, as we got up about ten thousand feet I said, “You know, I don’t know whether you want oxygen or not.” So Doctor Levy takes his pulse, and Doctor Hyman quickly takes his, and I said, “Who is going to do Horrenthay?” (Laughter) Each one grabbed his own pulse, you know, so quick, and as a matter of fact, as you go up, your pulse speeds up. But they were very nice. If you had seen Hyman, you would have thought so.

MR. FELTUS: The only doctor I ever saw was completely green-skinned.

H.W.JR: He walked in the plane, and I said, “Meet Mr. Feltus.” “Not the Mr. Feltus,” he said. “I have been looking after your wife for weeks. She is a very nice lady.” Lusford is the cruellest person you ever saw. If you had seen him laugh at Feltus and Bernstein. They got paler and paler.

MR. LUXFORD: They were a sickly green.

H.W.JR: After we were up an hour I had Hyman eating a pickle.

(Discussion off the record.)

MR. COTE: The rest of the German stuff is going comparatively well.

H.W.JR: That is the interpretation of 1067, but the reparations is lousy, huh?

MR. COTE: State’s opinion—according to the latest word, they are trying to bring Clayton back.

MR. DuRIS: There was a meeting Monday at which Clayton completely changed his position on the whole thing. He showed his true colors all right.

MR. WHITE: I am getting in touch with McClory to settle what’s going to be a major issue. He has just come back.

H.W.JR: All right, that is a very good memo, Charles. I compliment you.

MR. C.W. BELL: Dan has been over it. You are in agreement with it, aren’t you, Dan?

MR. D.W. BELL: Yes, for the purpose you are going to use it. It is not very complete as a report, but as an agenda, it is perfect.

H.W.JR: Now, I would like to say this. (Signs memo to the President, dated April 40, 1949.)

Where is Fussell?

MR. FUSSELL: Here.
H.M. Jr.: This memo that you sent me—this article for the New York Times of its kind is the best thing that has ever been given me by far.

Mr. Fussell: Mr. Murphy did it.

H.M. Jr.: It is superb. Well, I want to see it. Did he do that entirely himself?

Mr. Hias: He had the first draft written by somebody on his staff, and I went over it and made some changes, so it was primarily his.

H.M. Jr.: It's a superb job. I have two little suggestions. I never like to speak of soldiers as "our boys." I put in "our men," and I put in one other word, "good," and under my name if they would put—say this article by Henry Morgenthau Jr., and I would like to have it "donated to the New York Times." I don't want to say I don't want any compensation. Just say donated to the New York Times.

Mrs. Kloetz: They know that.

Mr. White: They won't use that phrase.

H.M. Jr.: Why not?

Mr. D.W. Bell: They certainly wouldn't leave that in there.

Mr. White: There must be some other phrase that will meet the same purpose.

Mr. Felius: They have their own formula. I don't know what it is, but they are not going to use it.

H.M. Jr.: Fussell, see what you can do. Does that appear on the 10th?

Mr. Garble: In the magazine section of the week of the 10th.

H.M. Jr.: It's a good job. He has taken some of the material from some of the speeches I made on the trip to Los Angeles, and incorporated a lot of the stuff I used before. It is put together beautifully.

Mr. White: Was that Henry Murphy?

Mr. Haas: Yes.

Mr. White: Try him on the next speech. I don't think he has had much chance to do any of your speeches, has he, George?

Mr. Haas: Henry is not looking for any--

Mr. D.W. Bell: Leave him alone.

H.M. Jr.: He said, "Do I have to turn the clock back ten years," but it is—i mean, get a thing like that? It is well put together—I recognize speeches I made in Los Angeles and--

Mr. Haas: The AF of L speech.

H.M. Jr.: But the way it's put together, it's a beautiful job. Now, let me just talk to my sister-in-law a minute.

I am planning to go back there tomorrow afternoon. Joan is down there now. You will be interested, and I haven't told you this—just to digress—that Joan did a paper for graduation about the embargo of England and France against Spain during the revolution, and she got the first A Vassar had given in two or three years. I talked to her history teacher, and he said it was worth an A.A., and she went to the original debate in the Parliament and all that for her source. They have that at Vassar. It is very interesting.

Mr. White: Is she looking for a job?

H.M. Jr: No, she'll continue school in the fall.

Mr. White: She's going to continue in history?

H.M. Jr: No, physicians and surgery course, but I thought I would bring it down anyway. I thought you would be
Interested in reading it. It's interesting. It is in the Vassar Library. They have the original debate that took place in the French Parliament.

MR. WHITE: They have a good library at Vassar.

H.M.Jr: In the ten minutes we have left— I find President Truman runs on time—are you all set?

MR. GAMBLE: I'll double check before we go.

H.M.Jr: Where are those two men?

MR. GAMBLE: They are due here now. I will see if they are here. (Mr. Gamble leaves conference temporarily.)

(The Secretary holds a telephone conversation with Mrs. Josten.)

MR. WHITE: Mr. Secretary, I am supposed to go up to the Senator Pepper Committee to read your statement. Now, that was all right, you weren't here, but with your being here, I think that wouldn't take much of your time or much out of you if you go up and read your own statement. We can postpone it until eleven o'clock if necessary, because if they hear you are in town, and after all the fuss they have made about postponing their time for you, and then have me go up to read it, I kind of think it would be—

H.M.Jr: Well—

MR. WHITE: If you could get through about half past ten—

H.M.Jr: I hoped to join you fellows at the Speaker's this morning.

MR. O'CONNELL: Ten-thirty.

H.M.Jr: If I have fifteen minutes with Mrs. Roosevelt, I think I can go up there. They never start on time.

MR. O'CONNELL: They start on time with Kayburn.

I don't quite agree with you on that, Harry.

MRS. ELTON: I didn't get that.

MR. O'CONNELL: I don't quite agree with Harry. I don't think there will be the difficulty with Harry reading your statement this morning that Clayton got into the other day reading Stettinus' statement, because everyone knows when it was decided Harry would read your statement it was because you were not in a position to be there. The fact that you are temporarily in town for a day doesn't make it necessary for you to go in there this morning if you want to go somewhere else.

H.M.Jr: I'll come up the minute I get through over there. I will go from Mrs. Roosevelt to Speaker Kayburn's room and from there to Senator Pepper.

MR. WHITE: I'll tell Senator Pepper that you have just arrived and that you want to appear, and that you might be a little late.

H.M.Jr: I would like White, Luxford, and Bernstein to go with me.

MR. WHITE: Unfortunately, Luxford and Bernstein ought to be at the hearing of the Banking and Currency Committee.

H.M.Jr: Can you go with me from one to the other?

MR. WHITE: Yes.

H.M.Jr: That's sufficient.

MR. WHITE: Thank you.

H.M.Jr: You're welcome.

MR. WHITE: Hearings on Banking and Currency are still on. I was on yesterday morning and yesterday afternoon. This morning O'Neal and several others are going on.
(Mr. Gamble enters conference.)

H.W.Jr: Where are your boys?

Mr. Gamble: They are all here. The third one came yesterday from two Jims. The Indian is here, and they have added him to the party.

H.W.Jr: Have you got the picture?

Mr. Gamble: The picture is here. Do you want to see it?

(Mr. Gamble leaves the conference temporarily.)

Mr. White: If you are going to see Mr. McCloy, I would get in touch with him, because you can handle that problem with him better than we can outside, and if you can get an understanding with him in your discussions-

(Mr. Gamble reenters the conference and shows the Secretary the poster for the Seventh War Loan.)

H.W.Jr: Who framed it?

Mr. Gamble: We framed it. It's more likely to be put up in the White House if it is framed.

H.W.Jr: Well, why don't I try to see if I can get Mr. McCloy over here tomorrow morning?

Mr. White: Fine, and give us a few minutes either later this afternoon or tomorrow morning.

H.W.Jr: What else?

Mr. Luxford: Mr. Secretary, Wright Patman stopped us yesterday and asked whether or not you would be willing to see Fred Florence, who is President of the second biggest bank in Southwest Texas.

H.W.Jr: Who?
Mr. FEHLE: I am going to. Thank you, Mr. Secretary. I talked to Mr. Wallace yesterday and he asked me to come over, and I said I wouldn't. I sent you a memo on that, but as far as that is concerned, I think the shift will be made pretty well.

Mr. WHITE: Mr. Secretary, I don't believe the publicity is satisfactory. That's my own impression. I think it should be made clear in the papers that this was done at your request and initiation. There were some passing remarks.

H.M.Jr.: As we say up in Minnesota, "A 'yob' has been done." It won't be done for a couple of days.

Mr. FEHLE: On the whole it is pretty good so far, and they should improve the publicity.

Mr. C.S. BELL: Some of it is very good, this one in particular, (indicating clippings).

H.M.Jr.: Yes, but I think--

Mr. WHITE: Before today, I didn't think the job was satisfactory.

H.M.Jr.: In a sense it is much better to have nothing that you know of than to have them say--

Mr. FEHLE: The talk was that Wallace got something, but there was very little talk that the Treasury is being stripped. I saw none of that, Harry.

Mr. WHITE: No, I didn't either.

Mr. FEHLE: I think we were lucky, myself.

H.M.Jr.: Lucky?

Mr. FEHLE: I know the work that was done; I did some myself. But, nevertheless, it could have gone wrong.
H.M.JR: I'll meet you at Rayburn's office as near ten-thirty as I can.

Mr. WHITE: They particularly want you to speak yourself.

H.M.Jr.: You will have to have my speech.

MR. WHITE: We'll have it.
April 30, 1945.

Dear Madame Veblen:

It was most kind of you to write with such feeling upon learning of the death of President Roosevelt. It is, as you say, a tragedy for America and for the world, and Mrs. Morgenthau and I also appreciate your understanding of our personal loss.

Thank you also for your word of support for the program and principles which our great President exemplified. I have received the copy of "Four in Victory" which you were so good as to send us and thank you for it. I also appreciate what you said of my own service to the Administration.

With renewed appreciation of your letter,

Sincerely,

(Signed) H. Morgenthau, Jr.

Madame Gertrude Veblen,
Director and Publisher,
"Four in Victory",
655 Fifth Avenue,
New York 19, New York

GZE/38a

Regraded Unclassified
April 17, 1945

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

Dear Mr. Morgenthau,

I tried to get in touch with you and Mrs. Morgenthau since the death of President Roosevelt because I knew how immeasurable is your sorrow and I myself was in such despair that I felt that my only possibility of consolation and hope for the future could come from seeing you who have been one of the great builders of the Roosevelt New Deal for America and for the world.

These few words are to tell you how deeply I have been thinking of you and Mrs. Morgenthau; and also that, although I feel great despair, I consider it my duty and the duty toward my life-long work to continue more than ever before to defend and support the wonderful world policy of the President both here in my paper "Pour la Victoire" and in the two Paris papers, "L'Amore" and "Nuit et Jour" of which I have been foreign correspondent since the liberation of France.

A ray of hope came to me this morning when I saw in the Times that it was believed you would accept to continue working for all of us throughout the world, as you have been doing. I am going to pray that this is so.

Please convey to Mrs. Morgenthau my kindest thoughts and believe me to be, dear Mr. Morgenthau,

Faithfully,

[Signature]

Geneviève Fabouza
Director and Publisher
April 30, 1945.

Sir,

Thank you for your warm expression of sympathy in the death of President Roosevelt. I appreciate your speaking with such understanding of my own close association with him during these difficult war years. It has indeed been an inspiring period on which to look back.

I appreciate your having written me, and your expression of sympathy.

Sincerely,

[Signature]

[Address]

[City, State, ZIP]

[Phone]

[Name]

[Signature]
April 20, 1945

Dear Mr. Barlow:

Thank you for your letter of personal sympathy in the death of the President, and for sending a copy of your son's letter. I can well understand your pride in his service to his country. His expression of devotion to the memory of President Roosevelt is indeed a fine one.

Sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable
Henry Morgenthau, Jr.,
Department of the Treasury,
Fifteenth Street and Pennsylvania Avenue,
Washington, D.C.
33-16 157th Street
Flushing, Long Island

my dear Sir, Morgenthau,—
When you see your dear, dear friend, Mrs. Roosevelt, I thought a copy of this letter from our dear may bring a tiny weight of added comfort.

At 17, he volunteered out of Harvard University to join the Army Air Force and was a Radio Operator on a search mission for a lost plane over the Atlantic Ocean when a Cal-in announced the President’s passing.

Mrs. Hartman and I send our deepest sympathy to you and yours in your great personal loss.

Sincerely,

July 4, 1945

April, 1945

1945

Regarded Unclassified
Dear Dad,

I'm sorry I missed you at Elsa's today - I wanted very much to speak to you.

The President's death brought to an end the career of a man, the like of which we'll probably never see in this generation or century again. As I hear and see all the tributes being paid him, I just wonder whether the American people are as willing to do justice to a man's work as they claim they are. The irony of having to die to be appreciated will never be fittingly explained to me.

During the last campaign I thought many times about that Sunday in 1941 when the Japs hit us. I wondered then if the American people would remember how they felt on that day. I know I thanked God that at least one man had had the foresight to prepare us as much as he had. When 1944 came - people forgot and not until now, as he lay dead, was his real greatness realized and exulted.

I only hope and pray that in these past few days the suppositions of a nation and a world were heard over that "last barrier" and he at last could hear our thanks and know the real, the deeper feeling we all had for him. The wonderful things that he did for us as a nation and therefore indirectly the entire world, can never be forgotten. We're fighting now for the things he worked for most - peace and security.

No man in the service of his country has given more than Franklin Roosevelt - his life was the last contribution he could possibly have given. We must now prove to him and to our consciences that we are worthy - worthy to have had such a man as he work for our futures.

I've grown up under the tutelage of these times - certainly his enlightened policies have had their effect on me and will in the future do much to mold my thoughts. Needless to say countless others of the young people today will be influenced in the same way.

Let's hope we are worthy of his faith in us.

Love,

Arthur

April 20, 1945.

Dear Mr. Leffingwell:

Thank you very much for your letter of April 15. What you said of the President's death is indeed true. The loss is a terrific one to the country, and those of us who were personally acquainted with him experienced a shattering blow.

It is good of you to say what you do of my own work as Secretary, and to express such confidence in the future. I also appreciate your comment on the interview with Harry S. White, and I am glad you felt that you could both approach the subject on which you disagree in a frank and objective manner.

We have been very much concerned by Mrs. Morgenthau's illness, but I am glad to say that she has improved considerably in the last day or two. I feel that she is in very good hands, but of course I am anxious for her to reach the point where she may return home for her convalescence.

With thanks again for your letter, and cordial personal regards,

Sincerely,

23 Wall Street  
New York 8  

April 19, 1945

Dear Mr. Secretary:

President Roosevelt's death has been a great shock to all of us. His loss is irreparable. I felt his death deeply myself. I had known him a long time and had not only high admiration but sincere affection for him. I know what his death must mean to you his close friend and I send you my heartfelt sympathy.

I have been greatly relieved to read in the papers that you are to continue as Secretary of the Treasury. Your administration has been very successful. You have carried the appalling load of war finance manfully and well. The job is being well done.

I was distressed to hear, at the reception for the opening of the Seventh War Loan effort, of Mrs. Morgenthau's illness; and greatly relieved to hear from Assistant Secretary White that she is better.

I did enjoy our talk with Mr. White very much. He is persuasive and interesting, and his knowledge and understanding of the problem are profound. I wish I could say I agree with him. Though I cannot say that, I was much impressed by his comprehension of the problem and by his full and frank discussion of it.

With very high regard, I am, my dear Mr. Secretary,

Faithfully yours,

The Honorable  
The Secretary of the Treasury  
Washington, D.C.
April 20, 1945.

Dear Mr. Dalley:

It was good of you to write as you did on April 16, expressing your own great sense of loss in the death of President Roosevelt, and extending your sympathy because of the ending of the close association which I have enjoyed during the past years. This news, as you say, on a terrible personal blow, and it is an even more tragic loss to the country. Your word of sympathy is much appreciated.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Donald A. Dalley,
Postmaster,
Rochester 3, New York.

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

My dear Mr. Secretary:

I know how keenly you must feel over the passing of President Roosevelt as one who has been so closely associated with him during the past several years as you have. His death must fill your heart with sorrow and I sympathize with you.

I feel it has been a privilege for me to have known the President as long as I have and to know I was one of the great army of citizens in this country whom he considered a friend. We will all miss him a lot. It is too bad he couldn't have lived a few more years to see the fruits of his labors.

Sincerely yours,

[Signature]

Donald A. Dalley
April 20, 1945

To All Radio Advertisers, Advertising Agencies, Radio Networks and Radio Stations:

In the Seventh War Loan we will need your cooperation more than ever before. With a 7 billion dollar quota for individuals, 4 billions in Series E bonds alone, the Treasury is undertaking the greatest financing operation in history.

The next few months will be crucial to the whole American war effort. The good news from Europe may breed dangerous overconfidence in our people and encourage a spirit of let-down and relaxation. Such a reaction would imperil such that has been accomplished in the past, and leave us in no position to deal with the tremendous problems of the present and the future.

It is vitally important, therefore, that the Seventh War Loan be given all possible support. It is the most significant way in which Americans on the homefront can express their determination to see the war through to ultimate victory.

The generosity of advertisers, their agencies and broadcasters in allocating radio advertising time to previous war loan drives encourages us to hope that you will do all-out for a Middlet 7th!

Sincerely,

/s/ Henry Morgenthaler, Jr.

Typed 4/19/45
Manager
April 20, 1948.

Dear Mr. Snyder:

It was with much pleasure that I learned of your appointment as Federal Loan Administrator, and I went to congratulate you upon being the President's choice for this important office. I shall hope to see you soon and look forward to our association as you take up the duties of the post. If there is any way in which my office can be of service to you, I hope you will not hesitate to call upon us.

With cordial regards and best wishes,

Sincerely,

[Signature]

Honorable John W. Snyder,
Federal Loan Administrator,
Washington, D.C.

APR 20 1945

Snyder Appointed Loan Agency Head

Truman Names an Old Friend
St. Louis Banker—Nominee
Praised by Jesse Jones

By Lewis Wood

WASHINGTON, April 17—President Truman today announced John W. Snyder, Vice President of the First National Bank of St. Louis, as Federal Loan Administrator. Mr. Snyder, one of the President's most intimate friends since the First World War, was Executive Vice President and Director of the Defense Finance Corporation, and assistant in the direction of the Reconstruction Finance Corporation from 1940 to Jan. 1, 1942. For three years preceding this he was manager of the St. Louis agency of the RFC.

Receding Fred M. Vinson, recently made War Mobilizer, Mr. Snyder, if confirmed by the Senate, will be administrator over a large number of the nation's banks, many of whose subsidiaries have already made authorizations of $40,000,000.

It is understood that President Truman urged the late President Roosevelt to appoint Mr. Snyder, Loan Administrator, and that Jones Jones, who for many years guided the loan agencies, also had made the same recommendation.

"President Truman could not have made a better appointment," said Mr. Jones today.

Some speculation has had Mr. Snyder seated for the Treasury portfolio, but President Truman, an ardent bank supporter, will not allow Secretaries Morgan or of combining "offices.

The President has much the same background as the President Truman. He was born 50 years ago in Jacksonville, Ark. He is a graduate of the University of Missouri, where he is an old friend of Mr. Truman. The President was a fellow army officer in the First World War and the two men were colleagues in the same division. The President was a bank officer before entering military service. While Mr. Snyder was executive vice president of the Federal Reserve Bank, he was president of the Defense Finance Corporation. Government-controlled factories and other war production might have lost $2,000,000,000. His knowledge of the Reconstruction Finance Corporation and its subsidiaries is regarded as a great asset. Governor

The Committee Department by the George Hill and, under the direction of the Loan Administrator, include the RFC and subsidiaries such as the Defense Finance Corporation, Metals Reserve Company, and the Committee Department by the George Hill.

Each is autonomous and is funded by a board of directors, but responsibility for coordinating and supervising their administration is assigned to the Loan Administrator.
My dear Mr. Minister:

I am writing in response to your letter of April 8, 1945, concerning your proposed purchase of a house near Geneva, Switzerland.

Representatives in New York of Foreign Funds Control have consulted with Mr. Alexis Coudert concerning the matter, and I am happy to inform you that the necessary Treasury license was issued to Coudert Brothers on April 19, 1945.

Many thanks for your kind wishes, and may I extend my regards to you and Mrs. Tuck.

Sincerely yours,

[Signature] H. Morgenthau, Jr.
Secretary of the Treasury

Honorable S. Pinckney Tuck,
The American Minister,
Cairo, Egypt.

APR 20, 1945

LEGATION OF THE UNITED STATES OF AMERICA
Cairo, Egypt, April 3, 1945

PERSONAL

Dear Mr. Secretary:

I am writing in the hope that you will be kind enough to assist my wife and myself in connection with a matter which is of great personal interest to us both.

We are at present negotiating for the purchase of a house near Geneva, Switzerland and the matter is in the hands of my wife's lawyer who is Alexis Coudert, 2 Nector Street, New York City. The house in question is the property of a certain Baron Emeric de Pflugl, a former well known Austrian diplomat who was for years associated with the League of Nations and who later, after the Anschluss, resigned from his country's service and became a naturalized Swiss citizen. He now resides in America with his wife who is American born.

Baron de Pflugl, for reasons which Mr. Coudert can explain, desires a partial payment for the property to be made in Swiss Francs and it is therefore necessary for us to apply for a license from the Treasury for that purpose. Mr. Coudert will shortly apply for a license, if he has not already done so by the time this letter reaches you. He will explain at the same time why a payment in Swiss Francs is necessary and can also furnish the Treasury with any pertinent details it may require with regard to the proposed transaction.

We would be most grateful if you would give favorable consideration to our application for a Treasury license as the acquisition of the Geneva property.

The Honorable
Henry Morgenthau, Jr.,
Secretary of Treasury,
Washington, D. C.
property means a great deal to us both. I had spent many happy years there when my father was still alive and Katherine, whose father was a Swiss citizen, is as anxious as I am to have a home in Switzerland after my retirement from the Service.

We so often look back on those peaceful days of 1938 spent at Antibes when we came to know you and your family. I hope that all goes well with your sons. My older boy is a Corporal in the Marines. We were fortunate to have been able to leave Germany a year ago after a long period of internment and we are now greatly enjoying our stay in Egypt. I may have told you that my father lived in this country for twenty-six years when he was the American representative in the Mixed Courts.

Please convey our kindest regards to Mrs. Morgenthaler. Anything that you feel you can do to help us in connection with our application for a Treasury license would be deeply appreciated.

Yours sincerely,

S. Pickney Tube,
American Minister,
Cairo, Egypt.
The Chinese follow the practice of padding the bill, although we have always been most generous to them. Thus, in terms of the approximately $250 million which has already been paid to the Chinese Government for U.S. Army expenditures in China, obtained no more than $175 million of goods and services. The difference can be considered an American contribution to China in compensation for the burden placed on the Chinese economy by the presence and activities of American troops.


One of the uses which the Chinese have made of the funds advanced under the $500 million financial aid agreement was the issue of $100 million of U.S. dollar savings certificates and $100 million of U.S. dollar bonds. The certificates and bonds were sold at much lower rates than prevailed in the black market and the purchasers of these certificates and bonds obtained U.S. dollars at anywhere from one-half to one-fifth of what they should have paid for them. At present these certificates and bonds can be sold for more than 13 times their original purchase price. Under the guise of an anti-inflationary measure, the Government has permitted hoarders, speculators, militarists and "insiders" to reap illicit fortunes in foreign exchange. For example, from the information available to us, there is little doubt that persons and organizations intensively interested there in little doubt that persons and organizations intensively interested there have purchased millions of dollars of these certificates and bonds. The notorious underworld gangster leader, Tu Yueh-seng, has been among the largest purchasers, while Dr. Wei Tao-sing, the present Ambassador to the United States, has purchased more than $100,000 of these U.S. dollar securities. We have done our best to control the use of the proceeds of these securities through the Treasury's Foreign Funds Control administration.

Expenditure of $300 million on bank notes.

The Chinese are now requesting that we permit the withdrawal of $300 million of the $500 million which still remains on the Treasury under the $500 million financial aid agreement to be used for the manufacture of bank notes. According to information received from the Chinese, these bank notes are in small denominations which are practically useless in the present inflationary situation. The Chinese, according to reports of the Generalissimo, have other funds with which to pay for the manufacture of such bank notes.
Chinese hold up tin exports to United States.

China has been providing the United States with tin, a much-needed strategic commodity. At the request of the Chinese, the Treasury has allowed payment for the tin to be made in gold. The Chinese, however, have argued that this gold must be sent to China in order to maintain tin production and tin exports to the United States. Nevertheless, the United States has been allowed to decline. Nevertheless, the Bank of China admits that it has in China stockpiles of tin which it is keeping as collateral against an intra-governmental loan made to the Chinese tin producer agency, the National Resources Commission. Thus, the Chinese could be exporting more tin to the United States if they so desired.

Requested $16 million Export-Import Bank loan.

The Export-Import Bank has been requested to grant a $16 million loan to a private Chinese chemical firm. The Chinese Government has nearly $1 billion of deposits in the United States which could be used to finance imports of the kind for which an Export-Import Bank loan is being requested. Moreover, it is admitted that the proceeds of the Export-Import Bank loan could hardly be used until after the war. Nevertheless, the Chinese Government does all possible to encourage the Export-Import Bank to grant immediately this $16 million credit.

$75 million lend-lease trucking project.

Arrangements are now being carried through for the lend-leasing of a large number of trucks to China. Moreover, the lend-lease funds will be used to pay the salaries of American personnel who will train Chinese personnel to take over the driving and maintenance of the trucks. The cost of this project is about $75 million. In addition, the Chinese attempted to get the United States to pay U.S. dollars for the Chinese national currency which will be needed to pay the salaries of Chinese employed in driving these Chinese trucks and to construct and maintain garage and repair shops for these Chinese trucks. These local currency needs which the Chinese can meet only after they took a firm position against providing U.S. dollars for such purposes.

Import of textiles into China.

The Chinese have asked the Treasury to support its request for large scale imports of textiles, arguing that they will be used for anti-inflationary purposes. The Chinese have been told repeatedly of the very tight position of textiles in the United States. Moreover, they know the urgent need to conserve transportation facilities into China, whether over the "hoop" or on the newly opened Burma road. It is safe to say that, as in the case of gold sales, the anti-inflationary effects of the sale of such textiles would be very small. Moreover, the Chinese Government has done very little, if anything, to encourage domestic textile production. Thus, it was only one-third of the cotton spindles in Free China have ceased operations because of a shortage of raw cotton resulting from erroneous government policy and inefficient and corrupt administration, large amounts of raw cotton are being smuggled out of Free China into occupied China. Therefore, large quantities of cotton textiles in Free China are being imported into China, while the Government fails to take effective anti-smuggling measures.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE: April 20, 1945

TO: Secretary Morgenthau
FROM: Charles S. Bell

RE: Harold Smith and the Surplus Property Transfer

Mr. Smith's participation in this transaction is an excellent illustration of why the Budget has gone down in the estimation of certain members of Congress and high Government officials.

As per your instructions, after making the early negotiations with the agency heads primarily concerned with this transfer, I called Director Smith in the afternoon on Tuesday, April 17, and failing to reach him, left a very complete story with his secretary and a request that he call me for further details. (At this time it was indefinite that the entire Procurement Division would go over to Commerce or remain in Treasury, and the whole matter was being handled along very confidential lines.)

Not only did Mr. Smith himself fail to call me, but what is more, no member of the Budget staff made any effort to keep abreast of the deal or get accurate information from me or John Fehle, the only two men in Treasury actually in

the know at that time. In place of this, Mr. Smith's people were sent out as though on an "under-cover" job. Mr. Scott of Budget called our Mr. Parsons in Procurement to inquire of him what he knew of the matter, and the Department's Budget Officer, Schoeneman, was approached by Mr. Broadbent of Budget along similar lines. They made no effort to contact this office.

I learned later from Mr. Gladieux, Secretary Wallace's assistant, that Mr. Smith talked with Secretary Wallace and urged him not to go through with the transfer. I strongly suspect that Mr. Smith's objections came, for the most part, from the fact that he has other ideas as to the location of the Procurement Division proper and had been given to understand that the Procurement Division would move with Surplus Property.
APR 20 1945

Dear Mr. Minister:

I wish to thank you for your letter of April 3rd and for the personal message and regards you were kind enough to send through Mr. Adler.

As you know, the cause of Sino-American friendship has ever been close to my heart, and I am happy to find myself in full agreement with you on the need for maintaining close financial and economic cooperation and for strengthening the traditional ties between our two countries. Please rest assured that we shall continue to do all we can to attain both these objectives.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable C. K. Yui,
Minister of Finance,
Chungking, China.

SA/lsa 4/18/45
By dear Mr. Morgenthau,

I avail myself of the opportunity of Mr. Allen's return to Washington to extend to you my greetings and deep appreciation of the cooperation that you have kindly given us.

As Total Allied victory is drawing near, our task has even proved to be more difficult and the need for closer collaboration between the United States and China has become more urgent than ever.

It is my sincere wish that the traditional friendship between our countries be further solidified through closer economic cooperation and I trust we can rely on your good offices toward its attainment.

Yours sincerely,

[Signature]

C. K. T'ai
Minister of Finance

Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
United States Government,
Washington, D.C.
TO
Secretary Morgenthau

FROM
Frank Coe and Orlis A. Schmidt

FOR YOUR INFORMATION

DATE: April 30, 1945

As you know, in January we designated Florence Gould a Special Blocked National on the basis of her participation, with certain German and French interests, in the establishment of the Banque Charles for the purpose of cloaking collaborationist and German assets.

We thought you would be interested in the following secret intelligence information concerning Mrs. Gould which was recently received from our Embassy at Paris, and which confirms our suspicions of Mrs. Gould's collaboration with the Nazis:

1) Her participation in the Banque Charles was an outgrowth of her many close and confessed relations during the occupation with notorious French collaborators and with Germans (including the Gestapo), of whose official connections she was fully aware.

2) There is evidence that the Germans regarded her as an informer to the Gestapo.

3) Ludwig Vogel, engineer of the Packe-Bell Aircraft Company, now held as a prisoner in Paris, took Florence Gould to Germany on several occasions under a false name and without identification papers. She was permitted to visit an aircraft factory at Friedrichshafen.

4) Mrs. Gould claims that she had social relations with Germans in order to obtain their protection against being sent to a concentration camp because of her services to Allied intelligence. According to her own admission, however, she was not in contact with Allied intelligence services until December 1943, whereas most of her relations with the Germans began before that date. Moreover, there is no evidence that

she ever gave any important information to Allied intelligence or disclosed her relations with the Germans.

5) Her recent claims that she participated in the Banque Charles to save Mr. Gould from deportation is in direct variance with the explanation which she gave to the OSS in October 1944 to the effect that her only interest in the Banque was to create a refuge for American money during the war.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

Date: Sept. 20, 1945

To: Secretary Morgenthau

From: Mr. White

My wife informs me:

The Bible (Job 31:35) contains this statement:

"Oh, that I had one to hear me. Lo, here is my signature. Let the Almighty answer me. And that I had that indictment which mine adversary hath written."

A footnote in our version of the Bible refers to the fact that the word "indictment" probably means "book".

Mrs. White believes that the interpretation of the above phrase is something like the following:

People know I (Job) have been righteous and if my enemies who are claiming the contrary had written a book containing their unfair criticisms I (Job) could display that book and their unfair criticisms so that the people would know how unjust those criticisms were -- or something like that.

I believe that must have been the phrase to which the President referred. Though it doesn't seem to fit well, I suspect it's what the President had in mind.
TO Secretary Morgenthau

FROM E. B. Pusey

Subject: Press Seminar

Recently the Foreign Funds Control people held a half-hour press conference dealing with a press release which had been put out for use the following day. The discussion was nearly all background material rather than spot news, but it attracted a number of correspondents who do not normally visit the Treasury and held their attention.

This led me to believe that there is a field for seminar type conferences, on subjects which of current interest, or approaching the news stage, but are not yet ready for spot news treatment.

I canvassed several Treasury people, including White, Hans and Lynch, and also a few reporters, and found them enthusiastic for the idea. I also found some Treasury people, outside of those dealing with such subjects, who said they would appreciate an opportunity to hear background explanations of such subjects as Bretton Woods, taxes, etc.

Hans said his shop would be able to put on immediately a discussion of Government borrowing -- substantially the same slide illustrated lecture being given Seventh War Loan groups -- subject to Ted Case's approval.

White said he believed some discussions of taxes and of the postwar European economic situation could be arranged -- the latter probably broken down into a number of discussions.
Max Hall of AP (incidentally the smartest of the reporters covering the Treasury) was enthusiastic over the idea and suggested such subjects, rather more complex and less immediately newsworthy, as a detailed explanation of the Daily Statement, methods by which public debt was calculated, etc.

I think the advantages to the Treasury would be two:

2. Better informed reporters and consequently better reporting.

I do not imagine that all the reporters would actually be as keen about the idea as Hall, who is out to get himself all the education he can, wherever he is working. But they would be stirred, by competition, to pay some attention, and whatever they learned would be all to the good.

The conferences would have to be planned carefully, to avoid impinging upon spot news fields. It would be my idea to make them all background affairs, lecture-discussions followed by a question and answer period. It would probably follow that some questions on policy matters, relating to the subject discussed in the seminar, would get you at the next press conference, but you would be ready for it and the broadening of the field of questions at your press conference would also be advantageous, it seems to me.

Now as to how the subject might be broached:

I suggest that at your next press conference you might say that the idea of seminars, on newsworthy subjects, or subjects that will soon be in the news, has been suggested to you, and that you would like to see what the reporters think about it. If there is a favorable response from those present you might suggest that they contact me with their suggestions as to subjects they would like covered. Then we could put one of the seminars on almost
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MEMORANDUM FOR THE
SECRETARY OF THE TREASURY:

After consultation with the President's Secretary in charge of press relations, it is felt that the President should not at this time appear in news reels to advocate the bretton woods proposal or any other single or individual legislative proposal, especially when such proposal is before the Congress for action.

We do wish to be helpful. We know you are familiar with the statement the President made at his first press conference with regard to the bretton woods proposals. It is suggested that if a silent motion picture of the President is made a part of your proposed film and you would use the sense of the President's statements at his press conference, this question might be solved. An off-stage voice could be used for sound when the President's picture is on the screen, and in this way it would be possible for you to include the President's endorsement as part of the motion picture paramount is to produce for you.

MATTHEW J. CONNELLY
Secretary to the President.
TO THE SECRETARY:

I just received a report through the War Department of an inventory of the currency and gold discovered in the salt mine at Merkers. There was a small amount of Norwegian kroner, French francs, Belgian francs, lira, kuna (Croat) and koruny (Czech). There were also 2,760,000,000 reichsmarks. There are about 3,000 bags (at about 21 pounds per bag) of gold coin and 8,100 bags (at 55 pounds per bag) of gold bullion. Considering the gold coin on a straight bullion basis, the total value is about $196 million.

Statement of Secretary Morgenthau

Prosperity for this country is essentially a problem of finding markets to match the miraculous producing power of our factories and farms. We can keep our people gainfully employed at high wages if we can find buyers for the food and fibers, for the cars and refrigerators, that we can produce.

Our primary dependence must always be on the home market. We have in this country the greatest concentration of consuming power in all the world. The 135 million American people buy most of the world's production of automobiles, refrigerators, and radios. These are the goods typical of American production. These are the goods that are symbolic of the high American standard of living.

But we must not overlook the importance of foreign markets. During the 1920's, one-tenth of our agricultural and industrial output was sold abroad. Our exports declined drastically from 1929 to 1932. And even after recovery had gone quite far, our exports in 1938 were only half what they had been ten years earlier.

Our exports may seem to be only a small part of our
total production. They are, nevertheless, vital. They mean a good deal in factory payrolls and farm income.

They mean the difference between prosperity and depression for both agriculture and industry.

When we think in terms of particular industries and of particular farm products we can see what foreign markets really mean to business, to labor, and to agriculture.

I cite examples from only a few industries. In 1935, our exports accounted for 12 percent of our production of automobiles, 22 percent of our office machinery and appliances, 15 percent of our printing and book-binding machinery, 17 percent of our farm machinery and appliances, 15 percent of our pharmaceuticals, 14 percent of our industrial machinery, 14 percent of our automobiles and trucks, 12 percent of our radio equipment, and 11 percent of our refined oil products.

It is no less true that export markets are essential to our agriculture. In 1935, our exports accounted for 30 percent of our production of tobacco, 29 percent of our cotton, 19 percent of our rice, 13 percent of our apples, 11 percent of our wheat, 11 percent of our lard, and 11 percent of our hope.

It is clear enough what these exports of industrial and farm products mean to business and labor and to agriculture throughout the country.

Your interest in an expansion of foreign trade for small business coincides with one of the principal objectives of the program drawn up at the Bretton Woods Conference 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 assure full utilization of our manpower and productive facilities at home.

In order to achieve these overall objectives—increased world trade and capacity production at home—we must set in motion the machinery to restore to the devastated countries their producing and consuming
power and to further the development of greater production and greater consumption in the more backward areas of the world, inhabited by perhaps half the world's population. We must provide an environment of stable and orderly exchange practices—free from the currency warfare and the restrictions of the 1930's—in which international trade can flourish.

In considering the significance of foreign trade to small business, it will be helpful to divide the subject into two broad segments.

There are industries that will participate only indirectly in an expansion of foreign trade. In this group are the majority of the service industries, such as laundries, dry cleaners, garages, repair shops, hotels, and retail outlets of every description. Their well-being is linked to foreign trade to the extent that an expanding foreign trade is indispensable to an expanding American economy.

Then, there are industries engaged in manufacturing, transportation and commerce where small business can share directly in the increased trade. Our small busi-

ness firms should be able to sell abroad as well as at home, particularly if some of the uncertainties can be removed from international currency transactions.

But let me repeat, the best market for all types of small business has always been, and will continue to be, our own domestic market. In a prosperous America, every year should witness a new crop of promising small entrepreneurs, and those already established should have ample opportunity to expand.

I will not attempt to go into the details and mechanics of the Bretton Woods proposals at this time. These Agreements are now being considered by the House Committee and will soon be considered by the Senate Committee on Banking and Currency. The important thing for us to consider at this time is the significance of the Bretton Woods proposals to American foreign trade in general and to small business in particular.

The Bretton Woods proposals, by stabilizing rates of exchange, by maintaining freedom in exchange transactions, by preventing competitive depreciation of foreign currencies, and encouraging the revival of
private international investment, will go a long way—indeed, farther than we have ever gone before—toward creating an environment in which small business will not only prosper, but will help to preserve our democratic institutions.

In the past, small business has not played a prominent role in this country's foreign trade, and that for two principal reasons. First, the small businessman has not been conscious of the importance of finding markets abroad. The cost of maintaining a sales force for the export market has been too burdensome for the small business man. It is necessary to find better and more economical ways of selling abroad the products of small business.

The small businessman has always been confronted with the discouraging complexities of fluctuating exchange rates. He does not as a rule understand the workings of the foreign market, nor is he able to employ specialists who do. In general, a successful foreign trader has had to be something of a dealer in foreign currencies. This has been necessary because the values of currencies in terms of one another were subject to constant yet unpredictable change. Unless the trader had the means and the ability to hedge, his normal business profits might be wiped out overnight by fluctuations in exchange rates.

The Bretton Woods proposals, when adopted, will provide all of the essential elements of stability. They will require all countries to define their currencies in terms of gold, and to maintain their exchange values stable within one percent of that parity. 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 for reconstruction and development purposes.

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, could be filled by little business—indeed, must be, if a big increase in business is to come our way.
As I have said, inadequate marketing facilities have been one factor in reducing the small businessmen’s share in our foreign trade. A large corporation producing automobiles or electrical equipment has an export department in this country; it has sales agents abroad; and it may have a financial department equipped to handle credit and exchange problems. Such a corporation is conscious of the fact that the sale of $20 million or $100 million of its output to foreign buyers means the difference between profits and losses in its annual statement of earnings. And it is willing to spend the money to get these sales.

The small businessman is not in so fortunate position. Perhaps he could sell $100,000 worth of his products abroad. But he can’t afford to set up an export department. He couldn’t possibly keep agents abroad to look for foreign orders. He hasn’t the facilities for granting credit to the customers that come to him. And he can’t overcome the handicap of restrictions and fluctuations of foreign currencies.

Of course, this doesn’t mean that small business is entirely out of the export market. Some firms have foreign customers who buy directly from them. Export houses in this country are on the look-out for specialities they can sell abroad. And in some cases, a group of small business firms cooperate in forming an export company to handle jointly their various products. This practice, in my opinion, should be encouraged.

But the fact remains that small business does not export enough. Partly this is because our aggregate foreign trade has been so small. And very largely it is because present export marketing facilities are not suited to the needs of small business. This is a problem to which your committee will want to give serious consideration.

While I have been primarily concerned in this discussion with the question of export markets, I want to make clear my view that our imports are an equally important part of the foreign trade problem. Imports
are necessary to provide raw materials for our industries, fertilizers for our farms, consumer goods for the public. Without imports, production would be handicapped and our standard of living would be lowered.

We must not forget that imports are part of the business of being paid for our exports. When countries stop buying our exports, it is because they haven’t enough dollar exchange. When we import from them, they get the means to pay for our goods. That is why I believe that to secure the greatest benefit from foreign markets, the level of international trade must be raised throughout the world.

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. When hostilities cease and war production tapers off, we must find markets for our greatly increased productive power, we must keep up employment. Little business, in my opinion, is one of the most promising areas for an expansion in post war employment.

The Bretton Woods program will provide the necessary setting for a large expansion in our foreign trade.

Small business should share in these new foreign markets. Your committee will want to explore ways of bringing small producers and foreign buyers together.
Charles Bell

April 20, 1945.

Secretary Morgenthau

I want you to participate in making the decisions affecting the transfer of the surplus property program to Commerce. You know what Cliff Mack will need in order to run his shop efficiently, and you also know what sort of commitment we have made to Secretary Wallace.

I want to protect Mack's program, but at the same time give Wallace an active organization. You can serve as something of an arbitrator on questions arising among John Fehle, Cliff Mack, and the Commerce people. Keep me advised on the personnel and administrative angles.

[Signature]

[Handwritten note]: To Mr. Bell.
Regarding your memorandum of today on the current tax drive:

1. The Commissioner and I agree that your suggestion for the interchange of weekly reports between the various districts is a splendid one and it will be placed into effect at once.

2. As to the April 10 report from Sanders, Acting Special Agent in Charge, Atlanta District, which impressed you unfavorably, our investigation reveals that this unfavorable impression probably arose from tireless expression rather than from spiritless effort or lack of cooperation on Mr. Sanders' part. Mr. Sanders is acting in the place of Mr. Palmer, who is the regular Special Agent in Charge at Atlanta. Mr. Palmer is of such outstanding ability, and his district under his direction reflects such a splendid record, that he was detailed to assist Mr. Hoel in the direction of the entire drive and the coordination of the activities of the various districts. Since the April 10 report, Mr. Palmer has visited the Atlanta district, surveyed activities there, and assisted Mr. Sanders in establishing the procedure for intensive conduct of the drive. Mr. Palmer reports that Mr. Sanders is keenly interested in the drive and is satisfactorily organizing his district. I believe a reading of the April 10 report of Mr. Sanders will not reflect the same spirit which impressed you in the earlier report of April 10. Mr. Palmer will return from Atlanta tomorrow, at which time we can get further information.

Joseph J. O'Connell

TO: Secretary Morgenthau
FROM: J. W. Fehle

DATE: April 20, 1945

The following is a summary of significant developments in the Surplus Property and Procurement offices for the week ending March 24, 1945:

Surplus Property:

We continued to work with the Surplus Property Board in drafting regulations and forms to be issued by the Board to implement the priorities to Federal, state and local governments envisioned by the Surplus Property Act. Work is continuing also within our own organization to develop programs, procedures and relationships that will facilitate operations under the Board's proposed regulations.

Instructions were prepared for the regional offices with respect to the new synchronized spot sales method for the disposal of construction machinery and farm equipment, which will be put into operation on a nation-wide basis on April 19. This plan is designed to maintain a constant flow of surplus farm and construction machinery and equipment to the public through normal trade channels and combines the most desirable features of the formal bid and auction sales methods. The plan has the approval of the Surplus Property Board.

The Army Air Forces have indicated that they will request that we sell 44,000 yards of nylon cloth, heretofore declared surplus by the Army, to certain firms for use in the manufacture of carburetors for Air Forces.

We have formally requested the Food and Drug Administration to cooperate with us in the examination and classification of surplus pharmaceuticals and medicinals, and similar property,
in order to facilitate their orderly disposal.

We have submitted to the Surplus Property Board the question whether disposal agencies should accept from the War Department surplus reverse Land-Lease materials in view of an arrangement between the United States and the supplying nation, whereby the proceeds of the sale of such property are to be turned over to the supplying nation.

Notwithstanding our formal submission of the matter, the Board has not, as yet, expressed its views with respect to export policy, but in the meantime, work is going forward within our organization in order that we may have a better understanding of the issues involved.

A sales program for cut film and photographic paper is being formulated. Arrangements are being made for our Boston and Denver regional offices to consult with representatives of farm cooperatives to ascertain their needs for farm equipment.

Work is continuing on the development of a procedure for the selection of an advertising agency. Progress is being made in the preparation of a publicity guide to be issued to the regional offices in order to secure some uniformity in publicity practices and procedures.

A survey has been made of surplus X-ray equipment on hand. It appears that only comparatively small amounts of such equipment have as yet been declared and that the demands of institutions having priorities under the Act will leave no such equipment for commercial sales. The Office of Scientific Research and Development indicates that it will soon declare a large number of scientific instruments to us and to the Defense Plant Corporation, which they would like to see sold to educational institutions, hospitals and similar organizations. Although the bulk of this material will be declared to the Defense Plant Corporation, the Office of Scientific Research and Development is of the view that both groups of property should be sold together and we indicated our willingness to cooperate with the Defense Plant Corporation in the development of a program for the sale of such property.

The Attorney General approved, under Section 20 of the Surplus Property Act, our proposed sale of approximately 28,400,000 Carlisle first-aid dressings. The sale was thereupon consummated, the total proceeds thereof exceeding $2,000,000. Effective liaison with the Department of Justice has been established and conferences are being held frequently in order that we may become acquainted with the Anti-Trust Acts.

The Army has declared as surplus 12,000 additional blitz cans. Approximately 11,000 yards of canvas duck and 1900 mattresses were transferred to the Maritime Commission.

Procurement:

Total purchases for the week amounted to $3,689,894.02, including $28,500,000 for Land-Lease (schedule attached) and $3,589,894.02 for regular purchases.

Unusual requisitions for the week included 14-280 KW turbo generators with controlling switchgear for Russia; 4,441,800 yards of sheeting for Algeria, Morocco and Tunisia and 20 cranes with swinging boom and spare parts for France.

Unusual purchases for the week included 67,200 pounds of aluminum covered paper for Russia; 55 anti-typhus units for UNRRA and 194,964,346 pounds of GRS synthetic rubber for the United Kingdom and Russia.

Total Land-Lease carloadings for the week amounted to 3,595 cars.

The Price Adjustment Board disposed of five 1942, two 1943 and one 1944 cases, recovering excessive profits in the amount of $145,000.

Work is continuing in the preparation for the hearings on the Potomac Electric Power Company's proposed allocations of rate reduction. The Federal Works Agency, the Department of
Justice and this office, have agreed upon the strategy to be followed.

At the request of the Bureau of the Mint the Procurement Division is participating in negotiations looking forward to the settlement of claims arising from the termination of the American Nickeloid Company contract for the manufacture of war one-cent pieces. The company has asked that the settlement include an allowance for anticipated profits. If an agreement is reached, the General Accounting Office will be consulted before actual payment is made.

Administration:

The Toledo Medical Depot is expected to be transferred from the War Department to Treasury on or about April 15, but not later than May 1.

The overall personnel situation is beginning to show an improvement.

We are working with the Bureau of Accounts and the General Accounting Office on plans to simplify certain accounting forms and procedures with a view toward reducing our operating costs.

Plans for the transfer of the state of North Carolina from the Washington region to the Atlanta region have been completed.

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LEND-LEASE

TREASURY DEPARTMENT, PROCUREMENT DIVISION

STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS

AS OF MARCH 24, 1945

(In Millions of Dollars)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>U. K.</th>
<th>Russia</th>
<th>China</th>
<th>Administrative Expenses</th>
<th>Miscellaneous &amp; Undistributed</th>
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<tr>
<td>Allocations</td>
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<td>$2628.1</td>
<td>$2457.4</td>
<td>$12.9</td>
<td>$18.6</td>
<td>$743.4</td>
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<tr>
<td></td>
<td>(5014.3)</td>
<td>(2628.0)</td>
<td>(2457.4)</td>
<td>(12.9)</td>
<td>(18.6)</td>
<td>(743.4)</td>
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<tr>
<td>Requisitions not Cleared by W.P.B.</td>
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<td>$26.0</td>
<td>$23.6</td>
<td>$.4</td>
<td>-</td>
<td>$65.5</td>
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<td></td>
<td>(115.1)</td>
<td>(22.6)</td>
<td>(42.4)</td>
<td>(.6)</td>
<td>-</td>
<td>(49.7)</td>
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<td>Requisitions in Purchase</td>
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<td></td>
<td>(167.7)</td>
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<td>(37.3)</td>
<td>(1.6)</td>
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<td></td>
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<td>(105.1)</td>
<td>(17.3)</td>
<td>(441.7)</td>
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<td>Deliveries to Foreign Governments at U. S. Ports</td>
<td>$3707.2</td>
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<td>$30.4</td>
<td>-</td>
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<td></td>
<td>(3036.5)</td>
<td>(1651.1)</td>
<td>(1366.7)</td>
<td>(26.4)</td>
<td>-</td>
<td>(61.7)</td>
</tr>
</tbody>
</table>

*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of March 17, 1945.
LET
GERMANY
EARN THE
PEACE

Including an outline of
THE MORGENTHAU PLAN
and comment upon it

by SAMUEL GRAFTON
FOREWORD

Once again, as in Abraham Lincoln's day, the time approaches when it is necessary for "that government of the people, by the people, and for the people" in distant places, to those who have tried, unsuccessfully, to "save it from the earth."

The phrase "government of the people," means a basic truth. It is for us, the people, who constitute the government of the United States, to say whether Germany shall have a "hard" or "soft" peace. We will say it with one voice; we will say it by our attitudes, by our discussions with our fellow citizens.

Thus, our decision will by the most important, most fundamental one we will ever have the opportunity to make. A wise decision will delay, if not prevent, another war so soon. An unwise one may merely shorten the time between the possible close of World War II and the opening of World War III, perhaps, even, provide the cause for World War II to continue indefinitely.

Because only an informed people can make wise decisions, the New York Post Syndicate is presenting in this book several plans which have been suggested for formulating the peace with Germany.

The most controversial official plan for dealing with Germany was announced on September 31, 1944, by Henry Morgenthau, Secretary of the Treasury of the United States. Briefly, this plan proposed that Germany be converted into a predominantly agricultural country by internationalizing the Ruhr, heart of her heavy industry, and distributing to other nations, as repaying the machinery of her war plants.

This plan has been severely attacked, and as adversely defended, according to the point of view or the basic question: (1) Is this plan likely to upset the rise of economic rehabilitation of Europe generally, and (2) will the slower rate of economic rehabilitation, which this plan would bring to the area, now known as Germany, help or hinder the reconstruction of Europe? Quite naturally, the author and his supporters believe in the negative side of both of these questions.

Mr. Samuel Grafton, editor, author, and commentator, has prepared, in two separate series of columns-articles, the most interesting and thought-provoking plan, offered by any unofficial source, except, perhaps, the equally controversial Venizet plan. Mr. Grafton's views have been gaining even wider acceptance in Europe and Asia, as well as in this country, because of the simplicity of the course of action he proposes. He suggests that the most useful attitude toward the Germans is one of letting them accept full responsibility for their own future in the working out of a peace plan, or a series of peace plans, acceptable to us. Whether he takes the Germans' view or the ours, in that he does not distort, in any way, the basic philosophy of the idea, because, in the meantime, the United Nations will be in accord with the same terms.

The New York Post has recommended very serious consideration for both the Grafton plan and the Morgenthau plan. In some form, each can be useful within the framework of the other.

Note: A brief biography of Mr. Samuel Grafton appears on the inside back cover of this book.

WHAT KIND OF PEACE SHALL WE MAKE WITH GERMANY?

by Samuel Grafton

This book originally appeared in serial form in the NEW YORK POST

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Regraded Unclassified
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BIOGRAPHICAL Sketch of Samuel Grafton ....................................................... INSIDE BACK COVER
What Kind of Peace Shall We Make With Germany?

CHAPTER ONE

We're Fresh Out of Peace Treaties

There is, actually, no reason why we should sign a peace treaty with Germany for ten, fifteen or even twenty years after the defeat of Hitler. Most of the legal and constitutional difficulties barring prompt use of American force to prevent future German aggression simply evaporate if we substitute the idea of a long armistice for that of a formal peace. It seems to me that the best way to make sure this war really ends is not to end it.

If, then, Germany should violate any of the armistice provisions, military force could promptly be brought into play against her. No new declaration of war would be needed. It will be the same war.

Let's Let the War Go On

Let the war, as a legal concept, simply go on indefinitely, in the form of an armistice. It would be a war in which there was no shooting, and that will, after all, be pleasanter than the last peace, which was so often interrupted by the sound of Intraman. There is no reason why every war must promptly be followed by a formal peace treaty. That is merely an assumption which we have all accepted and swallowed without much examination.

A peace treaty is an extremely valuable document to a defeated nation. It sets it up in business again. We gave Germany a peace treaty out of hand, last time, she promptly proceeded to spit upon it, she used all her energies to skillful violation of it. This time, let us make her use her might and guile for a generation merely to obtain for herself what she so despised on the previous occasion.

Make Germany Work for Peace

In effect, let us make Germany, too, like every other nation on earth, work for peace. Before the long armistice were over, Germany would have come to value peace, formal peace, as deeply as any nation has ever valued it, and once she had obtained that long-delayed and precious legal instrument, she would cherish it with a wholly new appreciation of its beauties.
What Kind of Peace Shall We Make With Germany?

The long armistice would be self-enforcing, to a considerable measure, for any German who violated its terms, and thereby further pursued the consummation of peace, would draw upon himself the attention of the entire German nation. No hero he, this time; but a marplot, who prolongs the war.

To German readers as to when we propose to make a final peace, our answer might well be: "Take your time, pal. No hurry. Make a somewhat better Germany, and we shall see what we shall see." I confess that I relish a certain touch of diabolism as well as of democracy in a scheme of things which would place upon Germany the burden of solving the German problem.

The Long Armistice

A long armistice, in place of a formal peace treaty, would profoundly alter the dynamics of the relationship between Germany and the rest of the world. There could be no German revisionist movement, because there would be nothing to revise; Germany could hardly beg for a peace treaty, and denounced it, at the same time. Instead of a Germany trying to see how far she could go without provoking a declaration of war, we would have a Germany trying to discover what she must do to end the war. Meanwhile, the Allies would remain, in truth, Allies, for Germany's unconditional surrender would merely mean the end of shooting, not the end of the war. The war would continue in the form of an armistice. That, in point of fact, is what actually happened last time, only we did not know it as an armistice. This time we would know, and we would militantly call it that. This war would end only when a Germany had at last evolved which was fit to make peace, and could be trusted to make peace. And can it really end before that day?

CHAPTER TWO

Don't Call It Peace

The best defense against future German aggression is simply to continue the present war, after the shooting stops, to continue it in the form of an indefinite armistice, without concern as to whether it lasts ten, fifteen, or even twenty years.

It seems fairly clear that we must throw out of our current thinking the perspective of a formal and final peace treaty with the German nation, discussion of such a treaty is like discussion of a marriage contract with a boy who has still to be born, to go to school, and to grow up.

Shooting Stops, but War Goes On

The concept of a permanent armistice merely puts into legal form what has been the actual fact of the relationship between Germany and the rest of the world for the last thirty years. For nine of those thirty years, or almost one-third of the period, Germany has been engaged in active shooting war with most of the rest of the world. For six additional years, 1933 to 1939, she has manifested a malignant and unceasing hostility toward other nations. For fifteen of those thirty years, therefore, the relationship between Germany and the world has been one of war, or incipient war. The proposal for a permanent armistice is a proposal that we stop calling such a state of affairs peace, and that we call it what it is.

The thought is, that the best we have to offer Germany is an armistice, until a new Germany arises, with which the world can safely conclude a formal peace. The answer to the threat that Germany may immediately begin to plan a new war is that we will not let her out of this one. The shooting stops, but the war goes on.

Under such an arrangement, Germany would not be inclined to make little experiments in hostility, to see how far she could go without provoking a declaration of war, for the existing declarations of war would remain in effect, and German violations would be put down as mutiny by Allied field commanders.
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The Permanent Armistice

The purpose of this procedure would be to allow time for the emergence of a Germany which shall be thoroughly sick of war, and anxiously desirous of stable peace. When such a Germany does arise, the signing of a formal peace treaty with her will then be only a reduction to writing of a satisfactory state of affairs already achieved, instead of the expression of a piped hope. The time for a formal peace treaty would arrive naturally, in due course, and when it came, the treaty itself would be a mere formality, rather than an hysterical, a petul, whipping together of gadgets and incantations.

Germany has patiently taught the world that in normal relationship with it one of the war. The policy of a permanent armistice would be a sign that we have learned that lesson, and accept it. It can be an amiable armistice, if Germany proves amiable. But the continued existence of a formal state of war would teach Germany that peace must be worked for; that Germany cannot hope, continually and automatically, to receive peace, each time, as a reward for having waged war.

Through War to Peace

The great question in German politics will then be how to get out of the war, how to transform the long armistice into a peace; and it will be a serious change to compel Germans to debate the question of how to make a peace, rather than how to break one. We may then legitimately hope that the new leaders of German politics will be men who will come forward with plans for a general reconciliation with the world.

It will be seen that this approach is profoundly democratic, in that it actually leaves the question of Germany's future to the Germans. And who will say that a generation of formal, declared war with a real peace at its end will not be wholesome far better than our previous experience with a generation of false peace, and war at its end?

CHAPTER THREE

Let Us Wait for the Facts

The proposal for a long armistice with Germany, rather than a peace treaty, an armistice of even ten, fifteen or twenty years' duration, would allow for a certain wholesome flexibility in the world's relationship with Germany. We could make an initial attempt to set up a sound economic base for the German nation; if that failed, we could revise the plan, or adopt another, without the bewilderment and awful feeling that the sacred terms of a sacred treaty had been violated, and that the peace had been a failure.

No More Midnight Inspirations

The worst of a formal peace treaty is that it attempts, without experiment, and in advance of the facts, to solve all problems. But once the formal treaty is written, it becomes our only basket, and all our eggs are in it; it develops a sacrosanct value of its own, and we have to defend it, even after we have lost confidence in it.

A treaty is the basis of permanent law, but it is a form of law not subject to amendment, except by such hysterical processes as led to the gladdening Dawes and Young plan revisions of last time. The policy of an indefinite armistice would give the world time to make several steps at the economic re-establishment of Germany, when, finally, a condition of stability had been reached, the writing of a peace treaty would be merely the making of a transcription from reality. Whatever plan had proved practical would become the basic plan of the final, formal peace.

The policy of a long armistice would allow us to try not several alternate "peace plans," if necessary, and that is substantially better than committing ourselves, a priore, and forever, to the midnight inspirations of some nervous and haggard committee.

Call It an Armistice

We have been frightening ourselves for years with our own talk about the horrid danger of "living the peace": but we have made most of these difficulties for ourselves, by setting up the doctrine that we must have a formal treaty at the outset; that we have only one chance to make a good peace, one atonement and awful throw of the dice. But we cannot "lose the
What Kind of Peace Shall We Make With Germany?

peace: if we continue the war, in the form of an armistice of unlimited duration.

The policy of a long armistice would keep us, here in America, on our toes to maintain the peace; it would not have the effect of lulling us into that long sleep into which formal peace treaties have a way of waiting for imaginative and idealistic republic. I use the word "idealistic" in its worst meaning, of course, to express our wonderful faith in formalities and gadgets and in the surface appearances of things.

A formal peace treaty would be the理想的 one-way ticket out of Europe; not the beginning of a chapter of international collaboration, but the end of one.

We do best ourselves that, even after the peace treaty, we shall have to watch Germany closely; we shall have to keep her from building munitions of war, we shall have to supervise her international conduct and reside in. This necessity for close supervision, these dark stigmata of suspicion and distrust, are not the characteristics of a peace; they are the characteristics of an armistice. Let us call it an armistice. We shall be more likely to do what we should, if we call things what they are.

Let Us Wait for the Facts

Thus, though the shooting stops, the war continues, and as against Jusserand's restless passion for planning the next war, let us oppose democratic sobriety in refusing to terminate this one. If a new Hitler should appear in Germany, he could be handled as routine by Allied field commanders, without need for a special blessing by Senator Burton K. Wheeler. Contrariwise, if, under these pressures, a Germany emerges in a comparatively short time which can be trusted to keep the peace, we can shorten these perspectives.

But let us wait, this time, for the facts. Though that should take twenty years, it would not be too long. Let us move into the house of peace when the house is built, and then, let us not, as last time, make a snugger's nest for ourselves among the blueprints.

CHAPTER FOUR

Peace First, and Then the Treaty

The policy of a long armistice with Germany, an armistice of decades, if necessary, rather than a formal peace treaty, would compel both sides to approach the postwar problem with a heightened sense of reality. There are certainly men in Germany today who are only waiting for the peace treaty to be written, so that they can make political living for themselves forever after by denouncing it. We do not know the names of this new cast of characters, but that they will appear is certain; give them a formal, final peace treaty, and you give them cheers, careers of revisionism and denunciation.

The Next German Hero

Surely we know enough about the easy demagogy of revisionist politics to be certain that the first German who denounces the new treaty, the morning after it is written, will become a national hero.

To present the Germans with a blank, instead, to offer them only the barren nothingness of a permanent armistice, an empty space which they must fill in with their own ideas, if they have any, in the only procedure which can compel the Germans to come to grips with the ultimate question of their relationship with the world.

Versailles made it rather too easy for the sinister figures in German politics; they did not have to try to solve Germany's problems; it was enough to be against Versailles, and to shoot in the streets those Germans who had found themselves compelled to sign it.

A Winter Among the Commissars

We must proceed this time under a schedule of operations which makes the formal peace treaty a remote objective, to be achieved only after Germany shall have thrust forward men and movements fit to make a treaty, so that when treaty time finally comes, the entire German nation will be eager for it, and so that the unknown German statesman of the future
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who finally succeeds in establishing a treaty relationship with the rest of the world will be the true German national hero, one for whom the Ger-
mans will build statues, and after whom they will name streets.

We have our own supply of Congressional demagogues, too, who have
long promised themselves a party when the peace treaty is presented to
them, a wonderful winter of sleazy amid the contras and semicolons.

There are Americans, too, who will find it pleasanter and easier to base
their careers on attacking a document, rather than on solving the problems
of the real world.

The policy of a more-or-less permanent armistice, instead, during which
we can actually try out our peace plans for Germany, rather than risk
everything on writing one plan in advance, like a prophecy, will enforce a
higher realism upon such men.

Peace First, and Then the Treaty

We can thus gain experience in living with successive German gov-
ernments and movements, and, when, finally, a condition of stability has
been attained, that will be the peace. It will only be necessary to write down
on paper what has been proved in practice. The policy of the long armistice
would permit us to avoid armchair philosophizing, a priori reasoning, and
also, meaningless hardwork toward the conquered; it would enable us to
draw a line between punishment and reconstruction, handling each sep-

ately, and avoiding the muddled and agitated tangle of the two which
usually make up a peace treaty.

Let us not, this time, cry, "Peace! Peace!" until we know we have peace.
This time let there be peace first, and then the treaty, rather than the treaty
first, and then the war.

WHAT
SHALL WE
DO WITH
GERMANS?

by Samuel Grafton
What Shall We Do With Germans?

CHAPTER ONE

The Final Battle of The War

It seems to me we are going to run into serious trouble if we depend on "trials" after the war to rid the world of axis leaders, great and small. What will keep us going until the job is done?

A spirit of revenge! But the revenge motive (as Somerset Maugham once brilliantly pointed out) is an anachronism in western life. The last fur revenge is no longer a respectable emotion among us; our writers haven't dared use it as a motive in fiction or drama for decades. The last great revenge play was "Hamlet," and it took Hamlet five acts to make up his mind, and then he bungled it.

Must We Have Trials?

Louis Nizer's book, "What to Do With Germany," proposes trials of axis leaders and axis criminals; and yet the most persuasive section of this fine book is that which shows how completely we failed to go through with our proposed trials after the last war. Mr. Nizer outlines a more efficient system of courts and judges this time. But even he, a sound legal scholar, draws the line at depending on trials for the 5,000 top Nazis. He asks that they be executed out of hand, as a condition of the armistice.

We have a tendency to slide into legalistic arguments about the "trials" of axis war leaders. These are arguments about the form of things. We must not forget the content of our problem, more important than the form. The content of our problem is that we must break the political power of the axis leaders and subleaders forever.

Make It a War Aim

Our problem is not to try them, not to judge them, but to smash them; to smash them as a condition of our own survival, now and after the war. The very concept of a trial shows that we suspend judgment. Or, if we do not suspend judgment, we are insincere in talking of trials, for a trial is a suspension of judgment. I do not want to see the leading elements in axis
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nations tried as criminals. I want to see them destroyed as enemies.

Their destruction, political or physical (either will do), should not be a separate, post-war issue; it should be encompassed as an act of war, as a part of the war, as a condition of bringing the war to an end.

I don't know whether we are entitled to act in judgment on our fellow-citizens or not, but I do know we are entitled to fight our mortal enemies. The permanent exile, or imprisonment, of at least 100,000 members of the leading circles in Germany, and equivalent numbers in Japan and Italy, should be one of our war aims, an unchangeable war aim, not subject to trial. This would be a clean and honest act of war, in line with the morality of war, which is the destruction of the enemy by force.

The War's Last Battle

This would seem to me far more honest than to try to invent courts, and to write statutes, after the offense complained of. In line with this view, I do not care whether Hitler is considered a criminal or not; I know he is a military objective.

These exiles should be ordered as a simple act of military government, the removal of dangerous persons. A guard should be set up over them, wherever they are sent. No doubt many Poles, for instance, would be willing to establish such a uniformed guard as an honorary, life-time service. We should dismantle the fascist political apparatus as unceremoniously and as automatically as we propose to dismantle the fascist armies and war plants. There seems to me no room or need for trial procedure in any of these areas.

Perhaps the Germans themselves, knowing this to be one of our war aims, might oblige us by uprising and dispersing the 100,000 before we arrived. Well and good, those Germans who did not work would show themselves to be on our side. But this job must be done, either as an act of revolution or an act of war; as part of the war, as that which gives meaning to the war. This will be, in effect, the final battle of the war, and we cannot separate it from the war without losing it.

CHAPTER TWO

How To Lose In The Last Round

If we set up a system of courts to try axis war leaders, great and small, these leaders will, of course, become prisoners immediately the armistice begins. They will be subject to the mercies of these courts. But they will also be entitled to the protection of these courts.

Oddly enough, therefore, the first administrative result of any system of "trials" for axis leaders will be to save their lives. Our courts, however constituted, will have to insist that their dignity and orderly routine be respected. Resolution against fascists will become contempt of court.

The Day Will Pass

There is no way out of this dilemma if we insist upon "trials" for the one hundred thousand or so leading members of the Nazi apparatus. Our soldiers, moving into Germany for the destruction of fascism, will find thrust upon them the final, ironic function of becoming a police squad to protect the fascist leaders from harm.

We know that moments of deep, popular excitement, when the political imaginations of men are really stirred, when they are really ready to make fundamental changes, are rare and brief; perhaps a day in a century. A system of "trials" for axis leaders will make revolution illegal on the only day on which it could possibly happen. The moment will pass. The cold routine of ordinary Mondays and Thursdays will succeed. The passage of a year will saw half of the one hundred thousand leading Nazis from punishment; the passage of two years will saw almost all of them.

The very essence of the "trial" plan is its postponement of the critical decision; and every criminal lawyer knows the enormous value of postponement.

There Is a Compromise

The only possible compromise, therefore, between our own desire for order, and the desire of the plain people of Europe to be rid of their fascists,
Chapter Three

Only History Can Teach the Germans

If I were asked to become a teacher in the German schools after the war, I would insist on using "Mein Kampf" as a text-book. I would make the little Germans in my class memorize the entire volume, page by page. I know they would hate me, as a foreign teacher imposed upon them by force, and so I would try to make them hate "Mein Kampf," too. I would make them sick of it, as well as of me.

I exaggerate, I suppose, yet this seems to me at least as practical as any other scheme for "educating the Germans" I have come across. Who are the golden minds among us, serene, poised, with all problems solved, ready to do the educating? Shall we tell the Germans how capital and labor ought to deal with each other? But we are still in the process of solving that one for ourselves. We haven't found an answer for home use yet, let alone for export.

No Answers for Export

We are still in a vecine, frightful rage with each other over so old an American problem as state-federal relationships, yet many of us do not doubt that we are quite ready to go across and tell the Germans how to live. What shall we teach the Germans about "democracy?" Shall we teach them to believe in collective bargaining and the closed shop? But our own minds are not yet made up on these points, and one can imagine the Congressional uproar that would follow any such attempt to indoctrinate Germany.

Shall we teach the Germans that every man and woman ought to be allowed to vote, or that there should be a system of poll-taxes? Either choice will lead to a frantic argument back here at home. The German pupils will listen while their American teachers quarrel.

Let's Stick to the Possible

Once again I ask that in our approach to the Germans, we stick to the possible, and realize it, rather than for the impossible, and fail.
What Shall We Do With Germans?

A new way of life does not start in the schools; schools merely reflect whatever way of life already exists. We Americans are not democratic because we have democratic schools; we have democratic schools because we are democratic. Schools run up the answers which society has reached. But society must first reach the answers, of and by itself.

We are already putting the Germans through one important educational experience, by beating them. We are already teaching them a great lesson, the lesson of the failure of fascism. That is truly one thing learned. I suggest that in our approach to the German people, we build on this beginning. I suggest that we address the German people in the following terms:

"Germans! We are going to exile thousands of your leaders. We are going to occupy Germany. We are going to dissolve your state; you are not to have army, navy, munitions factories, or foreign policy. As for the rest, we say this to you:

They Must Solve Us

"We do not love you, we do not hate you. You are caught in a certain historical predicament. Very well, then, get out of it, as best you can. It is not our problem. It is your problem. Try to solve your problem. We promise you nothing. Run your schools as you please. If you pick unstable teachers, very well, you will pay the penalty; the occupation will be prolonged.

"It is your problem, we cannot solve it for you; we do not intend to try. Your past mistakes have placed you in a predicament, out of which, it so happens, you can emerge only by convincing us and persuading us that you can be trusted. You are not our problem, we intend to make ourselves safe against you, whatever happens. But we are your problem. You must solve us.

"Very well, then, solve us. It is you who must answer the hard questions, not we. It is a matter of indifference to us whether you succeed in answering them, or not. It is up to you, whether you care to face the ultimate at last and whether you care to think your way through your predicament."
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in the German schools, are a little silly, because they relieve the German people of the necessity of making a choice. If it doesn't matter what they do, then it doesn't matter what they do, and there is no need for them to do anything.

Our planning, hard, soft and medium rare, merely cushions the Germans against reality, and encourages them in their inaction. We are forever "filling in the future" for the Germans. We break our heads over such questions as "Are there any good Germans? Are the Germans a sick people? Are they incurable? Can they be re-educated? Who shall teach in their schools?"

No Way to Teach

But it is the Germans who must be made to break their heads over these questions. It is precisely by straining against these problems, by struggling with them, that the Germans will re-educate themselves, if at all. We cannot reform the Germans by answering their questions for them, any more than we can teach a child algebra by doing its problems for it.

So, our first step in solving the German problem is to make the German people face it, to give them a sense of the blackness of their own futures, to convince them that their futures are not "filled in," but empty, beyond the remotest police surveillance, that if they want something more than that, they had better, in their loneliness, and faced by our indifference, go to work on the problem.

What should our "attitude" be toward the mass of the German people? It should be that we have no attitude. If they want us to distinguish good Germans from bad Germans, they had better find some way of establishing the distinction themselves.

CHAPTER FIVE

Not "Hard" Not "Soft," But Democratic

Our attitude toward the Germans should not be that we propose to solve their problems, but that we have no solutions and intend to leave them unlived.

This may seem heartless, but it is also honest. For, in actual fact, we have no solutions. We have a solution only for our own problem, which is to stanch the fascist power. Our solution of our own problem will necessarily leave all manner of loose ends dangling. Where shall Germany sell her goods? Who shall run whatever governing functions we leave to the Germans? Who shall teach in the German schools? It seems like a foreclosed and uncomfortable future for Germany, it is prickly with questions.

But we are not in the tying-up-loose-ends business. We are in the smash-fascism business. Let us say frankly that we know the answer only to our own problem, which is to make ourselves safe.

To leave the Germans thus, naked on the side of the moon, facing reality, facing ultimate responsibility for their own futures, this should be our attitude, our only attitude toward them. For there is no educational process we could devise for them which would be half so rich as to compel them to fill in, for themselves, the empty spaces of the unknown future that pays before them.

If we set up a complicated plan for the Germans, complete down to democratic indoctrination in the kindergarten, then we give the Germans something to fight; we give them, in effect, a self-helping program; we give them slogans. The new German leaders will then not have to have plans of their own; it will be enough to be against our plan. For this and other reasons, I would give the Germans no plans at all, beyond the mostest police surveillance; I would give them a mound, rips nothing, and bid them fill it in.

Perhaps, under these challenging pressures, it will occur to them that they had better convince us that there are two kinds of Germans, "good" and "bad." If so, it is their problem to make us believe that. It is not up to us to disentangle one kind of German from another; it is up to the Germans.
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to disentangle themselves, possibly by making a revolution before the
war ends.

It is not the United Nations' job to solve all German problems; it is up
the Germans to solve the United Nations problem.

Let us say the war ends, and they have made no revolution. Very well,
we continue our same challenging attitude. (It is one of its merits that it is
easily serviceable for war or peace.) We occupy Germany, concentrating
on our military safety. That is our problem, and we will solve it. The Ger-
mans will have shown a certain incapacity by not removing their own top
fascist leadership. We accept this German demonstration of incapacity. We
disolve German state organs, and we police the German nation.

No, not the German nation; for it is no longer a nation; we police the
German land. If the Germans want a nation, it is up to them to invent one.

What about foreign trade? What about schools? If these questions
plunge, let the Germans meet, let them talk, let them sit in their rooms and
stare at reality, let them make offers. It is not up to us to specify the size
of the postage stamps in Ungria. It is for the Germans to grapple with the
future, if they want a future. Should they choose to play silly games, to
furne nationalist flags, as they did last time, we shall take appropriate
measures to prove to them that such exercises are not solving their problem.

We do not know whether the Germans can find solutions. But let us be
honest. We do not know whether we can find them, either. If our attitude
forces the Germans to realize the meaningfulness of their actions or non-
action, now and after the war, we shall have made a contribution; we shall
have forced the Germans back into the community of men seeking their way.

It will be seen that this approach is neither "hard" nor "soft." It is
profoundly democratic, in the sense that it concedes what people do is
important, that their decisions and actions really matter. We avoid the
absurd postulate that we know the answers.

CHAPTER SIX

The Danger of The Unfinished War

During war we think of the top German fascists as deadly enemies who
must be destroyed. What reason, if any, exists for changing this attitude
the moment peace arrives?

Must we, on that day, stop thinking of German fascists as deadly
enemies to be destroyed, and begin to think of them only as criminals to
be tried? Or perhaps not even as criminals, but only as indicted men,
perpetually innocent until proven guilty?

The only difference the coming of the settlement should make is that it
ought to give us the right to substitute methods of peace for methods of
war in carrying out our policy. But our policy must remain the same, the
destruction of the fascist power.

No Solution Short of Exile

That is why I see no solution short of the instant and automatic exile,
without trial, of, say, the 100,000 top Nazi functionaries. That alone can
be the logical culmination of the war, to be carried out as the final battle
of the war.

The great danger is that we may tend to make too sharp a differentiation
between the period of war and the period of peace. Our high political
policy should be a continuing policy, equally valid for war and peace. The
chief difference between war and peace should be the difference in methods
used for carrying out our policy. Naturally, methods change when the
settlement arrives, but policy itself need not change and should not change.

Why Let It Become Another War?

It will be strange and wasteful conduct on our part to fight a desperate
war for the purpose of destroying fascists, and then, the moment we win
the war, change over to another purpose entirely, that of putting fascists
on trial for horrible, condemnable, but still only collateral offenses, called
atrocities. But the most atrocious fascists have probably committed no
physical atrocities.

Regraded Unclassified
What Shall We Do With Germans?

How, then, shall we handle Julius Streicher, publisher of the infamous and pornographic "Der Stuermer," which has poisoned the minds of a generation? Under the blindly legalistic "trial" system, the worst we could probably do to Streicher would be to deny him second-class mailing privileges.

The proposal that we stage "trials," no matter how well-meaning, is a proposal that we shall not do what we are at war to do, the moment it becomes possible to do it.

Let us keep our sights up. This is not a war about atrocities, though atrocities have been committed during the war. It is not a war about the Hague Conventions, though the Hague Conventions have been violated. It is a war about fascism. If the coming of the armistice changes our purpose, then it will not be an armistice, but a subtle and concealed defeat.

They Will See the Trains Leave

Let us keep our sights up: It is our job to dismantle the Nazi Party as unemotionally and methodically as we propose to dismantle Nazi armaments.

This is our task, by methods of war as long as the Germans prefer war, by methods of peace when they tire of fighting. The task remains, through war and peace. We are librarians, not judges. We are librarians, not school teachers for the children of Germany. We are librarians, and unless we liberate, unless we physically remove the fascist bureaucracy to a place of exile, all our schemes for democratic schools and democratic trolley cars and democratic privileges for the new Germany will be window-dressing to hide a failure.

But if we do remove the fascist bureaucracy, without trial, on mere identification, then all these subordinate problems instantly become more manageable. It will not seem nearly so hard then to teach the German children that fascism does not work. They will actually have learned that lesson before they come to school. They will have seen the trains leave, carrying the fascists and fascists to the border and oblivion.
CHAPTER ONE

Why They Fight The Morgenthau Plan

Powerful forces both in the U. S. and Britain are inspiring the opposition to the so-called Morgenthau plan for reducing postwar Germany to a predominantly agricultural nation—for the simple reason that they want a strong industrial Germany to offset the "breach" of a strong industrial Russia.

And although these groups in both countries are making an intense effort to ridicule the proposal and have it shoved aside as impractical and impossible, informed Washington sources revealed today that the Treasury's scheme is "still very much alive."

It has not been repudiated by the President, as was reported this past weekend.

The Men Against It

On the contrary, there's a good chance that at least the main outlines of the Morgenthau plan will form the basis of our official policy toward Germany.

The story behind the first published leaks on the Treasury's proposal and the surprisingly sudden storm of opposition which followed reaches deep into the paths of "power politics."

It's not just a question of an inter-cabinet argument on the best method to make sure Germany will be unable to wage another war in 15 or 20 years.

Involved are the groups here and in England who fear Russia.

Once this key point in international politics is recognized, the premature disclosure of the Treasury plan, which impelled its position, and the violence of the criticism are explained.

The misleading stories about the Morgenthau plan published to date have almost obliterated the fundamental issue involved.

This, as authoritative sources put it, is one of viewpoint:

(1) Shall we restore Germany to full industrial strength as soon as possible so that there shall be a balance of power in Europe and try to cut the risk of war by maintaining controls over strategic industries?

(2) Or shall we turn Germany in the direction of an agricultural economy and make another German war extremely difficult if not impossible?
The Morgenthau Plan

The dominant groups in British government and industrial circles favor the first viewpoint. Russia's stand has not been disclosed officially, but it is reported she definitely will fight any plan for rebuilding Germany on the same industrial basis.

Here the split involves the Treasury Dept. on one side and subordinate groups in the War Dept. and State Dept. on the other. Secretary Hull is believed to be much more favorable to the Morgenthau plan than his subordinates, led by James C. Dunn. Churchill is said to lean somewhat more toward the scheme than his subordinates, led by Foreign Minister Eden.

Facts About the Morgenthau Plan

Here, for the first time, are accurate details of the Treasury's proposal:

1. Germany would be divided into two major parts, the north and the south, and each would function as a separate unit. The south would be tied in with Austria and be made a self-sufficient whole through elimination of tariff barriers and creation of a customs union. The north and south would be divided by tariff barriers.

2. All armament industries and potential war-essential plants would be eliminated and stripped. Machinery from heavy industry factories would be removed and given to devastated nations.

3. There would be no cash reparations, therefore.

4. The Ruhr Valley would be internationalized and operated by a three-power commission. The Ruhr coal mines would be shut down temporarily.

5. Imports of capital into Germany would be controlled and permitted only for the purpose of developing agriculture or light civilian industries.

6. The Saar, a major industrial area, would go to France. Parts of Silesia and East Prussia would go to Poland.

7. The big German estates would be cut into small farms. This is the long-range economic policy.

Rebuild Europe Without a Strong Reich

Chapter Two

No matter how rigid we make our industrial inspection of Germany in the postwar era, all common sense warns us that in 10, 15 or 25 years, our intentions will die down and the initial Allied controls will be chipped away—which is a basic reason for Secretary Morgenthau's insistence that Germany's industrial might be reduced to a minimum from the beginning.

The so-called Morgenthau plan starts out with the one fundamental objective of so demoting Germany's economy after the war that she never again will be able to threaten world peace.

Thus, the proposals emphasize the need for turning Germany into a predominantly agricultural nation, for permanently eliminating potential war-making industries. Then, long-range inspection system and outside controls won't be essential.

Other schemes for dealing with Germany also may have that as a prime goal but they aim too at maintaining the balance of power in Europe and at creating a powerful Germany to offset the "three" of a powerful Russia.

Thus, the plans worked out for demobilization in the War and State Deps. stress the need for returning Germany to a strong industrial position as soon as possible.

Basic Differences

Although this may be oversimplification, it highlights a fundamental difference in viewpoint.

And as Treasury experts see the argument, the Morgenthau approach rather than the other is the realistic one. "The idea that we can maintain control indefinitely over a developing industrial state is naive," one authority remarked.

"The danger of another war will not be in the next 10 years, when we may have strong controls. It will come after that, when we have helped rebuild Germany and when, in the natural course of things, our inspection system will be less complete."

Reich Importance a "Myth"

One of the basic criticisms of the Morgenthau plan has been that it would undermine the economy not only of Germany but also of all Europe...
The Morgenthau Plan

because of the Continent’s dependence on an industrialized Germany for supplies and for purchasing power.

Thus, informed Washington sources said today, “is a myth which has been carefully nurtured by the Nazis.”

The dismantle of Germany’s heavy industrial plant and its transfer to treaty lands devastated by the Nazis admittedly would lower the standard of living in Germany, but at the same time, it would help raise the standard of living for other countries.

Belgium, Holland, France, Poland, Czechoslovakia, for instance, would benefit tremendously from the receipt of new industries. The machinery and factories would give employment to millions, would swell payrolls and create desperately needed buying power.

Instead of going to Germany for industrial supplies, these nations would find them within their own borders.

Not a Needed Market

As far as Germany as an essential buying market, that too cannot be backed up by fact. In 1938, for example, when Germany was buying large amounts of goods from other European nations to prepare for war, its rate of commerce was not of vital importance to any country.

Only 5 per cent of the United Kingdom’s exports, only 7 per cent of France’s sales went to Germany. Not one country sent more than 15 per cent of its exports to this nation.

To be even more realistic about it, Germany would not have much money to buy goods after this war, unless we turn right around and hand it over to her.

A Higher European Standard

For a while, at least, the Treasury’s plan foresees a lower standard of living for the Germans but they would not starve by any means. Germany even now is a good agricultural country, virtually self-sufficient in dairy products, meat, grain, etc.

What’s more, Treasury officials see nothing wrong with a lower standard for the Germans. “They asked for it,” was the comment of one source. Simultaneously, though, the proposal aims at a more industrially balanced Continent.

CHAPTER THREE

Wouldn’t Uproot 30 Million Germans

The persistent report that the Treasury’s plan for turning postwar Germany into a predominantly agricultural nation would necessitate the deportation or emigration of 30,000,000 Germans is plain, downright poppycock—and there’s not a line in the so-called Morgenthau plan that even suggests this revolutionary move.

No informed source gives this “scare rumor” the slightest credence, a check disclosed today.

It originated out of the first, glibly held leaks on the Morgenthau proposals. And its constant repetition by presumably responsible columnists is impelling the whole public debate on what to do with Germany after the war.

Here’s the true story on that rumor and on the German unemployment situation after the war.

During the early, secret conferences on the Morgenthau plan, one of Secretary Stimson’s oil handcomments was that it “would turn the clock back to 1870.”

At that time, he continued, Germany’s population was roughly 40,000,000, compared with an estimated 70,000,000 after this war.

And what would happen, he asked, to “the extra 30,000,000”?

His question was answered in detail by Treasury experts, who pointed out that Germany even now was virtually self-sufficient in most foods, that she would be more so when her population concentrated on agriculture. And that, therefore, there would be no need for large-scale emigration.

Stimson is said to have accepted the answer. But out of his first remark grew an utterly baseless rumor.

What’s more, an examination of the facts indicates unemployment will be substantially smaller than advocates of a “soft peace” say.

For instance, 9,000,000 to 10,000,000 foreign workers now in the Reich will return to their homelands as soon as possible.

By the war’s end, it is estimated that 5,000,000 to 6,000,000 Germans will have been killed or seriously wounded.

Another 1,000,000 to 2,000,000 German prisoners of the Russians probably will be kept in Russia to help Soviet cities.

That accounts for 14,000,000 to 18,000,000 Germans. And, in addition, millions will find jobs rebuilding their homes.

“Of course, Germany will have an unemployment problem during the
The Morgenthau Plan

initial transition period," informed sources state, "for millions will be
converted and more will be released from armament plants.

But the major point is that an agricultural Germany can support its
population.

Closing of Mines

Another oft-repeated criticism of the Morgenthau plan involves closing of
the Ruhr mines for a while. This, it is said, is unnecessarily harsh and
would deprive Europe of essential supplies.

Again, experts point out the purpose of this objection is "to throw a smoke-
screen." If the mines aren't closed temporarily, the Allies will be forced to
ask Germany back to operate them, an obviously dangerous concession.

As for supplies, authorities here are assured that England is not rushing
to the support of this suggestion, at least, for Britain's mines can meet the
demand and this move would help solve her own employment
problems.

Many other criticisms seem to fade away under serious scrutiny. For
instance, a great cry has been raised about the difficulty of "moving indus-
trial plants to other countries.

But that wouldn't be hard. The important things are the machines,
which can be relocated easily. The buildings aren't essential.

Another shout has gone up over the "value of German industrial
inventories to the world."

That's a shocking admission of weakness among the Allies which is
not backed by fact in any way.

As was shown in yesterday's article, the argument that industrial Ger-
many is essential to all Europe's economy is just as baseless.

No sensible person even attempts to demand that the Morgenthau plan
be accepted 100 per cent. The Treasury itself recognizes compromises at
such minor points as the division of Germany into northern and southern
regions, and at such minor points as the temporary closing of the Ruhr
mines will be necessary.

The entire scheme and its background have been discredited by the pre-
mature leak and those who fear the program are using this to their own
advantage.

But the basic issue remains just this:

What shall we do with Germany to make sure that never again will
she be able to threaten world peace?

New York Post Editorial on
The Morgenthau Plan

September 27, 1944

Let's Hear More

One excellent test of any plan for settling the German question is
whether it is likely to prevent the Germans from starting another war as
soon as they recover from this one.

Secretary Morgenthau has worked out a plan with that test in mind,
but the result is shocking to some people. The cry that Morgenthau wants
a "hard" peace has gone up. Some people seem to believe that a "soft"
peace would strengthen the Germans.

Actually, what Morgenthau urges is neither a "hard" peace, in the
vengeful sense, nor a "soft" peace, in a forgiving one, but a realistic peace.

In brief, the Secretary proposes this: that Germany be converted into
a predominantly agricultural country by internationalizing the Ruhr, home
of her heavy industry, distributing as reparations to the countries she has
lost the machinery of Germany's war plants, and giving Silesia and East
Prussia to Poland.

Morgenthau is convinced that if Germany remains an industrial nation
after the war she will rebuild her heavy industry, now in the process of
destruction, and be ready for war in another ten or twenty years.

It Makes Sense

But if she is forced to work out her destiny as a largely agricultural
nation, Morgenthau reasons, it would take her two to three generations to
prepare again for war—even if Allied commissions and armies of occupa-
tion are withdrawn much sooner than we hope they will be.

Secretaries Hull and Stimson, who, with Morgenthau, are members of
a special Cabinet committee appointed by the President to work out plans
for postwar Germany, are reported to be opposed to Morgenthau's plan.

We think the plan makes a good deal of sense, and we see particularly
The Morgenthau Plan

pleased that it is smoking out Hull and Stimson. Perhaps, if there is enough
debate of Morgenthau's proposals, all government officials charged with
planning Germany's postwar existence will take the public into their
confidence.

We sincerely hope that Morgenthau’s plan is causing the State Dept.
to reconsider the wisdom of its policies in respect to France, Spain and
Italy, and also the quality of present appointments—especially that of
Robert Murphy, as political adviser to General Eisenhower in Germany.
It seems obvious that any German plan finally adopted will depend
upon the men carrying out policy on the scene.

A Bad History

Hull is said to favor stern measures for Germany, but not Morgenthau’s
particular set of measures. However, the State Dept., as now constituted,
may prove incapable of carrying out a sound German policy.

What can we reasonably expect from the department in view of its
“tough” policy with de Gaulle, its “soft” policy with France, its compro-
mise with Badoglio and the House of Savoy?

We like the Morgenthau plan because it recognizes that the Germans
cannot be trusted to run heavy industry. They have twice made it their
arsenal for a world war. We believe the Allies should adopt this idea as a
basic principle, and make all other phases of a German settlement—politi-
cal, territorial, etc.—fit it.

Also, we think that the grandchild of Nazi soldiers would not want
to conquer the world if their love of peace were at once made clear to the
Germans. Samuel Grafton has proposed a plan consistent with Mor-
ghthau’s, under which the Germans would learn to cherish peace.

Grafton has urged that we sign no treaty with Germany, guaranteeing her
instead a long armistice. After she had proved to the world she is building
her future peacefully and democratically, she would be restored to the
family of nations through a formal peace treaty.

Let's protect ourselves against Germany and then make her show us
that we can trust her.

SAMUEL GRAFTON got his start in the newspaper business in the place
where many first-rate newspapermen end up—writing editorials.
From there he was but a step towards becoming that national nine-cent
newspaper, the conductor of the columns known as “I’d Rather Be Right.”

In his newspaper column, which originated in the New York Post,
whither he had been brought from Philadelphia as an editorial writer, Mr.
Grafton has scored so many “hits” that it becomes impossible to give a
detailed list in the short space available.

He was, for example, one of the first and most consistent of the cul-
turists to insist that the Government place an embargo on the sale of
shrimp and meat to Japan. All told, he wrote more than seventy separate
columns on this subject prior to Pearl Harbor. His famous line, “The
Assault of Democracy Is The Failing State of Fascism,” was one of the
classics of that campaign.

He was among the first, if not the first American writers, to use the phrase
“Second Front.” The phrase was coined in the beginning of his campaign
to get America to do something specific toward getting under way with the
war for Democracy. Here again he scored with a phrase that went winging
across the country. “Hit Policemen For Pluton, Democracy Would Fly.”

He was the first to conclude the idea of “Free France for Bulgars,” the
plan under which the United States and other governments of the world
opened their borders to homeless refugees, giving them an opportunity for a
breathing spell from the terrors of war.

In addition to his work as a columnist for the New York Post and Mary-
land other newspapers throughout the country, Mr. Grafton has found
time to write two successful books, “All Out For Democracy,” and “An
American Diary.” He has also done a great deal of work as a radio com-
mentator and has lectured and traveled from coast to coast.
MEMORANDUM FOR THE SECRETARY.

April 20, 1945.

Mail Report

The death of President Roosevelt overshadowed everything else in the mail received during the past week. Communications took every form from printed cards to cablegrams, and offered many suggestions, but all with the same objective — to honor fittingly a great man. Letters came in every mail urging that the Seventh Drive be a memorial to him, and many asked that his picture be used on one or more denominations of the "E" Series to be offered during the Drive. Special bonds for school children, with his picture, were also suggested, and there was continuing recommendation for bonds of smaller denominations than any yet issued — these to be especially commemorative of President Roosevelt's interest in "the little man".

There was a great deal of pressure for coins or paper currency, varying from a Roosevelt 50 piece to a $25 bill. The most popular, however, was the idea that a dime be minted with the head of Roosevelt on one side and a symbol of Warm Springs on the other. More ambitious plans included trust funds, shrines, and even international unions. Aside from these, there were many letters from persons who said nothing about specific memorials, but simply expressed their heartfelt grief over the passing of the President.

Tax mail, though slightly increased, brought in no new comments or ideas, and the rest of the bond mail was along the same lines as that we have received earlier. There were a few scattered suggestions following the lead of a radio commentator that the Seventh Drive be dedicated to Mr. Truman as an expression of confidence and support. Military successes in Europe brought an increased number of
General Comments

Michael Stern, Kelso, Washington. According to reports in the Press and on the radio, U. S. Army troops have taken, as a prize of war, German gold reserve funds of approximately $100,000,000. I hereby announce my claim on this taken treasure, the amount of which I reserve the right to specify later on. I have lived all my life in Berlin, Germany, as a citizen of Austria. When the Nazis conquered Austria in 1938, I was forcibly deprived of my Austrian citizenship and robbed. I am now an American citizen. I am sure that legal and moral considerations will make American legislators see the justice and righteousness of my claim. I herewith urge the Honorable Secretary of the Treasury to consider my claim as a first step to become reimbursed for my losses out of this captured German treasure.

C. M. Wynn, Export Managers Club of Chicago, Chicago, Illinois. The members of our Club by referendum have voted over 12 to 1 in favor of the Bretton Woods Agreements, involving participation by the United States in both the International Monetary Fund and the International Bank for Reconstruction and Development. I thought you would be interested in learning of this action on the part of our Club, especially in view of the fact that it is based on a vote of the membership, and not simply that of our Board of Directors, as has been the case by a number of organizations who have opposed the Bretton Woods proposals.

Richard Rudler, Philadelphia, Pennsylvania. I would like to congratulate you on the wonderful job you are doing as head of the Treasury Department. I am only fourteen but I still appreciate the job you are doing. Keep up your good work.

Joseph W. Walter, Atlantic City, N. J. I am just a teen-aged boy in the Atlantic City Public Schools, and I would like to know if it would be possible to have our former President Roosevelt's picture put on a new American bill of about eight dollars. I think we should, in remembrance of our beloved former President. If it is possible, I would like to know if you would send me one of the first off the Press, and I would send you the money for it right away.
Favorable Comments on Bonds

George Burns and Gracie Allen, Hollywood, California. (Telegram) We respectfully suggest that the Seventh War Loan be designated the Franklin D. Roosevelt Memorial War Loan.

Max Goldberg, Chicago, Ill. (Telegram) May I suggest that you consider very carefully the possibility of designating one of the series of the 7th War Loan to be known as “Franklin D. Roosevelt Memorial Bond” to bear no interest, or very little interest due in ten or twenty years. I believe the citizens will honor our past President by their subscription to ten billion dollars of Roosevelt Memorial Bonds as a mark of esteem and admiration for our beloved Chief who gave his health and life so that our nation can survive. If you agree with me, I would like the privilege of being the first one to subscribe $2,000 toward the Roosevelt Memorial Bond in recognition of my two sons in service, one who is in France and the other in Iran.

Joseph Costa, Bronx, N.Y. In this the hour of a Nation stricken numb with grief at the untimely passing of our beloved President, it has occurred to me that this must be millions of people throughout these U.S. humble, everyday people like myself, who, although their hearts are filled with sorrow will not be able to find an outlet to express their grief. These people are asking of the man in the street, “What can we do? Who will show us how to prove our loyalty and devotion to the man who now lies sleeping his last sleep.” What better way could we find than to dedicate the 7th War Loan Drive to his memory, make it the Franklin Delano Roosevelt Memorial Drive. Thus we will serve notice to the world at large that in Death as well as in Life, the ideals for which he strived will live on and be brought to a swift and complete realization.

Wm. Gintel, Manhasset, N.Y. As we Americans bow our heads in mourning for the loss of our great leader, we should also remember that it is our duty to carry out his policy of a United America for complete victory. It is in his memory that I suggest we set aside one day during the 7th War Bond Drive as P.O.D. Day and call upon all Americans to support what our great leader so willingly gave his last full measure of strength.

Mrs. Dolly Hill Brown, Wichita Falls, Texas. I am one of the million common people that have lost a friend in the death of our President, Franklin D. Roosevelt. Would it be out of line to ask all the men or women to set aside to honor the President by buying more bonds to show our faith in the country he loved and died for?

Henry J. Faber, New York City. The 7th War Loan Drive is the first chance the American people have to give the new and honorable President Truman a vote of confidence. If we expect that President Truman is to become the great leader of democracy our late President Roosevelt has so deservedly been credited with, and if he is to grow to be the symbol of freedom for the world, if he is expected to speak for the American people at future conferences, he must get an overwhelming endorsement by the public. To my opinion, this can be displayed best by the average American by lending more money to the Government than in previous War Loan Drives.
Mrs. John F. Coulon, Johnny Coulon Products Co.,
Chicago, Illinois. Would it be possible to have the
7th Loan changed to "Franklin Delano Roosevelt
Loan" in tribute to the greatest man the world has
ever known? I have been so saddened by the passing
of our beloved President that I thought we could do
nothing that would please him more than to buy more
bonds, so when I am selling them now I ask them to
buy in tribute to the late President Roosevelt. I
sold two $500 Bonds to a little man today who felt
this same way. ***

Unfavorable Comments on Bonds

Wesley A. Taylor, Santa Ana, California. Twice
in recent months when I have tried to buy some U. S.
Treasury 2 1/2% bonds, I have been informed that
they were not available, and that I would have to
defer my purchase until the next bond drive. I am
wondering why, when every newspaper and magazine
blazes forth in huge type, and every radio blazes
forth admonitions to "buy War Bonds", I should be
confronted with this situation where I must either
let my funds lie idle for a time or else buy some
type of bond which is not my preference. If there
is any good valid reason for this situation, I would
be pleased to know what it may be.

I'm writing to you to see if you can give me any
information regarding two twenty-five dollar War
Bonds purchased by my son who was killed in France
on October 7, 1944. I've written several letters to
the New York address, but I have received no answer
whateover. Will you please see that I get a defini-
tive answer to this letter?
APR 20 1945

My dear Mr. Secretary:

I am pleased to send you herewith a copy of the report of the War Refugee Board for the period from March 26 to April 7, 1945.

Very truly yours,

William O'Dwyer
Executive Director

Enclosure.

Report of the War Refugee Board for the period from March 26 to April 7, 1945

SITUATION IN GERMAN-CONTROLLED TERRITORY

From late reports, it seems clear that the situation of civilian internees in Germany and German-occupied areas is very precarious. Camp populations are being shifted from one area to another, on foot and over long distances, and since thousands of persons are unable to endure the rigors of these forced marches, the number of deaths is increasing. It is feared that, as the Germans are faced with mounting difficulties, they will cease all attempts to feed internees who are not useful in their war effort. The rapidity of recent military developments has the paradoxical effect of rendering problematical the fullest execution of our feeding and evacuation programs and at the same time redoubling the importance of measures to bring relief to internees who otherwise may not receive even the minimum quantities of food necessary to sustain their lives.

While news reports from Germany indicate that almost all internal telephone and telegraph communications are disrupted, so that any general last-minute extermination of large groups of civil internees may be precluded by lack of centralized SS control, it is feared that the Nazi program for the extermination of these people may nevertheless be carried out not only by the Nazi hierarchy but by organized or roving bands of terrorists and by individual Germans. The Board presented this situation to the Department of State with a strong recommendation that serious and immediate consideration be given to the issuance by this Government of a new warning directed to all groups and individuals in Germany and stating that this Government considers such acts as death caused by starvation and neglect the same as murder in cold blood and punishable as war crimes.

Turkish-German Exchange - Reports of Exchanges

As a result of a recently affected Turkish-German exchange, more than 130 Sephardic Jews claiming Turkish nationality left Lisbon on March 25 en route to Istanbul as a part of a group of 700 Turkish citizens. It was reported that these refugees, all of whom are without documentation, were released from Bergen Belsen and that there were included in the group 33 women recently transferred from Ravensbrück, 2 from Auschwitz, and 5 from Theresienstadt.
According to information furnished by the refugees, large numbers of internees have been transferred from camps in Poland and there were said to be between 45,000 and 50,000 persons interned at Bergen Belsen and approximately 50,000 at Ravensbrück. Of the latter, 5,000 are Jews, for the most part Hungarian. The group of 105 Spanish Sephardics deported from Athens were reported to be still at Bergen Belsen but were expected to leave soon for Switzerland. Although there are apparently no basic changes since the last reliable reports, conditions in the camps were said to be terrible, and all of the refugees urged that food be sent to the camps.

REPLACEMENT AND EVACUATION PROJECTS

Operations from Switzerland

Representatives Mann, McElhinn, and Katzki met in Paris to discuss with military authorities certain phases of transportation problems incident to the sending of relief parcels to civilian internees in Germany and German-held territory and the removal of such internees to safety in Switzerland. As a result of these discussions, a number of truck tires and tubes were obtained and arrangements were made for weekly deliveries of gasoline. Representative Katzki is now in Switzerland assisting McElhinn in working out the details of the program.

Prior to his departure for Paris, Representative McElhinn reported from Bern that several large trucks obtained on a rental basis in Switzerland were to be available soon to transport relief supplies to civilian internees in the Buchenwald and Vienna areas. A smaller number of trucks, obtained commercially by a private organization with Representative McElhinn's assistance, were expected to leave shortly with relief supplies for internees in Bergen Belsen. (It was later reported that these trucks left on March 25 for Theresienstadt instead of Bergen Belsen.) It was indicated that, with tires available, Bergen Belsen. In addition to truck transportation, one railcar carrying 4,500 Board parcels as well as other relief materials for the Vienna area were scheduled to go forward about March 28.

After his return to Bern, Representative McElhinn informed us that Swiss trucks were being equipped with the tires and tubes which had been secured but that the only trucks available in Switzerland for this purpose were of the type that burn Diesel oil instead of gasoline. With the cooperation of the American and British Legations with regard to blockade aspects of replacement, a quantity of Diesel oil was released from Swiss commercial sources for the use of the International Red Cross.

Late reports from Representative McElhinn outline plans of Interroges for parcel distributions. In view of the rapidly worsening condition of internees in the concentration camps of Oranienburg, Ravensbrück, and Hamburg-Neuengamme, and in view of the imminent possibility that the Berlin-Lübeck route will be closed to traffic for the time being, it is certain that additional supplies and means of transport to this region will be essential. Although the Hamburg area, where no trucks are presently available, may soon be cut off, first efforts are being directed to the dispatch of supplies and means of transport to this region. Five trucks were scheduled for Lübeck to unload supplies at Bergen Belsen on April 9, for Lübeck to unload supplies at Bergen Belsen en route and to distribute all of such parcels in this area within about three weeks. A shipment of some ten tons of relief goods for the women's concentration camp at Ravensbrück is to be carried by a small convoy of wood-burning trucks which belong to a Swiss commercial concern and which are expected to leave soon for Denmark to repatriate Swiss citizens there.

Probably the greater part of relief shipments by truck will be made to the Italian region and areas east and northeast of that point which it is felt may be accessible for a longer period than camps in the northern areas. Deliveries will be made to camps of Dachau, Landsberg-am-Lech, Flossenbürg, and other camps in the vicinity of Munich. The trucks will also be used to dispatch emergency relief supplies to the south of Switzerland. Four trucks were scheduled on April 11 for Dachau, where they will remain to distribute supplies to internees in the Dachau region. It is expected that the trucks will be used to evacuate internees in the eastern and southern regions of Switzerland. The division of the International Red Cross Division of Special Aspects is expected to receive eleven more trucks, which will be used to transport relief supplies to the eastern and southern regions of Switzerland.

Operations from Sweden

Representative McElhinn was informed by the International Red Cross that two railroad cars containing 5,400 Board parcels were left Goteborg on March 16 for the women's concentration

Regraded Unclassified
camp at Ravensbrück and that two other camps carrying 4,600
Board parcels each left for the Hamburg-Brunswick concentrat-
camp on March 17. We were advised by our Legation in
Stockholm that the Inter-crew delegate at Gotemborg has
reported shipments of Board parcels totaling 38,000 to
Hamburg-Brunswick and 12,000 to Ravensbrück. Representative
Dill has been authorized to make available to the Swedish
Red Cross or the Swedish Y. M. C. A. 40,000 of the parcels
remaining at Gotemborg for delivery to internees at Bergen
Belsen.

According to the report of a private organization
representative who recently returned to London from Sweden,
a Swedish Red Cross official has succeeded in obtaining
from the Germans approval for the establishment near Weimar
of a special camp for Danish and Norwegian civilian internees,
to be under the protection and administration of the Swedish
Red Cross. The suggestion was made that the Germans be
approached with a proposal for the establishment of similar
camps for Jews, and it was indicated that the Swedish Govern-
ment and the Swedish Red Cross are willing to cooperate in
such a plan.

EVACUATIONS FROM SWITZERLAND

Recent information from military authorities indicated that
the earliest possible date for moving the two groups of
Bergen Belsen and Theresienstadt internees from Switzerland
to UNRRA camps was April 15. According to a late cable from
Paris, however, it is planned to effect the evacuation of
these refugees to Philipville and southern Italy in two
groups and April 30 has been set as the preliminary target
date for the first half. Arrangements for their transporta-
tion from the Swiss border will be made by military authorities,
who are now arranging feeding and shelter accommodations for
the refugees while in France. The United Nations Relief and
Rehabilitation Administration has suggested that its Versailles
office offer military authorities supplementary medical and
welfare personnel for the care of the refugees on route.

A report from Bern informed us that six of the exchanges
from Bergen Belsen who had to be hospitalized in Switzerland
have now recovered sufficiently to be able to travel and
Representative McNeill will endeavor to include them in
the convoy of refugees to go to Philipville. It is
contemplated that the remaining three exchanges who were ill
will also be transferred to Philipville if they are physically
able to undertake the journey when the refugees leave Switzen-
land.

REPORTS ON SURVIVING JEWS

According to reports of representatives of a private
organization the present Jewish population of Budapest is
estimated at approximately 150,000, and thousands are re-
appearing from deportation, labor, and concentration camps,
being aided by the International Red Cross representative;
the food situation there is said to be fairly good. About
the situation in general is the situation in general is
1,600 Jews in Zagreb, where the situation is described as fairly good, with stocks of clothing and food
available, are also being assisted. There remain in Greece
some 8,900 Jews, approximately 10% of the pre-war Jewish
population of that country. Of this number, 4,500 are in
Athens, including some 1,500 Saloniki Jews.

SPANISH REPUBLICAN REFUGEES

We recently learned from our Embassy in Lisbon that the
current situation of Spanish Republican refugees in Portugal has
come more precarious. Private agencies have been supporting
these refugees in hiding to prevent their arrest by Portuguese
police and deportation to imprisonment and possible execution
in Spain. In recent weeks, however, the hiding places of a
number of them have been discovered, resulting in the arrest
and imprisonment of many of them and in increasing danger
and imprisonment of the others. In a cable to Ambassador Winant and Mr. Harris-
son the Board called the attention of the Intergovernmental
Committee to the plight of these refugees and strongly
recommended that the IG sphere the maintenance of this
group as a part of its over-all program on the Iberian
Peninsula and that it arrange for the speedy evacuation of
the refugees in question to places of safety.

INTERGOVERNMENTAL COMMITTEE

It was reported by Mr. Harrison, Representative of this
Government on the Intergovernmental Committee, that as a
result of discussions between the French authorities and
the Assistant Director of the IG, the Committee has been
advised by the French Ministry of Foreign Affairs of the
French Government's decision that the Convention signed
at Geneva on February 10, 1936, concerning the status of
refugees coming from Germany and Austria, to adhere to
the additional protocol extending the provision of the
Convention to refugees coming from Austria. The French
Foreign Office further stated that if the Committee accepts
the official mission, the French Government is prepared to take measures by decree to enable the Committee's representative in France to exercise the same powers for the legal and political protection of German and Austrian refugees as were formerly conferred upon the League High Commissioner in France with respect to the protection of Hanneken refugees. Mr. Harrison has been authorized by this Government to vote favorably on acceptance of the proposals of the French Government at the meeting of the Executive Committee called for April 11 to consider the French Government's invitation.

In view of the urgent need for funds to proceed with a number of action programs now in readiness, and as a result of Mr. Harrison's strong recommendation that to avoid further delay this Government contribute to 1945 100 administrative and operational expenditures in conformity with earlier commitments, appropriate recommendations for this purpose were submitted to the Bureau of the Budget. Mr. Harrison was informed of this action and advised that every effort is being made to secure consideration and final action before the Executive Committee meeting scheduled for April 11.

William O'Dwyer
Executive Director
Distribution of true reading only by special arrangement. (SECRET)  

Secretary of State,  
Washington.  

215, April 20, 8 p.m.  

FOR WIB FROM LEXLEINAND  

Regarding possible relief to Armenians in Germany  
ICRC has now informed us that (Department's 1350  
MB's 454, April 5) committee possesses no utilisable information whatever concerning Armenian refugees of POWs in Germany.  

There are apparently Armenians among Russian POWs but their number and location are unknown since Germans have never as general rule supplied ICRC with data on Soviet POWs. There are similarly doubtless Armenian forced laborers deported from Soviet Union to German occupied regions but any information concerning their number or whereabouts are also lacking. ICRC has never, as you know, undertaken relief programs for forced workers in Germany.  

Any may Armenian civil detainees who happens to be in a concentration camp accessible to our WIB deliveries will benefit from them exactly as do inmates of others nationalities.  

HARRISON  

MID-1699  

Bern  
Dated April 20, 1945  
Rec'd 5:57 p.m.  

Secretary of State  
Washington  

215, April 20, 8 p.m.  

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HARRISON  

MID-1697  

London  
Dated April 20, 1945  
Rec'd 2:05 p.m.  

Secretary of State  
Washington  

4054, Twentieth  

FOLLOWING MESSAGE FROM EMERIC INTERGOVERNMENTAL  
COMMITTEE ON REFUGEES LONDON FOR EARL HARRISON AMERICAN  
REPRESENTATIVE INTERGOVERNMENTAL COMMITTEE ON REFUGEES.  

Message begins. We have now received approval of British Government to proposals relating to Spain and Portugal contained in my memorandum of the 15th February 1945. No conditions are attached to the approval but hope is expressed that we should try to persuade the Spanish and Portuguese Governments to contribute to the cost involved and second having regard to high cost of living in Spain and difficult currency problem in Portugal. High priority should be given in due course to removal and resettlement of the refugees in the Iberian peninsula. We shall be grateful if you can expedite approval of Government of United States. Message ends.  

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

Secretary of State,
Washington,
2229, April 20, 3 p.m.

Plains are shaping up satisfactorily now for evacuation special groups of Jewish refugees from Bergen Belsen and the Rhenishritt from Switzerland to UNRRA reception camps in North Africa and perhaps Italy.

Swiss authorities are making all preliminary preparations including formation of convoys, supplying railroad cars, medical personnel, etc, and move is being coordinated with UNRRA 54y, 61, and UNRRA with whom this question was thoroughly discussed in Paris at end of March.

First group of approximately 1100 persons is scheduled to leave Geneva on or about May 2 for Marseille. Second group of similar size should depart 2 days later. It may be necessary to add a third smaller group later. Refugees of all nationalities represented within these special groups are being evacuated with exception of Dutch nationals. They are mainly Hungarians, Romanians, Greeks, Yugoslavs, Poles and former Germans from the Rhenishritt.

Will keep you informed of progress this movement.

Washington

Rec'd 11:10 p.m.

Regraded Unclassified
Plain

Lisbon

Dated April 20, 1945

Rec'd 10:12 p.m.

Secretary of State

Washington

333, Twentieth

WEB B 390, JNO 222, FOR LEAVITT FROM THOM SYMONDSKI

Association Polish Jews in Sweden received cable dated Moscow twelfth. Necessary help for saved in labor camps clothing, shoes, food, tools for tailors, shoemakers, joiners, locksmiths. Send us list persons searched Sweden, England. Central Committee of Polish Jews, Warsaw, Szeroka St., Dr. Emil Hammerstein. Guttman attempted contact Hammerstein several times but never received reply. Perhaps you should consider authorizing Guttman give Rybovski money to establish search service for us. Please advise.

BARUCH

JH

Madrid

Date April 20, 1945

Rec'd 9:14 p.m.

Secretary of State

Washington

835, April 20, noon

Following non-preference quota numbers allotted for

refugee children for month of March 1945 returned unused.

Figures represent 25% of block allotted Department's inclusive:

German 4542-4741; Polish 1794-1873; Belgian 262-269;

Netherlands 503-523; Czechoslovakia 589-603; French

529-549; Hungarian 349-355.

AIRBORNE

JHS
MB-1699
Distribution of true
reading only by special
arrangement. (REVD n)

Lisbon

Dated April 20, 1945
Reo'd 3 p.m.

Secretary of State,
Washington,

035, April 20, 11 a.m.

POR LEAVITT FROM THOSE.

Anticipate British steamer will take within few days
25] Tangier's certificate holders. (This is MB 308 JDC
220). $120 average cost passage. Regarding method
payment, instructions will follow.

BARUCH

US
SIAM TO AMERICAN CHARGED, LEBON, FROM THE JEW REFUSIS NAMED

Please deliver the following message to Harold Trosi from U. A.

Lewitt, American Jewish Joint Distribution Committee:

QUOTE FOR DONATIONS AMOUNTING RECOMMENDATIONS TOT NO حيات

OUR THOUGHTS ARE:

1. ELIMINATE POLICY THAT AMOUNTS FREQUENTLY POTENTIAL

2. ELIMINATE REIMBURSEMENT TO SAVINGS LAST THAT WHICH

3. YOUR SUGGESTION ELIMINATION POLICY APPROPRIATION

4. ELIMINATE REIMBURSEMENT TO SAVINGS LAST THAT WHICH

PLEASE ATTACH JUDICIAL POSITIVE INQUIRY INTO MATRIX.

IMPORTANT TO ACCURATE ALL POSSIBILITIES SAVINGS CURRENT

THIS IS OUR ISN. CASE NO. 173

4:00 p.m.
April 24, 1943
Information received up to 10 A.M., 20th April, 1945.

NAVAL
1. Mediterranean, 16th/17th (Night). Coastal forces sank two, possibly three, ships in convoy in Gulf of Venice, while Yugoslav coastal craft and an M.T.B. sank an F-Lighter and probably an E-boat same area.

MILITARY

MILITARY
3. Western Front. (Southern Sector): 1st French Army and 7th U.S. Army continued make progress with latter capturing Anseback and now engaged clearing Brussels where heavy fighting taking place.
   (Central Sector): Patrols of 3rd U.S. Army have crossed Czech frontier East of Hof. 1st U.S. Army has partially cleared Leipzig and also stopped up areas between this city and River Mulde. Considerable German forces have also been cut off in Harz mountains by junction 1st and 9th U.S. Armies near Bernburg. (Northern Sector): U.K. armour reported on River Elbe at Lauenburg with 5 miles Harley while further west 1st Canadian Corps report southern edge of Saller See between Kempen and Harderwick clear of enemy.

MILITARY
5. Italy. On 8th Army Sector U.S. formations have advanced 4 mile along North shore Lake Cenoecchio and now mopping up Porto Maggiore while East of Bologna British troops have advanced 1 to 2 miles against determined resistance. On 5th Army sector advances of up to 4 miles made on 16 mile front S.W. Bologna.
6. Burma. (Central Sector): Villages of Slin, Chauk and Sale on Irrawaddy occupied without opposition and much equipment taken. S.W. of this armoured column advancing westwards from Taungdwingyi now within 3 miles of Irrawaddy while further East another armoured column had advanced 12 miles south Sinywa.

AIR
7. Western Front: 19th Bomber Command Lancasters 47 bombed through cloud railway transformer station at Munich (189 tons) while further escorted Lancasters 33 dropped 204 tons (including six 12,000 pounds) on three batteries Heligoland when some direct hits or near misses obtained. U.S. escorted heavy bombers 589 (outstanding bombers 5 and fighters 9) dropped 1399 tons visually on five railway targets in area Leipzig/Frankfurt/Cologne including inflicting enemy casualties 18:0:11 and 11:0:5 in combat. 

SHAEF (Air) - Medium bombers 475 dropped 681 tons on three railway centres Southern Germany and 105 tons on Dunkirk, while 187 fighters and fighter bombers (missing 10) operated all sectors destroying 500 M.T. and inflicting enemy casualties 17:0:5 in combat and 818:6:6 on ground. Hallifaxs attacked shipping in Skaggerak and Kattegat when hits obtained on two 3,500 ton ships.


MILITARY
18th. Escorted U.S. heavy bombers 473 dropped 974 tons on targets Bologna area.

Bombers 371 attacked railway bridges Austria and supported both armies while fighters and fighter bombers 1133 (missing 11) operated battle areas.

Regarded Unclassified
April 21, 1945
4:06 p.m.

GROUP

Present: Mr. D. W. Bell
Mr. Bartlett
Mr. White
Mr. Lambie
Mr. Hays
Mr. Griswold
Mr. Ehrle
Mr. C. S. Bell
Mr. Kallos
Mr. Sue
Mr. Russell
Mrs. Klots

Mr. D. W. Bell: That is the stamp the President approved before he died, and after he died they decided to cut this in quotations and put his name on it. That will be on sale Wednesday (indicating).

Mr. C. S. Bell: I thought you might want to see the flag showing the number of servicemen that have gone to war and those we have lost. We are going to hang it up in the reception room. All the boys have seen it outside. We will keep that up and just change this figure.

Mr. W. Jr.: I see. That is a lot. I have about twenty-five minutes.

Gentlemen, what I would like to say is this:

Where is White?

Mr. White: Right here.

Mr. W. Jr.: Let's start on Bretton Woods. This man Hannon was in here today, and he tells me that in the talk he had with Barry and--
H.R.Jr: And get the story straight. But Hanneman said he had a private talk with this fellow, and between the two of them it was understood that it was a deal that he would vote for Breton Woods.

Mr. O'Connell: Yes.

H.R.Jr: I don't know any more, but there was some kind of a deal.

Mr. O'Connell: O.K.

H.R.Jr: But no ifs, ands and buts. Now, I called up Crowley to follow up on what he had done about Congressman Hill because I hadn't heard from him, and this is the answer. He is out of town, but Crowley had already spoken with Congressman Hill about some amendments. Mr. Hill will go along. The Congressman seems reasonably friendly about the matter, according to Crowley, so I think somebody should call on Congressman Hill.

Mr. O'Connell: All right.

H.R.Jr: I will be away not more than Sunday or Tuesday at the most. And as I understand it for the time being there will be no talks with the bankers. Do we understand that?

Mr. Hite: But Mr. O'Connell and Mr. Luxford had a conversation with--

Mr. O'Connell: ... Wolcott--

Mr. Hite: ...this afternoon.

Mr. O'Connell: We just came from there.

H.R.Jr: Let's have the facts.

Mr. O'Connell: Mr. Wolcott is getting from Burgess a written statement of the bankers' position, at which time we are going to talk again with Wolcott, not with the bankers. He outlined what he understood the bankers' position was,
with them, and some place along the line I think we ought to sit down with them.

H.W.Jr.: Yes, but when the time comes to sit down—I have reached the point that I want to do it, see.

Mr. D. W. Bell: That is right.

H.W.Jr.: But in the meantime while I am away and this is going on, Luxford, no talks, just so we understand each other. And I think the thing is coming along fine.

While white is gone we could have—Joe is here and Luxford is here.

Mr. White: I sent you a memo.

H.W.Jr.: I read it. Luxford will try to get into White's shoes.

Mr. Luxford: I will try, but I won't steal them, Harry.

H.W.Jr.: But the relationship has been all right.

Mr. White: If you don't, it is because they are too small.

Mr. O'Connor: There will be no trouble.

H.W.Jr.: Is that all right?

Mr. O'Connor: Perfectly.

H.W.Jr.: There is a perfectly happy relationship around here.

Mr. O'Connor: Fine. I get along fine with Luxford.

H.W.Jr.: Luxford? (Laughter) Anybody who isn't happy on the representation on the hill on Bretton Woods from the Treasury, speak up.
He met with the War Cabinet, and they asked him about the German thing, where did he stand on the Kornentau Plan, and he practically told them Kornentau was a sally, and on his return he was told stronger for the decentralization of Germany than when he left. And in the room I mentioned that Clayton had a change of heart after President Roosevelt's death, and he said, "I will cut his heart out if he doesn't behave himself, and he won't be able to stay around Washington after I've got through with him. He either is right on this German thing or he will leave town."

Mr. Phils: Is this McColly or Baruch?

N. J: Baruch. He said, "I will cut his heart out. That is all I have to live for now is to see that Germany is deindustrialized and that it's done the right way, and I won't let anybody get in my way, and I think he meant it. He got so emotional he had tears in his eyes. I have never heard a man talk as strongly as he did. And he is going to give me stuff next week when he comes down.

He told President Truman that he is very much bothered that they are so slow in moving. "For heaven's sake, make up your mind what you are going to do," he said. "There is no plan around here."

Mr. White: Has he discussed his views with the President since his return?

N. J: Yes, he had a lone talk with him.

Mr. White: You don't know whether he got any favorable responses?

N. J: I couldn't tell, but he said he asked Stettinius to leave the room so he could talk frankly to the President. (Laughter) He had certain things he wanted to tell the President very confidentially so he asked Stettinius to leave the room. He told me that, and I don't like to think he is kidding me, but he certainly went way out of his way to convince me he wants to do everything to be helpful. He said the English still haven't made up their mind on account of the fear of Russia, which is more important, to build Germany up or get the business they might get by deindustrialization. He said England still hasn't crossed that bridge, which gives sense from what we know. He wants to talk to me about that, he said, "They still haven't made up their minds." He said, "I painted a beautiful picture of recovery and I saw the labor unions, and so forth, and so on," and he has the whole story about the sterling debt. Somebody suggested they cancel it. He said Beaverbrook struck the table and said, "The British will never go back on their debt." Not more than once in a century.

The talk with McColly was good, and the talk with Hamman this morning was very good. The talk with Baruch was good. Men's only worry was, could I see Eleven? He gets in Sunday night, and he is going to get in contact with Mrs. Plots. I told him last if he were only sober to be here Sunday afternoon, I didn't think it would be worth his while, and if it had anything to do with the war effort, I would come back.

He said it had nothing to do with the war effort and it could wait. He gave me an invitation to come to Paris in May to talk to the French. He thought that it would be very good for their morale to carry on the Roosevelt—or whatever you call it—line of thought. He said it would be very lovely. He didn't want Eleven to invite me unless I would say yes or no in advance, and I said it would not be convenient, but I would talk it over without coming to an understanding in advance, and he laughed. He is very discouraged, very down-in-the-mouth. He said Europe is absolutely downcast over President Roosevelt's death.

McColly attended the service at St. Paul's and he said that Churchill broke down and cried like a baby. He said the Fine was there, too. He said that he walked down St. Paul's and the people would just stop him and talk to him about President Roosevelt. They think over there it is just unbelievable. They are sorrowful all over Europe and feel they have lost their greatest friend. He said the services at St. Paul's were something he will never forget, and I think that McColly feels it very deeply. I was able to tell him that just shortly before the President died he had said that since he had the President had set McColly right on France that he, DeMouille, and the President had great confidence in McColly, and he felt McColly had been very loyal to the President. And naturally that pleased McColly. McColly wants to work with us, and he wants to get this thing cleaned up. I didn't get much in about Clay because we didn't have time.
Mr. DuBois: Are you going to get rid of Pieven on this German thing?

H.M.Jr.: I did, and aiti Patterson. I have been fairly accurate. It's Patterson—where is Frank Co? Now listen, Frank. Oh yes, I told Dean Ashenon I couldn't see him today because I have seen nothing but fellow travelers on their way to San Francisco. When you go over there what you want from the War and State Departments is a plan to defeat Japan. Now, when General Wiedemeyer was here—let's get it from Lebey at lunch today—he gave the War Department a plan on how many divisions they want; so they had Wiedemeyer while he was here, that out, according to Admiral Lebey. When you go over there what I want from the War Department and the State Department, is a plan to defeat Japan, see, and then after that we will do it the way we did my bootleg story—give them a half a thousand dollars now and give them the other half when they make good.

Mr. COS: There is just one part on that, John Carter Vincent, whom I was going with, is in San Francisco.

H.M.Jr.: Get somebody else, and Mr. Bell can call up the Acting Secretary of State and say we want to get started on this thing, and President Truman has asked me to please have something on China on his desk.

This is economic. There's Bill Clayton. He has been designated—I'll do it myself.

I am sorry if I am talking euphemistically, but I am fighting time.

Mr. WHITE: Does Lebey have any views on the subject, Mr. Secretary?

H.M.Jr.: No, but I got this feeling which is very important, and I will get more of it—I got the feeling from Baruch that he realizes the importance of being friendly with Russia. I am seeing Baruch next week. He made a better impression than he has ever made. I feel he is right on Germany and Russia and feels what

the whole problem is, and is a very much stronger man than when we went over, and his brain today was absolutely crystal clear, no fuddy duddy business today. It's very encouraging. I didn't get down to Admiral Lebey. I don't know where he stands.

Mrs. KLOTT: Baruch wouldn't miss anything.

H.M.Jr.: He was clear today. Now, I am just trying to give you fellows a little accounting. My advice to Mr. John Pehle is that on the first of May you take a couple of weeks vacation. Get the stuff out of your system. Get a little health. You never had a chance to recover from your brother and everything. You have had a bad time. You have done a swell job, so get a little rest, a little sunshine, and come back and we'll work the hell out of you!

Mr. PEHLE: Thank you very much. I'll do it, too.

H.M.Jr.: I would do that.

Mr. PEHLE: Thank you.

H.M.Jr.: There is one fellow over there, an economist you have.

Mr. PEHLE: Silvermaster.

H.M.Jr.: I have heard good things about him, and we may want him over here.

Mr. PEHLE: He is needed over there, too.

H.M.Jr.: Well, as Joan said, "Korgentau first." So, talk to Frank Co about it. I have a special assignment in mind for him anyway, so don't give him a job until he comes here. I have a special assignment in mind for him.

H.M.Jr.: Now, I'll have to read that stuff on the plan.

Mr. WHITE: There is nothing important, nothing that can't wait.
Mr. White: That really is first, but I thought I would put it second so it wouldn't sound so bad. Things are going along very smoothly here on anything I have, together with Bretton Woods.

Mr. Jr.: I am listening.

Mr. White: And so, if you feel—I can come back within a day. I can fly back, and I am just hoping that you won't want me for some time.

Mr. Jr.: For how long, huh? how long?

Mr. White: Oh, I don't know, two or three weeks.

Mr. Jr.: You're crazy. He's crazy. I thought you said three days.

Mr. White: Three days?

Mr. Lukens: It's weeks instead of days.

Mr. Jr.: Well, I'll be very honest, Harry. Don't misunderstand me. If it's a question of my doing your work, I am not going to do it.

Mr. White: I understand that and I hoped you wouldn't. It's a question of my doing it or Mr. See or Mr. Luxford or Mr. O'Connell. I wouldn't like you to do it. I mean, if they are doing satisfactorily, and I am sure they are—

Mr. Jr.: If it's going satisfactorily, but if it means am I going to pick it up and do it—

Mr. White: I know you will let me stay as long as I can, and when you feel you want me back, I'll be glad to come.

Mr. Jr.: That's fair enough, and I'll give you all the time I can. I don't know why you want to stay so long.
MR. WHITE: I am not running that conference. I am more or less an observer.

H.M.Jr.: I know.

MR. WHITE: And there are a number of--well, never mind.

H.M.Jr.: Well, we understand.

MR. WHITE: I won't waste all of my time, just some of it.

H.M.Jr.: I know, you never do. Now, Ted?

MR. CABLE: I have nothing that can't wait.

H.M.Jr.: What else is there? I want to break the story soon on some of that law enforcement stuff.

MR. O'CONNELL: Well--

H.M.Jr.: Put some heat on.

MR. O'CONNELL: We'll do all we can.

H.M.Jr.: Those reports weren't too good. I read them all.

MR. O'CONNELL: They'll get better.

H.M.Jr.: You may need some new blood there.

MR. O'CONNELL: That's pretty hard. New blood is hard to find.

H.M.Jr.: What about a blood transfusion or something? Those reports weren't too hot.

MR. O'CONNELL: They were studies.

H.M.Jr.: Did you get my suggestion?
Mr. WHITE: I want to make it as much a pleasure trip as I can. That's one reason I am going.

H.M.JR.: And if I go to France in May—it's too bad Joe never wrote up the report on London. (Laughter)

Mr. WHITE: He has from now to May to do it.

H.M.JR.: Good bye, Harry.

Mr. COE: Can you take any more reading matter? These are what I promised on China.

H.M.JR.: What we want is a plan from Wall. I didn't get Clayton.

Mr. COE: I'll get him. I'll take care of it.

H.M.JR.: Where are Fehle and Miss Hodel?
NIJr: Mr. Stimson wants Bob Patterson to handle this thing with China, see?
NIJr: Yeah.
C: Oh, he does?
NIJr: Well, that's good. He is a good one.
NIJr: Yeah, I picked him. You are to go over there at 11 o'clock Monday morning and see him.
C: Go over and see him at 11 Monday.
NIJr: All right.
C: And my suggestion is that you take John Carter Vincent with you.
C: And talk over the situation.
NIJr: And talk it over with Patterson.
C: All right, I'll do that.
NIJr: Now, I don't know whether you want to see this fellow Pel before that or not.
C: I think perhaps -- no, I think we can't very well.
NIJr: You think you can't.
C: Well we could early Monday morning.
NIJr: Why couldn't you see him early Monday morning?
C: All right. He hasn't rung. How did you leave him? Am I supposed to get in touch with him?
NIJr: Well, I would in view of the thing the way it ---
C: All right, all right. Now when are you coming back?
NIJr: Tuesday or Wednesday.
C: Tuesday - well, I was asking because you wanted to have the preliminaries over by the time you got back.
Mr. Dean Acheson: Yes, Henry.

HJMr: I've been thinking of you but all of these fellow-travelers on their way to San Francisco.

A: Yes.

HJMr: Fellow-travelers. Did you get that?

A: (Laughs) I do. They are not fellow-travelers of mine because I'm going to stay here.

HJMr: Well, they're not of mind, but they have been dropping in, and I'm leaving this afternoon to go to Elinor.

A: Yes.

HJMr: When I come back I'll ask you if we can't have a meal together, and I'll be back Tuesday or Wednesday.

A: I shall be delighted to do it.

HJMr: You'll be here?

A: Oh, I'll be here. Ed told me that he had a talk with you after the Cabinet....

HJMr: Yeah.

A: ....and worked out with you that Will was going to handle certain things directly with you, and I think that will speed things up.

HJMr: Well, I hope so, but I'd just like to have - oh, as one friend to the other off the government payroll
April 21, 1948
4:00 p.m.

FINANCING

Present: Mr. D. W. Bell

Mr. Bell: We have twenty-two billion dollars in
Government securities in the various trust accounts. There are about thirteen of them in number, and seventeen million of that is in special and non-marketable operations, two percent special, and four billion six are in marketable securities, and there is about a billion three these are the five accounts, and there are about twenty-five others I didn't pick up because they are miscellaneous business, one billion two hundred and sixty-eight million in tax exempt issues in these three accounts, and those two, I think, are the only ones that we ought to consider.

H.R.Jr.: These two?

Mr. Bell: Yes, because we have the government life insurance fund a special rate of three and one-half percent with the understanding they would not sell marketable securities.

H.R.Jr.: Just these two?

Mr. Bell: Yes, those two, and we have that much in marketable securities on the taxable issue.

Here is what we have done, sold one hundred and fifty-one million dollars in securities since January 1 from those two accounts. We have sold ninety-one million of taxable and sixty million tax-exempt, which is pretty good, and the market today, in fact for the week, has been kind of dead.

This is what they have not, an authorization to sell five million each in Federal deposits and savings and two percent bonds '40-'40 taxable, and that cleans up those two.

The two and one-half, '37-'38—that market has been very strong since we announced that the banks could not buy anywhere in the Seventh War Loan except the one and one-half's, so we gave them authority to sell five million, and they have got ten million on each account to sell various tax-exempt issues.

H.R.Jr.: Let's tell them this next week that if the market is at all strong I would like them to sell for postal savings twenty million each.

Mr. Bell: Twenty million each! They can push that. They can do that just as the market gets good.

H.R.Jr.: Next week if there is any opportunity. This I will give the girl. (Hand reporter "Pending Authorization," copy attached.)

Anything else?

Mr. Bell: Here is something to go to the President with his withholding taxes. (Hand Secretary "Memorandum to the President, copy attached.)

H.R.Jr.: he ought to sign it and send it back.

(Shock ma.)

All right?

Mr. Bell: Yes.
**FUNDING AUTHORIZATIONS**

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<td>2% Treasury Bonds of 1959-64</td>
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<td></td>
<td>$20,000,000</td>
<td>$20,000,000</td>
</tr>
</tbody>
</table>
REGARDING TO THE PRESIDENT:

There is transmitted herewith for your signature
Form W-4 Revised, Employee’s Withholding Exemption Certificate, which should be filed in accordance with the provisions of the Individual Income Tax Act of 1944.

It would be appreciated if you will return the certificate to me when it is completed so that appropriate action may be taken in connection with the payment of your salary.

The President’s salary is paid monthly on the last day of each month by check of the Treasurer of the United States, based upon a certificate of settlement issued by the General Accounting Office.

J. Hoover 4/20/45
D. McKee 4/21/45
WORLD WAR II

WAR REFUGEE BOARD

Present: Mr. Pehle
Miss Medel
Mrs. Kloet

M.W.: Hello, Miss Medel. Talk fast, will you please on why you want to go, and ask the General wants you to go?

MISS MEDEL: He wants me to go because the meetings are being held by the United Jewish Welfare Fund of Los Angeles, which supports the JDC and the Palestine Emergency Unit of the refugee service. The JDC people in New York are anxious for the General to go because they feel his presence there, and a speech from him telling for the first time some of the work of the war refugee board and what the JDC did will enable them to raise about two million dollars. They have a large number of groups there who are interested in this work and particularly the work of the JDC. The JDC people in New York and the General, too, seem to feel that in this informal group that will be meeting before the large meetings questions will be raised on the work that has been done in the past, and the General is very unsure of himself with respect to that. That's why he wants me, because he says I am the only one around here that knows about all these things. I know in detail what the JDC has been doing.

M.W.: Oh.

MISS MEDEL: In the last few days he has been pretty involved in political stuff that is going on in New York, and he wants to take the time to actually forget everything in New York and really work on this thing and do a good job for them.

M.W.: Why can't you go by air?

MISS MEDEL: We have reservations to go by air Sunday night, but yesterday after he had written clearance from you for my absence for six days, he decided that he didn't want to risk the chance of plane out there at the last minute, and he decided that he would rather use the train reservations which he had, and he wants to have a period to rest up and work this thing out with me. So by train a few days in advance would mean I will be away from the office nine working days. I have a reservation by plane back.

M.W.: The point is this: I am tied up doing other people's work. It is nothing personal, but I am not going to do it any more. He telephoned me asking if he could take you for a week, and I said yes. Now he wants you to go for two weeks, and if something should happen down here, you don't know what, both you and I'll be away. I am tired, too, but it doesn't make sense, Miss Medel. I mean, I don't see why the two of you--you get priority three, don't you?

MISS MEDEL: I have priority three coming back, but he got someone in New York to make reservations coming out for Sunday night, and he checked on it and it is marked "no priority," and he was nervous.

M.W.: You can get a priority. Charles Bell will get you one.

MISS MEDEL: I think, from what Miss Medel has told me, that he doesn't want to go by air. He is afraid--

MISS MEDEL: Yesterday afternoon he got nervous about travel at such a late date.

MR. PEBLE: He could get nervous.

MISS MEDEL: They are building this up so big.

M.W.: When?

MISS MEDEL: May 1 and 2, one night in Los Angeles to a large group, and one night in Hollywood.
MISS MODEL: Tuesday night, if we go by train, and next Sunday night if we go by plane.

H.W.Jr: You decide. It doesn't make sense to me. Do you want to run the thing ten weeks while she is gone? You are leaving on a vacation May 1st. I really shouldn't be bothered about this.

MISS MODEL: I don't think you should.


Mr. FEHLE: We will settle it.

H.W.Jr: If, while they are gone, something comes up I am not going to do it, and they come back and cry on my shoulder I'll do it anyway, and I don't think it's fair to me. It's just damn nonsense.

MISS MODEL: I didn't make the request of you, Mr. Secretary. I realize--

H.W.Jr: It's damn nonsense, because if something breaks and goes wrong--I told John to go away the first of May--I'll be here and I am going to have to do it, and I am not going to do it. This man doesn't mean anything to me. It's damn nonsense.

Mr. FEHLE: Leave it to me, I'll settle it.

H.W.Jr: In order that the fellow can rest--you are the only person left. When is this speech?

MISS MODEL: May 1st and 2nd.

H.W.Jr: It's the craziest thing I have ever heard of. He's childish. Unless Fehle overrules me, and he has that privilege, you go by air. You have ample time to get priorities 3 and Charles Bell can get them out of the White House. It's ridiculous.
APR 21 1945

Eugene

My dear Mr. Meyer:

There were two reasons why this morning's issue of the Washington Post appealed to me especially.

One was the editorial on the Seventh War Loan. The other was the editorial on Bretton Woods.

Both editorials are well written. In each case, the writer knew his subject. And the result, in both cases, will be very helpful.

I appreciate very much the recognition by the Post that monetary, and general economic stability, must be attained if the world is to hope for an era of peaceful development. And the intelligent way in which the problem of war finance is presented is in line with the active support the Post has given the Treasury in past War Loan drives.

Please accept my thanks for the Post in the case of both editorials. And will you be so kind as to pass along to the writers -- or writer -- of the two editorials, my appreciation?

Sincerely,

Mr. Eugene Meyer
Editor and Publisher
The Washington Post
Washington, D.C.

El Fri 4-21-45
MEMORANDUM FOR THE SECRETARY

From: Mr. Blough
(No action required, but would like you to read)

In harmony with a policy approved by you and Mr. Gaston, I have participated in a number of off-the-record conferences with individuals and groups on the subject of postwar taxation and am planning to continue this practice. In these discussions, I go into the ways we are endeavoring to develop a postwar tax program. I also indicate the problems faced and seek to get factual information and opinions bearing on them. My impression is that these conferences have been successful and useful from our point of view.

The following additional conferences are scheduled:

Wednesday, April 21, New York City: Evening meeting with Tax Executive Institute Incorporated, at which perhaps 100 high-ranking corporation officials will be present. An off-the-record discussion.

Wednesday, May 18, Buffalo Chamber of Commerce: On-the-record speech at luncheon meeting. There will probably be 400 or more present at this meeting.

As you will observe only the Buffalo meeting involves an on-the-record talk. Mr. Gaston and I both felt that it was very desirable to accept this invitation. I hope to discuss the subject matter of this talk with you at your early convenience.

April 21, 1945

Blough
Dear Charley:

My heartiest congratulations! But the President, and the newspaper men and women, and the radio and movie people, who serve as contacts between the White House and the public, are the ones who really deserve to be congratulated, as you move into your new post.

It is always a matter of personal gratification for me to see a friend of long standing get the recognition he deserves. And when that recognition means for you an opportunity to serve in a new and broader field -- and keeps you in Washington besides -- I could not ask for more.

Meanwhile I hope you have a pleasant time in San Francisco. I know you will do a good job on your last newspaper assignment for the time being -- and thereafter in whatever assignments may be given you.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Mr. Charles G. Ross
117 Kennedy Drive
Chevy Chase, Maryland

April 23, 1945.

Dear Bob:

It is with pleasure that I now write to congratulate you upon your appointment as Deputy Director for Reconstruction. I know the affairs of that office will be ably administered under your direction, and I send you best wishes as you take up your new duties.

With cordial personal regards,

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Robert H. Rollin,
Deputy Director for Reconstruction,
Office of War Mobilization and Reconstruction,
Washington, D.C.

Isther
IMMEDIATE RELEASE

AUGUST 17, 1945

Fred M. Vinson, Director of War Mobilization and Reconstruction, today announced the appointment of Robert R. Nathan as Deputy Director for Reconstruction. Mr. Nathan was formerly Chairman of the War Production Board's Planning Committee. He left the War Production Board in 1945 to enter the army as a private, and subsequently received a medical discharge.
Dear Mr. Vanderpoel:

Your column of April 17 is one of the best of your many splendid contributions. I say this, not merely because of the compliments you pay me, which I greatly appreciate, but because you have stated so clearly and succinctly the purpose of the Treasury, both in war financing and in matters of general policy. That, it seems to me, is a type of interpretative reporting that is desirable at all times. It is of particular importance now, with the Seventh War Loan about to be launched.

The public deserves to know not only WHAT is being done in the realm of public finance, and HOW it is being done, but also WHY. And your evident purpose has always been to give this information.

I thank you for the kindly references to me, and even more for the effect that your column will have in furthering good relations between the Treasury and the public at large.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Robert P. Vanderpoel
Financial Editor
Chicago Herald-American
333 West Madison Street
Chicago, Illinois

Ref: 4-21-45
Tip to Truman. Eye Morgenthau Record

By Robert P. Vanderpoel
Financial Editor

The "jalababas" already have been busy. They have been operating on the President's cabinet with great gusto. This material and that is to go, but quick, and so forth.

Undoubtedly there will be changes. It is only natural that there should be. But most of the "jalalope" that we have had thus far represents either wishful thinking or guessing in an effort to keep the game.

For example, we hear one of the power men in Treasury Department saying that a great deal of tax reform is in the works.

Unfortunately, the old tax reform game has been played since 1933 (the year of the beginning of the New Deal), and there has never been a game that could be considered complete.

However, in the last year or so, there has been something in the nature of a new game, and the Treasury Department seems to be getting into the spirit of the thing.

It is not clear, however, whether the new game will be a success. It is possible that the old game may still be in the works, and that the new game will be a mere sideshow.

Friend of Roosevelt

Henry Morgenthau was a close friend of President Roosevelt. It may be that he will be glad to give up the Treasury Department for the Presidency.

If so, we may be very sure that he will do his best to re-establish the old game.

What is important is that the Department be run efficiently and effectively. The Treasury Department is one of the most important in the government, and it is essential that it be run by a man who is capable.

Fair, 85 Pct. Admit

Following the last March 15 evacuation period, a nation-wide tax reform bill introduced in Congress was approved by the Senate, and now on its way to the House.

The bill will provide for a uniform tax structure and will levy a single rate on all incomes. It is estimated that the new tax will raise $5 billion in revenue.

This proposal, however, has met with strong opposition from various groups, including labor and business organizations. The opponents argue that such a tax reform would be disastrous for the economy.

The cost of the proposed tax reform is estimated at $17.7 million per year, or about one-fifth of the cost of the current system.

No One Has Lost

President Roosevelt has been asked whether he believes such a tax reform would be successful. He replied:

"I do not think so. The tax reform bill would be disastrous for the economy. It would lead to a decrease in industrial production and a decrease in the standard of living for all Americans."

Mr. Roosevelt further stated that he believed the tax system should be reformed, but not necessarily in the manner proposed by the Congress.

It is clear that the tax reform bill is not going to be enacted into law. However, the issue will continue to be debated in Congress until a solution is found.

Regraded Unclassified
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE April 21, 1945

TO
Mr. Haas

FROM
Secretary Morgenthau

SUBJECT
The Government Security Market and the Pricing of the Seventh War Loan Issues

In response to your request, this memorandum has been prepared to compare the estimated premiums on the Seventh War Loan issues now and at the time the maturities were announced. The first section analyzes market movements during this period, and the second section takes up the effect of the market changes on the pricing of the Seventh War Loan securities.

I. Market Movements Since Your Announcement of the Maturities of the Seventh War Loan Issues

Since your announcement, after the close on April 2, of the maturities of the marketable issues to be offered during the Seventh War Loan, the price behavior of Government securities has been mixed. Movements, classified by maturity areas, fall into four well-defined groups:

1. Prices of bonds in the short-term area -- about three years -- have risen only slightly (about 2/32).
2. Prices of bonds in the intermediate-term (2 percent) area have advanced on the average about 15/32; and these issues are now selling at all-time highs.
3. Prices of the long-term restricted 2-1/2's, on the other hand, have declined on the average about 7/32 since the close on April 2.
4. Prices of the unrestricted 2-1/2's have moved up sharply in contrast to the movement of the restricted bonds. This is illustrated in the following table which compares the restricted Sixth War Loan 2-1/2's of 1966-71 with the unrestricted 2-1/2's of 1967-72, which were issued before Pearl Harbor.

<table>
<thead>
<tr>
<th></th>
<th>April 2</th>
<th>April 20</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-1/2's of 1966-71</td>
<td>101.09</td>
<td>100.31</td>
<td>-0.10</td>
</tr>
<tr>
<td>2-1/2's of 1967-72</td>
<td>102.13</td>
<td>103.19</td>
<td>+1.06</td>
</tr>
</tbody>
</table>

Note: Decimals are thirty-seconds.

This sharp difference is presumably caused by the fact that, with the elimination of the 2 percent bond from the Seventh War Loan basket, banks have sought to buy the unrestricted 2-1/2 percent issues before the supply in the market runs out. The restricted issues, on the other hand, will again be available in unlimited amounts in the Seventh War Loan.

II. The Pricing of the Seventh War Loan Issues

At the time you placed maturities on the new issues (April 2), we estimated their approximate premiums, based on the then market, as follows:

<table>
<thead>
<tr>
<th></th>
<th>12/15/50</th>
<th>12/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-1/2's of 6/15/62</td>
<td>12/16</td>
<td></td>
</tr>
<tr>
<td>2-1/2's of 6/15/72</td>
<td>12/16</td>
<td></td>
</tr>
</tbody>
</table>

Since that time the outstanding issues most closely approximating the ones to be issued in the Seventh War Loan have changed in price as follows:

Regraded Unclassified
Secretary Morgenthau - 3

1-1/2 percent area:
2-1/2's of 9/15/50-52 =13/32
2-1/4 percent area:
2-1/4's of 9/15/56-59 =16/32
2-1/2's of 6/15/62-67 =2-3/32
2-1/3 percent area:
2-1/2's of 3/15/66-71 =10-10/32

1-1/2 Percent Issue. The first of the issues listed above -- which most closely approximates the 1-1/2 percent bond to be issued in the Seventh War Loan -- has risen 13/32 since April 2. If our estimate of the premium on the new issue were to be increased correspondingly, it would be 25/32, based on yesterday's market. Such a high prospective premium will put quite a strain on the pooling mechanisms, and it will be desirable to watch developments closely.

2-1/4 Percent Issue. The 2-1/4 percent bond to be offered in the Seventh War Loan falls between the two middle issues in the preceding list. It should be noted that the restriction on the outstanding issue which rose 16/32 has less than 15 months still to run; while the restriction on the outstanding issue which fell 2/32 still has about seven years to run. The new issue will also be restricted for about seven years, and it appears a reasonable supposition, therefore, that its behavior, if it had been outstanding, would be more closely approximated to that of the outstanding issue with the longer restriction. We would, therefore, retain substantially unchanged our original estimate of the premium on the new issue (19/32).

This, of course, is the theoretical premium which may partly be “eaten up” by market adjustments as the war loan effective date approaches. This issue, and the 2-1/2's, will be available in an unlimited supply, so it will be difficult to maintain a large premium; whereas the 1-1/2's should hold a good sized premium because of the small amount of the issue and the potential large bank demand after the drive.

Secretary Morgenthau - 4

2-1/2 Percent Issue. The outstanding issue most closely resembling the 2-1/2 percent bond to be issued in the Seventh War Loan declined 10/32. About 4/32 of this decline can be explained, however, by the interest "run-off" characteristic of 2-1/2 percent restricted issues, which was allowed for in the original pricing. Our estimate of the theoretical premium on the new 2-1/2 percent issue, based on the market April 2, was 16/32. On the basis of the market yesterday, we would reduce this estimate to about 10/32.

Summary. The following table compares the estimated premiums on the Seventh War Loan issues, based on yesterday's market, with those based on the market immediately preceding the announcement of maturities:

<table>
<thead>
<tr>
<th></th>
<th>April 2</th>
<th>April 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-1/2's of 12/15/50</td>
<td>23/32</td>
<td>25/32</td>
</tr>
<tr>
<td>2-1/4's of 6/15/59-62</td>
<td>19/32</td>
<td>15/32</td>
</tr>
<tr>
<td>2-1/2's of 6/15/67-72</td>
<td>16/32</td>
<td>10/32</td>
</tr>
</tbody>
</table>
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

TO
Secretary Morgenthau

FROM
Mr. Coe

DATE
April 21, 1945

Subject: Purchases of $300 Million of Chinese U. S. Dollar Saving Certificates and Bonds

1. In March, 1942, without prior consultation with the U. S. Treasury, The Chinese announced the sale of $300 million of U. S. dollar saving certificates and bonds by the Chinese Government at official rates. During the period of time during which these issues were sold the prevailing market rates were from two to five times the official rates. At present these certificates and bonds can be sold for more than 15 times their original purchase price.

The Treasury has always suspected that top Chinese Government officers were among the principal beneficiaries of these issues, particularly as a result of the manner in which they were sold. Thus, of the $100 million of certificates a total of $50 million was sold between April 1942 and June 1943. During the last few days of July, however, the equivalent of $50 million were sold of which about $30 million were purchased in Chungking in the last three days of sale.

2. The history of the sale of the $100 million of 10 year bonds was, if anything, even more spectacular and more suspicious. Thus, between April 1942 and October 12, 1943 only about $11 million or about 1/9 of the bond issue was sold. On October 12, however, a leak took place that the government was about to close the sale of these bonds and by October 15 three days later the government had sold out the remainder of the $100 million issue. Both Adler and Friedman were informed by Ambassador Gauss that he, Ambassador Gauss, had it from a highly reliable source that Madame Chiang Kai-shek and Madame Kung had between them purchased $50 million of these bonds. This story jibes with what we know about the sale of most of the issue in a period of three days.

3. In the case of the short-term certificates, we have more exact and detailed evidence than in the case of the bonds since about 1/2 of the $100 million have already been presented for payment to the Bank of China, New York Agency. As might be expected, it has been found that most of the leading political figures in China have not purchased certificates in their own names or, at least, have not purchased certificates in their own names which have been presented for payment. It was found, however, that a small group of purchasers accounted for the great bulk of the total purchased and that among the largest purchasers are organizations and individuals intimately connected with some of China's leading political figures.

4. An analysis of $43 million of certificates which have been presented for payment reveals that 66 individuals or organizations or less than 2 percent of the total purchasers accounted for about $28 million or about 70 percent of the total. These 66 persons and organizations each purchased $100,000 or more of the certificates.

5. Because of the difficulties involved in the identification of Chinese names, it has not yet been possible to identify all of the principal purchasers in terms of whom they actually represent. There is attached hereto, however, a list of principal purchasers who have been identified with comments indicating the individual whom they probably represent.

It will be noted that organizations or persons intimately connected with Dr. T. V. Soong purchased $4.4 million of the certificates; K. F. Chen, $4.1 million, and H. H. Kung, $1.4 million. Moreover, the Ambassador to the United States, Dr. Wei Tao-ting, had purchased about $134,000, K. C. Li about $189,000, and the Minister of Food, Hau Kan, $124,000. Organizations controlled by Wu Yen-sen, the notorious underworld gangster leader had purchased more than $400,000 of these certificates and organisations and individuals intimately connected with Lung Yung, Governor of Yunnan Province and one of the leading militarists of China, had purchased nearly $370,000 of these certificates.
### Chinese purchasers of U.S. dollar savings certificates

<table>
<thead>
<tr>
<th>Purchaser</th>
<th>Amount</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of China</td>
<td>663,053</td>
<td>Controlled by T. V. Soong</td>
</tr>
<tr>
<td>Bank of China, Burma Agency</td>
<td>223,397</td>
<td>Controlled by T. V. Soong</td>
</tr>
<tr>
<td>Bank of Communications</td>
<td>115,004</td>
<td>Controlled by Dr. H. C. Wong</td>
</tr>
<tr>
<td>Bank of Canton, San Francisco</td>
<td>1,289,861</td>
<td>Private bank owned by T. V. Soong, actively managed by his brother T.S. Soong, business done usually with overseas Chinmen.</td>
</tr>
<tr>
<td>Central Bank of China</td>
<td>154,333</td>
<td>Controlled by Dr. H. C. Wong</td>
</tr>
<tr>
<td>Chao, C. H.</td>
<td>454,322</td>
<td>Assistant Manager of Central Trust, manager of Yangtse Trading Corporation, a business firm in the Yang family.</td>
</tr>
<tr>
<td>Chekiang Industrial</td>
<td>295,457</td>
<td>Controlling interest in the banks of Li Ming, who is closely associated with Chang Hai-chi and friendly to R. P. Chen.</td>
</tr>
<tr>
<td>China Automotive Co.</td>
<td>104,788</td>
<td>Controlled by R. F. Hu, leading Szechuan capitalist.</td>
</tr>
<tr>
<td>China Development</td>
<td>500,720</td>
<td>A holding company controlled by T. V. Soong</td>
</tr>
<tr>
<td>China Insurance Co.</td>
<td>349,911</td>
<td>A subsidiary of the Bank of China which is controlled by T. V. Soong.</td>
</tr>
<tr>
<td>China Products Trade</td>
<td>203,522</td>
<td>Controlled by T. V. Soong</td>
</tr>
<tr>
<td>China Sugar Refining</td>
<td>154,518</td>
<td>A subsidiary of the Bank of China which is controlled by T. V. Soong.</td>
</tr>
<tr>
<td>Chun Hsin Chen Bank</td>
<td>149,372</td>
<td>The leading bank of Szechuan landlords and financiers known as Yang brothers to foreigners.</td>
</tr>
</tbody>
</table>

### Purchasers

<table>
<thead>
<tr>
<th>Purchaser</th>
<th>Amount</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chung Yuan Paper Co.</td>
<td>309,067</td>
<td>Controlled by Tu Yushang - famed leader of Shanghai underworld, confident of Generalissimo.</td>
</tr>
<tr>
<td>Commercial Bank of China</td>
<td>309,066</td>
<td>A trading subsidiary of Shanghai Commercial Bank controlled by R. F. Chen, the most money-making concern of all S. F. interests chiefly deals in salt and other commodities.</td>
</tr>
<tr>
<td>Central Trust Company</td>
<td>177,121</td>
<td>Represented by Jardine Matheson in China.</td>
</tr>
<tr>
<td>Fubing Trading Co.</td>
<td>204,428</td>
<td>Represented by Jardine Matheson in China.</td>
</tr>
<tr>
<td>Fubing Trading Co.</td>
<td>196,765</td>
<td>Represented by Jardine Matheson in China.</td>
</tr>
<tr>
<td>Hua Hsin Cement &amp; Co.</td>
<td>103,022</td>
<td>Controlled by K. P. Hu, Szechuan Corp.</td>
</tr>
<tr>
<td>Hunsan Railway &amp; Co.</td>
<td>129,778</td>
<td>Government concern.</td>
</tr>
<tr>
<td>Hunsan Railway &amp; Co.</td>
<td>132,778</td>
<td>Government concern.</td>
</tr>
<tr>
<td>Hong, Baozuan</td>
<td>151,443</td>
<td>Dr. H. H. Hwang's eldest daughter.</td>
</tr>
<tr>
<td>Kuning Bank</td>
<td>103,022</td>
<td>Controlled by Governor Long Tong.</td>
</tr>
<tr>
<td>Lee Peng Chuan</td>
<td>264,458</td>
<td>General manager of Kung-Tsing Trading Corp. and one of R. F. Chen's chief lieutenants.</td>
</tr>
<tr>
<td>Li, K. C.</td>
<td>128,778</td>
<td>President of Szechuan Trading Company.</td>
</tr>
<tr>
<td>Mao, Y. T.</td>
<td>363,984</td>
<td>General Manager of Fukien Bank in Kuning; one of Gen. Long Tong's chief lieutenants.</td>
</tr>
<tr>
<td>Hangyang Fung Tobacco Co.</td>
<td>131,307</td>
<td>Controlled by T. V. Soong.</td>
</tr>
<tr>
<td>Shanghai Commercial Bank</td>
<td>1,088,493</td>
<td>K. P. Chen's bank.</td>
</tr>
<tr>
<td>Shanghai Cotton Spinning</td>
<td>103,022</td>
<td>Controlled by Tu Yushang, Shanghai underworld leader.</td>
</tr>
<tr>
<td>Sun Yat-sen</td>
<td>103,004</td>
<td>Son of Dr. Sun Yat-sen, Pres. of Legislative Yuan.</td>
</tr>
<tr>
<td>Purchasers</td>
<td>Amount</td>
<td>Comments</td>
</tr>
<tr>
<td>------------</td>
<td>--------</td>
<td>----------</td>
</tr>
<tr>
<td>Sung Sing Cotton Mill</td>
<td>$697,915</td>
<td>Controlled by Tsang Chien-kan, C. Tsang's brother, financially tied up with K. T. Chen.</td>
</tr>
<tr>
<td>Soong, T. A.</td>
<td>$258,105</td>
<td>One of the Soong brothers, who is closest to T. V. Soong.</td>
</tr>
<tr>
<td>Tsang, C.</td>
<td>$983,890</td>
<td>K. T. Chen's confidential secretary and one of his most trusted lieutenants in the T. V. Soong administration.</td>
</tr>
<tr>
<td>Tung, C. L.</td>
<td>$123,627</td>
<td>Vice Chairman of Foreign Trade Commission, close to Hsu Hsin, Minister of Food.</td>
</tr>
<tr>
<td>Universal Trading</td>
<td>$1,339,103</td>
<td>Government concern.</td>
</tr>
<tr>
<td>Wei Tao-ming</td>
<td>$133,929</td>
<td>Ambassador to the United States.</td>
</tr>
<tr>
<td>Yangtze Trading Corp.</td>
<td>$334,823</td>
<td>Controlled by Kung family.</td>
</tr>
<tr>
<td>Yu Ya Ching</td>
<td>$103,622</td>
<td>Former President of Shanghai Chamber of Commerce, close friend of Generalissimo Chiang.</td>
</tr>
<tr>
<td>Yu Hua Commercial</td>
<td>$175,138</td>
<td>Dr. Kung's private bank.</td>
</tr>
<tr>
<td>Yu Hua Cotton Spinning</td>
<td>$370,000</td>
<td>A subsidiary of Bank of China which is controlled by T. V. Soong.</td>
</tr>
</tbody>
</table>

April 21, 1945

My dear Mr. President:

I am leaving this afternoon to spend a few days with my wife at Campobello. On my return I would appreciate an opportunity to talk with you about the future economic treatment of Germany.

Yours sincerely,

(Signed) Henry Morgenthau, Jr.

The President,
The White House.
In no event shall any differentiation be made between or special consideration be accorded to persons arrested, either as to manner of arrest or conditions of detention, upon the basis of wealth or political, diplomatic, industrial, or other rank or position.

2. Economic Directive

The basic point of difference between Treasury and the other agencies in the economic directive concerns the question of the imposition of controls on the German economy. State and other agencies are bent upon requiring our military forces to exercise widespread controls over the German economy. We have taken the position that this is completely inconsistent with the President's Directive and that in general the administration and responsibility for such controls should be left to the Germans themselves.

For example, the State Department insists upon a provision which would result in the immediate imposition of the Commander of widespread controls over the German economy in order to prevent inflation. We oppose this position and are suggesting alternative provisions which would make clear (1) that controls of wages, prices, etc., are only to be imposed in exceptional circumstances, and (c) that the question of control of inflation in the initial period is to be left entirely to the Germans with the specification that if inflation assumes such proportions as to endanger the objectives of occupation, the Commander is to report that fact to Washington with his recommendations for action.

Our position regarding control of inflation is based on the following:

(1) It will be an impossible task for the Army to control inflation in Germany and it would be a distinct disservice to the Army to impose upon it a responsibility which it cannot successfully discharge without reconstrcuting the German economy.
(2) There is no evidence that price changes will seriously interfere with the objectives of military occupation, such as reparations, etc.

(3) The German people have a greater interest in preventing inflation than we do; they alone can tackle the job, and it should be left entirely to them. If we try to control inflation in Germany it will become the patriotic duty of Germans to sabotage our efforts.

3. Financial Directive

(a) Paragraph 7(a) of this directive also is an inflation control device which is objectionable for the reasons indicated above. This paragraph makes the military Commander responsible for assuring the reconstruction of the German tax and fiscal system. We propose that this paragraph be deleted from the directive.

(b) Paragraph 7(a) provides for the seizure of all German external assets. Under the provision as it now stands, these assets are to be used for reparation, restitution, or for other purposes.” State Department, over our objection, insisted upon the inclusion of the words “or for other purposes” with a view to assuring that German external assets are used as partial payment for supplies which may be still inevitably have to be sent into Germany. It is our position that this supposed financial advantage is completely illusory. The United States already has claims against Germany for war costs, etc., which far exceed any amount we can possibly obtain as reparations out of Germany’s external assets. Accordingly, it is merely self-deception to suggest that there is any financial gain in using German resources which are already ours by virtue of existing claims to pay for goods to be delivered to Germany during the control period. Moreover, the application of German assets to this purpose may well serve to increase the ultimate financial loss of this government, since the fact that we apparently would be receiving partial payment for goods furnished would be used as an argument for giving the German additional goods. It would be much better to make clear to Congress that if we furnish goods to Germany we are doing so entirely at our expense.

Accordingly, we should urge that the words “or for other purposes” be deleted from Paragraph 7(a), and that German external assets be held exclusively for reparation or restitution.
April 21, 1945
12:30 p.m.

Visit from Baruch

Baruch came to see me at 12:30. He told me that he met with the War Cabinet, and that they asked him how he stood on the Morgenthau Plan, and he said the Morgenthau Plan was all right, but he was more strongly opposed to it than any other.

He told me of the argument he had with Churchill and the others about de-industrializing Germany. According to Baruch, Churchill is still opposed - and the thing that is worrying them is Russia. He can't make up his mind whether they want a strong Germany to oppose Russia, or whether they don't. He said he used the argument with them that if you de-industrialize Germany, look at all the business you'll get. And, of course, that was the argument I used, and to the best of my memory, I told them about it afterwards. I gather also that there is a great struggle amongst the English Cabinet members over reparations, but Baruch gave them a great sales talk on how England could recover at the expense of Germany. It seemed very sincere, and time was not in the argument to clear. I really believe the man means what he says. He claimed that he wants to devote all of his time to solving this German question.

He said to me, "I don't see how you can go ahead with reparation until the reparations question is settled," but he wasn't as positive about it as he was before he went to England. He did say this - that the English were worried about the election coming up immediately after V-E Day, that reparations might be harmful to them. So he questioned me very closely, as to how long reparations would take to pass, and I said at least another 30 days in the House, and then maybe two or three months in the Senate. He said, "Oh, that's all right, that's all right." He said the British election would be out of the way. In other words, before he left he wanted to postpone reparations until the reparations question was settled, and now he's willing to postpone reparations until the British election is over. I can't help but come to the conclusion that he can't be very strong for reparations, although he said he was. He's always looking for some excuse to postpone it, and the idea that he should postpone it in order to wait until the election in Great Britain is over is just damn nonsense to me. I evidently

...
EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD
INTER-OFFICE COMMUNICATION

DATE APR 21 1945

TO Secretary Morgenthau
FROM Miss Hodel

The following information has just been received in cables from Stockholm and Bern:

1. 5,000 Danish and Norwegian Jews arrived in Sweden April 18th from Germany. Their release from German concentration camps is the result of special negotiations conducted by Count Bernadotte, President of the Swedish Red Cross.

2. 69 Jewish refugees arrived in Switzerland April 19th. They came mainly from Bratislava.

3. The stock of War Refugee Board parcels in Goteburg has been exhausted with the shipment on April 16th of 140,000 parcels to Lubek.

Hodel

TREASURY DEPARTMENT
INTER-OFFICE COMMUNICATION

DATE APR 21 1945

TO Secretary Morgenthau
FROM Mr. Geo

For your information
Re: Dutch lend-lease agreement.

On April 20 the State Department handed to the Dutch a proposed lend-lease agreement under section 3(e) of the Lend-Lease Act. This agreement and the accompanying papers were practically identical to the lend-lease agreement signed by the Belgians this week.

As in the Belgian agreement, the Dutch agreement contains only one schedule. This schedule totals 484,000,000, and does not contain articles having a long production cycle and a long life. It will be understood that such items will not be given to the Dutch under Section 3(e) but if procured in the United States must be paid for in cash or through other means of financing. The schedule applies only to metropolitan Netherlands. In a draft letter from the Secretary of State to the Netherlands Ambassador, accompanying the agreements, reference is made to the fact that the agreements contemplate reciprocal aid from the Netherlands to United States but that no straight lend-lease is included at the present time for the Netherlands East Indies. At our request, the letter was toned down so that it would not sound like an invitation to the Dutch to request a lend-lease program for the Netherlands East Indies immediately after the signing of this agreement.

It is assumed that if the negotiations do not result in any substantial departures from the Belgian pattern, the Treasury should not object to the signing of the agreement.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

TO: Secretary Morgenthau
FROM: Mr. White

DATE: April 21, 1946

While I am gone, I would suggest that you look to Mr. Inxord to substitute for me in the responsibility of following through on Bretton Woods matters. Mr. Felton has charge of the public relations aspects of Bretton Woods, Mr. Bernstein of technical aspects of speeches, selection and preparation of witnesses and drafting of technical letters, etc. Mr. O'Connell takes care of arrangements on the hill.

That's how we have been operating and I think that each of these understand what are his responsibilities.

Mr. O'Connell and Mr. Inxord are seeing Mr. Wolcott this afternoon (I arranged meeting) to find out what happened at the conference which Wolcott had with Burgess.

I am appending a memorandum which gives my detailed views on the proposed compromise.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

TO: Secretary Morgenthau
FROM: Mr. White

DATE: April 21, 1946

I am appending below the changes in the bill which in my judgment we could accept without significant harm to the functioning of the Fund and Bank and without significant effect on the chances of adoption of the Agreement by other countries.

Under Part I I am including those items which we can very readily accept. Under Part II I am including those suggested changes which I think we ought to accept reluctantly and only if essential to get Wolcott's support.

It is understood, of course, that no changes will be accepted which involve amendments to the Agreement itself.

All the changes are those that would be incorporated only in our own legislation and will not modify any of the provisions in the Articles of Agreement.

Part I

1. A new section is to be added, entitled "STABILIZATION LOANS BY THE BANK": (this is the substance of recommendations by the MMO). "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 loans for programs of economic and monetary reconstruction which may include long-term stabilization loans, 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.

2. Section 3 is amended to read as follows:

"OBTAINING AND PUBLISHING INFORMATION"

"Sec. 3. So long as the United States is a member of the Fund, the President may require at any time, in the manner and under the penalties provided in Section 5(1) of the Trading with the enemy Act (50 U.S.C., title 50, App. Sec. 6), as amended, the furnishing of any data that may be requested by the Fund under Article 8, Section 5, of the Articles of Agreement of the Fund."

3. Section 6 is amended to read as follows:

"INTERNATIONAL MONETARY AND FINANCIAL COUNCIL AND REPORTS"

"Sec. 6. (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. The Council shall sit 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 5 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 reserve currency under Article VII, section 9, of the Articles of Agreement of the Fund."

Part II

The suggested changes below in my judgment are not necessary and they will, to some extent, make a little more difficult the adoption of the Agreements of other countries, particularly Britain. However, I don't think their inclusion would be a decisive factor in Britain's decision or in the decisions of any other countries, and if it is going to be a significant help in winning Mollett's support, I would not object to their inclusion. The sentences are somewhat changed from those originally indicated in Mr. Lusford's draft, but the changes are in my mind important and I feel it would be unwise to accept the wording in Lusford's original draft where it differs from the wording indicated below.

I have already discussed these changes with Lusford, Bernstein, and Brenner.
1. Add to Section 4:

"Sec. 4 (c) The Council and the United States Governor and their alternates are directed:

(i) 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 management in carrying out the purposes of the Fund and Bank.

(ii) 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 progress of economic and monetary reconstruction which may include long-term stabilization loans.

(iii) To exercise their full powers and influence to 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; 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 and exchange 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 used in a manner that imperils the financial integrity of either institution; to see that the Fund does not 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.

(v) To exercise their full powers and influence to prevent the use of the Fund and the Bank, for relief or for indebtedness arising out of the war, to see that the resources of the Fund are used only 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.

(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 holding 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 on the work of the Council, the operations, policies, and the effect of the actions of the United States governor and executive director and their alternates.

(viii) To transmit to the Congress not later than two years after the 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, 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 they guarantee such loans. The Council is
hereby authorized and directed to accept such amendment
on behalf of the United States.

3. 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 II, 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 mem-
bership if (a) in the opinion of the Government of the
United States the policies of 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 or (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."

I feel rather strongly that it would be a mistake to have
one executive director appointed for both Bank and Fund. If
more coordination between the Bank and Fund is needed, it can
be supplied through the newly created U. S. Committee which
is being recommended and through an amendment which can be
later submitted to the governments after the Fund operates,
which would do what we had originally in mind, namely, make
one of the members of the executive committee of the Fund a
nonvoting member of the Bank executive committee and vice
versa.

If that isn’t satisfactory, I would not feel too strongly
about having one governor appointed to act on both Fund and
Bank boards of governors, though I think that, too, would not
be a wise move.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

TO: Secretary Morgenthau
FROM: Mr. White

DATE: April 21, 1945

The item on the agenda of the San Francisco Conference of especial interest to the Treasury is "Arrangements for International Economic and Social Cooperation."

It is proposed to set up under the General Assembly an Economic and Social Council which shall have for its purpose "the creation of conditions of stability and well being which are necessary for peaceful and free relations among nations.

The organization should facilitate solutions of international economic, social and other humanitarian problems and promote respect for human rights and fundamental freedoms." (A copy of some of the provisions is appended.)

There are, I believe, seven Advisers to Secretary Stettinus to deal with this aspect of the conference: Mr. Bowman of Johns Hopkins, John Foster Dulles, Charles Taft of State Department, Mr. Brainard, Assistant Secretary of Agriculture, Oscar Cole, Mr. Waring of Commerce and myself.

There are a number of provisions under this general heading which include the structure and framework of the organization, its functions and powers, and relationships to international economic bodies such as the International Monetary Fund and International Bank for Reconstruction and Development.

How far the Conference will go toward working out all the details is uncertain. Some of the countries regard the organization, function and powers of the Economic and Social Council to be at least as important as any of the other aspects of the conference, but I think the desire of the U.S. delegation will be to postpone consideration of many of the details. Besides the relationship of the Economic and Social Council to the Bretton Woods proposals the Treasury should have, I believe, keen interest in the organization and powers of the Council as they relate to a lot of other economic matters touched upon in the preliminary provisions.

If anything of significance comes up which requires a decision, I shall, of course, get in touch with you before any decision is made.

While at the Conference I will try to learn whether there are any unnecessary obstacles to the quick consideration by other foreign governments of the Bretton Woods proposals, in the event Congress adopts the proposals.

How much I will be able to contribute with respect to the matters dealt with at the Conference depends upon the extent to which the Secretary of State or other members of the U.S. delegation will want my advice, and also on the extent to which the Conference will go into details of international economic matters.
DEPARTMENT OF STATE
WASHINGTON

April 16, 1945

In reply refer to 4-0

CONFIDENTIAL

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits hereewith for his information copies of two documents approved by the Executive Committee on Economic Foreign Policy for consideration of the United States Delegation to the United Nations Conference on International Organization. These documents are (1) "Social and Economic Objectives of the General International Organization" (D-68/45) and (2) "Outline of Proposed Relationships between the International Trade Organization and the General International Organization" (D-69/45). Copies of these documents have been transmitted to the United States Delegation.

Enclosures:

CEFP D-68/45
CEFP D-69/45

Department of State

Enclosure to

Letter draft: 4/7/45
Addressed to

The Honorable the Secretary of the Treasury

CEFP D-68/45
D-69/45
EXECUTIVE COMMITTEE ON ECONOMIC FOREIGN POLICY
Committee on Specialized International Economic Organizations

SOCIAL AND ECONOMIC OBJECTIVES OF THE GENERAL
INTERNATIONAL ORGANIZATION

(As approved by the Executive Committee at its meeting on April 4, 1945)

Chapter IX of the Dumbarton Oaks Proposals provides in part as follows:

"Chapter IX - Arrangements for International Economic and Social Cooperation"

"Section A. Purpose and Relationships. 1. With a view to the creation of conditions of stability and well-being which are necessary for peaceful and friendly relations among nations, the Organization should facilitate solutions of international economic, social and other humanitarian problems and promote respect for human rights and fundamental freedoms. Responsibility for the discharge of this function should be vested in the General Assembly and, under the authority of the General Assembly, in an Economic and Social Council."

It is the view of the Committee on Specialized International Economic Organizations that the foregoing provisions should be elaborated in the Charter of the General International Organization so as to indicate more fully the objectives in the economic and social fields in respect of which it would be advantageous from the viewpoint of the United States to obtain wide international agreement. The Committee suggests that consideration be given to a statement of objectives along the following lines: 1/

Section A.

1/ These objectives should be set forth in the Charter wherever may be most appropriate. The opening phrases of the following statement might be placed among the general objectives of the Organization which would presumably appear in Chapter I of the Charter. The specific objectives listed in the economic and human welfare fields, however, might well appear in the same Chapter of the Charter which deals with the establishment of the Economic and Social Council. In order that these objectives may be readily accepted by the other governments no effort should be made to express them in any greater detail.
Section A. Purpose and Relationships.

1. With a view to the creation of conditions of economic stability and social well-being which are necessary for peaceful and friendly relations among nations, the Organization shall promote the adoption, by all nations, of appropriate measures for the fullest and most effective development and enhancement of the human and material resources of the world, including measures:

A. In the Economic Field
   for the maintenance of high levels of employment and real income in agriculture, industry, and other pursuits and the achievement, under conditions of progressive economic development, of improved labor standards, working conditions, and social security;

   for the development of productive resources throughout the world, the conservation of natural resources and the orderly distribution of essential commodities;

   for the expansion of the production, exchange and consumption of goods and services, the elimination of all forms of discriminatory treatment in international commerce and the reduction of tariffs and other trade barriers;

   for the development of orderly and stable exchange relations and the expansion of productive international investment;

   for the development and maintenance of communications and of transportation and the preservation of freedom therein;

B. In the Field of Human Welfare
   for the promotion of respect for human rights and fundamental freedoms;

   for the protection and improvement of health, including nutritional standards; and for the promotion of welfare standards for men, women, and children;

   for the control of opium and other dangerous drugs; and for the prevention of traffic in women and children;

   and

   for the enrichment of the cultural endowment of all nations by increasing their opportunities for scientific, educational, and other intellectual achievement.

2. The Organization, acting in cooperation with specialized international organizations, shall facilitate solutions of economic, social and other humanitarian problems in accordance with the foregoing objectives. To that end, it shall, where appropriate, initiate negotiations among the nations concerned for the creation of any specialized economic, social, or other organization or agency for the accomplishment of those objectives.

3. The responsibility of the Organization for the discharge of the functions set forth in this Section shall be vested in the General Assembly and, under the authority of the General Assembly, in the Economic and Social Council.
CONFIDENTIAL
EXECUTIVE COMMITTEE ON ECONOMIC FOREIGN POLICY

Committee on Specialized International Economic Organizations

OUTLINE OF PROPOSED RELATIONSHIPS BETWEEN THE INTERNATIONAL TRADE ORGANIZATION AND THE GENERAL INTERNATIONAL ORGANIZATION

(As approved by the Executive Committee at its meeting on April 4, 1945)

I. General Framework Governing the Establishment of Relationships

Chapters I, II, V, and IX of the Dumbarton Oaks Proposals contain provisions regarding the responsibilities of the proposed General International Organization in the economic and social field.

1. It is provided that the General Assembly and, under the authority of the General Assembly, the Economic and Social Council "would facilitate solutions of international economic and social problems" with a view to the creation of conditions of stability and well-being. This language implies that the GTO and more specifically the General Assembly would be responsible for the formulation of policies or programs for national and international action designed to promote the fullest and most effective use of the world's economic resources and to achieve and maintain a high and stable level of employment.

Then the Charter is drawn it may be desirable to use this more specific language rather than the language of the present proposal.

2. The Proposals make it clear

a) that the General Assembly of the General International Organization, acting through the Economic and Social Council, is to coordinate the activities of specialized international economic and social organizations, which would have responsibilities as defined in their respective statutes;

b) that such coordination is to be achieved through advice and consultation (not instruction); and

c) that
e) that the specific means of establishing channels of advice and consultation between the GIO and the specialized organizations is to be left to future agreements to be concluded between the GIO and each specialized organization.

The foregoing points provide the general terms of reference for working out a draft agreement to establish relationships between the GIO and the proposed International Trade Organization. The main purpose of such an agreement would be to place the GIO in a position to harmonize the activities of the ITO with those of the GIO and of other major specialized agencies. It is assumed that the agreements to be concluded between the GIO and such other agencies will, in so far as appropriate, be substantially similar. It will be obvious from what follows that unless all of the important economic agencies are brought into harmonious and close relations with the GIO the whole framework of coordination would be seriously impaired.

II

Reciprocal relations between the GIO and the ITO

The agreement between the GIO and the ITO should make provision for the following relationships:

Representation

Representatives of the Economic and Social Council of the GIO should be entitled to participate, without vote, in the deliberations of the Conference of the ITO and in other than closed sessions of the Executive Board of the ITO. Representatives of the GIO should be entitled to participate, without vote, in the deliberations of the General Assembly of the GIO and in other than closed sessions of the Economic and Social Council.

Information, Agenda, Reports and Recommendations

a) The ITO should keep the Economic and Social Council fully informed regarding the activities of the ITO. The Economic and Social Council should keep the ITO fully informed regarding the activities of the GIO which are of concern to the ITO.

b) The ITO should transmit to the Economic and Social Council the agenda and documentation for conferences and meetings of the ITO, and should afford the Council a reasonable opportunity to comment thereon.

c) The ITO should transmit to the General Assembly and to the Economic and Social Council all reports, recommendations, resolutions and draft conventions of the ITO, and the Assembly or Council should be free to comment thereon.

d) The ITO should be entitled to make recommendations to the General Assembly and the Economic and Social Council. The General Assembly and the Economic and Social Council should be entitled to make recommendations to the ITO with regard to its activities or policies in the light of the functions or powers of other specialized organizations or in the light of the economic principles and objectives of the GIO. Such recommendations may include (1) proposals for the undertaking by the ITO of new activities dealing with subjects falling within its constitutional terms of reference; and (2) proposals for joint collaboration by the ITO and other specialized organizations on subjects of joint concern and on methods for giving effect to such collaboration.

Procedure for Resolving Conflicts of Jurisdiction or Policy

The ITO should be authorized to raise with the General Assembly or the Economic and Social Council any question involving a conflict between the policies and activities of the ITO and those of other specialized organizations or of the GIO itself. The General Assembly and the Economic and Social Council should be authorized to review, on the initiative of the ITO, or on the initiative of any other specialized organization, or on their own initiative, any conflict between the policies or activities of the ITO and those of other specialized organizations or of the GIO itself, and to make recommendations to the specialized organizations concerned. If such recommendations do not result in resolving the conflict, the General Assembly should, if necessary and after hearing the organizations concerned, decide the conflict.
organizations concerned, make recommendations directly to governments.

Administrative matters

The ITO should cooperate with the GIO in working out such arrangements as may be found practicable for the establishment of uniform personnel practices, procedures and standards of compensation, for interchanges of staff, and for the standardization and centralization of administrative services, including the collection and provision of statistics.

III

Budgetary Review by the GIO

Under the Dumbarton Oaks Proposals, the Economic and Social Council would be empowered "to examine the administrative budgets of ... specialized organizations or agencies with a view to making recommendations to the organizations or agencies concerned."

This clause could serve several purposes. In the first place, while its adequacy to settle jurisdictional disputes is open to doubt, it does reinforce the other techniques for coordination set forth in this memorandum. In the second place, it will provide a useful stimulus to sound uniform accounting and administrative practices, to sound uniform budgetary assessments. Finally, it will give a platform for making clear the necessity for universal financial support of essential organizations.

Since these points are not spelled out in the Proposals, the agreement between the GIO and the ITO should make them clear in such a way as to facilitate the advisory function of the GIO.

IV

Possible Elaboration of Dumbarton Oaks Proposals

If the Economic and Social Council is to discharge effectively its functions of coordinating the activities of specialized organizations, it will need to have authority in certain circumstances to make recommendations directly to governments. The Dumbarton Oaks Proposals are not clear on this point. While certain provisions seem to imply general authority to make recommendations to governments, 1/ other provisions dealing specifically with the coordination of specialized organizations the Council would appear to be restricted to the making of recommendations to the specialized organizations 2/.

The Economic and Social Council should clearly be empowered to make recommendations concerning the work of specialized organizations to the General Assembly, and those recommendations should be available to governments. To deal with questions not adequately comprehended within the jurisdiction of any single specialized organization or where time does not permit prior consideration by the General Assembly, the Economic and Social Council should be empowered to make its recommendations directly to governments. It is believed that in the Charter of the GIO the matter should be clarified. Specifically, it should be made clear that the Economic and Social Council would be empowered to make recommendations not only to the General Assembly but to the specialized organizations but also to governments of member states of the GIO 3/.

It should be understood that such recommendations to governments should be limited to recommendations which are clearly in harmony with the broad policies of the GIO as developed by the General Assembly.

1/ Point 1(b), Section C, Chapter IX, provides that the Council may "make recommendations, on its own initiative, with respect to economic ... and social matters."

2/ Under points 1(c) and 1(d), Section C, Chapter IX, the Council is to coordinate the specialized organizations through recommendations to such organizations, and to examine the budgets of specialized organizations with a view to making recommendations to such organizations.

3/ The agreement between the GIO and the ITO outlined elsewhere in this paper would contain an agreed limitation on the authority of the Economic and Social Council to make recommendations directly to governments regarding the resolution of conflicts between specialized organizations. It would not be appropriate, however, to provide for such a limitation in the Charter of the GIO itself.
April 21, 1945

MEMORANDUM FOR THE SECRETARY

From: "Mr. Blough"

(For your information; no action required)

After receiving your memorandum of April 16 regarding your talk with Fred Vinson, I tried to reach him by telephone but have not succeeded thus far.

I have talked with his assistant, Mr. Fritchard, who informs me that Judge Vinson received the copy of your memorandum to the President on tax developments. It may be that further information at this time on the subject has a low priority for Mr. Vinson, considering his other duties.

[Signature]

Regraded Unclassified
MEMORANDUM TO THE PRESIDENT

There is transmitted herewith for your signature Form W-4 Revised, Employee’s Withholding Exemption Certificate, which should be filed in accordance with the provisions of the Individual Income Tax Act of 1963.

It would be appreciated if you will return the certificate to me when it is completed so that appropriate action may be taken in connection with the payment of your salary.

The President’s salary is paid monthly on the last day of each month by check of the Treasurer of the United States, based upon a certificate of settlement issued by the General Accounting Office.

George Marshall

Secretary of State,
Washington.

1943, April 21, 5 p.m.

This is our number 136 for War Repatriation Board in reply to your 356 (Department’s 694, April 18, 2 p.m.)

Problem of finance has been discussed with local Norwegian labor group. They receive last $50,000 installment from the United States in March and these funds will probably be insufficient to carry them through April operations. (Seen promised to make available to group seven 5,000-lb. cases of 260,500 transferred to him from WIB confidential funds in Ankara. However, except for such additional funds as seen may make available from his special funds, local group will lack funds for May operations and still owe seen $350,000 previously loaned them.

Transferred and Reserve have supplied report covering March operation in Norway, translations of which are being forwarded by press. During March 1, 135 paroles were sent into Norway through licitating channels, containing approximately 13,000 kilograms of food, 7,310 kilograms of clothing and 300 pairs of shoes. About 9,000 kilograms of food and clothing were sent in through underground channels, as well as other supplies contributed by Swedish organizations. During March approximately 1,100 Norwegians were brought to Sweden through escape facilities financed in part by American labor relief.

John F. Johnson

Dated April 21, 1943

Photostat of a classified original document.
Secretary of State
Washington
1020, April 21, 11 a.m.

TO HORN LEAVITT FROM JOSEPH SCHVARTZ NO. 26,

You appropriated for Yugoslavia the sum of $10,000 for the first quarter which appropriation was exceeded by actual expenditure from here by $2,000. Would recommend therefore appropriation for Yugoslavia for second quarter $12,000 which will make total expenditure for six months period $25,000. Funds are being used to provide urgent relief necessaries in the form of food parcels and financial assistance. We continue our efforts to obtain permission for JDC representative proceed Yugoslavia at which time more precise budgetary requirements and information will be made available.

Kirk

Secretary of State
Washington
1019, April 21, 11 a.m.

TO HORN LEAVITT FROM JOSEPH SCHVARTZ NO. 26.

In the light of present developments and after full discussion with Reznik recommend appropriation $20,000 monthly for northern Italy for three months period beginning May 1st. This represents the same rate of expenditures that we maintained in liberated Italy during early months operation. Important you bear in mind that under agreement UNRRA will not be operating in the forward military areas and while we hope receive some help for displaced persons the major responsibility at least in early phase will fall upon us. Only urgently to listen.

Kirk
SECRETARY OF STATE
WASHINGTON

TO NORM LEVITT FROM JOSEPH SCHWARTZ NO. 26.

For your information, we have appropriated for Yugoslavia the sum of $10,000 for the first quarter which appropriation was exceeded by actual expenditure from here by $5,000. Would recommend you therefore appropriate for Yugoslavia for second quarter $15,000 which will make total expenditure for six months period $20,000. Funds are being used to provide urgent relief necessities in form of food parcels and financial assistance. We continuing our efforts obtain permission for JDC representative proceed Yugoslavia at which time more precise budgetary requirements and information will be made available.

KIRK

SECRETARY OF STATE
WASHINGTON

4096, April 21, 1948

TO MR. LEVITT.

Please deliver a paraphrase of the following message from Harold Linder to M. A. Levitt of the American Joint Distribution Committee:

(RECEIVED FROM M. A. LEVITT)

Reference Belgium. Efforts being made here collect clothing by private organizations, small stocks on hand which should be shipped to our committee shortly. General appeal not permitted by government. Purchases impossible except used from municipalities. In any case no longer required for air raid precautions. JDC has called Harriessen urging again present action your side approving grant of $250,000 first six months 1948 which British have approved.

Greece. Every assurance from Greece that JDC will participate extent equivalent $100,000 loan Greece. However, subject approval British Treasury and formal action IGA Council.

Arranging through Lublin press agency transmit by cable to here next days or week lists approximately 10,000 survivors listed as in Lublin, Warsaw, Lodz, Gdańsk, about 760 pounds of which believe one-third for GEF account, after which propaganda have arranged reproduction $40,000 which appeal from Palestine Government. After completion of this material, which is in due course will arrange transmission. $200,000 remaining your side hereby contact Counselor, Agent, Palestine Consulate, New York, who in few days should have received cables which will assure you that JDC has agreed to make $200,000 available to Palestine Government for assistance Polish Jews outside Poland provided whole $400,000 received by and provided Palestine Government.
F2 4096, April 31, 1945, from London

makes available $200,000 or $200,000 additional for rescue Committee program which will be subject to approval of the Polish Government and myself and provided money not be used to relieve Polish Government or JDC of such aid as they now rendering. (MESSAGE ENDS)

VINCENT

Secretary of State

Washington

1019, April 31, 11 a.m.

TO MR. LAVITTA FROM JOSEPH SCHWARTZ NO. 28.

In the light of present developments and after full discussion with Rusk recommend appropriation $20,000 monthly for northern Italy for three month period beginning May 1st. This represents the same rate of expenditure that we maintained in liberated Italy during early months operation. Important you bear in mind that under agreement U.S. will not be operating in the forward military areas and while we hope receive some help for displaced persons, the major responsibility at least in early phase will fall upon us. Reply urgently to Littman.

KIRK
Secretary of State,
Washington

215, April 21, noon.

I have received the following telegram from Troutman

Sofia via army
Dated April 21, 1945
Rec’d 2:50 p.m.

THE JOINT DISTRIBUTION COMMITTEE WOULD LIKE TO FORWARD IN CARE OF YOUR MISSION SUBSTANTIAL SHIPMENTS OF RELIEF SUPPLIES FOR DISTRIBUTION BY ITS COMMITTEE IN SOFIA. DOES THIS MEET WITH YOUR CONCURRENCE?

I have replied: "I believe that supplies should be consigned to Dr. Randolph Marcus address Dear Simon 101 Sofia. The mission is prepared to assist him in whatever way possible."

IF DEPARTMENT HAS OTHER VIEWS PLEASE INSTRUCT.

RANKIN

Regraded Unclassified
NOT TO BE RETRANSMITTED

COPY No. V

N/W.

1. Baltic. The LUTZOW bombed at Swinemunde on 16th
now observed by reconnaissance to be down by the storm
and probably grounded.

2. Home front. 20th/21st. One of K.L. Prigge's sank
at least four explosive motorboats in Scheldt approaches
when five prisoners were taken.

N/W.

First Polish Army continued its steady progress in black
Forest area South of Strasbourg while East of Frankfort
it advanced 15 miles over-running number of places including
Talbingen where bridge over River Neckar captured intact.
This advance was continued for further 15 miles, together
with southeast thrust of 20 miles from direction of
Heidelberg. Capture of Seventh U.S. Army was temporarily
inconclusive, Stuttgart. On 19th Nuremberg taken by Seventh U.S.
army and armoured columns pushed 15 miles S.W. in direction
Regensburg.

4. Control Sector. Third U.S. Army made gains up to
15 miles on wide front between Breyungen and Mannheim. Further
North First U.S. Army took Leibzig on 19th and on same day
entered all after heavy house to house fighting. Consider-
able progress also made, e.g., in clearing up forts pocket
where resistance collapsing. Also on 19th heavy attacks
in divisional strength, supported by a few tanks, half
tracks and self-propelled guns, in area S.S. Brumazon.
penetrating some 15 miles towards Klettz before being
brought under control.

5. Northern Sector. Second Army troops cleared
South bank of Rhine from south Luxemburg estuary to suburbs
of Nancy while other troops on Mannheim - Mannheim,
North of Tarrau resistance stiff and progress slow while
further west enemy also resisting strongly against our
advance on Oldenburg and Branden where some heavy motor
attacks encountered.

6. Other areas. The Ruhr pocket now completely eliminated
as also German resistance on North side Sieg River.

Russian advance to within four miles. Potsdam. U.S.
Berlin. Further South Russians report capture certain places
across Spree S. of Cottbus while Germans report Russian
forces now 15 miles west this town.

8. Southern Sector. Further advance up to 2 miles
made North of Vienna.

9. Italy. Eighth Army Sector. Argenta British troops
now approaching bridge one mile N., Holmanc in while to
West, Indian and S. New Zealand troops have advanced 15 miles.
and East of Andria while still further West Polish forces
have gained one mile against determined resistance east of
Modena.
NEW PRESIDENT EASES
WASHINGTON TENSIONS

His Firmness, Vigor, Quick Decisions
And Drive for Bipartisan Unity
Lift the Capital's Spirits

PRESS LIKES HIS FRANKNESS

By ARTHUR KROCK
WASHINGTON, April 21—At the end of the first week
the President has accomplished three important things:

1. He has shown firmness, vigor, promptness of decision,
   and drive for bipartisanship, all of which are vital to a
   unified national policy.

2. He has made a major statement to the American people
   on the issue of the Imam's assassination.

3. He has appointed a new secretary of state, Mr.币.

The New President's actions are a welcome relief to
the country, which has been waiting for leadership.

Meeting the Problems

The problems facing the new President are numerous:

1. Economic: Recovery from the Great Depression.

2. Foreign: Relations with the Soviet Union and other
   countries in Europe.

3. Domestic: Reform of the government's role in society.


The President has shown a strong commitment to
these issues, but it remains to be seen how effective
his policies will be.

His influence in the security specialist
environment is that of a man who knows all at once.

For this reason, although he has
given the San Francisco delegation
a free hand and sought to impose
no ideas of his own, the President
must in a sense hold himself in a position to intervene,
with suggestions of revision or
improvement, when the delegation
indicated by his predecessor proposes any
fundamental change in the draft
of Dumbarton Oaks.

Refraining His Task

The President's task will fall
in the major burden of getting Senate
ratification for treaties growing out of San Francisco,
as for the other peace treaties and agreements.

And for all these reasons he cannot remain wholly aloof
from what goes on in his own delegation.

But his nature
left him with the belief that he would intervene
only when he thinks it absolutely necessary for the
success of his policy.

There were some of the reservations
in the first week of the new President—most
light thrown upon him as a person, as an administrator,
a loyal successor and as a world
statesman. The net was calculated in all quarters here to be very
large.

Not least must be minimized
in this calculation the pleasant
White House relations that he has
established with men who were on
Mr. Roosevelt's black list because
of anti-Semitism and other policies. It has been about
15 years, for instance, since Rosa
Hessel Fredy fell welcome at the
White House, and to these last
years he has rarely been there.

A Republican Senator [Robert] A.
Taft of Ohio had not passed under
the landing since President Herbert
Hoover had expired.
Information received up to 10 A.M. 22nd April, 1945.

**NAVAL**

**Anti-submarine Operations.**

**MILITARY**

1. **Western Front.** First French Army continued advance East of Rhine and South of Freiburg and latest reports state preparations 15 miles from Basel border, while Stuttgart now completely isolated.

Central Sector: Third U.S. Army troops crossed Czech border near Asch. First U.S. Army has also cleared Leipzig and area between this town and Hannover has been entered and army pocket encircled by half. Troops of Sixth U.S. Army advance 10 miles down left bank of River Lahn from Wittenberg.

Southern Sector: Troops of Second British Army meeting fierce resistance south of Hanover and 31st Army Group.

Other areas: Both sides German Army now cleared of enemy and W.T. taken this operation number 1,000.

2. **Eastern Front.** Russians now within 15 miles of centre Berlin from M.C. and East while further South they have advanced 25 miles West Götzen and to within 15 miles of Grossen from S.A.

3. **Italy.** Eighth Army: On right U.K. divisions made substantial gains to reach area 6 miles west of Florence where stubborn German resistance being encountered. On left crossings also made by Indian, New Zealand and Polish troops North of Highway 9, with later reaching centre of Bologna at 6000 hrs. 21st and 2 hours later linking up with 3rd corps who had entered city from S.W.

Fourth Army: U.S. and South African troops make good norway west Bologna where they have crossed highway 9 at many points and have leading elements as far North as San Giovanni. 15 miles E. Bologna.

**AIR**

5. **Western Front.** 20th. SHARP (Air): Additional reports state further tactical aircraft 656 (missing 1) operated Southern Sector inflicting enemy casualties 70,000 on ground.

21st. B.E. deceived heavy bombers 339 (outstanding Bomber L, Fighters 6) attackers, using Pathfinder technique, railway centre Bismarck (280 tons), Ingolstadt (444 tons) and Castle Landsberg (15 tons).

SHARP (Air) medium bombers 115 dropped 403 tons railway centre Attling-Puchheim (8.4. Lins) with excellent results, while Fighters and Fighter bombers 1230 (missing 7) opened all sectors destroying 290 M.T. and 15 locomotives and

Inflicting enemy casualties 6132 in combat and 554032 on ground.

Central Ground: Allies attacked shipping Skagerrak when direct hits obtained on two 3,500 ton ships which left on fire, while aeroplane 45 (without loss) returning from shipping reconnaissance got across W. Seaw destroyed 9 out of 10 aircraft encountered over North Sea.

21st/22nd (right). Bomber Command aircraft destroyed:
158 (missing 2), 109 Kiel, 20 Sea mining and 32 Bomber support and other targets.

6. **Mediterranean.**

19th/20th (night). Liberator dropped 220 tons in close support Eighth Army.

20th. U.S. escorted heavy Bombers 711 (missing 7) dropped 1480 tons railway targets Brenner route, South Austria and road bridges at Valley, while tactical aircraft 111 (missing 15) operated against railway targets Innsbruck area, communications North Italy and gave support battle areas.

7. **S.E. Asia.**

19th. Bombers and Fighters 170 attacked communications and rail support targets Central and Southern Burma.
Subject: Conference with Judge Patterson on China

As you instructed I called on Judge Patterson on Monday, talking with me Mr. Collado of the Department of State, who Will Clayton said would act for him. Judge Patterson called in General Olmstead who is in charge of supplies for General Eisenhower and came back in the "I.T. Song" party.

Background

I told Judge Patterson that the Chinese were requesting greatly increased shipments of gold, that you had spoken with the President who asked you to carry the ball, and that you had replied you would take your action in consultation with War and State. I gave the background of the loan, the use of the Chinese had made of it, your own sense of responsibility and said that before you decided you wanted to know what the military planned for China.

Military Plans

Judge Patterson said the military plans were still unsettled. General Olmstead said, however, that all the military plans for the next period required us to get from Chinese sources a considerable proportion, I judged about 50 to 70 percent of the supplies needed for military operations. This would be the case, until a landing was made and a corridor cut out from the sea to free China. The cutting of this corridor might take anywhere from 12 to 18 months. The military were interested in the area around their lines of communications, that is, largely the landing area in southern China and the route from there to Chungking. General said they had a program for equipping 36 to 39 Chinese divisions.

The Chinese had been giving very good cooperation, according to the General. Judge Patterson said "yes, but they do an awful lot of lying sometimes." In response to a question from me, General Olmstead said that the Generalissimo had told them that he intended to cut the number of troops he pays from their present figure to about 6-1/2 million, but that the Generalissimo had not indicated to the Army that he expected more gold from us or any other favors.

General Olmstead said that the Army and the Chinese were concerned about an economic collapse in China. If that occurred they did not know how they could get their local supplies. General Olmstead thought that an anti-inflation program in selected areas might be successful -- the areas to be the ones that the U.S. Army is to get supplies from. By questions, Judge Patterson got the General to indicate that the Army was mainly concerned with the trucks and the textiles which the Chinese were asking for, and that the decision on the gold was something for Secretary Morgenthau to make.

Political Situation

Mr. Collado brought out that the Department of State might be concerned about the political repercussions, if the Chinese failed to pay the gold which they had promised on the certificates which they are now issuing. (It would take $750 million more gold to meet these obligations).

General Inflation

Judge Patterson and General Olmstead both recognized that the inflation could not be stopped by any of the measures under discussion, and that it was only a question of palliative corruption.

Abuses

I stated that, apart from other issues, the Treasury was concerned about the manner in which the loan had been used and the restricted number of individuals who had benefited. General Olmstead gave a good example: He said that three Chinese and three Americans had conferred for hours and finally agreed on the recent increase in the gold price from $40 per ounce to $48 per ounce. The agreed effective date was 48 hours from that time. The next day was a holiday. However, during the second day the demand for gold was out of all proportion to any recent purchases and a big business was done. One of the principals was Jeanette Kung.
Next Meeting

Judge Patterson thought that you would be calling or seeing him on Wednesday about this. Meanwhile, he will talk with Generals Olmstead and Somervell.

Conclusion

General Olmstead will try to get more gold sent there, on the grounds that it will somewhat ease the inflation. Unless opposed by his subordinates, Judge Patterson will be inclined to leave the matter up to you, because he thinks you ought to decide whether a particular financial technique will be helpful. Wellington of the State Department will probably argue that the "arrears" -- $3350 million -- should be sent. This latter figure is probably what Soong hopes to get.

April 23, 1946

3:30 p.m.

Conversation with Clayton

At 3:30 on Monday, Clayton called me and said that he wanted advice. Leo Crowley is to meet him tomorrow, and Leo Crowley was sure that he had been left out of the March 23 directive on Germany, and he thought that is, will Clayton thought that Leo blamed Clayton. Would it be all right with me and I said sure.
Conversation with Clayton

I called up Will Clayton this morning and told him that everything was all right, and I'd be home at midnight. I wanted him to tie through on the reparations question and revise 1067. In the reparations section, he asked me how much it would cost, and I said that he had a document which he had talked about a year ago. He had just read and he thought it was going to be all right. He didn't think there was too much of a hurry, because he had a memorandum from the president about Lubin, and I said that Lubin was kind of premature, and the president is going to send somebody else. But I don't think that he'd do that. I don't know what was in the memorandum to the president.

Then on 1067 I said, "Let's get it through while decay is still here." And he said he would arrange for a meeting at 9:00 tonight morning, and he agreed that it was important to get it through. I said, "Did Jettinus tell you that I have not been seen with the way things have been going, and Jettinus asked me if it was agreeable for me to work directly with him on economic matters and I did not have to go through you and work with you on political matters." Jettinus hadn't said a word to me. And as well, he said something to me about Acension. He didn't say what was too tactful, but I can't understand. Jettinus tells it to Acension. At least he must have told Acension part of my conversation and didn't tell Clayton. Clayton has been left out of the last five or six days on this reciprocal trade thing, and he is having a hell of a time. he sounded very irked. Anyway, we'll get off on that Tuesday morning.

Regraded Unclassified
Outbreaks in war orders increase

Impending reconversion problems growing out of outbreaks in war orders and lessening military needs in Europe continue to feature current business discussions. Following recent indications of a slackening in shipbuilding, important outbreaks in aircraft production were revealed last week. The output of B-17 Fortresses and B-24 Liberators bombers, among others, is to be cut sharply in coming months. In this connection, both the Lockheed Aircraft Corporation and the Douglas Aircraft Company believe that their voluntary quit rates and other factors will be sufficient to enable them to operate without any actual lay-offs of employees.

In the case of the Ford Willow Run plant, however, more serious repercussions are likely. The Army Air Forces have announced plans to terminate production of Liberators at this plant not later than August, and the opinion is expressed that the plant probably will not be used in other war work after that date. In addition to the aircraft manufacturers themselves, a great number of subcontractors will be affected by the outbreaks.

Douglas Aircraft and Lockheed Aircraft are reported to have notified more than 3,000 subcontractors and materials suppliers of the reductions.

According to the Army Air Forces, the outbreak in aircraft production during the remainder of the year will amount to 15 percent on a weight basis. Production of some planes, such as the B-29 Superfortress and others, will be continued in increased quantities, and it is indicated that Navy plane procurement will not decline until the decisive stage in the war against Japan has been passed.

Employment slackening in Detroit area

The recent outbreak in aircraft production appears to have contributed importantly to a noticeable easing in the manpower situation in the Detroit region. The War Manpower Commission announced last week that the Detroit area was being transferred at once from a No. 1 "acute labor shortage" classification to a No. 2 classification. In addition to the sharp outbreak at the Ford Willow Run plant, the Briggs Manufacturing Company, the Hudson Motor Car Company, and the Murray Corporation have begun to lay off employees due to aircraft outbreaks.

In order to hold down lay-offs at the Murray Corporation, the WVQ has authorized the Corporation to change the work week at its main plant from a 40-hour week to a 30-hour week. This is said to be the first time such action has been taken in a major Detroit war plant since the automotive industry converted to war production.

Procedure for handling outbreak announcements being studied

Some of the announcements of outbreaks in aircraft production last week were made by individual manufacturers, and the WFB chairman subsequently expressed dissatisfaction with the handling of the matter. In addition to apparent fears over the adverse effects on war workers, Mr. Krug took exception to alleged exaggerated reports of outbreaks in war production. He stated that in the future, announcements of outbreaks in military procurement will be made on a national basis from Washington and that a committee is now considering the procedure to be followed. Recent estimates of outbreaks in war production after V-E Day have shown considerable variation, but on the whole have tended to foreshadow sharper outbreaks in actual production than earlier anticipated.

Further authorizations granted for automotive reconversion

Following earlier approval of the placement of orders for $500 millions worth of machine tools and equipment, the WFB last week approved applications of various automobile manufacturers to spend approximately $35 millions for plant readjustments and about $40 millions for rehabilitation of tools and equipment needed for civilian car production. An AA-1 priority rating has been granted automobile manufacturers for obtaining machine tools needed to resume civilian production. Moreover, it was reported last week that the WFB is preparing an order which will permit producers on a broad list of consumer durable goods to place priority-rated orders for machine tools needed for peacetime production.

Business fears over contract terminations diminishing

Another encouraging development of the past week, in connection with the post-war outlook, was the revelation of results of a survey by the HGB regarding the difficulties of war contract cancellations. A survey of 150 executives revealed that, in contrast to earlier fears that cancellation of war contracts would result in staggering inventory losses,
business executives in general are now confident that such will not be the case. More than half of the companies that have experienced terminations state that they have had no difficulties of any kind. An overwhelming majority of the companies reported that at least 75 percent of their inventories are protected against losses under existing termination practices.

It remains to be seen, of course, whether the 150 executives polled adequately reflect the experience of business as a whole, particularly small business. In this connection the following remarks of one executive regarding the position of small manufacturers is of interest:

At present many small manufacturers are riding along with large bank balances and do not have the faintest conception of the problems that will face them when termination comes. They are not set up to handle terminations properly; they fail to realize how rapidly situations will change at that time; and they do not understand that most of their working capital, if not all of it, is going to be tied up in inventory which they are not prepared to convert into cash.

Steel operators hampered by unauthorized coal strikes

Following the production losses suffered in the early part of February due to severe weather conditions, steel input production rose sharply in March, and attained the third highest monthly output on record. Nevertheless output was still 1 percent below year-earlier levels. (See Chart 1.)

Steel operations in April have been hampered by a shortage of coking coal arising from unauthorized strikes in the coal mines. As a result of this situation, operations last week were scheduled at only 91.9 percent of capacity. However, two preliminary reports indicate an improvement in coal output last week, and steel operations during the current week are scheduled at 93.2 percent of capacity. (Refer to Chart 1.)

Although price ceilings on some basic steel products were raised in January, steel producers contend that further upward revisions are necessary. During the past week, 40 non-integrated steel producers, representing about one-fourth of the wage earners in the industry, petitioned the CPA for immediate, equitable and adequate price adjustments in order to prevent further serious financial losses. They contended that products which will be manufactured under peacetime conditions will not, at current prices, enable most of the companies to operate successfully. Moreover, it is asserted that with the return to peacetime conditions the companies no longer will receive the benefits of higher-priced products which they have manufactured during the war, and which have served as an offsetting factor against losses in other lines.

Construction awards higher in March

After running at a very low level throughout 1944 and the early part of this year, total construction contract awards as reported by the F. H. Dodge Corporation improved noticeably in March. Total awards during the month were the highest since August 1943, and were 67 percent above the March 1944 level. (See Chart 2.)

Examination of the detailed figures, however, reveals that the increase was very largely due to a sharp increase in Government-owned nonresidential projects. Two large power plants in Indiana were by far the most important items in the month's awards. Residential construction awards, as might be expected in view of building restrictions and materials shortages, continue at very low levels, with awards in March 24 percent below the corresponding month last year and 68 percent below March 1942.

Divergent commodity price trends

Moderate price declines for steel, corn, and wheat, offset a further advance in cotton last week, causing the BLS basic commodity index to continue within the narrow range of the previous 5 weeks. (See Chart 3.)

The grain futures markets turned somewhat, following their sharp advances of the previous two weeks. Barley futures on Friday declined 5 cents a bushel, the permissible limit, influenced by reports of enlarged imports of Canadian oats, which are likely to reduce the feeding demand for barley. Cotton futures, on the other hand, reached new high levels, with the May delivery at the highest level of any month since the 1027-28 season.

Higher prices for agricultural products put the BLS all-commodity index noticeably higher in the week ended April 15, raising it 0.4 percent to a new wartime peak 40.7 percent above
the pre-war August 1939 level. (Refer to Chart 3.) The rise was led by an increase of 3.5 percent for fresh fruits and vegetables. Potatoes were sharply higher, and substantial increases occurred in prices of apples and lemons at Chicago. The all-commodity index is now 1.6 percent higher than at the same date last year.

**U.S. government data shows.**

**Saw shortage reduces mills' wheat supplies.**

A serious shortage of available wheat in all major milling areas, due to the shortage of freight cars, was reported to the War Food Administration last week by a committee of grain men representing the Lower Lakes milling area. According to this committee, grain receipts at the major markets of Minneapolis, Kansas City, and Buffalo are running at about 40 percent of daily milling requirements, while mill stocks available to fill the gap amounted on April 7 to the equivalent of only 16 days full running time. Millers expect an extreme pinch to be felt shortly after May 1.

The shortage of flour receipts in eastern markets has begun to affect the consumer, according to news reports. The Northwestern Miller mentions that grocers in New York City have begun to limit sales to 5 pounds per customer, and in some communities to 2 pounds.

To help relieve the shortage of freight cars in the wheat regions, the Association of American Railroads has ordered a moderate increase in the number of empty boxcars delivered daily to Chicago and other midwestern gateways. Furthermore, a permit system for moving all grains and grain products in western railroads territory is expected to be put into effect shortly, dictated by the need for moving large quantities of wheat and flour required for feeding the liberated areas of Europe. The proposed plan would be under the direction of industry committees to be set up in the major markets. While milling groups in Minneapolis and Kansas City oppose the plan, contending that the permit system would do little to solve the basic problem, the CTA reportedly has indicated that the only alternative would be a priority system for movement of army flour and wheat.

Army purchases of flour have recently been accelerated, according to trade reports. Estimates in the trade of Army needs during the coming months range from 25 to 33 percent of total mill production, and millers are pessimistic about their ability to meet both civilian and Government requirements in view of the transportation bottleneck.

**Action taken to increase meat supplies.**

A program to increase the production of meats and to improve their distribution, particularly to metropolitan centers, has been announced by the Director of Economic Stabilization. The 30-point plan involves an increase in supplies of possibly 387,000,000 a year, and the addition of 500 agents to the OPA staff for more effective action against the black market.

Major details of the program include (1) cancellation of a scheduled reduction in the general ceiling and subsidies on live cattle, to encourage feeding, together with an increase in the subsidy spread between the higher and the lower grades of cattle, to promote the production of better grades; (2) a special subsidy to insure against losses to slaughterers who can prove that they operated profitably in the 1936-37 period; (3) a restriction on farm slaughter for sale; (4) a limitation on slaughter in plants not under Federal inspection; (5) increases in maximum prices for Army beef. There will be no increase, however, in general ceiling prices on meats.

**Stock prices rise to new high.**

Stock prices advanced sharply at the beginning of last week on the largest trading volume since June 16, 1934. Further moderate advances to new high levels for 1935 occurred on Tuesday and Wednesday, but trading activity declined steadily through Friday. (See Chart 4.) Moderately declining price tendencies which developed after mid-week were supplanted by renewed firmness on Saturday. At the close of the week the Dow-Jones average of 40 stocks was 3.3 percent above week-earlier levels. Publication of short interest figures during the week revealed that as of April 13 the short interest on the New York Exchange was 199,000 shares below the total of 1,620,000 shares reported for the last Friday of March 15. Nevertheless the short interest was still three times as large as at the time of our entry into the war.

The rise in stock prices in the United States continues to be accompanied by a rise in industrial stock prices at London. In fact, at the end of last week the London Financial Times industrial stock average stood at the highest level attained since compilation of the average was begun. Last week's closing average of 185.4 compared with the 1936 high of 187.5 and the 1929 high of 190.2.

Recent publication of 1934 average earnings of stocks comprising the Dow-Jones industrial stock average revealed that average earnings last year showed a gain of 3.4 percent over the
1943 level. In comparison, the prices of stocks included in the average showed a gain of 6.3 percent in 1944, thus narrowing somewhat the disparity between prices and earnings which had developed since 1939. (See Chart 5.) It will be noted that as a result of the rise in recent months, the Dow-Jones average of industrial stocks now stands about 20 points above the 1944 average. Assuming that earnings thus far in 1945 have shown no great change, this would indicate that the relationship of prices to earnings is now fairly close to that which prevailed on the average before the war.
STOCK PRICES AND EARNINGS
30 Industrials Comprising Dow-Jones Average

Source: Dow-Jones and "Morgan"

Office of the Secretary of the Treasury
Division of Research and Statistics

Regarded Unclassified
LPB-626

PLAIN

Lisbon

Dated April 23, 1945

Rec’d 10:20 p.m.

Secretary of State,

Washington.

659, Twenty-third

WBS 392 JDC 224 FOR LEAVITT FROM THOSE.

Mayor received request from Rabbi Joel Teitelbaum
Zurich for assistance in his program of aid to children
many of whom allegedly living in non-Jewish homes. Saly
advises he prepared assist but wishes know whether
Federation Canadian Jews系統 Street with whom
Teitelbaum associated is organisation with which you
really cooperate. Also requests information relative
your relations American Hungarian Relief Incorporated
whose work Switzerland headed by Francois Henry and
with which Saly favorably impressed thus far. Please
advises.

BARUCH

BRO
CABLE TO AMERICAN LEGATION, HORN, FOR ADOLF FREUNDEMBERG, 41
Avenue de Champagne, Geneva, from Leland Fox, Boardman of American Christian
Committee for Refugees, Inc.:

"QUOTE: SECOND REQUEST TO PROTESTANT EPISCOPAL CHURCH FROM
RED CROSS, GENEVA, FOR INDIVIDUALS. STOP
REPLY CANNOT ASSIST INDIVIDUALS. SEND AS YOU DO THROUGH
YOU FOR ALL PROTESTANT CHURCH ORgan. STOP"

THIS IS MGB CABLE NO. 907.

4130 p.m.
April 23, 1943
JN-585
This telegram must be paraphrased before being communci-ated to anyone other than a Government Agency. (RESTRICTED)

Secretary of State
Washington.
552, April 23, 7 p.m.

FOR DEPARTMENT AND WAR REFUGEES BOARD
REGIONS 500

The SS HAMBURG departed Istanbul April 21.

According to Swedish Legation here she carried following persons in addition to crew, 311 Germans from Turkey
50 Germans taken aboard at Port Said 1 Spaniard, 2 Portuguese
51 Swiss and 1 Jew.

Istanbul newspaper VATAN April 21 reports ship
carried following cargo loaded in Istanbul (in tons):
1300 Chrome 900 raisins 900 anem 500 Basalmute, 60
peachstones, 50 licorice, 2 cigarettes, 60 casings.

PACKER

Ankara via Army
Dated April 23, 1945
Rec'd 9 10 a.m., 24th
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate General, Manila
TO: Secretary of State, Washington
DATE: April 23, 1945 (Received April 24, 1945)
SUBJECT: Computer

A cable is being sent to Headquarters and Gens by Secretary
Confesor, with the approval of JCAU, of which an approximate
summary is given as follows:

The greater part of Leyte and Santa Ana district of
Manila has been turned over to the Commonwealth by JCAU,
and it will turn over other districts gradually finishing
by the first of July probably. In the first of September
Commonwealth will take over procurement and the remainder
of commodities procured by the army will, except those needed
for military purposes, be turned over to the Commonwealth.
The army has secured and is shipping trucks for delivery to
the Commonwealth Government, in order to meet the transport
ation problem. Arrangements have been made with JCAU for
handling the procurement program, it is understood. In order
to permit taking over the procurement program by Commonwealth
these should be expedited. It is urged that there be reserved
for civilian goods fifteen ships, totaling about 35,000 tons,
and a Philippines registry. Ten liberty ships are needed or
about 100,000 tons additional shipping.

200 trucks are on route already and for the use of the
Commonwealth.
CO-421

PLAIN

Lisbon

Dated April 23, 1945

Revd 12:03 p.m.

Secretary of State,

Washington.

856, Twentythird

WEB 391 and JDC 223 FOR LEAVITT FROM TONGE

Saly Mayer upset by Zaidatabahah appropriation,

feels this constitutes opening second joint office

in Switzerland and expresses lack of confidence in his.

Believe important you cable Saly regarding this.

BAUGH

[Signature]
Mr. Will
Clayton: Hello.
HMJr: Henry talking.
C: Oh, good morning, Henry.
HMJr: Good morning.
C: What's the news from Mrs. Morgenthau?
HMJr: Well, she was definitely better yesterday.
C: Well, that's fine.
HMJr: Definitely.
C: I'm so glad to know it. Henry, I got a phone call yesterday, or my secretary did from the Navy.
HMJr: Yeah.
C: ... saying that they had heard there was going to be a meeting in your office.
HMJr: Yes.
C: They hadn't heard about it, so I thought I had better ask down there, and told him that it was going to be a small meeting....
HMJr: Yeah.
C: ... so he wouldn't bring so many people with him.
HMJr: Who's coming?
C: Mr. Downey, I guess, will be the man. He usually comes to the meetings here for the Navy.
HMJr: Who is he? An attorney, I suppose.
C: He was selected by the Navy to represent them when By Bates couldn't come, and By never did come except down in his place. I don't know - I guess he is - he is a very quiet, very nice fellow - he generally doesn't have anything to say.
HMJr: Let's have him.(Laughs)
C: Beg pardon?
HMJr: Let's have him.(Laughs)
C: Yes, well....

HNJr: Does this interest Frank?

C: I'm --- I'm --- I may be talking out of school.

HNJr: Well, look, look, old man....

C: I'm sure you....

HNJr: ... things are moving so fast. You remember, I think when I told you about Lubin, that was new to you.

C: News to me, yes. (laughs)

HNJr: And if we...

C: It's moving so fast that we can't keep each other informed.

HNJr: If we give and take a little bit, I can assure you --- by now you ought to know me.

C: Absolutely, I know that.

HNJr: But that is a surprise. I haven't any idea on where he stands on that matter.

C: I haven't either. I haven't the least idea, but he called me up yesterday about it, and I sent him over last night to his apartment a copy of what had been drafted up until now. There's not --- I don't believe there's thorough agreement on it yet, but practically agreement on it. I just sent him that and told him it was in the rough.

HNJr: Yeah.

C: ... and told him it was just a preliminary draft, and hadn't yet been agreed up. I sent it to him so that he could take a look at it and see what we were thinking.

HNJr: Well, if we have a meeting on reparations, I mean another meeting, would we invite him to come to it?

C: Well, I must ask him whether he wants to show himself in that capacity before he gets appointed or not. It would be largely a matter for him, I guess, to decide.
Operator: Go ahead.

Mr. Bernard Boruch: Hello.

Mr. Bernard Boruch: Yes, Henry?

Mr. Bernard Boruch: How are you, Bernie?

Mr. Bernard Boruch: Yes, Henry, I don't hear you very well.

Mr. Bernard Boruch: I'm talking as loud as I can.

B: Well, where are you, Henry?

B: I'm in the Treasury in Washington.

B: How did you find your wife?

B: Well, when I got down there Sunday, not so good, but yesterday she picked up and she was a little better.

B: Well, that's fine.

Mr. Bernard Boruch: When I left her last night, she was quite cheerful.

B: Oh, you only left last night?

B: Yes.

B: Well, that's you feel more honest?

Mr. Bernard Boruch: Definitely. Definitely.

B: Well, that's fine, Henry. That's good news.

Mr. Bernard Boruch: Are you in New York?

B: Yes.

B: Are you coming down?

B: Well, I'm waiting a call from the President. He said he'd like to see me about Wednesday or thereafter. And I told him to give me a day in advance.

B: Well, things are moving kind of fast down here.

B: Are they sending up that thing?

B: I don't know about that, but they are moving fast on this reparation business.

B: Well, yeah, that's what I mean.

Mr. Bernard Boruch: I can't tell you, but I know he has picked somebody to go.

B: Yeah, well, he's got a different man.

B: Yeah.

B: Yeah, well, has he picked him?

B: Yeah.

B: What?

B: What?

Mr. Bernard Boruch: Yes, he has.

B: What?

Mr. Bernard Boruch: I understand he has.

B: No, I say, I understand he has picked somebody.

B: Well, he told me he was going to --- he told me he was going to make the change. I told you that.

B: Yeah.

B: Yeah, he's going to move --- he's got to move also on the policy committee.

B: Well, I don't --- as far as I know he hasn't moved on that either.

B: Well, he's got to --- he told me he was going to.

B: Yeah.

B: Of course, he's got to get this San Francisco thing straightened out. He told me when he got that out of the way he was going to send for me.

Mr. Bernard Boruch: Well, I want to be --- the purpose of my call is to you --- one --- that things seem to be moving, I don't know whether in a good direction or in a bad direction.

B: I'm sure he's going to tell me about it. I'm surprised he didn't talk to me about the man he nominated.
HMJr: When you come, I sure want to see you.
B: I don't hear you, Henry.
HMJr: I want to be sure and see you when you come.
B: Well, as soon as I'm notified to come I'll telegraph you.
HMJr: Fair enough.
B: And they cannot make their policy or do anything without taking in the Treasury among other things...
HMJr: Yeah.
B: It would be too absurd, Henry.
HMJr: Well, then -- I mean they'll find the British Treasury and they'll find France over there as big as life.
B: Hello?
HMJr: Yeah, well, now listen. You leave that -- I mean I'll butt in at the right time.
HMJr: Listen, you've got -- the idea about a thoroughly controlled Germany is going to win now surely. We can't lose on that one.
HMJr: I say, I've -- I think I've more than held up my own end.
B: Yes, sir.
HMJr: I don't know what you heard over there when you were in England...
B: Oh, oh, it was good.
HMJr: ...but I haven't made any Christmas presents.
B: I'll be in touch with you -- I'm going to see -- I'll hold you from the beginning that I'm going to keep in touch with you.
HMJr: All right.
B: As soon as I hear anything I'll let you know. When I'm called down, I'll let you know right away -- I'll telegraph you right away.

HMJr: Hello.
Operator: Go ahead.
HMJr: Hello.
Secretary Perkins: Hello, Henry.
HMJr: Yes.
F: This is Frances Perkins.
HMJr: Hello, Frances.
F: I just wanted to be sure about Minor.
HMJr: Well, I got back late last night, and she is pretty well.
F: Pretty well?
HMJr: Yes. She's still got several difficult weeks ahead of her.
F: Dear, dear.
HMJr: I'm not discouraged, but last week she had another setback.
F: Oh, dear. Where shall I send her a letter?
HMJr: Welch Hospital,
F: Welch Hospital...
HMJr: Daytona Beach, Florida.
F: All right, I'll....
HMJr: She'd love to hear from you.
F: Well, I think about her a great deal.
HMJr: Well, so do I.
F: It's pretty hard on her. I mean, this thing coming when it did. Because for her it is a bad emotional period
HMJr: Oh, yes, well, it came -- couldn't have come worse.
P: No.
MMJr: She's been there three weeks, and I'm afraid that she will be there at least a minimum of another three weeks.
P: If she can make a little progress every day....
MMJr: Well, she is in a good humor.
P: That's good.
MMJr: She's in good humor.
P: That's fine.
MMJr: Thank you....
P: ... giving her oxygen?
MMJr: Yes?
P: Are they still giving her oxygen?
MMJr: She's still in an oxygen tent.
P: Yes.
MMJr: Yes.
P: That is what is a great comfort.
MMJr: Yes.
P: It gives her great comfort.
MMJr: Yes.
P: Fine.
MMJr: Well, thank you...
P: I think of you too.
MMJr: Thank you, Frances.
SECRET

NOT TO BE RETRANSMITTED

COPY NO.

OPTEL NO. 192

Information received up to 10 A.M. 23rd April, 1945

NAVAL


2. Enemy attack on Shipping. 22nd. In home bound convoy from Antwerp a merchant ship (7176) mined off Flushing but reached port while a Russian merchant ship (1603) torpedoed and sunk off Kola Inlet.

MILITARY

3. Eastern Front. Southern Sector: First French Army broke through enemy defences east of Black Forest and armour has now reached Swiss frontier to west of Constance and is moving eastwards along northern shore of Lake. Further North troops of 7th U.S. Army have also broken through enemy defences and 1 armoured column has reached River Danube in area 10 miles while second thrusting southwards from Crailheim has seized bridge across Danube at Dillingen.
Central Sector: Troops of 3rd U.S. Army made gains up to 20 miles on 40 Mile Front while unconfirmed report states Weiden taken. Troops of 1st U.S. Army engaged in bitter house to house fighting in Dessau.
Northern Sector: Reported that armour of 9th U.S. Army has linked up with British airborne troops 10 miles North Salzwedel.

4. Eastern Front. In Berlin area Russians claim 16 of North Eastern suburbs taken while further South they stated advance made East and North East Dresden with former reaching to 15 miles from Dresden and latter to within 10 miles of Jittendorf (15 miles East Dessau).
Southern Sector: In area North Vienna only slight progress reported due West of Breslau.

5. Italy. Eighth Army Sector: On right U.K. troops engaged in hard and fluid fighting South of Po at approaches Ferrara and Bondeno while on left in Romagna, New Zealand and Polish Forces maintaining pressure on Eastern flank of German salient between 9th and 8th Army.
South African troops under command 5th Army on left flank this salient have narrowed neck to some 16 miles.
Fifth Army Sector: U.S. armour heading North now 26 miles North of Torino Bologna while further West Modena entered. P.W. on whole front from beginning offensive to present date estimated 25,000.

6. Burma. Central Sector: Our troops advancing from East have reached Irrawaddy 10 miles South Yavne. Further East 1 of our armoured columns reported striking South now within 1 mile Toungoo having captured airfields in this area.

AIR

7. Western Front. 21st/22nd (night). Bomber Command aircraft attacked Kiel (136 tons) with good results. 22nd. Bad weather restricted operations. Bomber Command aircraft 204 (missing 2) attacked targets Bremen (965 tons) mainly through cloud. RAF (All) 116 fighters and fighter bombers 650 (missing 3) operated battle area. Coastal Command aircraft obtained hits on one 4000 ton ship and one 8000 ton tanker in Ruhr area and Kattegat while 2 vessels left burning off Norwegian coast. 22nd/23rd (night). Bomber Command dropped 150 (without loss) 40 Berlin, 11 Kiev, 99 Bomber support.

8. Mediterranean. 20th/21st (night). Liberators 96 attacked railway bridge, Verona-Parma railway (152 tons) obtaining direct hits. 21st. Escorted heavy bombers 243 (missing fighters 1) dropped 966 tons railway targets North Italy and South Austria with good results while Lightnings 150 successfully attacked similar targets. Medium and Fighter Bombers and Fighters 753 (missing 6) attacked communications North Italy and South Austria also giving support to ground forces.

Regraded Unclassified
April 24, 1946
9:30 a.m.

GROUP

Present: Mr. D. W. Bell
Mr. Bartell
Mr. Gamble
Mr. C. S. Bell
Mr. O'Connell
Mr. Blovich
Mr. Luxford
Mr. Peble
Mr. Fussell
Mr. Bernstein
Mr. DuBois
Mr. Cope
Mr. Litz

M.N.R.: Good morning everybody.

Let me just tell you people something. I have learned
something through this teletype business, and from now on
I am not going to read the voluminous reports which you
all have been sending me about China, Germany, and Belgium
and this and that sort of thing. What happens is you fellows
send me these damned reports about that high (indicating)
and when I get through, so what? You take a thing like
this revision of 1007 signed by the President on the 30th
of March, and then I begin to get excited about it Sunday
and I call a meeting, and we will go somewhere, see?

Now, before I meet with these fellows at ten-thirty,
I want to be brought up to date. Through stuff you have
sent me I am pretty well up to date, but I will try to
rush the important things through. But there is no sense
in sending me all this voluminous stuff because I am not
going to read it. It is a waste of paper and a waste of
my time, and it doesn't accomplish anything, but then we
get something like that or any one of these important
things—if you have something on taxes, come and see me,
and then have in writing what you want, and we will sit down
and go over it.

M.N.R.: All right, but I am just telling you. I
don't know what is going on in Texas, but if somebody
wants something, it is up to me to see you fellows, and we will
settle it on time, see, but places, no more reports. I
have asked for them. Sol Adler have me ten pages on China,
but I don't want to see them anymore. I will be glad to see
Sol, but I don't want his reports.

MR. LUXFORD: Joe says that is why he didn't send you
that report on England. (Laughter)

M.N.R.: Don't bring that up.

M.N.R.: That was one for my grandchildren. They were
interested. After all, a child that can take orange juice
out of a cup when she is four years old wants to know
what I did in the summer of '44. So I just want you—this
teletype thing is wonderful. I think I am going to install
one right here, and when you write me things you will have
to condense them.

Where is Luxford? I learned more about what he did—
I never would have gotten a report from Luxford if I hadn't
been down there. I never could have known what he did
Saturday unless I read about it in Drew Pearson's column.
(Laughter)

Anyway, I am going to try to be more helpful on the
important things and not clutter up my time away with all
this spinach.

And the job Charles Bell did for the President—
President Truman, those two pages—that was good for me
and good for him. I have asked for an appointment to see
him Thursday, and if there is anything you want me to
tell him, let's have it. Let it clear through you.

Now, Gamble met me at the airport last night, and he
started to tell me about pay roll deductions. I said,
"President Truman doesn't know anything about pay roll deduc-
tions, so let's have a report. Where do we stand?"
So, anyway, that is the way I feel this morning. I have turned over a new leaf, and I will get started in a minute with you, Mr. They are bringing the navy in here at ten-thirty.

Mr. Clark: They have been in on all things.

H.N. Jr.: Well, Claytor—is it good? You see, they bring in this revision of 1007 for the Army. You want to know what is going on. The Navy will be here. Well, what I am proposing to do is to get some assistant to work exclusively for me and read all of this stuff, cut out some of it, analyze it, and bring it to my attention. That is an administrative responsibility.

Now, I sent a telegram on this business of the bankers, see, and I feel very, very strongly that we should make Mr. Burgess put down what he wants before we put down what we want.

Mr. Luxford: I think that is contemplated, Mr. Secretary.

H.N. Jr.: Not in your telegram.

Mr. Luxford: I think so.

H.N. Jr.: No, you put it in. You said that Wolcott asked us to submit ours, and Mr. Burgess would submit his.

Mr. O'Connell: The last paragraph indicates we are waiting until Mr. Wolcott gets the document from Mr. Burgess and gives that to us, and in the meantime we will prepare a draft of the changes we are prepared to make on the basis of compromise. We feel that when we go over our changes we should confine our concessions—

H.N. Jr.: But that is—
MR. LUXFORD: How about Eccles on that?

Mr. BELL: Savitszak tried to get information yesterday, and I didn’t feel free to talk to him.

Mr. J.: Shall I have Eccles for lunch Friday, too?

Mr. LUXFORD: Somebody has to keep him informed.

Mr. J.: Tell them outside that Eccles is to be invited for lunch Friday, too. (To reporter)

Is there anybody else in town?

Now, I promised Mr. C. B. he could brief me, but I will give you people—have you something you want to clear, Charles?

Mr. C. B.: Yes, I thought you ought to know that there have been half a dozen people selected to go to Germany. I have their names: Schmidt, Ferdinand, Volkan, Pruss, Zimman, Wain, and John Davis.

Mr. J.: Is this the investigating group?

Mr. C. B.: No, this is the group—I think they telephoned when you were in town and authorized this as the first contingent.

Mr. J.: This is the investigating.

Mr. D. B.: The Schmidt group.

Mr. C. B.: All of these people are out of Foreign Funds. They are commercial specialists.

Mr. J.: Now that John Pelle is again a free man I want to put him and you on a little committee to pass on this group, see, and I understand Schmidt is to clear it. Is he?

Mr. C. B.: Yes.

Mr. J.: So you and Joe look that thing over, and you don’t have to refer it back to me again. Is that agreeable to you, John?

Mr. PELLE: Entirely.

Mr. C. B.: Schmidt would like to designate Michael Hoffman Acting Director of Foreign Funds during his absence in Germany.

Mr. J.: How about that?

Mr. PELLE: Very good.

Mr. J.: All right.

Now, wait a minute. While you are on that, here is a letter from Dan Bell on the different people to head up the financial section. I would like to talk to you people about that.

Mr. D. B.: Chester Davis, isn’t it?

Mr. J.: Yes, Chester Davis. Let’s have a meeting at four-fifteen this afternoon, Mr. Flotz.

Now, who is to go to Germany to head the finance section—German Finance. Now, I want Dan Bell and Charles Bell and John Pelle, see, and you two fellows, Luxford and DeBois.

Mr. LUXFORD: Four-thirty?

Mr. J.: Four-fifteen. You are not interested, are you?

Mr. O’CONNOR: No.

Mr. J.: Who are you representing, E. M. Bernstein?

Mr. BERNSTEIN: Mr. Fitzgerald asked me to represent White. I don’t know why he did, though.
H.W.JR: Good, fine. It is enough to have you here representing yourself.

MR. BERSTEIN: Thank you.

H.W.JR: You are entirely welcome.

MR. FELLS: Is there a list on that proposal on finance?

H.W.JR: Yes, Mrs. Klotz can circulate it between now and four-fifteen.

MR. D. W. BELL: I will give you a copy.

MR. C. S. BELL: We would like to promote Norman Hess. He is with Mr. Coe. I don't know whether he has spoken to you about that.

MR. C. S. BELL: We would like to promote him to eight thousand. That is in line with other Assistant Directors in Monetary Research. He is an Assistant Director and is paid less.

H.W.JR: He goes to San Francisco; I get nothing out of it; and you promote him.

MR. LUXFORD: Mr. Secretary, has he been doing a brilliant job on Bretton Woods.

Dean Acheson called me while you were away to say that he had done a wonderful job with him on the West Coast.

H.W.JR: On the West Coast?

MR. LUXFORD: You see, he went out there with Acheson to sell Bretton Woods.

H.W.JR: Is he under you?

MR. COE: Yes.

H.W.JR: Has this policy of upgrading and getting more people got any new people?
MR. D. W. BELL: I have nothing important.

H.M.JR: Wonderful.

Laxford?

MR. LUXFORD: Supplementary to what you said on Barry, a delegation of Americans United went to see him yesterday, and he told them without any qualifications he was going to support and vote for Barros Woods and was going to make that public.

H.M.JR: Congressman Barry.

MR. O'CONNELL: B-a-r-r-y.

MR. LUXFORD: And he also indicated that the Committee by and large—all of them were going to vote for it.

H.M.JR: Well, whatever the deal Mr. Mannan made, it is O.K.

MR. O'CONNELL: I haven't seen Mann; I have an appointment with him as soon as I get out of here. He wasn't in yesterday.

H.M.JR: Where was he yesterday?

MR. O'CONNELL: In New York. He came in late yesterday afternoon.

H.M.JR: Tell him that English week ends are out during the war.

MR. O'CONNELL: His son was ill; he had a particular reason.

H.M.JR: He had better still have a look into his week ends.

MR. LUXFORD: That is all I have.

H.M.JR: Joseph?
Now, what I am going to try to do is see if I can get clearance tomorrow so we can get at him. I don't know where the hell this man stands, either. I am worried. Leave it to me for the next day or two.

MR. DUKE: This fellow Salter—I don't know him, but I gather from Frank and Harold he is a pretty bad choice, and it is apparently an attempt by the British to sabotage it.

M.J.: Well, he is an important fellow.

MR. DUKE: He has got a name, but I gather—

M.J.: He is smart.

MR. COE: He is getting very old.

M.J.: His wife is something: Oh, boy!

MR. COE: Maybe she will go.

M.J.: Well, I hope not. She is what is known as an original cave-dweller in Washington from the social angle—very rich. She couldn't understand when I flew home why I couldn't take him and fly him to the Berkshire enclave. She is something.

Well, let's see. I think before today or tomorrow I hope to have my hands untied so I can contact this new man.

MR. DUKE: The only question on this other, Mr. Secretary, was Chambers told me McLean was leaving tonight.

M.J.: Yes. Let's see how this meeting goes this morning. He is coming, Frank, before you and not.

MR. COE: It depends on what you told the other departments on how many there will be.

M.J.: I didn't tell them anything. Crowley is bringing one man. Well, who was here on the original list, you and I?

MR. COE: And Glasser.

M.J.: Glasser? No, he didn't attend the meeting in this room.

MR. COE: Probably White.

M.J.: White. Are you coming, Dan?

M. D. W. BELL: Yes, I am coming. I am an observer.

M.J.: Let's leave it to Frank. Can you handle it?

MR. COE: Yes, sir.

M.J.: Do you need any support?

MR. COE: Support would be good, but I don't think so. No, you should have a relatively small number.

M.J.: Do you need technical support?

MR. COE: No. I think we are all right.

M.J.: Let's see where we come. If we get into reparations, I will send for you, Joe. But I don't think you can drive it today, because I know that Clayton knows, and I don't think he is going to push it.

MR. DUKE: If you can't get that, Mr. Secretary, if you get McLean to sign just one document—and that was that memo that I gave to Harry, and I think he showed it to you—just interpreting the first paragraph in this March 2 directive, it will set us over a lot of hurdles.

M.J.: Let's see how much time we have. This new man got a copy of the document on reparations. Clayton sent it to him. He told he thought it was pretty good, and I take it was what you sent to me.
MR. DaBOS: Yes, that document has not been changed in substance.

H.W.: Clayton sent it to this man to read last night.

MR. DaBOS: Right.

H.W.: I want to get clearance to go to work on this fellow.

MR. DaBOS: It doesn't sound very good.

H.W.: What?

MR. DaBOS: It doesn't sound very good.

H.W.: I don't know, I am just bewildered. He may be wonderful, or he may be terrible. He is important.

MR. GUN: Despite any predictions we may have had, Lubin has worked out very well on policy.

MR. DaBOS: He is for it very hard.

H.W.: E.W.?

MR. BERNSTEIN: I don't have anything.

H.W.: What did Mr. White do yesterday?

MR. BERNSTEIN: I think he probably was still flying.

H.W.: What did E.W. do?

MR. BERNSTEIN: I just tore around the day waiting for it to end.

H.W.: Waiting for Dan? (Laughter)

MR. PERLS: Waiting for it to end.

H.W.: Is there anything you want to tell me?

MR. BERNSTEIN: No, sir.

MR. GABLE: Mr. Bell has a press release on the Roosevelt memorial.

H.W.: I will do that this afternoon.

MR. GABLE: I won't be here this afternoon. I don't think you ought to send out any press release on a memorial bond.

H.W.: Aren't you going to be here?

MR. GABLE: What about Judge Campbell? Do you know him well enough to let him come in alone?

H.W.: Judge Campbell? He's an old pal of mine. He was District Attorney on the--

MR. GABLE: Oh, no.

H.W.: On Annenberg. He and I are old friends.

MR. LUXFORD: Did he write the gold decision?

H.W.: He and I are very good friends. He's swell.

MR. GABLE: He is here doing some work for us.

H.W.: I know him well enough.

MR. GABLE: It's okay for him to come in alone. I was flying to New York at five o'clock, but I think I ought to take an earlier train on account of the weather. On the memorial bond release, Mr. Secretary, we have had several hundred letters. We have answered them all. We have sent the policy to the State Committee.

H.W.: Listen, I appoint you and Dan as a Committee to settle it immediately after this.

MR. BELL: We are getting all kinds of letters.

H.W.: You and Dan settle it. What about this business of making a recording and all that? Who are you going to deputize on that thing? Do you want me to make a recording?

MR. GABLE: All I want to know is what day is convenient, Friday or Saturday? It will take an hour.

H.W.: An hour?

MR. GABLE: It will probably take a half or three-quarters of an hour. We'll do it here--bring the newreels here.
H.M.Jr: Are you familiar with that?

MR. RUSSELL: Yes.

MR. GAMBLE: He has had all of that. The only part
I am concerned about is the new reel shot.

H.M.Jr: It's a new reel shot?

MR. GAMBLE: Yes. That's one of three pieces.

H.M.Jr: Well, let's say nine o'clock Friday morning.

MR. GAMBLE: Friday morning at nine o'clock.

H.M.Jr: Russell, you pick up the pieces.

MR. GAMBLE: He has prepared a statement. He has
been carrying the ball. We did some work on the state-
ment, but he has carried the ball.

H.M.Jr: When V-E Day comes it's all out in the
field over the dead body of Oll. Ted is putting it
three weeks in advance, ahead of everybody else. He
doesn't want it known, though.

MR. LUSFORD: Three weeks in advance of what, Mr.
Secretary?

H.M.Jr: Oll.

MR. LUSFORD: I see.

MR. GAMBLE: One minor thing. Woolcott is giving a
birthday party today for Al Steele. I thought you would
like to send a wire.

H.M.Jr: Tell him I wish him luck in his candidacy
for Walter George for my job.

MR. GAMBLE: We've got the right guy.

H.M.Jr: Joan and I don't know how many of you have
seen the coca cola machine where you put in five cents
and a cup of coca cola, ice cold comes out. There is
one in the hospital and we play it all day long.

MR. KLOFT: It's not exclusive with coca cola—all soft
drinks.

H.M.Jr: It's awfully good. Are there many of those
machines around?

MR. GAMBLE: Thousands.

H.M.Jr: Are there any in Gamble's theaters?

MR. GAMBLE: Yes.

MR. C.S. BELL: We had one in the Treasury. I
don't know if it is still here or not.

H.M.Jr: Eddie?

MR. BARTLETT: I have nothing, Mr. Secretary.

H.M.Jr: All right. Frank, you will have your day
in court as soon as these people get out.

MR. O'B: There are two or three other things besides
the German thing.

H.M.Jr: Talk fast.

MR. O'B: Patterson is expecting a call from you on
the China business.

H.M.Jr: Is he?

MR. O'B: Evidently you told him you would be in
touch with him.

H.M.Jr: Is he ready to go to town?
MR. O'BRIEN: He will support us, but his general is on the other side in line with your new policy. I would like to talk to you about that separately. We have a proposition un--

H.M.JR: Can't you do it afterwards? These men will be out of here in four or five minutes. You will have twenty-five minutes. You can do a lot of talking in that time.

MR. O'BRIEN: Yes.

Does that three forty-five date still stand that Ted is running out on? (Laughter)

H.M.JR: Yes.

MR. FUSSELL: Sometime before the Thursday press conference I would like a few minutes to talk over what we are going to say at the Thursday press conference on this black market income tax stuff.

H.M.JR: Have you got anything juicy?

MR. FUSSELL: Not juicy, but we have a plan of presentation that will provide enough interest for them to write about.

H.M.JR: Will fifteen minutes be enough?

MR. FUSSELL: Yes.

H.M.JR: Fifteen minutes before press.

MR. FUSSELL: Could Mr. O'Connell come in?

H.M.JR: Sure. Are you going to win the Chase case?

MR. O'CONNELL: I think so. It's a close case.

H.M.JR: How is the fellow trying it?

MR. O'CONNELL: He's doing all right.

MR. O'CONNELL: Schachner.

H.M.JR: From SCOT

MR. O'CONNELL: This is Bruno Schachner. He has been with the D. A.'s office many years.

H.M.JR: Is he any good?

MR. LUPARD: He tried all of our cases and has done a good job for us.

MR. O'CONNELL: Cahill, who of course is on the other side, is trying to do a good job, and is doing a very effective job. They are not discussing the merits of the case particularly. They are telling all the good work the Chase Bank has done in helping to win the war and selling bonds. He hasn't talked much about whether they did violate regulations or not. There is one weak spot in our case—we knew it was there—and that is one of our key witnesses is a Chase Bank employee who admittedly was cognizant of the fact they were violating controls and he testified he informed his superiors of the fact. He testified both ways in the trial.

H.M.JR: Is he the fellow that was in Spain?

MR. O'CONNELL: You are thinking of Barr. This is a subordinate employee, a lower down fellow, and he testified under direct examination and under pressure that he had known of the fact that they were violating the controls, and he told his superiors, and in cross examination, I am informed, he took it all back again when Cahill went to work on him. As far as the jury is concerned, we'll get to the jury, I think, and from their point of view the question of credibility and having a good man on our side, I think, very readily pointed out the pressures that would impel him to equivocate a little bit since he still works for the Chase Bank, and it's pretty difficult for him to not sort of jump from limb to limb, so to speak. He testified before the Grand Jury that he had informed
his superiors, and that was the basis on which he was forced under direct examination to adhere to that story and on cross-examination he reversed. He is a pretty poor witness.

H. M. Jr.: Isn't the testimony given before a Grand Jury made available to the trial?

Mr. O'Connell: The testimony before the Grand Jury was made available to us, and it was based on that that we were able to, in a direct examination, force him to say what he said before the Grand Jury, but on cross-examination by Cahill he weakened quite a bit.

H. M. Jr.: The whole case doesn't hang on that, does it?

Mr. O'Connell: No, but one of the important witnesses as far as notice to responsible officials of Chase is concerned—it is quite important. We won't be through until—I think our case will be in today or tomorrow, but it will be probably a week from today, or more, before the case is all in. The Judge is doing a good job. Rikind, a young fellow who used to be Wagner's Secretary, I am told, is doing very well.

H. M. Jr.: Oh, yes, he's the fellow that is so interested in housing. Wasn't he with Nathan Straus for a while?

Mr. O'Connell: He was with Wagner at the time the housing legislation came up.

Mr. H. Jr.: Keyserling is the Housing boy.

H. M. Jr.: I know Rikind.

Mr. O'Connell: Rikind succeeded Keyserling as Wagner's secretary.

H. M. Jr.: I skipped you. All right.

Mr. Feible: I have nothing.

H. M. Jr.: I sent you and Charlie a little memo. Have you got it already? It would be nice if I got out a statement to the employees.

Mr. Feible: Did you like the statement we wrote?

H. M. Jr.: I like the one Wallace got out.

Mr. Feible: We wrote it for him.

H. M. Jr.: Why not one for the old man? The fellow—I am pushing him out. I ought to go ahead of Wallace.

Mr. Feible: I think a statement would be good. There is one disturbing element.

H. M. Jr.: Like Joan said, "In all these discussions who comes first?" I said, "Morgenthau."

Mr. Feible: Some of the old Treasury employees who we thought would certainly want to stay in the Treasury have shown a great desire to get out.

H. M. Jr.: Get out of Procurement and do what?

Mr. Feible: In other words, where there were people in the border-line area that were any good, even though they had as much as ten years in the Treasury, they wanted to go.

H. M. Jr.: Maybe it's too much.

Mr. Feible: Too much.

H. M. Jr.: Maybe ten years in the Treasury is too much.

Ms. Klott: Ten years of Procurement.
Mr. D. N. BELL: Too much Procurement.

Mr. K.: Everything else is all right. What did you do about Miss Model?

Mr. BELL: She's taking the plane and so is O'Dwyer.

Mr. K.: Two weeks to make a two-day speech.

Mr. BELL: Yes, I know. I think the real difficulty, Mr. Secretary, was that they were going to write the speech on the train. Of course, I know that's not an approved practice, but--

Mr. K.: Anyway, you settled about the plane. You're my boy; All right.

Mr. BLOOM: Well, we went yesterday in conversation with Stan all day on various tax matters. We have a report now prepared for the Joint Committee. The issue isn't in print yet, and we expect the Joint Committee will over it about the end of this week. My guess is that they will take it almost as is, although they might make minor changes. They will probably release it. I don't know why, but I would think they will probably release it either Saturday of this week or early next week, probably the latter.

I think at that time you should follow immediately, the same day, practically the same hour, with a press statement indicating your approval and the fact the Treasury has had in this so as to ride right along on the same publicity. Mr. Russell and I have been talking about it, and if you approve, we will work on something.

Mr. K.: I approve.

Mr. BLOOM: There is something to be issued. You may have seen from my short sent that I am making a good many little off-the-record talks and interviews and I am spending tomorrow and Thursday in New York. I am seeing the editorial people tomorrow and will be having off-the-record conferences with business people Thursday.

I am hoping we may get a good deal of support for this very limited program which the Joint Committee is proposing. In other words, the Joint Committee would propose something a good deal less than a lot of folks would like, and we are hoping to get good support from the outside for the limited program. Things, so far, are quite satisfactory.

Mr. K.: Fine.

Russell, in talking with Gamble last night, in the future when things of importance happen, take this sort of things—he has forty-eight chairmen and every one of them have Public Relations men. When something important happens I want a bulletin to go out to Gamble's people on behind the scenes news in the Treasury, so these fellows know how to evaluate it, see?

Mr. RUSSELL: You mean tax matters?

Mr. K.: Anything real important. Gamble should designate somebody over there so they go out. These fellows in the field are interested in everything the Treasury does. Everything the Treasury does affects bond sales, good or bad, and these fellows that are out in the field, the Chairman and their Public Relations men—take this question of the off-the-record press conference I had about whether I would stay or resign. A thing like that should have come to his State Chairman, see? Also, why we get rid of Surplus Property should go to his people. That's the best contact we have. Now, that thing may be enlarged into a sort of Treasury bulletin. It might go sixty-five Collectors of Internal Revenue—Presidential appointees. I think every presidential appointee in the Treasury ought to get a bulletin like that, not every week, only when something happens which needs interpretation. I think it would be very useful. These Collectors are out in the field and they don't know. They are all interested.

Hannegan said three bankers came to him, and each one said, "Is Horne going to resign?" Hannegan said, "Why are you interested?" They said, "I want to know if he does, because the bond market is going to hell."
I think that we need is just a typewritten page when something happens here that is of importance so that these people in the field know that they have become a part of the Treasury family, see? Do you approve, Fassell?

MR. FUSSELL: A house organ for the higher-ups in the field.

R.M. Jr.: That's right.

MR. FUSSELL: You may find that we may be criticized for using the war Finance organization for-

R.M. Jr.: Let Gamble worry about that. Do you want it, Ted?

MR. GAMBLE: Yes, I know how we can handle that.

R.M. Jr.: Every responsible Treasury man in the field, and all Presidential appointees, see? But get these fellows we have never used, and it spreads the word.

R.M. Jr.: Just their circle of acquaintances--cover the country.

MR. FUSSELL: Threw a pebble in the pool and look at the circle of ripples that go out. There's a good idea, straight from Dayton.

MR. FUSSELL: I think it's a good idea, Mr. Secretary, in connection with what-

R.M. Jr.: I don't want it every week, just when something important comes up. You take this thing he's saying to do. Everybody in the United States, every businessman wants to hear what this tax thing is going to do. Let's get this through out. Get your mailing list ready, and I think a preliminary letter ought to go out over my signature explaining what this is.

MR. GAMBLE: It ought to go before it's announced, too.

R.M. Jr.: A letter ought to go out in the future, from time to time, when something happens. We are going to take you behind the scenes in the Treasury and give you a little talk for background purposes, and explain what background is.

MR. FUSSELL: Mr. Secretary, in connection with what Roy just said, if that tax release comes out at a convenient time during the day, during the week, do you think a background press conference would be a desirable thing following the release?

R.M. Jr.: Yes, you work it out; make a recommendation. Roy, I'll be the front and Roy will do the talking.

Mr. Bough: Good.

R.M. Jr.: Now I cleared you and cleared you. How about you?

Mr. O'Connell: I have nothing.

R.M. Jr.: All right.

(Discussion continued off the record)
April 24, 1945
10:30 a.m.

1067 - REvised

Present: Mr. D. W. Bell
Mr. Crowley
Mr. McCoy
Gen. Hilldring
Mr. Clayton
Mr. Glasser
Mr. Coe
Mr. Fowler
Mr. Downey
Major Gross
Mr. Despres
Mr. Riddleberger
Lt. Bancroft

H.M.JR: Let's start.

MR. CLAYTON: Shall we go ahead?

H.M.JR: If you please.

MR. CLAYTON: Mr. Secretary, the working committee has produced two or three documents. They have one on the military and political directive on which I think almost complete agreement has been had. There may be one or two little matters.

MR. DESPRES: That's right.

MR. CLAYTON: And there is one on financing which I don't believe you have fully agreed upon.

MR. DESPRES: No, we haven't the last one.

MR. CLAYTON: And there is one on economics which I think we are pretty nearly in agreement on; there are only two or three minor matters.

I would suggest to you, if it meets your approval, that we take the political and military documents first.

(Mr. D. W. Bell enters the conference.)

MR. CLAYTON: And that I read it through first and then take it paragraph by paragraph, and comments can be made on the suggestions as we go through it.

(Lt. Bancroft enters the conference.)

MR. CLAYTON: I think we may get a better idea of the complete story if I read it all first and then we take it paragraph by paragraph, so that any comments or suggestions probably won't be accepted until we go over it from beginning to end.

H.M.JR: You read through the whole thing without any comments.

MR. CLAYTON: If it meets with your approval--

H.M.JR: We'll give you the same courtesy they give you on the Hill.

MR. CLAYTON: I don't know whether that is too good.

H.M.JR: We will do it better.

(Mr. Clayton reads "Directive to Commander-in-Chief of U. S. Forces of Occupation Regarding the Military Government of Germany," draft No. 1.)

MR. CLAYTON: (Reading draft) This directive reminds JCS 1067 and is issued to you as Commanding General of the United States forces of occupation in Germany. As such you will serve as United States member of the Control Council and will also be responsible for the administration of military government in the zone or zones assigned to the United States for purposes of occupation and administration. It outlines the basic policies which will guide you in those two capacities after the termination of the combined command of the Supreme Commander, Allied Expeditionary Force.
Supplemental directives will be issued to you by the Joint Chiefs of Staff as may be required."

MR. CROWLEY: I wonder this, if they couldn't— all the men here know, Will, where there is a difference of opinion. That is only the general directive, and if we could get down into the meat of the thing where there is some difference of viewpoint, I think we would save time, if that is agreeable.

MR. COE: I think that would save time all right.

MR. CLAYTON: It would save a lot of time, and it would get to the points where there has been—

H.W.JR: Could I just ask you this? At this stage I think it is an excellent suggestion. It isn't quite clear to me. As you people know, I have had to be away. "Directive to Commander-in-Chief of U.S. Forces of Occupation Regarding the Military Government of Germany." Do I take it that this is a directive to General Eisenhower?

GEN. HILLDRING: That is right, sir.

H.W.JR: And that he will be Commander-in-Chief of the forces of occupation? Is that right?

GEN. HILLDRING: Yes, sir.

H.W.JR: What don't I understand is this: We go ahead with this. Let's say we will come to an agreement, and then what do we do about the other three commanders?

GEN. HILLDRING: He is going to try to sell these to the other three to the greatest extent he can.

H.W.JR: And that is General Eisenhower's responsibility?

GEN. HILLDRING: Eisenhower is two people. He is our representative in the Control Council in Berlin, and he is in command of the U.S. zone. This is the U.S. policy both with respect to zone and with respect to what we want to accomplish in the whole of Germany, so while he is going to apply it in his zone prior to the agreement in the Control Council, he is going to try also to sell this policy to his three associates in the Control Council.

H.W.JR: But it isn't up to the State Department, or Winant, or the European Advisory Council. It is up to Eisenhower to take it up with his three men.

GEN. HILLDRING: At the moment it is the business of Mr. Winant to sell these policies if we can get them over there in time in the EAC to his associates on a diplomatic level. However, once the Control Council is set up, it is my view that you can't have this done in two places, and starting at that moment Mr. Winant or the EAC is going to step aside, and thereafter this selling job is going to be done by Eisenhower in the Control Council.

H.W.JR: Well, now, let's take a little time on that and see if there is a general agreement, because I think that is terribly important. I mean, where the things go from here as to what happens to the European Advisory Council. What is that?

MR. CLAYTON: The General stated it as we understand it.

H.W.JR: May I be a little frank amongst ourselves? Well, I can guess. I am not asking for confirmation or denial. It will be a matter of several weeks, I take it, before this Council will be set up, I mean, in Berlin. And doesn't it kind of cross the thing up—I am using a polite word—to send it first to Winant, who will mess around with the European Advisory Council and may do a good job? On the other hand, he may not be successful, and it goes to General Eisenhower, and the water has been muddied. If Eisenhower is going to carry the ball, why muddy the water with the European Advisory Council and only have two or three weeks to fuse with this thing?

MR. PIDGEON: I would like to raise the point that we haven't told Ambassador Winant yet that we will necessarily introduce this directive into the EAC for negotiations. We have reserved the right to do it if we consider it desirable, but we don't have to do it.
H.M.JR: I would just like to raise the point that wouldn't it muddy the water? If General Eisenhower were told this or that was agreed upon or rejected by the European Advisory Council, wouldn't it make it more difficult for him to act, rather than if he got the thing fresh and clean and he could go to town on it?

MR. RIDDLER: Under our present arrangements the point of contact with the Soviet Government on questions affecting Germany is the European Advisory Commission, pending the establishment of the Control Council. We have been urging upon the Russian Government the high desirability of establishing as quickly as possible the Control Council for Germany and have requested the Russian Government on no less than three occasions to speed sending their personnel to London for the nucleus groups, but so far they haven't sent them. Consequently our negotiating basis is London for the moment.

H.M.JR: I am not satisfied, if you don't mind.

MR. RIDDLER: Yes, I am merely explaining what the situation is, that is all.

H.M.JR: I need the explanation, but if you don't mind my taking a little time, I think it is terribly important. I have seen a little bit of what they have been able and not been able to do, and if it is a matter of weeks, I would like to raise the point in consideration whether it might not be wise to give this document to General Eisenhower so he could be studying it, because he is going to have to deal with the Russians, anyway. He isn't going to deal with the diplomats, but he will deal with the Russian Generals, and if he could start fresh, without the thing being a little messed up in London--I wonder if his hand wouldn't be turned.

MR. CLAYTON: Mr. Secretary, I think there is this point that we have had to consider in connection with the, and that is that if General Eisenhower takes this up with, and that is that if General Eisenhower takes this up with the Soviet, British, and French generals, it will come to, then entirely fresh and new, and I am sure that it will be a matter that they would have to take up then with their Governments, you see, because this is something that General Eisenhower's Government has formulated for him, you see.

Now, if the first introduction of the matter is by him with the generals representing the other Governments, why, I would feel sure they would have to then take it up with their Governments. So wouldn't it be better for us to start right off and present it to them?

H.M.JR: Do you mind if I argue a little with you?

MR. CLAYTON: No, sir.

H.M.JR: I told this European Advisory Council--and I don't think the history has been a very glorious one--but I think that there is a good reason for it from Ambassador Winant's standpoint--he has really never had a directive, so I think there is a good reason why he hasn't been able to function, because from the top down he has never been told what the policy is.

Now, supposing he gets this thing at the end of the week. Suppose we get it to him by the end of the week and he begins to work. He isn't going to get anywhere for months. I would think he ought to get it in any case for his own guidance at once. General, wouldn't you think it regardless of what we might do about the European Advisory Committee?

GEN. BILLINGS: This is a little along the line I have been thinking. I would agree with Secretary Morgenthau wholeheartedly. If the day after Eisenhower got this document he were ready to begin negotiating with the other generals, or if he were going to be in a position to begin such negotiations within a short period of time--I don't know, Mr. Secretary, how long it is going to be before the Russians say, "OK, we will let the Control Council begin functioning." I think if we knew that we would be in a better position to answer your question.

H.M.JR: I am willing to pass it if I can raise it again when Mr. McCloy comes. How will that be?

GEN. BILLINGS: Fine.

MR. CLAYTON: All right, sir, fine. I think it is a good idea.
H.W.JR: I still would like to raise it when Mr. McCloy comes. Do you want to say anything, Mr. Crowley?

MR. CROWLEY: Just this: There would be no harm in Eisenhower using this immediately for the area we are going to occupy.

MR. CLAYTON: That is what I thought.

MR. CROWLEY: If we don't use it for the area he is going to occupy, there may be a long delay before you get an agreement from the Russians.

H.W.JR: I am wholly in accord with you, but if this is thrown in the European Advisory Council, it is going to make it much more difficult for Eisenhower to function.

MR. CROWLEY: I wasn't disagreeing with that. What I meant was while you are waiting to get an agreement with the Russians Eisenhower should use it in the area.

H.W.JR: At once?

MR. CROWLEY: At once.

H.W.JR: Absolutely.

GEN. HILLDRING: At once—we would send it to him at once no matter whether he was negotiating or not.

H.W.JR: You know what I have in my mind, and I should think you would be in agreement with me.

GEN. HILLDRING: Mr. Secretary, I am sorry I can't say anything about the EAC, except this is the thing that haunts Eisenhower, and as his local agent, I am supposed to bespeak his worries. What disturbs him more than anything else is the fact that he is about to enter into a participation in the Government in the whole of Germany without any agreed plan.

(Mr. McCloy enters the conference.)

H.W.JR: We are on a subject that needs your assistance. May I state it? Is it all right?

MR. CLAYTON: Yes, sir.

H.W.JR: Mr. Clayton just read this document, which I think by and large is an excellent one, and I congratulate the people who prepared it. In the first paragraph I raised this thing, and General Hilldring said he needs a little help, that if this document, when we agree on it this week, is sent to the European Advisory Commission and they fuss around with this thing and muddy the water so that when General Eisenhower gets instructions—and we are agreed on this—I raised the point whether the European Advisory Commission shouldn't be by-passed and it should go to General Eisenhower for his responsibility to take it up with his opposite numbers, the three generals representing the three countries with which they do business so that it is only a matter of weeks and they won't get anywhere. They will just fuss around over there in London, the European Advisory Commission, and make it more difficult for him to function. That is the way. Isn't that about the point?

MR. CLAYTON: Yes.

MR. MCCLOY: Well, as a practical matter, if we handle this the same way as 1067, this will go out as the American instructions to General Eisenhower, who will put it into effect in the Control Commission actively. I don't mean the Control Commission, I mean the Advisory Commission, EAC. So I don't see why we couldn't follow the same practice that we followed with 1067. We know from experience that for one reason or another the EAC hasn't been able to function expeditiously on these things. I don't believe they are ever going to get around to this document before we move to the Control Council level, anyway, but rather than bypass them and perhaps cause repercussions by doing so, I would think we would avoid any difficulty by simply following the same procedure we followed with 1067.

MR. CLAYTON: Which would be to send this direct to General Eisenhower at once for his guidance in his zone and also send it to the EAC for consideration by the representatives
of the four powers gathered there to see if they could adopt it for the guidance of the--

MR. MCCLOY: That is exactly what Eisenhower intended to do with 1067, and that is what he is going to do until he gets a new 1067.

H.M. JR: I am not satisfied yet as to what the machinery is the State Department has in mind to terminate EAC.

MR. RIDDEBERGER: We have no machinery in mind yet, Mr. Secretary. I don't know exactly when we can terminate it. Under the Moscow protocol there are surrender terms and their implementation. However, governments can refer to it any other questions they so desire. To date, they haven't done it. But if the British, for example, were to come in with a proposal that EAC take up this and that question, technically, they can do it under the Moscow protocol.

H.M. JR: Mr. McCloy, would you be worried if this goes to Eisenhower and EAC that it would make it more difficult for Eisenhower?

MR. MCCLOY: No, I don't think they are going to get around to it.

MR. RIDDEBERGER: They will never get to it, I don't think.

MR. MCCLOY: I wouldn't worry about it, and I wouldn't take the other alternative of deliberately by-passing them, because they would be provoked.

H.M. JR: You are not bothered?

MR. MCCLOY: General, do you agree?

GEN. McdONALD: I agree. That is what I was trying to say when you came in.

H.M. JR: God, I do work hard for the Army, but I don't get anywhere.

MR. MCCLOY: We will get in more trouble by by-passing them.

H.M. JR: All right, you are the doctor.

MR. CLAYTON: We read the document through, as we said.

MR. MCCLOY: You read all this while I have been coming here?

MR. CLAYTON: The political and military--

MR. MCCLOY: Yes.

MR. CLAYTON: And that includes paragraph fifteen. It was read that way so we could save time and could go immediately to those points where there was any difference and just discuss those points. Now, the first one is with reference to paragraph eight of this document, which is the criminal one.

The Treasury proposes the following change. They would delete from the last sub-paragraph of paragraph eight the sentence which reads, "If you deem it desirable, you may postpone the arrest of those cases you have reported." So it will be understood, I will read the whole paragraph. "If in the light of conditions which you encounter in Germany you believe that certain persons within these categories should not be subjected immediately to this treatment, you should report your reasons and recommendations to the Joint Chiefs of Staff."

Now, the Treasury proposes that the next sentence be deleted, "If you deem it desirable, you may postpone the arrest of those whose cases you have reported."

GEN. HILLSDEN: May I speak on that point? I think that that is the War Department's suggestion, that sentence, and I want to say first that the War Department doesn't object at all to the philosophy enunciated above in the paragraph, and I am sure that no soldier will object to gathering these fellows up and throwing them in the hoosegow.
as rapidly as they can get their hands on them. I want to call your attention to the fact that some day—we are already getting a larger number of prisoners of war—as many, perhaps, as we can handle as prisoners of war. Certainly there will come a time when with five or six million soldiers of various kinds in uniform we will arrive at a point where it will be impossible with the means at hand to treat them as prisoners of war. There will be too many. It will take the whole army of occupation to keep these troops packed together. It is inescapable that before now and the hour of total defeat Eisenhower will have to hold together with his own organization some of the military units.

(Mr. Bell leaves the conference.)

GEN. HILLDRING: If he doesn’t, he is going to precipitate a problem for himself which both administratively and otherwise will be highly objectionable. I think we will all agree that we don’t want the German Army to demobilize itself. We want to demobilize it in accordance with our purposes, and at the same time as decided by us.

Now, if we tell Eisenhower to look up all of the SS officers which they have of all SS divisions as soon as he gets hold of one of those SS divisions, he has under the terms of this document got to immediately arrest all the officers in the division, so he has remaining ten thousand enlisted men that he has no way of controlling. And we say the SS officers should be arrested, you see.

But we think in that instance if we say to Eisenhower rather than turn those SS enlisted men loose on the world around Germany at will, it is better to leave that division in charge of some of its officers until he has time to put them under the control of other people. And it is almost entirely in the field of demobilization of the German Army that we have put this reservation in. Otherwise, we are making it impossible for Eisenhower to demobilize the German Army as we want it demobilized. I want to call your attention to the fact that the future underground of Germany is today manned—constituted in the armed forces of Germany.

(Mr. Bell enters the conference.)

GEN. HILLDRING: Turning the underground loose in Germany is a delicate issue we have not yet faced. We have to hold this German Army together, and we can’t do it by treating the German Army as we do, the few hundred thousand prisoners of war that we have gathered together, Germans as prisoners of war. We have to use the organization, the German Army to do it.

Now, there is one point that is going to be—

H.W.JR: That doesn’t say that there.

GEN. HILLDRING: What does it say, Mr. Secretary?

H.W.JR: Well, I mean there are a lot of words here that would be an out for anybody to let out the whole business.

GEN. HILLDRING: Well, sir, I—

H.W.JR: If you are talking about demobilization, what you have said is quite different than what this paragraph says here; there are a lot of weasel words. They could do anything.

GEN. HILLDRING: They can’t do anything without immediately notifying us, Mr. Secretary.

MR. McCLOY: And you have got to be perfectly realistic about this thing. There is an enormous category of people here estimated from two to three million that you have got to arrest. You will have displaced persons coming out by the tens of thousands. There are problems in Europe that nobody has any conception of until you are there, and the idea of imposing on General Eisenhower the rigid restrictions that he has got to take care of three million more people and all of this administration. You have given him the tone, the type of people he must arrest. He isn’t going to let the whole kit and kaboodle out. He sees the problem.
He has got to have what he needs to give him the necessary flexibility to administer properly the most difficult problem anybody has been faced with since Caivary.

MR. CLAYTON: There is a lot to be said for that, Mr. Secretary. You take, for example, you not only ask him to arrest all officials, Army, Government, and everybody who has Nazi leanings, but you say Nazis and Nazi sympathizers holding information and key positions in their commerce, agriculture, and finance. And with all these other organizations you are going to get there an enormous army that is going to have to be arrested and put under lock and key or taken care of, supervised in some way. It is going to be a terrific job, I think.

H.R.Jr: Look, couldn't this paragraph be rewritten along the lines General Hillsring says in connection with the demobilization of the Army?

MR. McCLOY: No, that is only one part of it.

H.R.Jr: This thing is an out to give an officer in charge of a village not to arrest anybody.

MR. COR: As a matter of fact, the Army doesn't seem to be included under this paragraph.

GEN. HILLRING: You have got all general staff corps officers, one hundred thousand officers.

MR. GLASSER: The first sentence in B says--

MR. McCLOY: Every one of them is to be arrested and they are the ones--

GEN. HILLRING: You take every officer in the SS.

MR. HINDLBERGER: And non-commissioned officer.

GEN. HILLRING: And non-commissioned officer.

MR. COR: Isn't the arrest and incarceration and removal from positions of influence of the SS a pretty major and important problem there?

GEN. HILLRING: Absolutely. The only thing is, they are going to arrest them.

MR. McCLOY: We don't say we are not going to arrest them, but give the fellow with responsibility some freedom to act as against putting in jail willy nilly two or three hundred people. In administering a country you just can't do it. You wouldn't do it in this country.

MR. CLAYTON: This says on that that if in the light of conditions which you encounter in Germany you believe that certain persons within these categories should not be subjected immediately, you see, to this treatment, you should report, and so forth.

GEN. HILLRING: It is only the timing we are talking about.

MR. COR: Do you have anything in mind besides soldiers?

MR. McCLOY: Yes, yes. I went into the city of Frankfurt the other day, and the fellow in charge of the water system, the only fellow left, was a Nazi, and they didn't know how the pipes led into the city in order to get at them to repair the place. They got hold of him and used him, and some correspondent came along. They didn't use him as an official that issued any orders, but just collared him and said, "Now, look, I want you to sit in this chair, and I want you to run this water business until we get it settled." Some correspondent came along and said, "He is a Nazi," and there is a news account of the thing. And a week later the fellow--after he got the thing located, he cleared out and they sent him about his business, but that fellow did absolutely right. There were people dying for want of water in Frankfurt, displaced persons, our friends and our own prisoners as well as the Germans.

Of course, you have got to be practical about that. And at the end of a week or ten days he put in a fellow that didn't know anything about the water system, but they had the plan and could really operate on that, but he couldn't have arrested the Nazi immediately.
H.M.JR: Are you through? Would you gentlemen take this paragraph and say, "Report your recommendations or reasons to the Supreme Commander, whatever it is?" I have in mind Eisenhower and the Joint Chiefs of Staff in this country. Isn't that right?

MR. MCCLOY: That is right.

H.M.JR: "Report your reason or recommendation to General Eisenhower," period, and then leave out the next sentence.

MR. CHIEF: You couldn't do that, because this is to him. This is a directive to Eisenhower. It may be to the Control Council.

MR. CLAYTON: You see, Mr. Secretary, this is a directive to General Eisenhower.

GEN. BILLDRING: From the JCS to Eisenhower.

MR. MCCLOY: And he determines whether these fellows are to be arrested or not. If he says they shouldn't be arrested after considering conditions in the field brought to him, he is a man of political acumen, character, and integrity, and he will carry out policy. But if he in his judgment feels he can't do his job properly if he arrests all these people willy nilly, he points it out to the Joint Chiefs of Staff, and you give him the discretion to suspend the arrest until he gets further word from here, and that seems, with the job such as you are giving General Eisenhower, that if you don't give him that discretion, it is almost fantastic. I talked to General Eisenhower about this. This came from General Eisenhower, that telegram that I sent.

GEN. BILLDRING: Yes.

MR. CLAYTON: I think that if you take in industry, commerce, and finance, I think from what a good many of us know about Germany, that if you would go on the basis of going in there and immediately arresting and incarcerating every Nazi or Nazi sympathizer holding an important or key position in industry, commerce, and finance in Germany before you had somebody else to put in his place, I think the wheels would all stop. I don't think you would be able to do anything.

MR. MCCLOY: You have got to give Eisenhower also the discretion before he determines that he can arrest three million people when he has got twelve million people.

H.M.JR: All the things you are saying—I don't think it is worded well.

MR. MCCLOY: What is wrong?

MR. CROSBY: I think what the Secretary of the Treasury has in mind is that you may be able to get around this by having this top committee review this thing after they get a chance to get in there. If Eisenhower goes in and carries out in general principle what this thing outlines, there is going to be no complaint. But if someone under Eisenhower starts to eliminate this fellow and that fellow and plays favorites, that is what I see you object to. You have to have complete confidence in the fellow that is going to run this job, because the authority is so vast, as I see it, that unless he is the type of person that is going to carry out and is in sympathy with your directives generally, you are in bad shape. And I think from our standpoint that we have got to be sure that the man is Eisenhower that takes care of our area, that we do a good job in our own area, because you never can get along with your fellow associates if we don't do a good job ourselves, and I would—if you can rework that language—but I would be satisfied if on that particular thing we reserve the right to review with the Chiefs of Staff if it is not being carried out, in other words, that we might know something about what his policy is on relieving these people, on deferring, or delaying their arrest as to how he is doing it and what type of person he is, and things like that after he has had a chance to operate.

GEN. BILLDRING: In that connection, the report from SHAEF that came in this week—the leading paragraph is a paragraph from SHAEF which says, "The wisdom of the policy
of immediate and complete demobilization of Germany has been demonstrated on the ground; it is a wise provision, and we are pursuing it with all vigor." They weren't sure of this policy over there when we first gave it to them. They weren't sure it was administratively possible, but they have come now to support it as avidly as we did in our directive to Eisenhower in 561. I don't think we will have any difficulty with sincere and honest execution of this policy.

H.M. Jr.: Could something like this, carrying out what Mr. Crowley said, possibly---I take it that this is a sort of standing committee. I am not sure we can get it legitimized by the President, but how would this be to frame this thing? Here we are, doing the best we can, State, Treasury, War, FPA, and Navy, and if General Eisenhower should find that he needs to postpone carrying this out, he would refer this to the Joint Chiefs of Staff and the civilian committee for prompt advice. The Joint Chiefs of Staff that consult with us on that.

GEN. HILLDRING: Mr. Secretary, when we say the Joint Chiefs of Staff in this document, we are giving him the exigency of our Federal Government for whom he immediately works. When this question comes to the Joint Chiefs of Staff, they will immediately turn it over to the Interdepartmental Committee. They won't arrive at any---

MR. CROWLEY: That is what you want.

GEN. HILLDRING: They won't arrive at any decision on this thing.

MR. McLOY: That couldn't be in this directive.

H.M. Jr.: Couldn't there be a note going to the Joint Chiefs of Staff saying, "In case this thing takes place, refer it to us immediately?"

MR. CROWLEY: I think you can go further than that. I think in your note, Jack, you can say---

H.M. Jr.: That would satisfy me.
MR. CLAYTON: All right, put it right at the end, "Pending determination by the Joint Chiefs of Staff--"

MR. DESPRES: "... by your Government."

MR. McCLOY: "Pending a decision communicated to you from the Joint Chiefs of Staff."

MR. CLAYTON: "Pending--"

MR. WILK: Does that preclude him from taking any action if he subsequently says they should be arrested?

MR. McCLOY: Then he would no longer think it was desirable. The basis is wiped out.

H.M. Jr: How does it read now?

MR. CLAYTON: "If in the light of conditions which you encounter in Germany you believe that it is not immediately feasible to subject certain persons within these categories to this treatment, you should report your reasons and recommendations to your Government through the Joint Chiefs of Staff. If you believe it desirable, you may postpone the arrest of those whose cases you have reported, pending a decision communicated to you by the Joint Chiefs of Staff."

MR. COE: I think we ought to emphasize that it is to be through the JCS.

H.M. Jr: What?

MR. McCLOY: That doesn't make a bit of difference.

GEN. BILDERING: No, because you can't get the Joint Chiefs of Staff to make any political decision; they just don't do it.

MR. McCLOY: That isn't anything that should be in this paper artistically at least. It should be in a different one.

H.M. Jr: Navy? In this crowd you have got to talk up if you want to be heard.
written, and they ask the addition of this sentence, "In no event shall any differentiation be made between or special consideration be accorded to persons arrested either as to manner of arrest or conditions of detention upon the basis of wealth or political, diplomatic, industrial, or other rank or position."

MR. CROWEY: In other words, they all go to the hoosegow together.

H.M.JR.: That would take care of Von Papen.

MR. McCLOY: I wouldn't know about that. They had Von Papen in a villa. I didn't see him, but I heard they had him in a villa under guard. They didn't put him down in the common hoosegow.

H.M.JR.: Why not?

MR. McCLOY: That was a determination they made; they were trying to get some stuff out of him--some information. That was one reason. They thought they could probably get some information.

H.M.JR.: We thought this was democratic with a small d.

MR. McCLOY: I think you are putting limitations on the manner of apprehension on the administrative officer in the field that is unnecessary. You may very well, for one reason or another, want to treat one prisoner differently from another.

MR. DONLEY: Doesn't the Geneva Convention have some bearing on that, General?

GEN. HILLDRING: I don't think it has. I would think not.

MR. RIDDLEHEIDER: Or other rank or position--that is very broad.

GEN. HILLDRING: Under the Geneva Convention, putting--

MR. McCLOY: We will have inspections. The prisons will be run under the military system, and we will have normal routine inspections. They will see that there are no abuses of this sort of thing that is done. I mean, you won't have any favoritism in running the prisons. There may be a time when you may want to put a fellow who has some scientific information or industrial information in a villa and give him some cigars.

GEN. HILLDRING: I think there should be included in that, certainly this, "Except for intelligence purposes."

MR. COE: That amendment would certainly not be out of spirit, out of the intention of this, because our intention is simply to have it done in a democratic way, which is the way the people would want it done, and we think that the tendency will be to discriminate--that was the basis in Italy--unless you say something to them. But if you say something to them, they won't discriminate, if you want to do it for intelligence purposes.

MR. CROWEY: You had in mind no discrimination unless there were justifiable circumstances, and intelligence may not be all of them.

MR. McCLOY: You may have others.

H.M.JR.: What did they do in Italy?

MR. COE: In Italy in general they started out with better treatment by rank. The British have that very marked in their thing all the way through on this defascification and deNazification. Unless you go after these main problem people and treat them as you intend the generality to be treated, they will get special consideration, and the first thing you know, that will degenerate into leaving them in positions of importance. We could put an exception in there, "Except for intelligence or other military purposes."

MR. McCLOY: How about diplomatic rank?

H.M.JR.: Why the hell should a diplomat be treated any different? Take a fellow like Von Papen who is a vicious person--why should that man get special treatment? He should
get especially harsh treatment, and not especially good treatment. Why should a diplomat be treated any differently from anybody else? I can't see it.

MR. CLAYTON: They treat ours differently. It is kind of a gentleman's agreement.

MR. CROLEY: Fraternity, if you will.

H.M.JR: It is time it is stopped, I think. These people are outside the pale. I had three Treasury people in the Philippines, and two of them died. I couldn't get them any diplomatic status, and why diplomats should come out and Treasury people and others starve to death, I don't see it. I don't see why they should get any different treatment than anybody else.

MR. CLAYTON: I don't know but what you are right there, Mr. Secretary.

H.M.JR: It burned me up, but I couldn't get my Treasury people out. And two of these poor fellows died of starvation and maltreatment just because they were Treasury people and they weren't diplomats.

MR. CLAYTON: I am just speaking from the point of view of custom. It seems to me that there is a much broader principle involved than that, and that is that we should leave a high degree of decision to General Eisenhower, the man who is in charge of the whole thing, and who will have to deal with conditions as he finds them, which are probably going to be altogether different from what we, sitting here in Washington today, anticipate they will be. I think they change from day to day, and it seems to me in all these matters we ought to leave a good deal of discretion to him. Let him know what our general policies and principles are, and then let him carry them out with intelligence and vigor, which I think he will do.

H.M.JR: What about Von Papen? Didn't he once negotiate a little something over in this country?

MR. McCLOY: He certainly did. I would like to get a crack at him.

H.M.JR: Why should a fellow like Von Papen get treated any differently?

MR. McCLOY: That is something for Eisenhower to determine. I think Von Papen—I have suffered at the hands of Von Papen, personally, and I know all about his wickedness, and I don't want to be in the false position of arguing in favor of a high-class Nazi, but I am thinking about your trying to tell Eisenhower how he shall run the prisons. You have got here, number five, "Officials of the police holding a rank, or equivalent positions of authority, above that of Lieutenant." That is irrespective of whether he is a vicious character or not. He gets arrested. He may very well be that Eisenhower would want to put that fellow in a protective custody status rather than an inner dungeon.

H.M.JR: Let's come back to two.

MR. CROLEY: Why couldn't you do this: "In no event shall any differentiation be made or special consideration be accorded?" If you were to change that around and use that same language and say that they shall not be given special consideration solely on account of the related factors that you mentioned, that would give him the right to use discretion, but wouldn't do it entirely because of those factors.

H.M.JR: That is all right. Let's get it down and see what it looks like. Do one thing at a time.

MR. COE: I would propose, "With such exceptions as you may find necessary for intelligence or other purposes, you will ensure that.

MR. CLAYTON: I would think that would be all right.

MR. McCLOY: It is all right. All I am talking about is giving him some leeway.

MR. CLAYTON: Is that agreeable, Mr. Secretary?

H.M.JR: I would like to hear it, please.
MR. CLAYTON: I think it starts out—it would be better at the end, wouldn't it, Frank?

MR. COE: Yes.

MR. CLAYTON: Then it would read, "In no event shall any differentiation be made between or special consideration be accorded to persons arrested either as to manner of arrest or condition of detention upon the basis of wealth or political, diplomatic, industrial, or other rank or position, with such exceptions as in your discretion you may deem advisable for intelligence or other purposes." Is that all right?

H.M. JR: It is O.K. with me.

MR. CLAYTON: If everybody is agreeable, then I think that—

H.M. JR: That takes care of the diplomats. (Laughter)

MR. KIDDERBERGER: I would like to rise in defense of the diplomats. As the only professional one here, I would like to say this, that in Germany—you may have had some left in the Philippines, but in Germany the Treasury people came out, and we stayed behind. I wanted to make that point. I was engaged in taking care of the interests of the prisoners of war of our allies, the French and British in Berlin, and you very kindly lent us your assistance—the assistance of your personnel there until 1940, when you jerked them out from under me, just like that. (Laughter)

H.M. JR: Where were we?

MR. MCCLOY: Will was reading.

H.M. JR: We accepted that.

MR. MCCLOY: We finished paragraph eight.

MR. CLAYTON: That is all.

H.M. JR: Is that all?

MR. MCCLOY: I think it is a good document.

H.M. JR: May I refer you to page ten, Mr. Clayton, the top of page ten, "To the extent that military interests are not prejudiced and subject to the provisions of the three preceding subparagraphs and of paragraph 10, freedom of speech, press and religious worship will be permitted." You say, "To the extent of military interests," and then "Consistent with military necessity, all religious institutions will be respected."

MR. CLAYTON: I am sorry, but I have a different draft from yours.

MR. MCCLOY: What paragraph is that?

MR. CLAYTON: Seven, or eight?

H.M. JR: Nine, D. You first say, "To the extent that military interests are not prejudiced." I can understand that, and then you go on and say, "Consistent with military necessity, all religious institutions will be respected." I would like the soldier to describe to me what the military necessity is.

MR. MCCLOY: You wouldn't requisition it. That is what he is really getting at. You will do your best.

H.M. JR: Above you say, "To the extent that military interests are not prejudiced."

MR. MCCLOY: That isn't in relation to religious worship, but property—Catholic church property, and things of that kind. It is the general principle we have had everywhere we get to dinkering, particularly with the Catholic properties, or other church properties. In Italy it was Catholic, and we like to give the instructions to the field that so far as they can be consistent with military necessity they don't interfere with that.

MR. CLAYTON: Suppose we say, "All religious property," instead of "institutions"? Does that meet your point?
H.M.JR: I didn't understand what it meant.

MR. CLAYTON: They might have to requisition some property, you see.

H.M.JR: I see. I was thinking of interference with religious observance.

MR. McCLOY: That is taken care of in the first sentence.

MR. RIDDELER: The reason this says institutions is because they may not always own the property.

H.M.JR: I didn't know what the military necessity was in relation to worship.

MR. McCLOY: No, we don't intend--

MR. CLAYTON: There is just one question here that bothers me a little, and that is closely related to the criminal one, eight; it comes in section six, denazification. "All members of the Nazi party who have been more than nominal participants in its activities, all active supporters of Nazi or authoritarian and all other persons hostile to Allied purposes will be removed and excluded from public office and from positions of importance in quasi-public and private enterprises such as (1) civic, economic and labor organizations, (2) corporations and other organizations in which the German government or subdivisions have a major financial interest, (3) industry, commerce, agriculture, and finance." We have the same problem there, I think, with respect to an uninterrupted continuation of the economy of the country, the necessary economy of the country, the services, and so forth, that we had about putting these people in jail. If we remove them from these positions before you have somebody else to put in their places, you may seriously interrupt very essential services and facilities for production and transportation, and so forth.

MR. CHOWLEY: Well, I would think that if you start off with the thought in mind that you are going to leave these fellows there, that the men and the people administering it—it is going to be easier for them to leave the people in

Then take them out, and I think you would be better off to spell it out as to your principle that you are going to remove these people, and that certainly after they have gone on and energetically removed the top ones—that may be after you have your jails and your courts and everything all cluttered up. When you get down to the second or third level, then you may use some discretion in leaving men in to do a particular thing, because you have to have that knowledge, but if you try to spell this thing out now, temporize with it, I can see that you come out with this thing that those boys stay in there forever. I think you ought to spell out your principle, and later on, after you have collected together as many of these top people as you can, then if you want to review it in two, three, or four months, or something like that, you can review it. But unless you are positive that you are going to eliminate these fellows, they will play footy-footy, and be in there a year or ten years from today. They will tire you out all the way they will throw rocks in your machinery.

H.M.JR: I think what you say is very wise.

MR. CLAYTON: Well, you have to recognize this, I think, Mr. Secretary, that the men in important and key positions in all these activities are Nazi and Nazi sympathizers. Now, supposing you go in there and you have a list of them and you kick them all out at once, transportation, railroads, and industries of all kinds before you have satisfactory people to put in their places, you are likely to effect a serious interruption of the economy of the country, which would react on our occupying forces and on the ability of the people to provide the minimum standard of living.

H.M.JR: I would like to answer that if I say, I think if after each category you immediately put in a paragraph saying, "Exceptions"—I would much rather use that exception which we argued about, being referred to the Chiefs of Staff—having it at the end than having it over all.

MR. CLAYTON: So would I, if it is agreeable to you.

MR. CHOWLEY: That is right.
H.M. JR: Just have it once.

MR. COWLEY: You declare your whole policy and then put in the last paragraph making your exceptions.

H.M. JR: If some of this doesn't work, you can refer it to the Chiefs of Staff and tell him why.

MR. CROWLEY: That is right.

MR. McCLOY: We are very much interested in this particular thing. I would talk, I think, against that a little until I saw how this thing moved in Italy. I think this is a good paragraph as it is. We are going to have inefficiency in Germany. There is no question about it. There is going to be great economic inefficiency as a result of this policy, but this Nazi policy is very deep-seated. You have to take drastic and deep-seated methods to cut it out, and this will probably not interfere with the case in Frankfurt that we are talking about, the temporary situation where you have got to use this man to get the first train running, then put him in jail and then kick him out. I have seen it operate in Italy under language not quite the same as this, but somewhat similar to this, and I would rather hesitate to see any further loosening of this until we have been in the picture for a while and have dealt with this very deep-seated cancer that exists in Germany.

H.M. JR: Well, I remove my slyly attitude.

MR. McCLOY: Well, in a sense we are talking against ourselves in that, because we are responsible for the administration where the military government exists, and I would think we ought to err on the other side in Germany because all our experience is that the thing is much more deep-seated than we had any comprehension of.

MR. CLAYTON: I don't think, Jack, you give enough importance to the absolute necessity of management in these big services and these big industries if you take all the key people out, all the know-how people--throw them before you have somebody to put in their places, I think you are going to have economic chaos in Germany.

MR. COWLEY: That is mitigated by two facts. First, a lot of them will fun. Second, when we do the fighting, we certainly disrupt it anyway through there.

Now, I think with Mr. McCloy that this thing is so deep-rooted that unless you do it--it was at his insistence, his advice, that we put in that last sentence. "No such person shall be retained because of administrative necessity, convenience, or expediency," because it is the overwhelming tendency to have the officials on the spot, to retain them for those purposes, and you have to go to the other direction to counteract that.

MR. CLAYTON: I agree with that clause.

MR. COWLEY: You wouldn't issue an executive order on O.K., this afternoon throwing all these people out.

MR. CLAYTON: That is what this in practice says.

MR. CROWLEY: But administratively you have to do it as quickly as you can; I assume you are going to give the men the right of administering it.

MR. CLAYTON: If this in practice--

MR. McCLOY: It would not in practice preclude the Frankfurt case I gave. I said, "Of course you can do that, but get the fellow out as soon as he has shown you where the faucet turns off."

MR. COWLEY: The only thing I had in my mind is, while you are dealing with people, if you told a fellow he could sell the Willard Hotel for nine million dollars or negotiate for nine hundred thousand dollars, invariably he would make the deal that way and say it is the best he can get. Administratively we know that these fellows are going to have to go slow, that there isn't any reason to make it easier for them to go a fellow out and I think that your language there is all right; and if Eisenhower has the administration of it,
it is going to take him some time before he gets around to certain key places, but nevertheless he has a directive to do it as rapidly as he can.

Now, if we spell it out and make a lot of excuses for him delaying it, he will be slower in getting it done.

MR. CLAYTON: I imagine he is the type of man who will carry out directives like this, which is in very precise language, with a good deal of discretion. If he will, then I think it is probably all right, but I do believe that if this were executed as it reads you will have plenty of trouble in Germany. If it is satisfactory to the Army, it is satisfactory to me.

MR. McCLOY: Administratively we won’t do as good a job with this by long odds, but you have got to break the chain somehow. You have got to get somebody into a job quickly who is going to take the place of the Nazi sympathizer, and there is always a second-rate man around. No man, as we all know, is indispensable, and you will find somebody down the line, a foreman who never did the thing before, but who will perhaps grow with the job. The tendency is so strong the other way that I would rather lean over this way.

GEN. HILLIARDING: I think I. G. Farben is a good example of that. Thanked God at the time that the story came out of that we had told Eisenhower to clean those fellows out, and under that pressure when the Army went in there and saw this large plant I think their instincts were to let it alone for the time; under their strict instructions they moved Farben out, but they told a few of them, “You go to your house and stay there. This is a big shop you have turned over to us, and we want to talk to you,” but they had cleaned them out and taken them out of the establishment. A newspaper man got hold of I. G. Farben and he said, “I am adviser to the Military Government officer,” well, fortunately he was out of office. He was there to help and advise if they needed his help and advice, but he was shut up in a house around the corner where they could get at him if they wanted around him. But if you hadn’t left that policy to get rid of those Nazis, they would have left that fellow in charge of that plant for a week or two, or a month, and we would have caught hell in the War Department, and so would I.

MR. McCLOY: That doesn’t mean that you can’t tell this fellow and say, “You tell me what to do.” You can do that.

MR. HINCH: Do I understand this is acceptable to everybody in this room?

GEN. HILLIARDING: There is one point I would like to raise. The language in paragraph eight, Mr. Clayton, paragraph seven—later the language has been changed in our draft at my suggestion, and I just didn’t get the wording. I would like to get it.

MR. RIDDLEBERGER: I can give it to you, General, if you would like it.

GEN. HILLIARDING: We want to drop the idea of immediately disbanding.

MR. McCLOY: We have never tackled the question of how rapidly we should disband the German Army.

MR. RIDDLEBERGER: "In your zone you will assure that the German armed forces, including para-military organizations are promptly demobilized and disbanded in accordance with policies and procedures set forth in the Instrument of Unconditional Surrender or in other directives which may be issued to you. Prior to disbandment you will arrest and hold all military personnel who are included under the provisions of paragraph 8.

GEN. HILLIARDING: That is all right.

MR. RIDDLEBERGER: That is acceptable.

MR. McCLOY: There was this thought they had on the other side on paragraph eight, but I think it is probably taken care of when you throw out a draft and bring all these fellows in. You will get some that are not properly detained. That paragraph five, for example, says—Eisenhower
said, "How about setting up a court at which these fellows could make their applications and prove their non-Nazi aspect and character? In the interest of common justice and decency we ought to hear their case, because this is a very rough form of justice we are applying here. It is a thumb rule that isn't in accord with our ordinary instincts."

I am inclined to think that there is something in the point, but I think that probably we have taken care of it in the provision that enables him to make a recommendation to the Joint Chiefs of Staff. Now, what do you think of that?

MR. COE: I think so, yes.

MR. McCLOY: What do you, State Department, think about that?

MR. DESPRES: As it now reads, I don't think--

MR. McCLOY: His proposal was a court that would--this is an arbitrary rule—not attempt to reach a rough approximation of justice to take care of individual cases. Let these people appear before a tribunal and take burden of proof of showing that they are all right.

MR. CLAYTON: I think that is all right.

MR. RIDDLESDORFER: You mean before you arrest them?

MR. McCLOY: No, his idea was that this would be a means by which they got out of their durance.

MR. CROLEY: You would give them a chance at that?

MR. McCLOY: There is no provision for that now; you just detain them.

MR. CROLEY: You arrest a fellow and convict him, and that would be the end of it.

MR. RIDDLESDORFER: That has always been our problem in that section; we round these people up and we have just left it on the shoulders of the Army as to what happens next. There has never been any decision as to how we handle them once we round them up.

MR. CROLEY: You wouldn't have any trouble in convicting a man that was a Nazi leader or a man that was a high-up in the party. But supposing they went up and picked up a fellow working on a farm or in a store. Would you throw him in a jug and keep him there indefinitely and say, "Someone told me that you are a Nazi?"

MR. McCLOY: No, no, it is all in paragraph eight. Everybody in paragraph eight—they are the ones we are talking about. That said, "You will search out, arrest, and hold, pending receipt by you of further instructions as to their disposition, Adolph Hitler, his chief Nazi associates, other war criminals and all persons who have participated in planning or carrying out Nazi enterprises involving or resulting in atrocities or war crimes." That is one section.

MR. CROLEY: That is all the cop does.

H.R.JR. Then, "All persons who, if permitted to remain at large would endanger the accomplishment of your objectives or would be arrested and held in custody. The following is a partial list of the categories of persons to be arrested in order to carry out this policy."

And then he goes down through eleven different categories, and they look on the surface as if they are bad actors, but there are lots of individuals in there that are not bad actors.

GEN. HILLDRUM: They are going to town, Mr. McCloy. They are going to do this town by town and send military police battalions and detachments of CTC into a town and clean that up. Somebody might say, "This fellow who runs the corner store was a so and so before the war," and the M.P.'s will go down and grab him. He professes and says that they are wrong, but he goes into the Black Maria, and off he goes to camp, and there he is.

MR. CROLEY: And there is no way of getting him out?
GEN. HILLDRING: No, there is no way of getting him out.

MR. COE: The President's directive said, "Hold him for trial and punishment."

GEN. HILLDRING: We haven't any war criminal decisions.

MR. CROYLE: But Jack, just as an administrative thing you are going to have to set up some machinery for trying smaller people to find out what they are guilty of.

MR. McCLOY: I was in the town of Eschenbauen the other day, and it brings up this question of the rural burgomaster. They were fighting down the road a thousand yards, and they had the burgomaster up. The company commander was a lieutenant who had been designated for civil affairs in this combat company, and he had the burgomaster in before him. There were four displaced persons, three Russians and one Dutchman, who were arguing and testifying in behalf of the burgomaster saying he was a good fellow and he was kindly and not a Nazi and was all right. Otherwise that burgomaster would have gone into the boozegow with the rest of the prisoners. That was just a thumb court. There was no regulation that provided for that. That is down to the ground.

MR. CROYLE: Down to a certain level you have war criminal courts, don't you? All you need is something in the lower level.

MR. McCLOY: These are general arrests that bear no relation to war criminals.

MR. CROYLE: Justice court.

MR. McCLOY: This is a sort of--this is an instrument for carrying out a general demobilization policy more than anything else. You are arresting with a dragnet everybody who might be war criminals or might be antagonistic to the occupation.

MR. CROYLE: On that basis, if you carried that to the full extent you have to arrest half of Germany.
E.M.Jr: We tell him in so many words to arrest every officer of a certain rank. If that is what we say, shouldn't we at this time tell him that he can set up ameliorating processes?

MR. FOUBER: What is more important here, it seems to me, although this is a purely political matter is that some political policy as to the ultimate disposition and treatment of these people who aren't in the definition of war category should be arrived at, and what is more important than the setting up of machinery without policy is the establishment of some policy, and then when you have a policy you would know better what kind of machinery you want. Maybe you might keep them cooled off for six months, generally keeping things pretty well under control. You might make different types of policy here, and it seems to me you have got a whole area--

MR. MCCLOY: The policy is stated here, isn't it? We aren't getting into the war criminal business at this time. We say, "All persons who, if permitted to remain at large would endanger the accomplishment of your objectives will also be arrested and held in custody." The following is a partial list of the categories of persons to be arrested in order to carry out this policy.

It may be that these categories we have listed may not fit that policy.

MR. CROMLEY: Well, Jack, I think this is an excellent document. You talk of going in and having a democratic form of government in Germany. On the other hand, I don't think any of us feel that the very little people in Germany, with few exceptions, are the ones that led their country into this war or made brutal attacks on people, and it would seem to me that if we are going to be consistent with those little people, there should be something set up, Jack, to give those little people a trial. And you wouldn't put them in--take them away from their families and put them in jail and keep them there indefinitely without giving them some right of trial. You are going to have a cooling off period for them, as Joe says, without putting anything in the order, because before you can give them a trial, there is going to be quite a cooling off period if you are going to have two or three million of them.

MR. MCCLOY: This is meant to catch the big shots, not the little fellows, but in attempting to catch the big fellows you have roughly defined those, and it is a very rough rule. Paragraph five I have referred to. I have personally experienced the injustice of paragraph seven. It says, "The leading officials of all ministries and other high political officials down to and including urban and rural burgemeister and officials of equivalent rank." There are many rural burgemeister in Germany today who are not Nazis at all. They have been left there because they were good administrators and haven't been touched.

MR. COE: Any suggestion after the first sentence of 87?

MR. MCCLOY: Eight-B. We say, "All persons who, if permitted to remain at large would endanger the accomplishment of your objectives will also be arrested and held in custody." And I think we should add something like this, "And tried or released through semi-judicial machinery--through appropriate semi-judiciary machinery which you will establish."

GEN. HILLERSON: That doesn't apply--war criminals are included in this?

MR. MCCLOY: No, war criminals are included in paragraph A.

MR. BELL: I would like to make this suggestion at the end of eight, "If in the light of conditions which you encounter in Germany you determine through such administrative judiciary machinery you set up that certain persons are within those categories"--in other words, he sets up the machinery to determine whether they have been wrongfully arrested, and makes a report to the Joint Chiefs of Staff based on that recommendation by the judicial machinery.
MR. McCLOY: It seems cumbersome. He would send the
individual case to the Joint Chiefs of Staff. Then they
wouldn't want to review that record.

MR. BELL: They would not. He has to have something
to help him determine--

MR. McCLOY: Yes. I think the point is we ought to
send--I think your suggestion was a pretty good one to
set up some semi-judicial body to determine whether or not
these people that he has gotten through this dragnet do
in fact prejudice or endanger the accomplishment of his
objectives. If not, he should release them.

MR. CHISHOLM: Jack, if you are going to take two or
three million people and are going to give them trials and
hold them, what are you going to do with them eventually?
Are you going to keep them forever? What you are interested
in in this thing here is getting at these top fellows and
getting rid of them, and then going down here to the level
that you feel stops that Nazi control. You are not interested
in some little fellow that might have belonged to the Nazi
Party because someone sold him membership or thought he
would get a better job. You are interested in getting the
million or million and a half leaders in the country that
you are going to treat as war criminals.

MR. COE: Some you are going to put into labor battalions.

MR. McCLOY: Probably what we have done is state that
all war criminals and all who had participated in the enter-
prise of the general Nazi domination are to be arrested. That
in the general language. Then we go on and say, "Arrest
all these people," and it is a pretty good thumb rule test
of the important Nazi people, but there will be in those
categories innocent men, not just little fellows.

MR. CHISHOLM: Your war criminals and even Hitler get
trials. You are going to give Hitler a trial. Aren't you
gonna give the little fellow who drives a grocery wagon
a trial?

MR. McCLOY: I think so. The war criminal idea is
that as we have got it now.

MR. CHISHOLM: Isn't that right?

H.R.I. Jr.: If anybody should ask me, I don't know what
they want to take the time to try them for.

MR. BELL: For the records made in the case.

H.R.I. Jr.: You have got to satisfy the lawyers.

MR. McCLOY: We are going to try Hitler and the Gestapo
and the SS troops and everybody who has participated in
those organizations. This is the general thing will be
sort of set aside with a prior preference for labor bat-
talion work. That is about what it comes down to, execute
the leaders.

H.R.I. Jr.: Well, Mr. Clayton had something there.

MR. CLAYTON: Shall we write this in, "All persons, who,
if permitted to remain at large would endanger the accomplish-
ment of your objectives"? Would they also be arrested and
held in custody until trial by an appropriate semi-judicial
body to be established by you? It is practically the same
thing as Frank suggested.

H.R.I. Jr.: What do you say?

MR. COE: I like that.

MR. CLAYTON: Is that all right, Jack?

MR. McCLOY: How does that cut across the war criminal
regulations?

MR. CLAYTON: It doesn't do it at all, because this is
in a category of persons who -- you see, war criminals are
in a different category entirely. This is only for people
that he thinks are below the level in crime of war criminals,
but I would think that they would be dangerous to be left
at large.

MR. COE: This is release from the dragnet.

MR. CLAYTON: That is what it is.
MR. McCLOY: Would you read it again?

MR. CLAYTON: Just after "held in custody," say, "until trial by an appropriate semi-judicial body to be established by you." If that body finds dangerous fellows, they will keep them in custody; if he finds them not dangerous, he turns them loose.

MR. McCLOY: I think it is all right. What do you think, General?

GEN. HILLING: It sounds all right, sir.

MR. McCLOY: How about the rural buergermeister?

H.M. JR: Don't worry about that buergermeister.

MR. McCLOY: He is the little fellow; he plows in the field. Why don't you forsake the urban buergermeister in?

H.M. JR: He may have a bunch of bodies he burned right around the corner.

MR. McCLOY: That means you are going to arrest every little leader who is a farmer.

H.M. JR: I don't want the farmers exempt from that.

(Laughter)

MR. McCLOY: If you arrest that little fellow, it just doesn't make any sense.

H.M. JR: I don't want to talk for myself.

MR. McCLOY: Say urban buergermeister; that takes in provincial towns and places like Nordhausen and

H.M. JR: If you don't want to distinguish, say buergermeister and let it go at that.

MR. CLAYTON: The last paragraph gives discretion on that.

MR. McCLOY: Yes, but he has to report back to the Joint Chiefs of Staff and everything else on that.

H.M. JR: Some of these boys may be just as bad or worse than anybody else. Living in the country doesn't purify them.

MR. CLAYTON: Just report the name back.

MR. McCLOY: He has an out there, but it's on the ground that it doesn't turn out to be ridiculous.

MR. CLAYTON: It seems to me that in this paragraph eleven--

MR. McCLOY: You are talking about high officials in one place, and then you get down to the lowest type of public official.

H.M. JR: He might be the most vicious.

MR. McCLOY: So might a citizen, but not per se, not by reason of his job.

H.M. JR: Well, I didn't put it in, but I hate to begin to make an exception, because you get all the lawyers out, and all the diplomats out, and all the farmers out.

MR. McCLOY: You talk about leading officials and rural buergermeisters.

MR. CLAYTON: Henry, I have got to leave.

MR. McCLOY: We haven't begun to fight yet.

MR. CLAYTON: When are you going into finance and economics?

H.M. JR: There is one thing. Mr. McCloy intends to leave at eleven tonight, and the one thing we would like to take up while he is here, as I understand it, is that question of inflation. Is that right?

MR. CLAYTON: Either economic or financial.

MR. CHALY: The economics is pretty well agreed to, isn't it, Frank, except the inflationary thing?
MR. COE: Yes.

MR. CLAYTON: We could take that up immediately, the economic part.

MR. CROWLEY: I have got to meet with the Chiefs of Staff at half past twelve, but Joe knows it.

H.M. JR: Well, let's see, do you want to meet again tomorrow morning?

MR. CLAYTON: You have that food meeting tomorrow morning, Leo.

MR. CROWLEY: Outside of the inflationary thing and the economic thing, are we all right?

MR. FORLER: There is one paragraph we want to propose.

H.M. JR: What time is your food meeting?

MR. CROWLEY: Tomorrow afternoon.

MR. CLAYTON: We could meet in the morning then.

H.M. JR: What time?

MR. CLAYTON: The sooner, the better.

H.M. JR: Nine o'clock?

MR. CLAYTON: That suits me all right.

MR. CROWLEY: All right.

H.M. JR: Just one split second. I don't know how much President Truman knows about what we are doing. I think tomorrow we ought to let him know about it. Doesn't he want to review this? I think we ought to be thinking about it. I think he ought to see the March 23 directive.

MR. CLAYTON: I think he should, too.

MR. CROWLEY: I certainly agree with that, and I think you ought to make an analysis of what this thing covers so that he would know it.

MR. MCCLOY: He is very much interested in this business and spoke to the Secretary of War about it, and he spoke to the Chief of Staff about it, too.

H.M. JR: I mean, I think we ought to be thinking that somehow or other when we are in agreement among ourselves we ought to ask for a chance to see him and give him a review of this.

MR. CROWLEY: I think so, too.

H.M. JR: Nine o'clock tomorrow.


(Mr. Crowley leaves the conference.)

MR. CLAYTON: I was just going to say that in this paragraph eleven under eight it now reads that among the categories and persons to be arrested, "Any other person whose name or designation appears on lists to be submitted to you or whose name may be notified to you separately," That raises in my mind right away on the lists to be submitted by whom and--

MR. MCCLOY: What we have in mind there is the War Crimes Commission list.

MR. CLAYTON: I thought, Jack, if we just say, "Any other person whose name or designation appears on a list to be submitted to you by appropriate authorities or agencies, or whose name may be so notified to you separately," Is that all right?

MR. MCCLOY: Yes, that is all right. I don't know that you want to have an agency. Really the only way he should get lists is through the Joint Chiefs of Staff.
MR. CLAYTON: Shall we say that?

MR. McCLOY: Yes, that is what it really means. That is the only communication he gets.

MR. CLAYTON: "To be submitted to you by the Joint Chiefs of Staff."

H.W, JR: Yes, and the Government can give it to the Joint Chiefs of Staff and it will go off to him.

MR. CLAYTON: "Or whose name may be so notified to you separately."

MR. McCLOY: Yes.

MR. GLASSER: Is the channel always through the Joint Chiefs of Staff?

GEN. BILDING: To Eisenhower, always, yes.

MR. GLASSER: How about the Reparations Commission in Moscow? Would that be the same channel?

GEN. BILDING: Until we establish some informal arrangement, it includes them. In other words, Eisenhower now is the employee of the Combined Chiefs of Staff. He works for them, and nobody else.

H.W, JR: Except when President Roosevelt told him what he wanted.

GEN. BILDING: He does that in the capacity of a soldier.

MR. McCLOY: That is right.

GEN. BILDING: He works exclusively for JCS and gets all of his orders from them.

MR. CLAYTON: Now shall we take up any other documents?

MR. McCLOY: How about my rural buergemeister? Have you talked him out or not?

H.W, JR: Let's just see a loophole. I am all right. There was one objection, which is the thing which Mr. McCloy raised. This is accepted now, with the rural buergemeister in?

MR. CLAYTON: Right.

H.W, JR: What were the things--

MR. COR: I think the economic thing--

MR. McCLOY: I am at considerable disadvantage with the economic situation; I only got a copy of it last night. I only got one; somebody in the War Department had it. I only read it through half way this morning. It flashed a number of questions in my mind that I think are of some importance. And I would like to give it a little more careful study.

H.W, JR: You would like to let it go?

MR. McCLOY: I would like to read it carefully and critically and make up my mind on it. There are a number of things that disturb me about it, and one of the chief ones I would like to throw on the desk right now is where this fits in with Reparations Commission. That is a big subject and a very important question of policy has to be determined there.

MR. CLAYTON: I don't think there is much difficulty about that fitting in with this Reparations document, but there is a very substantial difference in the working group regarding the matter of inflation and control of inflation.

H.W, JR: Could I have a seventh-inning stretch for three minutes to see whether the Treasury is still intact? Would you just stop for three minutes? I have got to see if my office is still running.

(Secretary leaves the conference temporarily.)

MR. CLAYTON: Now, would you like to go to this inflation question?
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