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312
May 7, 1945
9:30 a.m.

GROUP

Present: Mr. D. W. Bell
Mr. Gaston
Mr. O'Connell
Mr. Haas
Mr. Gamble
Mr. Bartelt
Mr. C. S. Bell
Mr. Luxford
Mr. Lee
Mr. Dubois
Mr. Fussell
Mrs. Klots

H.M. Jr.: Good morning.

Mr. Gaston: Good morning.

H.M. Jr.: What have you got, a bad back or something, George?

Mr. Haas: No.

H.M. Jr.: There are more chairs there, two very comfortable chairs on the other side of you people.

Ted can lie down.

Well, I found Mr. Morgenthau distinctly improved, and unless there is some other setback, they will move her in two weeks, which is encouraging.

Herbert?

Mr. Gaston: I haven't anything special. I would like to talk to you later about one matter.

H.M. Jr.: Well, I want you and Joe and Bell and Bartelt to stay a while, and you can see me after that. How is that?

Mr. O'Connell: There are two things I might mention. On Saturday we lost the Chase Bank case, and maybe I shouldn't mention it again, but--

H.M. Jr.: Why the hell I should write a fellow congratulating him for losing a case doesn't make sense!

Mr. O'Connell: Well, it is just a good will gesture.

H.M. Jr.: Good will my eye.

Mr. O'Connell: He tried the case and did a good job trying.

H.M. Jr.: I would rather go back and say, "Who is the fellow who said I should push it?"

Mr. O'Connell: I don't think a mistake was made. I said last week it was a tossup. The jury was out for twelve hours and came back twice for special instructions, and it was one of those close cases.

H.M. Jr.: If I wrote him a note on it, it would leave me holding the bag. The editorial blamed the Department of Justice, and you see, I will make you a bet within two or three days that something will come out saying, "It wasn't us, it was the Treasury," even though--

Mr. Luxford: If you had won the case, they would still say you persecuted them.

H.M. Jr.: I don't mind being accused if I win.

Mr. O'Connell: Well, in any event, you don't want to say the U. S. Attorney did a good job.

H.M. Jr.: No, he lost the case. Why don't you tell me to send one to the fellow who put this fellow in Cincinnati for six years? He is the fellow I would like to send a telegram.
MR. D. W. BELL: Is that our case?
MR. O'CONNELL: It was an OPA violation.
H.M.JR: I would like to send the fellow who tried it—that Federal District Attorney a letter. I mean all these papers that went across my desk—what is the fellow's name?
MR. GASTON: Gould.
H.M.JR: Certainly Irby's group claimed it was their case. Avis' man made the case.
MR. D. W. BELL: Is that something you can say at your press conference, that that was a case you had in mind? It was a case on the list.
H.M.JR: Oh, yes, very much. I have been hearing about the Gould case for a month.
MR. D. W. BELL: Couldn't the Secretary say that was one of the cases he had an investigation on?
H.M.JR: They ran it down through—either it was eleven or seventeen one-thousand-dollar bills. Is that right?
MR. O'CONNELL: It was a lot of money—currency—involved.
MR. GASTON: He handled a lot of thousand-dollar bills. Toward the end he told them not to give him any more thousand-dollar bills. He was getting them changed.
H.M.JR: It was either eleven or seventeen. I didn't want to have a press conference this afternoon. I have nothing to say. I think just to meet these people and not have anything to say is silly.
MR. FUSSELL: I had hoped you would have something to say about this Gould case at the press conference, either in praise of the Department of Justice or the Judge, for giving them such a stiff sentence.
H.M.JR: We will do the Seventh War Loan thing first.

MR. GASTON: Right.

H.M.JR: You can tell them outside. He doesn't know there was going to be press.

What else?

MR. O'CONNELL: The other thing I might mention at Dan's suggestion--

H.M.JR: You might have copies for me of the stuff I might send the Judge and the District Attorney.

MR. O'CONNELL: It was just the District Attorney. We will have something for you. We have prepared a form of order which, if you--

H.M.JR: Excuse me. If there is any particular man in alcohol tax who ran this three-million dollar case down, he might get a letter.

MR. O'CONNELL: Find out from Avis. I think it was a group effort in which a number of people, both in Alcohol Tax and OPA, operated, don't you, Herbert?

MR. GASTON: We have furnished all the steam and--

H.M.JR: Is Senator Schwellenbach going to be Secretary of Labor?

MR. FUSSELL: He hasn't told me so.

H.M.JR: Marquis Childs said so at two o'clock yesterday.

MR. GASTON: I see George Schoeneman is going to be Administrative Assistant in personnel matters. That was in Jerry Klutts's column that George Schoeneman was going to take Mack's place.

H.M.JR: Munan told me about that. You were here, weren't you?

MR. O'CONNELL: Yes. You recall Schoeneman was to see him.

H.M.JR: Bob Hannegan picked him.

MR. GASTON: I should suspect so, yes.

H.M.JR: I will pick his successor in the Bureau.

MR. O'CONNELL: We have prepared a form of order addressed to all of the banks requiring them to make reports of unusual currency transactions. I have to talk to Dan and some other people about the form of it, but if you have no objection, we will proceed on that basis.

H.M.JR: It is high time.

MR. O'CONNELL: We have plenty of authority; and if it is agreeable, when we have it ready, probably by the end of the day, or tomorrow—it is probably one you might wish to sign yourself.

H.M.JR: Anything else?

MR. O'CONNELL: That is all.

MR. BLOUGH: I think we ought to get together within the next day or two and see where we stand on the tax business. George is not yet back from abroad. I don't know whether that means he is sick or what it means, but until he gets back, I don't think the Joint Committee is going to move. President Truman made a statement in his last press conference.

H.M.JR: I saw that, and it bothered me.

MR. D. W. BELL: Somebody said it wasn't right on the ticker.

MR. BLOUGH: It was wrong on the ticker.
H.M.JR: What was right?

(Discussion off the record.)

H.M.JR: The Allies officially announce Germany's surrender unconditionally. There is no use getting excited.

MR. GASTON: You will get a bulletin to follow that up. It is just a flash.

H.M.JR: I can't get excited; I don't know about the rest of you. I don't know what is happening in Okinawa. Nobody seems excited.

Where were we?

MR. BLOUGH: On taxes. The ticker said that Truman had said he had been talking with Congressional leaders, but apparently he didn't say that. None of the papers mentioned it, so I think it is all right.

H.M.JR: He had been talking with Congressional leaders, but Sheaffer said he did not say that and that none of the papers reported it. It was an error on the ticker.

MR. CUR: He said he had been talking with Secretary--

MR. BLOUGH: Yes. Vinson's office checked with me--Prichard--late Friday, and apparently he just wanted to make sure it was nothing really new.

H.M.JR: Well, now, I am saying this in the room here. Look out for Prichard, see. Prichard is no friend of the Treasury. He did something once before about telling me something that they were doing, and then I called up Fred Vinson and he didn't know anything about it. So I don't want any pipeline to Prichard. As far as I am concerned, he might just as well be a member of the Republican Party. Among other things he and Paul Porter were among the people who tried to get rid of me when Mr. what's-his-name came in here.

MR. BLOUGH: We ought to work with Mr. Vinson.

H.M.JR: Yes, directly with Mr. Vinson.

MR. BLOUGH: Prichard is very close to Mr. Vinson.

H.M.JR: I don't know, but he is bad medicine anyway you look at it. He and Paul Porter were out trying to replace me and were working anti-Morgenthau among the big politicians, but they got nowhere.

MR. BLOUGH: It would be a good idea to have a chat with Judge Vinson.

H.M.JR: If he is interested, I forget what it was, but Prichard called up about something, and then I called Vinson back, something about their--

MR. O'CONNELL: I was in on that. He called me in and said Vinson wanted you to know, I think, that he had nothing to do with the Byrnes release, you recall. I told you, and you called Vinson. Vinson didn't know what you were talking about, but then he said Prichard usually spoke for him.

H.M.JR: Let's cut that pipeline off into the Treasury. Fred Vinson ought to know that I want to cooperate with him one hundred percent, because he has cooperated with me one hundred percent, but Prichard, no!

MR. BLOUGH: It is going to be a little hard since Prichard is more or less speaking for Vinson on a lot of things.

H.M.JR: The next time he calls simply say, "I am very sorry. If you want that, you will have to get it from Secretary Morgenthau." Turn it right to me.

MR. D. W. BELL: He is on the committee, isn't he?

MR. BLOUGH: Yes, on the Interdepartmental Committee on Taxation as a representative of Vinson, and there has been no--

H.M.JR: Well, you should be—if he asks something, you can say, "I am very sorry, but you had better ask Mr. Morgenthau."
MR. BLOUGH: But I think it would be well to have a little talk in the Treasury about where we go from here.

H.W.JR: Well, I want you to come in at three o'clock, and if possible, I would like to have a two-page memo that I could give to Mr. Truman on Wednesday telling him where we stand. Could you give me an outline of what this thing is that is proposed by the Joint Committee?

MR. BLOUGH: Yes, sure I can. Of course, to make it clear in two pages is almost impossible, but I can make it as clear as I can.

H.W.JR: Take as many pages as necessary. You have got forty-five minutes to go over it with me.

MR. BLOUGH: Today at three?

H.W.JR: Today at three.

MR. BLOUGH: Certainly Mr. O'Connell ought to be here if he can make it.

H.W.JR: All right.

MR. BLOUGH: And Mr. Wales, probably.

H.W.JR: Dan, are you on this?

MR. D. W. BELL: Yes, I would like to be in on it.

H.W.JR: You can have forty-five minutes. I want you to tell what you think the committee is going to do so I can give it to him.

MR. BLOUGH: I could have told you a week ago what I thought the Committee was going to do, but I haven't been in touch with them the last week. I think they are all right.

H.W.JR: Suppose you come in with a memo. You have got from now until three o'clock.

MR. BLOUGH: Fine. That is all I have, I think.

H.W.JR: George?

MR. HAAS: I have nothing.

H.W.JR: Frank?

MR. COE: We have got a group up ready to go to the Philippines, Mr. Secretary, to be headed provisionally by Mr. AIK, who is the Chief Counsel for Foreign Funds, and three Foreign Funds people, and one monetary research person is going a little later, and I would like to get your approval on it.

H.W.JR: Germany surrendered unconditionally to the Western Allies.

MR. BASTON: Who surrendered? Who acted on the part of Germany?

H.W.JR: Jodl.

MR. LUXFORD: Surrendered to the Western Allies.

Walter Bedell Smith, Chief of Staff--

MR. DUNOS: Western Allies?

H.W.JR: As yet no V-E Day proclamation has been issued by Washington.

MR. BLOUGH: What about Russia? That doesn't say anything about Russia.

MR. LUXFORD: It says "...to Western Allies."

H.W.JR: Jodl. That name is so familiar, Colonel-General Jodl.

MR. COE: He was one of the big ones. He is one of the old German Generals.

H.W.JR: It says, "unconditionally to the Western Allies and Russia."
MR. GASTON: He acts as chief of the general staff, does he?

MR. FUSSELL: Mr. Secretary, if there's a V-E Day proclamation issued today, I would think under those circumstances it would be advisable not to hold a press conference.

H.M.JR: I think so, too.

MR. GASTON: You will have a statement of your own to give to the War Finance managers.

H.M.JR: It is all finished, isn't it?

MR. GAMBLE: It is ready.

(Secretary holds telephone conversation with Colonel Kyle in Secretary Stimson's office.)

MR. GASTON: They get it from all press associations and all radio. Nobody is going to wait for anything more official than that.

MR. GAMBLE: The Hamburg radio had it officially at eight-forty this morning.

H.M.JR: I think this is official enough. (Secretary shook hands with his staff.)

MR. D. W. BELL: Colonel Hilliard came back today from SHAPE headquarters with a piece of paper on the German gold and he said they even took him into a room and closed the door when they told him all about it and gave him this secret document in Washington, and he said there were only eleven copies of it made, "And I have one of them," he said. This was the most secret document they had received from the War Department since the War started. "We really have to be very careful of it," he said and the next day Colonel Bernstein had a press conference in Paris and it was in there word for word. (Laughter)

H.M.JR: Who heads this thing up?

MR. O'CONNELL: The General Counsel, Foreign Funds.

(Secretary signs letter to Secretary of War, dated May 7, 1945.)

W.S. KLOTZ: How about a photostat of this? (Hands Mr. Coe memo from Mr. Coe and Mr. Schmidt to the Secretary dated May 7, 1945.)

H.M.JR: I'm not going to make any speech. I don't think it is beholden on me to make any speech, but I would like to say this much. I think that those of you who have been associated with me since Pearl Harbor and before and what we did to help the English and help the French—I think we can all feel we have had a little share in this victory. Certainly when they were laying off men it was because they had no work to do. We gave them some orders to start with—the French engines. I think the Air Corps got at least one full year's head start due to the fact that airplane factories, engine factories had been working on Allied orders, and all of that was done from this office. I think that Mr. Purvis and I were with President Roosevelt, and he got the idea of lending the ships to the English rather than selling them, and Purvis wanted—the idea of the Lend-Lease was sort of born there that day when Purvis was asking for them, and there was no question that the Treasury wrote the Lend-Lease bill and got it through the House and Senate. I mean, we worked just as hard on that as we did on Bretton Woods, and anybody can write all the books in the world, but it was the Treasury that got that thing through. We wrote the speeches for Walter George. We did everything possible, and—

MR. LUXFORD: I remember the night of the drafting.
H.M.JR: And I will never forget the month that I spent on the Hill being investigated by the Military Affairs Committee because General Arnold told me down the river.

MR. D. W. BELL: I don't know.

MRS. KLOTT: I don't know if I can last that long.

H.M.JR: I think once in a lifetime--you have got to do everything once, including Ted Gamble. I have never been drunk, but I think that day will be a good time.

MR. GASTON: And Harry Woodring.

H.M.JR: And the stuff we sent across, those guns to the English, the rifles in 1940--we had a lot to do with helping. And certainly we have raised the money that the war has cost from the people. It has been the people's financing, and the people themselves have gotten in on this war the way they have as far as financing is concerned. And it is all right. I think each one in his own heart can feel he has contributed something here at home toward quickening the end of this phase of the war. Now, we have got another very tough one ahead of us. Some of it has come out, but the Japanese with their suicide planes and boats--they have just thrown about everything they had at our boys there at Okinawa. And how this will last, I don't know, but certainly we all want to see this last phase through. And then when the last phase is through and the Japanese quit, then I think for the first time in my life--I have never really been drunk--I think I will get drunk then. I have never been drunk, but I think on that day I will.

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But, anyway, for the part that each one and all have played--some of the people aren't here who were in the beginning, but for those who helped me through this most difficult period, my most heartfelt thanks. I never could have done it without you, and I like this thing, "We did it also." This is America, and there is nobody here because of social position, wealth, or political backing. Everybody in the room is here because he pulls his own weight, and that is the way I like to have it. And each person here is here because he has made good on his own. We have had some of the socialites and wealthy people, but they didn't last long. The company was too fast for them.

But anyway, for what each and every one did to help me and the Treasury, I think if we can all look back, we can all be very happy that we were together at this time, and it was a good team. Again, thanks for all of the assistance. I never could have done it alone. I couldn't have done it without the unlimited assistance that you have all given me.

I know that each of you have had chances--financial offers to do other things, but money has not been enough attraction to take you from this most important work. So we don't want to be too satisfied, but I can't help but remember I have Bob right in the middle of it, and I still don't know if Henry is all right, but I hope he is. But it would be that my two boys--one had to be at the last fighting in Austria and the other at Okinawa, but we will see this next thing through, and then we will have a real celebration.
MR. D. W. BELL: Let's hope 1945 will see the end of this one.

MR. GASTON: Henry was in this flight in Austria?

H.M.JR: Right up to the end. He is right behind the 90th. He's on the flank of the 90th. The 90th was right with the 4th. It was the 11th Panzers which surrendered to the 90th, the famous 11th Panzers and he was on the flank of the 90th. The 4th and 90th did the spearheading and he was on the flank of the 90th.

Now, we'll go back to Monday. Where were we? Does everybody want to stop and get out of here or do you want to go ahead?

MR. GASTON: I think you better go ahead.

MR. D.W. BELL: Business as usual.

MR. BROUGH: We discounted this a week ago on Saturday.

H.M.JR: I took care of your people in the Philippines.

MR. COE: Yes, thank you. We want to see you—some of us will want to see you this week on China and France.

MR. D.W. BELL: How about the gold?

MR. COE: I think we ought to have a little session with some of the group who have been in on the discussions on this German gold that we discovered. It's awfully complicated.

H.M.JR: Here are the plans: press is out. I think it's silly for me to have a press conference.

MR. D.W. BELL: Shouldn't that gold thing be today, Frank. They seemed to think it was rather important to get some decision on it.
H.M.: What about the German gold?

Mr. COE: Well, the point is we are going to have a series of decisions like this one. Let these men go in. Send men over there, and there is going to be increasing pressure to make up our minds as to how we intend to handle it, or keep several courses of action open, and I think those we ought to talk to you about and see what the courses of action are, and then decide these cases as they come up in the light of what we are going to do.

Mr. D.W. BELL: You are going to have other requests beside the British to go in there, and the Yugoslav's already want to go and the French will want to go.

H.M.: Let Mrs. Klots give them some time. I can't quite judge. I'll see you sometime this morning.

On the Soong thing, when you come in tomorrow, I would like very much for you to have a program for me telling me which of these agencies are holding back.

Mr. COE: Well, any decisions with regard to China tomorrow can only be about our own gold.

H.M.: Well, couldn't China come in and give me a program?

Mr. COE: You mean later?

H.M.: I mean can't they come in instead of just wasting my time and say, "This is what I want; Mr. Morgenthau?"

Mr. D.W. BELL: He has already said that, not to the Secretary but--

Mr. COE: He said that to State originally.

H.M.: I have nothing from him.

Mr. D.W. BELL: And the Secretary ought to have tomorrow morning where that program stands. I understand they cannot get the textiles and other things, and the only thing they can get at the moment is the gold.

H.M.: Has he ever asked for anything—a complete program in one document?

Mr. COE: He gave one to State and Clayton furnished us with a copy, and T. V. Soong's men also gave us a copy of it, and you have had over this week end from Crowley a formal statement indicating that he can't move forward.

H.M.: Bring it up as close as you can for tomorrow morning, will you?

Mr. COE: Yes.

H.M.: Now, the other thing is this—didn't I say nine-thirty?

Mr. COE: Yes, sir.

H.M.: Then, we'll do China tomorrow morning, and Mrs. Klots will remind me, and also Oott is coming in at three o'clock Wednesday, so why not let's run through that tomorrow, too, after we have done China?

Mr. D.W. BELL: All right.

H.M.: Eleven is coming in at ten o'clock Thursday. I have press at ten-thirty.

Mr. COE: I asked for some time—I asked Fitz for some time on Wednesday for that. I thought--

H.M.: Let's get ready Tuesday morning for all of these things, and I think—who is contacting Eleven and Hone? Who's doing that?

Mr. COE: I don't know where—it must have come directly to your office.

H.M.: It must be downstairs.

Mrs. KLOTZ: It must be.
MR. D.W. BELL: You mean in addition to the nine-fifteen?

H.M.JR: Yes, but let's--tomorrow morning when we meet at nine-thirty, let's do anything that has to do with foreign financial affairs first. Let's have everything, see? Run the stuff through; have a little program for me.

MR. COE: All right.

H.M.JR: All right. That will be Belgium, France, China, and you better put England on our schedule. What's-his-name has raised this question of export under lend-lease, General Somervell.

MR. COE: Well, we are running that down. I don't think we'll find anything there, sir.

H.M.JR: Well, I'm putting you on notice.

MR. COE: Yes.

H.M.JR: George?

MR. HAAS: I have nothing, sir.

H.M.JR: When do you want to come over and brief me as to what I--

MR. GAMBLE: At three forty-five.

H.M.JR: Let's say four o'clock.

MR. GAMBLE: You said three forty-five.

H.M.JR: I changed it because there will be no press today.

MR. GAMBLE: Four o'clock will be fine. I would like half an hour, and I would like to bring some of our people to go over details.

H.M.JR: You can have half an hour. Would you inquire? I know that the Army and Navy through moving picture industries, make up a lot of sixteen millimeter pictures, the very latest, don't they, which they send overseas?

MR. GAMBLE: Yes, they do.

H.M.JR: Do they send them in the form of sixteen millimeter, the very latest pictures?

I wondered if I couldn't get some of the good ones. I think by the end of the week Mrs. Morgenthau could see those set up over her bed.

MR. GAMBLE: We can do the whole thing. We can do it through our own sixteen millimeter.

H.M.JR: Get hold of three or four very good pictures.

MR. GAMBLE: Do you want to specify any you have seen?

H.M.JR: I don't know. She's very fond of Greer Garson.

MR. GAMBLE: We'll get hold of half a dozen of the newest ones and have them down there this week end. I'll have one delivered at Daytona.

H.M.JR: You don't need an operator. They have everything there. All they need are the pictures. They have everything.

MR. GAMBLE: I'll have that Thursday.

H.M.JR: I think the way it is she could see it right from her bed. You need something like that.

MR. GAMBLE: It's not the Army, it's the motion picture industry that takes care of it--District War Activities Committee.

H.M.JR: If you could.
MR. GAMBLE: It's easy.

H.W.JR.: And you're coming over at four. If anybody is interested in the Seventh War Loan and wants to hear about it, you are invited, if you want to be here.

MR. GAMBLE: Here are a couple of things that ran yesterday. (indicating)

H.W.JR.: Fussell, I think you ought to be here. How about you, Dan?

MR. D.W. BELL: Yes.

MR. GAMBLE: I thought you might want to show this to the President—an editorial on page seven on Truman and the Seventh War Loan. This is the Seventh War Loan issue.

We settled the network thing. I might as well tell you about that now.

H.W.JR.: Ted, I can't hear you.

MR. GAMBLE: We settled this network show. We'll have all four networks next Sunday night for you. We have agreed that about three minutes— it would take about three minutes' time at the close of four thirty minute simultaneous programs. Each network is going to build its own show from eight-thirty to nine o'clock, Sunday evening, Eastern War Time. You will be picked up at all four shows at the close of the shows for three to three and one-half minutes at the end of the show.

H.W.JR.: You mean I have to do it four times?

MR. GAMBLE: Once. All four networks will join on it. This will be the first time anyone else but the President has been on four networks.

H.W.JR.: I get three and one-half to four minutes.

MR. GAMBLE: Yes. That's all you want.

H.W.JR.: I'll not be garrulous in that time.

MR. GAMBLE: But I think with the kind of shows they are building you can cover all the ground.

H.W.JR.: Eight-thirty to nine.

MR. GAMBLE: Sunday night, and I think we ought to pick you up right at your desk. You will be asked to go on one or more programs. I don't think you should do it. Bob Hope's show is going to be here in Washington and they will put a lot of pressure on you to go on his program. He has one of the half-hour shows. I think you ought to appear from your desk. We have been negotiating for this four network show for sixty days, and we have trapped the networks, so to speak, and they are doing this job, and I don't think we now ought to appear on any one of four shows.

MR. GASTON: Unless you can appear on all of them.

H.W.JR.: Just keep Bob Hope and Pepsodent away from me.

MR. GAMBLE: Pepsodent has turned him and his whole show over to do this special broadcast and they are adding a lot of people.

H.W.JR.: Who's that fellow out there?

MR. GAMBLE: Luckman.

H.W.JR.: Just keep him away.

MR. GAMBLE: They'll be after you. I have already told them you're going to do it from your desk.

MRS. KLOTA: What about Monday night?

H.W.JR.: He'll tell me.

MR. GAMBLE: I have all the details on Monday. It's at night, ten o'clock Eastern War Time, but there are a number of activities that I want to clear with you this afternoon on that.
H.M. JR: I'll tell you what I would like to do. I would like to invite the nine-thirty group and their wives to have supper with me tonight at the Chinese Restaurant.

MR. GAMBLE: Sunday?

H.M. JR: Tonight.

MRS. KLOTZ: Wonderful!

H.M. JR: And we'll have a little bit to eat around seven o'clock and we'll have a little movie and come here afterwards. You know the restaurant.

MRS. KLOTZ: The Republic.

H.M. JR: The Republic.

MR. GAMBLE: Do you want any help with the menu?

(Laughter)

MR. GASTON: What is it you want, Ted?

MR. GAMBLE: We want some sweet and sour fried rice.

(Laughter)

H.M. JR: About seven o'clock?

MRS. KLOTZ: Yes.

H.M. JR: Fried rice. You can let Mrs. Klotz know if you're not coming.

MR. LUXFORD: You ought to let me take care of the arrangements.

MRS. KLOTZ: Yes, we'll certainly get a big dinner.

MR. D.W. BELL: Two rooms?

MRS. KLOTZ: You know what happened.

MR. D.W. BELL: He got everybody excited.

MRS. KLOTZ: No, he told you about arranging a luncheon, and he told me, and he told Bernstein to do the same thing, but it was all the same luncheon.

MR. D.W. BELL: I was asked if I was going to the Secretary's luncheon and I said no, I was going to another, and it was the same luncheon.

MRS. KLOTZ: Anyway we paid the bill.

H.M. JR: All right, about seven o'clock at the Republic.

MR. D.W. BELL: It's a crowded place.

H.M. JR: Not on the third floor.

MRS. KLOTZ: If we can get it tonight.

H.M. JR: Do you want to find out?

MRS. KLOTZ: Sure.

(Mrs. Klotz leaves conference temporarily.)

H.M. JR: Where were we?

MR. GAMBLE: Here.

H.M. JR: He changed his seat.
MR. GAMBLE: I came around so I got in a different place in the line. The nine-thirty group might want to bring their wives and see this Bob Hope show. We'll reserve seats for them at Uline Arena, and I think it would be a nice thing, Mr. Secretary, if you went down there and made an appearance.

H.M. JR: Listen, your time is four o'clock this afternoon.

MR. GAMBLE: I won't be able to cover all these things in that time.

H.M. JR: All right.

Fussell?

MR. FUSSELL: I have nothing.

MR. BARTELT: I have nothing, Mr. Secretary.

H.M. JR: You pass. I suppose I'll find him up here in a minute. (To Mr. Gamble.)

MR. DeBOIS: We haven't heard anything on either of these German documents, Mr. Secretary, except for the fact late Saturday afternoon apparently the Joint Chiefs of Staff had not yet approved the Directive.

H.M. JR: I'll call up General Hilldring and find out where the hell it is! He would know where either or both are.

MR. DeBOIS: He should know about the status of both, because apparently War is going ahead on both of them.

H.M. JR: I just have my fingers crossed on Stimson.

MR. DeBOIS: I do, too. Glasser heard they were trying to get Lou Douglas back immediately from abroad, and we tied the two together. Possibly Douglas may be coming back as an expert from the field saying these things can't work, and so forth. It is just a guess that that may be part of it. I think myself--

MR. D.W. BELL: He hasn't been there long enough.

MR. DeBOIS: Those guys only need one day and then they are experts.

H.M. JR: Has anybody heard anything about Bernie being on his way back? I'll bring my expert, too.


MR. LUXFORD: We furnished Vincen, Eccles, Acheson and Brown with the text of the proposed amendments, and indicated on each of them that you hadn't seem them yet, but I haven't heard anything from them.

H.M. JR: All right.

MR. D.W. BELL: We haven't heard anything, I don't believe, on the President's form that he was supposed to sign for withholding taxes.

MR. O'CONNELL: Yes we have. I have it. It came from the Secretary's office to me Saturday, and you weren't in, so I thought I would hold it and give it to you this morning.
MR. D. W. BELL: We paid him on the basis of the old form, and there may have to be an adjustment; I don't know.

MR. O'CONNELL: I don't know what the old one was, but I do have it.

MR. D. W. BELL: Send it to Bartelt so that it can go through the regular channels. It goes to the General Accounting Office.

Senator Capehart—I guess he is a Republican—from Indiana—

MR. GASTON: That is a good guess.

MR. O'CONNELL: Right on both counts.

MR. D. W. BELL: He is heading a little group of members of the Senate. He tries to get together with them every so often the heads of the bureaus in the various departments to discuss the problems, he says, with which the nation is confronted.

The thing that worries me is that it is headed by a fellow by the name of Walker, Chief of the Washington Office of the American Food Institute. It is an independent organization. Senator Capehart invites these people to dinner at a private home. Some woman who is the wife of an RFC official has a home at 1615 Q Street, and they have dinner, and Senator Capehart is supposed to pay the bill. Then they sit around and talk about the problems of the government, and so forth.

H.M.JR: What is this—an anonymous letter?

MR. D. W. BELL: No. This isn't a letter. This gentleman called up Mr. Bartelt's secretary and he wants to have a dinner, and he wants to invite from the Treasury, Mr. Bartelt, Mr. Numan, Mr. Gaston, Mr. Wilson, and myself. (Mrs. Klotz reenters conference.)
and Navy and with a one star general, and then we are told the five star generals are holding up the whole policy! I'm talking about FCFOU.

H.M.JR: Where were we?

MR. LUXFORD: I was only mentioning--

H.M.JR: Listen! You know, two wrongs don't make a right.

MR. LUXFORD: I was trying to argue on the merits of it. However, I think that it--

H.M.JR: That's funnier than I thought it was. (Laughter)

MR. LUXFORD: I was arguing from the merits of the thing that these kind of meetings with senators that are genuinely interested in the Treasury's activities—and they are freshman senators, a good many of them—I know Capehart is—they need something like this. It isn't too difficult.

H.M.JR: It is the setup—the way it is based.

MR. O'CONNELL: The place and--

H.M.JR: If you fellows got away with it, you are lucky.

MR. D.W.BELL: Remember that other case we had on R Street?

MR. O'CONNELL: Knox and a number of others were embarrassed because of the sponsorship of the dinners. The subject is not anything to be embarrassed about. Our best people are ready to talk with any group of senators. Walker, the intermediary, wants a job with the World Bank when it is set up.

H.M.JR: Who is he?
May 7, 1945
9149 A. M.

HM Jr: Hello.
Operator: Colonel Kyle.
HM Jr: Right. Hello, Colonel.
Colonel Kyle: Good morning, sir.
HM Jr: Good morning. Is this an official surrender on the part of the Germans now?
K: Mr. Secretary, I'm on an open line and the information I have in my desk is still classified as top secret.
HM Jr: Oh.
K: And I gather the Secretary will be here in just a few minutes. I have your request here that I showed him, and I prefer to refer it to him when he comes in, sir.
HM Jr: Well, how will I find out? Through the White House telephone?
K: Yes, he'll probably call you on that.
HM Jr: He'll call me?
K: I'll suggest that he do that as soon as he comes in. He's busy over the weekend. He's due at the airport at 10:00.
HM Jr: Well, can I read you what the Associated Press said?
K: Yes, sir. I've heard that but I wish you would though, sir.
HM Jr: Well, it says "Germany surrenders unconditionally to the Western Allies and Russia at 2:41 A. M. French time today."
K: Yes, sir.
HM Jr: That's what it says.
K: Yes, sir. Well, the official -- the President, of course, is going to make any official announcement on this and until it is decided what he is going to do...
May 7, 1945
10:19 A.M.

Mr. Stimson: Hello.

General Hilldring: Yes, sir, this is Hilldring.

Mr. Stimson: Pretty good day today.

Hilldring: Oh, sir, a great day. This is a great day, Mr. Secretary.

Mr. Stimson: Yes, sir, I certainly do, Mr. Secretary.

Hilldring: I gathered it's being held up by the Army.

Mr. Stimson: Yes, sir, it is.

Hilldring: Well, when the hell you fellows going to move?

Mr. Stimson: I hope this morning. They -- I'm doing all I can, Mr. Secretary.

Hilldring: Yeah. How high up is it? Is it the five-star boys?

Mr. Stimson: Yes, sir, the four and the five-star boys, Mr. Secretary.

Hilldring: Four out of the five.

Mr. Stimson: I say four and five stars.

Hilldring: Four and five.

Mr. Stimson: Yes, sir.

Hilldring: Well, now I thought that on the directive when we had that little amendment in here Friday that that ended that.

Mr. Stimson: Well, I said that I would pursue it with utmost vigor and try my best to sell it, and I'm still on that hunt, Mr. Secretary.

Hilldring: And, how about Mr. Stimson?

Mr. Stimson: Well, sir, he doesn't commit himself until the General's have come to him with a final proposal. Now I've got a lot of proposals over here, but I don't like them and you won't, so for the moment I'm trying to get one that I think I can sell to you gentlemen. I'm between here, Mr. Secretary.

Hilldring: Well, of course, the Army is very vulnerable on this stuff, you know. I mean that it's so late in getting it out.

Mr. Stimson: Well, sir, we're responsible, Mr. Secretary, for a few days delay only.

Hilldring: Yeah.

Mr. Stimson: And the committee itself, I think, that is, that other committee.

Hilldring: Yeah.

Mr. Stimson: . . . has some responsibility, you know.


Mr. Stimson: If the first proposal had gone over with much less than is now being granted by the committee, this favor would never have occurred, you see.

Hilldring: What do you -- you don't mean March 10th, do you?

Mr. Stimson: No, sir, I don't mean that. I mean the -- in the paper that was turned out of -- out of with respect to this oil question.

Hilldring: Oh, oh.

Mr. Stimson: Wasn't too good -- which I pointed out to the committee when they passed it.

Hilldring: Well, I'm not familiar with that. That must have been out at the Working Committee.

Mr. Stimson: No, sir, it was in the big committee. I made a speech on this oil business, Mr. Secretary, and I got ploved under.

Hilldring: Well, you'll have to refresh my memory sometime, I'm not clear on it.
H: Yes, sir.
HMJr: How long ago was that?
H: Well, it was at the last meeting on the draft, sir.
HMJr: Well, the time that you made the speech and I thought I'd agreed and then the draft came out something different?
H: Yes, sir.
HMJr: That time?
H: Yes, sir. That time.
HMJr: That's clear in my mind.
H: Yes, sir.
HMJr: I wouldn't forget one of your speeches.
H: And that scared the boys over here to death.
HMJr: Yeah.
H: Yes, sir.
HMJr: Well, now, you think that it may clear today?
H: I'm doing nothing else, Mr. Secretary.
HMJr: Nothing else.
H: Nothing else. That's all I'm doing.
HMJr: Well, if you need a little help, you know, I'm one of these gentle souls....
H: Yes, sir.
HMJr: ...that like to get in on something.
H: Yes, Mr. Secretary.
HMJr: And what about the reparations thing?
H: That - it's hit us, but I think we will have no trouble with that. I don't like to do any prognosticating on it, but I think we can get a vote on that very fast.
HMJr: Well, now, the five-star boys don't get in on that.
H: Pardon?
HMJr: The five-star boys don't---
H: I don't think they have any objection to it, Mr. Secretary.
HMJr: No, right, O. K.
H: All right, sir.
HMJr: Thank you.
H: Bye.
May 7, 1945
10:13 A.M.  37  - 2 -  38

Mr. Will
Clayton:  Hello, Henry.
HMJr:  Hello, Will.
C:  Yes, have you been down to Florida?
HMJr:  Have I been where?
C:  Florida.
HMJr:  Yeah.
C:  How's your wife?
HMJr:  She's getting along nicely, Will.
C:  Oh, that's good, I'm glad.
HMJr:  Yeah.  Well, Will, now that General Eisenhower
says the fighting is over in Europe, when are we
going to get a directive for him?
C:  Well, I've been tracing the War Department.  I've
talked to Bob Lovett.  I talked to General
Hilldring...
HMJr:  Yeah.
C:  ...Saturday afternoon, and he said that he had
been hearing with the Joint Chiefs of Staff the
night before and all Saturday, and he hoped to
have it cleaned up over the week-end.  I had to
go out a few minutes ago, and I've got a note right
here now to call him.
HMJr:  Well, I just called Hilldring myself.
C:  You did?
HMJr:  Yeah.
C:  When?
HMJr:  Just two minutes ago.
C:  What did he say?
HMJr:  Well, it's just that he's working - he has hopes -
he can't guarantee anything.

C:  I'll be dog! I can't understand because every-
body was so optimistic it was going to be all right.
HMJr:  Yeah.  If I might suggest, I think that the Acting
Secretary of State had better get busy.
C:  You mean on that?
HMJr:  Yeah.  I think we are all vulnerable.  Damn it, the
war's over...
C:  Yeah.
HMJr:  I've got a messenger out now going to all the
people - Joe Grew has signed it, you've signed it,
and I've signed it.
C:  Yeah.
HMJr:  Yeah.
C:  And Mr. Stimson was away and back today, and
I've got a messenger out now going to all the
people - Joe Grew has signed it, you've signed it,
and I've signed it.
HMJr:  Yeah.
C:  I've got a messenger out now going to all the people
to get it signed.  Now, I tried to get Mr. Pauley
Saturday, and I couldn't and he left yesterday for
San Francisco.  I don't think we need to get him to
sign it, Henry.
HMJr:  No.
C:  Because it says there that he agrees, and it is
really a memorandum from the committee, you see.
HMJr:  Yeah.
C:  So I've got a messenger out now getting it signed
at the FIA, and at War and Navy, and that will
complete it.  And as soon as it is completed, how do
you think we should deliver it?  Should we just send
it over to the President, or you and I go over, or how?
HMJr: I think if we just sent it over - I'm afraid it would get lost.
C: That's what I'm afraid of.
HMJr: Yeah.
C: Well, suppose as soon as I get it in my hand all ready to deliver, I give you a ring.
HMJr: Right.
C: And we'll try to make an appointment to see him.
HMJr: Right.
C: All right, thank you.
HMJr: Thank you.
C: Goodbye.

May 7, 1945
10:40 a.m.

MEMO FOR THE PRESIDENT ON STRENGTHENING FISCAL CONTROLS

Present: Mr. D. W. Bell
Mr. Gaston
Mr. Bartelt
Mr. O'Connell
Mr. C. S. Bell
Mrs. Klotz

HM Jr: I am running this thing on the debit side and not credit side of the ledger - at least one side. I am doing the borrowing but I have no control whatsoever of the expenditures.

Mr. C. S. Bell: I understand.

HM Jr: And nobody can run this business. I want to keep - I'm secretary of the Treasury irrespective of who is here, you see, and I want to start this thing off instead of ending it with that quote from Carter Glass.

Mr. Gaston: You know--

Mr. C. S. Bell: I don't know - I am familiar with the quote from Carter Glass.

HM Jr: It's very good.

Mr. D. W. Bell: It's in connection with the 1941 Budget:

HM Jr: Carter Glass said, "The responsibility for the preparation of the Budget should be placed upon the President and in my judgment he should meet this responsibility through the Secretary of the Treasury, the chief fiscal officer of the Government," see?

Mr. C. S. Bell: And start off with this?

HM Jr: I think so. That's my idea, and start off with that thing. I first thought I would do this
thing peacefully. I am open to argument. Whether we should include SEC or other things, I don't care, but I think that the two things are important—and it is very appropriate now to say, "Mr. President, we have passed V-E Day." I would say I have already given this document to President Roosevelt, you see. You think about that, that in the period of reconstruction—that's what I would call it—that the Secretary of the Treasury in order to do his job must be in control of both sides of the ledger.

MR. C.S. BELL: Yes, sir.

H.W.JR: He cannot be in charge of just one side of the ledger, and he can't be making up some morning to find three hundred million dollars were loaned to Holland and some other loans were made here and there. Then I would bring in this thing that we must have as rapid a reduction of expenditures, of war expenditures, as possible, and then the other thing which I want in here which I have written down here is this. Under the reconstruction period we face the thing under entirely different circumstances than we have had before. We have eighty-five million people who are stockholders in this Government and fifty million taxpayers, and they have a right to look to some one person in charge of the Government financing to give them the answers, and those people are going to demand an answer. They shouldn't look to the President of the United States, they should look to the Secretary of the Treasury and Chairman of this overall Board.

MR. C.S. BELL: The eighty-five million people are the people paying taxes?

H.W.JR: They are bond holders, and fifty million—I have written this down.

MR. D.W. HELL: That's eighty-five million people—I don't know.
Thursday morning—I want this document finished, and I want to say—can I call it by a better name, the reconstruction period? Do you know of a better name? I don't like reconstruction. It is reconstructive. Do you know a better name, Herbert?

MR. GASTON: No, I don't think so.

MR. C.S. BELL: We will think up one.

H.M.Jr: I think reconstruction—after the Civil War isn't that what they called it?

MR. GASTON: Yes, after the Civil War it applied to the South mainly, which was a devastated country.

H.M.Jr: It is a reconstruction period for the world, and you have got every country in the world knocking at our door. There has got to be a central authority. Now, I point out in my memo that these subcommittees should meet every week, and the committee of which the Secretary of the Treasury is head should only meet once in two weeks. In the chart I want a place under the Secretary of the Treasury for the secretariat.

MR. C.S. BELL: Composed of whom?

H.M.Jr: Just use the word, "Secretariat."

MR. C.S. BELL: Subject to your filling that.
I want to take this over tomorrow and just lay it on his desk.

Mr. D.W. Bell: I have a feeling that this fellow McKim who is going to head this whole secretariat in the White House, has something like this in mind. I talked to George Schoesman yesterday, and he said he had a conference with him and that the fellow has really got a lot of worked laid out for the people who are going to be under him.

H.W. Jr: After twelve years, I either ought to know the right way to run the finances of this government, or I ought to get out. But I can't run it this way, and nobody can be responsible for the finances of this government and run them in a haphazard way.

Mr. Gaston: We have criticized Congress because they have it all split up and the people who spend the money are not the people who raise the money, but the Executive Department is just as vulnerable to the same criticism.

H.W. Jr: This thing, Charlie, you look yourself up in your room and draft it and show it to these people for their criticism. It is all there.

Who did that originally?

Mr. Charles Bell: It started out in our office and went to Eddie.

H.W. Jr: Well, Eddie, you and Charlie spend the greater part of today on this, will you?

Mr. Bartelt: Yes.

H.W. Jr: Spend the greater part of today on it, but I want it. Remember, this should be written like a document that I can make public, see?

Mr. Bartelt: Yes.
May 7, 1945 12:13 P.M.

HM Jr: Hello.
Operator: Mr. Clayton.
HM Jr: Hello.
Mr. Will Clayton: Yes, hello, Henry.
HM Jr: Yes, Will.
O: Yes.
HM Jr: You called me.
O: Oh, oh, yes. I'm sorry. My secretary gave me your message the other day about this party that I spoke to you about.
HM Jr: Oh, yes.
O: And I know that Jack McCloy will want to get something from me when he arrives. I was just wondering if you could tell me any further about that.
HM Jr: Well, since then McConnell has told Bell that this fellow won't take it.
O: Will not take it.
HM Jr: Under any circumstances.
O: Oh, well, that settles it.
HM Jr: So that settles that.
O: Yeah.
HM Jr: Huh?
O: That settles it then.
HM Jr: Yeah, I think McConnell is working on it - Bob McConnell.
O: Yeah.
HM Jr: And he said he wouldn't take it under any circumstances.
O: I see.

HM Jr: So I didn't bother to call you back.
O: Yes, I see. Well, all right, thank you very much.
HM Jr: Well, what's new on.....?
O: Well, I talked with the General after I talked with you.
HM Jr: Yeah.
O: He said he had talked with you, and he is just working as hard as he can and he hopes to have it all buttoned up early this afternoon.
HM Jr: I see.
O: He spoke very confidently about it.
HM Jr: Good.
O: So I think we will have the thing ready this afternoon, and we are getting the memorandum on the preparations is being carried around to be signed now, so I think I'll have that too. I'll let you know as soon as I get it.
HM Jr: I thank you.
O: Now, I was just talking to T. V. Soong.
HM Jr: Yeah.
O: He's coming in to see me this afternoon.
HM Jr: Yeah.
O: And I'm afraid we can't tell him anything very encouraging about the textiles. The information I got while you were away was pretty bad. The Army, as the General said there the other day, they won't give up anything and it looks like to get it out of civilian requirements is going to take a lot of heavy, heavy work.
HM Jr: Well, I tell you what you do. Hello?
O: Yes.
HMJr: After you've seen him - I'm seeing him tomorrow.
C: Yes.
HMJr: Could I get a memo from you in the morning, letting me know what happened?
C: Well, I don't think anything will happen with him because all he's coming for is to find out what the score is, see?
HMJr: And you are going to tell him nothing doing, eh?
C: No, no, I don't want to tell him that. I'm just going to tell him that we are saving heaven and earth on it -- I thought we were going to have a meeting probably with you tomorrow on it. When he came in - I suggested it then. But I don't think that anything short of a memorandum from the President to the Army would...
HMJr: Well, is there any sense in our having a meeting? I'll call one.
C: No. Well, I would think that we ought to have a meeting to talk about what we are going to do to try to get these textiles for him. We either have to do that, or tell him that there is nothing doing and I just hate to do that, because the thing is so darn important.
HMJr: How are you fixed around eleven?
C: Tomorrow.
HMJr: Yes.
C: Let me see. No, I'm afraid I won't be able to do it, Henry, because I've got to be up on the Hill. This trade agreements program thing is giving us a lot of concern.
HMJr: Well, T. V. is coming in at three?
C: Three, yes.
HMJr: Do you want us to come over before then?
C: Well, you could do that - come in at, say, 2:15 or something like that.
TAXES

Present: Mr. D. W. Bell
Mr. Gaston
Mr. Blough
Mr. O'Connell
Mr. Wales

H.M. Jr.: Now, Mr. Blough, I will try to be as attentive as I can on V-E Day, so do your stuff. You are a long suffering gentleman.

Mr. Blough: Not at all. You will perhaps not be so long suffering. I do not have a memo for you of the kind you suggested. Perhaps on the basis of this you can indicate what you think would be most helpful to Mr. Truman. I have handed you the memo.

H.M. Jr.: What shall I do, read Bryant in the Wall Street Journal?

Mr. Blough: What I have handed you is what George Bryant put in the Wall Street Journal.

H.M. Jr.: Did you hear the one Vanderpoel pulled? He said what Vanderpoel got in the Wall Street Journal?

Mr. Blough: Bryant.

H.M. Jr.: This is Vanderpoel. What Bryant got was undoubtedly the payoff for running the story of Walter George for Secretary of the Treasury.

Mr. Gaston: Uh huh.

H.M. Jr.: Pretty good. I mean, that's the way they do things in this town.

Mr. Gaston: Good.

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May 7, 1946

3:00 p.m.

H.M. Jr.: Government by leaks.

Mr. Gaston: That's good, legitimate dealing--black market.

Mr. Blough: The only trouble with that is I told Vanderpoel that and I didn't think it was worth telling you, so he came and told you.

H.M. Jr.: No, I thought that was very good. That's just the kind of stuff that makes sense around this town.

Mr. Blough: I think he probably got it from Christie Russell while George was in Europe.

H.M. Jr.: Who's that?

Mr. Blough: Mrs. Scott Russell, Senator George's Secretary.

H.M. Jr.: Is that the girl who loves apples?

Mr. Blough: Yes. Christabel Kennedy.

H.M. Jr.: She's quite up and fresh and coming.

Mr. Blough: Yes. She's a good girl. I think she's a good girl. She's a nice girl.

H.M. Jr.: Why don't you read the thing? Now I have to stay awake and listen.

Mr. Blough: Fine. I'll read it.

(Reading from "Special Memorandum on Suggested Tax Changes to be Effective after the end of the War in Europe, dated March 31, 1945.")

"In a letter to members of the Joint Committee on Internal Revenue Taxation for Post-War Taxation dated March 24, 1945, Mr. Doughton, the chairman, proposed that at the next meeting of the committee consideration be given to tax revisions to be effective in the interim..."
period following the end of major hostilities with Germany and prior to the end of the war with Japan. It also indicated that the tax suggestions of the staffs of the Treasury Department (including the Bureau of Internal Revenue) and the Joint Committee on Internal Revenue Taxation, applicable to this period, would be available for consideration at that time. Accordingly, this special memorandum has been prepared summarizing the suggestions for the interim period, most of which have been presented in Studies in Post-War Taxation.

"It is suggested that all present tax rates should be retained and that no major changes in taxation should be made until after the defeat of both Germany and Japan. This position, as indicated in part 7 of Studies in Post-War Taxation, is supported on the following grounds:

"1. Federal expenditures can be expected to remain at a high level even after victory in Europe, and thus the need for revenue will not be lessened. With the war continuing on one front, it has been estimated that the Federal Government would spend for war alone at the annual rate of 71,000,000,000.

"2. It appears unlikely that there will be any serious general unemployment during the period of the Pacific war. This period can be expected to be one of reasonably full employment since the pent-up demand for goods and services is expected to offset the anticipated cut-back in war production. Such unemployment as does exist will largely be caused by unavoidable delays in the reconversion of plants to peacetime production. It is likely to be limited to a few areas in which large cut-backs in war production are made. General tax reductions could do little to help these isolated areas.

"3. Inflation will continue to be a danger during the period of the Pacific war. Tax reductions at this time might be an important factor in starting a run-away inflation, since they would increase demand for civilian goods and services already in excess of limited production. Furthermore, tax reductions might weaken other anti-inflationary controls.

"4. While the armed forces are still called upon to endure personal and economic hardships, tax reduction would impair morale.

"The positive suggestions for tax revision to take effect for the interim period after victory in Europe are as follows:

I am going to read them one at a time and explain them, if I may.

"1. Speed up refunds attributable to carry-backs of net operating losses and of unused excess-profits credits.

H.M.JR: Now wait a minute. This is a speed up after victory in Europe and at the other place--

Mr. BELL: No tax reduction?

Mr. BROUGH: Points one to four do not involve the tax liability. Point five does. I will come to it later.

"1. Speed up refunds attributable to carry-backs of net operating losses and of unused excess-profits credits.

Now, the situation is this: The Revenue Act of 1942 provided for a two-year carry-back of unused excess profits credits and of losses, of operating losses, the idea being that when the war was over companies would have expenses and losses which really should be charged against the war, like deferred maintenance of railroads, hotels, and so forth, but not incurred in cash during the war. It was desired that those expenses and losses be chargeable against the war profits. That's now in the law, but it can't be used until the audits are complete for all the years involved, including the year in which the loss is incurred.

There have been serious complaints that the businesses would be dead and gone long before they got their money. It is proposed in these suggestions that a company finding in the middle of the year that it had a loss or would be
entitled to a refund could postpone or defer payment of taxes due at that time, and thus save its cash until it found out whether it actually owed the money or not. Also it is provided here that after the end of the year in which a company does have a loss or which a refund would be due it, it can file an application and be paid within ninety days before the audit of the return. In other words, this takes business to a considerable strength on faith and says if a businessman or corporation at the end of the year files a return showing that it has a refund coming to it, that it can apply for that refund and get it before the audit of its books.

When the books are audited the whole thing will be cleaned up and straightened out. Now we lose some revenue by that, but that has been again and again impressed on us, both by people in the Government and out of the Government, that unless something of the kind is done, these carry-backs will have no value to anybody, or not no value but much less value than they should have.

So, point one is a method by which cash which will be due to businesses because of the carry-backs given to them quickly--

MR. BELL: This helps reconversion?

MR. BLOUGH: It's intended to help with reconversion. Point two is very similar. "2. Speed up refunds resulting from the recomputation of deductions for amortization of emergency facilities."

H.M.JR: I understand that.

MR. BLOUGH: Good. "3. Make the post-war credit of 10 percent of the excess-profits tax currently available for tax liabilities of 1944 and subsequent years."

"4. Advance to January 1, 1946, the maturity date of outstanding post-war refund bonds."

We got ten percent of excess-profits taxes as a compulsory loan. We didn't call it that but that's what it was in the Revenue Act of 1942. That isn't to be available under present law until several years after the war is over, depending on the time. We think that again for the purpose of giving them cash and for the purpose of avoiding any outstanding Government bonds selling at a discount that they ought to be able to cash the post-war refund bonds they have and they ought to be able to use currently the credit on which they have not yet received bonds.

H.M.JR: Uh huh.

MR. BLOUGH: Those are points three and four. Points one, two, three, and four then do not affect anybody's tax liability at all, but simply make available quicker cash which they otherwise have coming to them.

MR. BELL: They don't affect the ultimate aggregate of the tax liabilities over a period of three or four years.

MR. BLOUGH: That's right. It will affect the amount of money coming in and paid out by the Government in a particular year, but it will not affect the taxes over a period of say, three or four years.

MR. GASTON: Now that we have abolished interest it doesn't make so much difference.

MR. O'CONNELL: We lose a little interest on the post-war refunds.

MR. GASTON: I see now.

MR. BLOUGH: I think we will save more than we lose by this.

MR. O'CONNELL: On the refunds, but you lose on post-war refunds.
MR. GASTON: We begin to pay interest as soon as they turn the bonds in, of course, January, 1944, 1945.

MR. BLOUGHS: 1946.

MR. BELL: Yes, 1946.

MR. WALES: And there is a minor effect, as Roy explained, of a little loss in items one and two.

H.M.JR.: Go ahead, hoy. I want to get the picture.

MR. BLOUGHS: "5. Increase the specific exemption under the excess-profits tax from $10,000 to $25,000, effective for 1943."

At the present time that exception is ten thousand dollars and the ninety percent rate on everything above that, and the ninety-five percent rate within the post-war credit makes a net rate of eighty-five and one-half on everything above that. We felt right along that that was pretty hard on smaller businesses. This is an attempt to relieve that and give them a little better break in the next year or two.

(Reading) "No further changes are suggested for the interim period." And then you can jump to the last paragraph.

H.M.JR.: Read the whole thing.

MR. BLOUGHS: All right.

"Spending up the refunds, making the post-war excess-profits credits currently available, and advancing the maturity date of post-war refund bonds, involve no change in ultimate tax liabilities, but would improve the cash position of business during the interim period. A detailed description of these proposals is presented in part 8 of Studies in Post-War Taxation."

"The increase in the specific exemption to $25,000 would reduce the repressive effects of the excess-profits tax upon smaller corporations. A large number of the smaller corporations would be freed from liability under the tax and the burden for the remainder would be reduced, with no considerable loss of revenue."

"The other suggestions relating to corporate taxation that have previously been made (see pt. 7) were suggested only for the period after the end of all major hostilities. The suggestions relate to reduction and repeal at designated appropriate times of the excess-profits tax, and the capital stock and declared value excess-profits taxes. Additional revisions of the corporate tax structure for the post-war period are being studied, including such matters as accelerated depreciation, special treatment of corporate dividends, and revision of the corporate tax rate. Consideration is also being given to revisions in the individual income tax, excise taxes, and the estate and gift taxes. In view of the necessity for maintaining high taxes during the interim period, tax changes in these fields were not considered appropriate for that period.

"The suggestions in this memorandum are based on our present appraisal of the future economic situation. Subsequent developments might make it necessary to suggest additional changes for the interim period.

"It will be observed that the suggestions in this memorandum are intended to take effect during the interim period following the end of major hostilities with Germany and prior to the end of the war with Japan. It is not intended thereby to suggest that other legislation may not be desirable during this period to take effect after the end of the war with Japan."

H.M.JR.: This whole thing was printed in the Wall Street Journal.

MR. BLOUGHS: All but the first paragraph.

H.M.JR.: Isn't it outrageous?
MR. BELL: This is confidential. The Committee printed it and it hasn't been released by them yet.

MR. BLOUGH: No.

H.W.Jr.: How about my calling up Senator George's secretary and asking her when he is going to be back?

MR. BLOUGH: I have been in daily contact with them. He had not yet come back this morning. He was expected the first part of this week.

H.W.Jr.: I see that Doughton is Chairman. How about my calling up Doughton? I haven't spoken to him for months, you know.

MR. BELL: It seems to me this thing ought to be released after it is in the hands of one newspaper and ninety percent of it printed. It ought to be released by the Committee.

MR. O'CONNELL: Even a Congressman called me up and asked me for a copy.

H.W.Jr.: Why can't I call Bob Doughton?

MR. BLOUGH: I just don't know at the moment. It's a new thought. Let me apprise you with what else has gone on and maybe you will have a better idea whether you want to talk to him or not.

Since that report was given to the Committee, they had a meeting and they heard the report read and then discussed the question. They did not decide what they wanted to do but they did ask Stam's staff and our staff to prepare a report for the Joint Committee to issue. See, this is not a report of the Joint Committee. This is a staff report to the Joint Committee, and we have prepared--and Mr. Stam is in my office now. We are finishing up. We just finished going over this report. We have prepared a report for the Joint Committee to issue, which spells out in more detail what was in the two pages which were read to you. In addition to that report which they have not yet adopted, but which we have good reason to believe they will adopt although perhaps with minor changes, they expect to issue a press release at that time, and that press release will summarize the report. In addition to that, the press release, if they decide to adopt it, will carry the statement that the Joint Committee thinks that the excess-profits tax ought to be repealed by January 1, 1947, if the war is all over by that time.

H.W.Jr.: I see.

MR. BLOUGH: That is something we talked about before. We rather felt it was rushing it a little bit but it was one of those things we had to give and take on, and that's the way it came out, that if the war was over before the end of 1946, that's next year, the excess-profits tax would end on January 1, 1947.

MR. BELL: Any time during the year?

MR. BLOUGH: Any time during the year.


MR. BLOUGH: Our thought was not earlier, Stam's thought is not later. The press release is put in terms of by January 1, 1947, which is a little nearer his than it is to ours.

MR. BELL: Gentlemen, I think it's kind of tying your hands.

MR. BLOUGH: Well, I would rather they wouldn't say anything about it.

MR. BELL: Suppose the war with Japan ends December 1, 1946?

MR. BLOUGH: It's obviously too soon.
MR. BELL: To say you will take off these taxes by January 1, one year later, a lot of war profits are going into the next year, and you are not going to get them.

MR. BLOUGH: If it ends December 1, I think it's too soon.

MR. BELL: You have the same thing this year if the war should end with Japan say September 1. When would you eliminate excess-profits tax?

MR. BLOUGH: It would not be eliminated until January 1, 1947.

MR. BELL: That's the definite agreement?

MR. GASTON: January 1, 1947?

MR. BLOUGH: If it ended this fall.

MR. GASTON: Not 1947?

MR. BLOUGH: No, 1947.

MR. GASTON: I can't understand that. You are proposing if the war ends with Japan in 1946 that the excess-profits tax run all through 1946, but if the war lasts through 1946, you are proposing to end it before.

MR. BLOUGH: That's quite correct, and the explanation of that is this: If the war ends in 1946 we propose the rate go down to sixty-five percent for 1947 and end at the end of 1947.

MR. WALES: Sixty-five percent for 1947.

MR. BLOUGH: No, if the war ends suddenly, there is going to be a whole lot more carry through in my opinion than if the war ends gradually, and if they can see the thing is coming, they have the year in which to taper off, and the thing will be in much more reconverted condition as of January 1, 1947, if the war ends in 1946, than it would be on January 1, 1946, if the war ends in 1946, and it is on this theory that reconversion will have proceeded to a very substantial degree that we are willing to say that the excess-profits tax would go out as of a certain date, and I think it is very likely even if the war ended late in 1946, that if the War and Navy Departments and Congress had any way of contemplating that, as they very possibly may, that the cut-backs would have taken place and reconversion would have been practically complete. Now, good or bad, that's the logic.

MR. GASTON: It still puzzles me.

MR. WALES: Also, the practical consideration that if the war with Japan ends in 1946 or in later years, the probabilities of retaining the excess-profits tax are less than they are in relation to if the war ended in 1945.

MR. BLOUGH: We are not putting—if this press release says anything about the excess-profits tax and just won't mention any date except January 1, 1947, assuming the war has ended prior to that time—

H.J.: Well, look, I don't want to get down too much on this thing. I want to get a kind of overall picture, and I can do it again, see, if I have to. I can say to Mr. Truman, "This is what the staff has recommended."

MR. BLOUGH: Yes. I can give you something easier for Mr. Truman to grasp than that, I think.


MR. BELL: He doesn't need all that first page, does he?

H.J.: It's good to see who the Committee is. No, I like this, and this is now pending before this Committee?
MR. BLOUGH: That's right.

H.W. JR.: I like it just the way it is.

MR. BLOUGH: Well, let me give you then the two numbers which have the detail which you could--

H.W. JR.: I'll have you in the outer office when I go, and if he wants it in detail, you can come in.

MR. BLOUGH: That's Wednesday?

H.W. JR.: Yes. I haven't any appointment yet. I have asked for one. I still think it would be good for me to call Robert Doughen and say it should be pushed, and I don't think we ought to wait for George to come back.

MR. BLOUGH: I think there is no doubt that it ought to be pushed. I think I would handle it as an inquiry. What is the Joint Committee planning to do, or something like that.

There is this indication, that George, so far as I know, never got beyond Paris. Now, why didn't he, when he intended to go to Germany? I haven't seen anything about it.

MR. BELL: He might be sick.

MR. BLOUGH: He might be ill.


MR. BELL: Maybe he's in very good health and that's why he didn't get beyond Paris.

MR. BLOUGH: Well, he's about seventy.

There are a couple of other things that are in the mill.
MR. GASTON: We have said this, when we have enacted a tax bill along late in the year changing the rate as applying to the current year--we have never admitted that that was retroactive taxation.

MR. ELOUGH: But it is.

H.M.JR: But it applies to the whole year.

MR. GASTON: Nevertheless, it applies to the whole year.

H.M.JR: Supposing somebody that is a fairly large dealer in securities made a sale on the assumption--

MR. ELOUGH: In no event should it apply to sales that take place prior to some public announcement that this is going to be done.

MR. GASTON: Especially in the case of the capital gains, it ought not to apply.

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

HM J'R: It's a good day today.

Mr. Robert Doughton: Yes, sir, I'm glad to hear your voice again. Where have you been all this time?

HM J'R: Well, you all have been doing so well, I didn't think I'd bother you.

D: Well, don't know as we are doing so well, but we are on the job all the time.

HM J'R: I thought you were getting along fine, and you are a busy man, and I didn't want to trouble you.

D: Oh, you never trouble me when you want to talk me. You never trouble me or bother me - always help me.

HM J'R: Well, that's very kind of you.

D: Even if we don't always positively agree, I always know we're heading for the same objective and it's always helpful for me and comforting to talk to you.

HM J'R: Well, that's very nice. That's the way I feel, Bob.

D: I know you do.

HM J'R: Bob, I've been talking with Roy Eough about this so-called confidential memorandum which they here, I believe, about to lay before your joint committee on taxation.

D: And it's cost-war.

HM J'R: Yeah.

D: Yeah.

HM J'R: And you know President Truman said something about taxes at his press conference the other day, and he said he was going to take it up with me, I hope to see him in the next day or two, and I'd just like to tell him about where we stand. And I gather that this thing is sort of being held up on account of Walter George being out of the country, and I wondered if that was true.
Yeah, we'd had a meeting of our staff, your staff and the Treasury; which is working for the same and the joint committee staff to make a final report, and they didn't want to do it until George got back. He went off unexpectedly and I arranged that just as soon as he got back and agreed to meet, we'd have a meeting if it was some evening.

HMJ: Well, is there any indication when he will be back?

D: No, I called his office this morning and I can't find out. Last week they said he would be back by the first of this week. I called his office this morning, and they were not able to give me any information so I don't know -- I'll call over there again directly.

HMJ: Well, the point -- if we may take the liberty of saying -- making -- this suggestion, I think with V-E Day on us now, the British say it is going to be tomorrow, I think the public is going to want something, see, on the tax fund.

D: Well.....

HMJ: And I'd kind of like to see it move forward.

D: Well, we all would but they ought to know that we can't pass a tax bill -- it takes time to pass a tax bill.

HMJ: No, I don't think.....

D: We've been working, working, and have been trying to be as near ready as we could. Your staff has been working.

HMJ: No, I don't -- you misunderstand me. You've done all this magnificent work on the Hill.

D: You mean you want a statement from the Joint Committee.

HMJ: That's what I mean.

D: ...as to what they -- well, that's--we thought we would give it out -- that's what we had in mind, Sam and I.

HMJ: Now, that's what I -- you've done all this magnificent work and I think the public ought to know about it.

D: Well, I fully concur that. I think they ought but I'll find out if I can anything more about George. We've got to have a meeting before we give it out.

HMJ: I see.

D: And you see he's gone, and Barkley is gone. I don't know where he is. I don't know how many Senators that belong to that Joint Committee here -- don't know how many are here.

HMJ: Vandenberg is in San Francisco.

D: How's that?

HMJ: Vandenberg is on that. He's in San Francisco.

D: Vandenberg is out there you know.

HMJ: Yeah. These Senators get around, don't they?

D: Yeah. Seems like we're having difficulty about it. But I think George -- I hope and expect he will be in in the next two or three days.

HMJ: Yeah.

D: Let me call you again tomorrow, and if I find out anything this afternoon, I'll call you.

HMJ: I thank you.

D: Just as soon as I can find anything, I'll call you again. We'll push that up all we can, Henry.

HMJ: Well, you've done such fine work, I think the public should know about it.

D: Well, we ought to get the full benefit of it.

HMJ: That's right.

D: And the only way to do that is for the public to know it.

HMJ: That's right.
D1: Thank you. I'll call you again sometime between now and say 10 o'clock tomorrow morning.

H.M.JR: Wonderful.

D1: What time will you be in your office in the morning?

H.M.JR: Oh, nine o'clock.

D1: All right, you'll hear from me.

H.M.JR: I milk the cows before I come in.

D1: Yeah, I know you do, and cut stove wood.

H.M.JR: (Laughs)

D1: (Laughs) All right, thank you so much.

H.M.JR: Goodbye.

D1: Goodbye.

(The Secretary holds a telephone conversation with Mr. Coe.)

H.N.JR: Well, Hilldring and Colonel Chandler sent word they have got a request from Germany. They want to reply and put into production synthetic oil plants, and if we do it--he (Coe) says it's high-class blackmail--they think they can get this IPOOG 1, which is a directive to Eisenhower on Germany, through.

Mr. BELL: The General Staff. Well, we agreed to that, didn't we?

H.N.JR: Well, it was to put into production pending a decision on this.

Mr. GASTON: Who in the State Department is representing Germany?

H.N.JR: The State Department? This isn't the State Department.

Mr. GASTON: I thought this was.

H.N.JR: This is the Army.

Mr. GASTON: They are transmitting an offer on the part of the Germans?

H.N.JR: This is the Army.

Mr. BELL: The General Staff.

Mr. GASTON: I don't believe we have any government to deal with. I thought we were--

H.N.JR: No, this isn't the German Government. This is Eisenhower and the American Military Government. This is the American Military Government, and they want to put these things into production.

Mr. BELL: The Army can use them while they are there. That's the story.
H.M.Jn: Go ahead.

MR. BLOUGH: Incidentally, about the only trouble that is contemplated on that Joint Committee with respect to this report is from the house republicans. Reed has already put in a bill to cut the excess-profits tax beginning next January, and calling for other cuts later. Whether Reed will really stick or not, I don't know. I really--

H.M.Jn: Look, old man, you have given me enough. I think if I have this and I take this thing with me, see, and you sit in the outer office so that I can say between now and Wednesday as where the thing stands today, will be enough. The only other thing I want is, does Fred Vinson know where this thing stands?

MR. BLOUGH: Yes, he knows where it stands. If he doesn't, it's his fault and his subordinates who know.

MR. GASTON: In view of the publication of this bill in the Wall Street Journal it seems to me the chairman of the Joint Committee and the Secretary of the Treasury might be at liberty to issue the thing jointly, or perhaps better than that, perhaps the President could make a statement which would--

H.M.Jn: I don't think so.

MR. BLOUGH: I wouldn't mess it up now. I think within a day or two this thing is going to be taken care of. I think we should be beginning to think about the fact that this is only a beginning, that there is more to a post-war tax program. I think another thing, and that is that it is desirable to press for action on this quickly.

H.M.Jn: Well, I agree with you on that.

MR. BLOUGH: For this reason. If this should be held over until fall or late summer, there will be all kinds of pressures to have a general tax bill, and that tax bill will probably have a lot of tax reductions applicable to the period after the war. If we can get something like that through this spring, there may be a tax bill in the fall, yes, but at least there won't have to be and there won't be nearly as much pressure for it. Doughton is going to be a little hard to move on that because he feels he has to get his reciprocal trade through and that will take him sometime yet.

MR. WALES: I happened to see him on Friday or Saturday and he said that that would take a week or two, and they have further work on negotiations so it will be June 1st before--

MR. BLOUGH: ...they could get to this.

H.M.Jn: You ought to see that I go up there occasionally to see these people. Somebody has to push me to do it--call on George and have him down to lunch--when I don't want something from them.

MR. O'CONNELL: Yes.

MR. BELL: Is there anything in this document about the 1947 date?

MR. BLOUGH: Nothing about the 1947 date. The only place that it would appear would be in a press release by the Joint Committee. That was in part seven.

MR. BELL: I think I saw it. That's all confidential.

MR. BLOUGH: And tied in with a lot of other things.

MR. BELL: It might be well to keep it out of this first--

MR. BLOUGH: If it is in with this, this is blanketed and if they want this to make the papers, they ought not say anything about the excess-profits tax.
MR. BELL: This was published in the Wall Street Journal, and there was a good editorial on it.

MR. GASTON: That would be the only hot point in the story if you intend to cut off the excess-profits tax.

MR. WALE: On the other hand, that issue when the excess-profits tax is going to be repealed is a very important issue, and one on which sometime in the near future both the Congress and Administration might well make a statement.

MR. GASTON: It would give your story some play. There's no question about that.

MR. BELL: I would say it would be repealed just as soon as it can be determined that all of the war profits can be gobbled up.

MR. O'CONNELL: Not earlier than the end of the year in which the war ends. There is another way of saying it. We'll take a look at it at the end of the war and decide then, but business and others want a commitment now which will be as much as they can make it binding on the Congress and the administration, and they are naturally pushing for as good a deal as they can get.

H.M.JR: Roy, are you going to be going away this week?

MR. BLOUGH: I was planning to go away this week. I am following out our discussion in here. I have accepted several appointments to meet in off-the-record discussions with business groups, and I have such a meeting in Cincinnati Thursday, and Indianapolis Friday.

H.M.JR: I see.

MR. BLOUGH: If I can kill them I ought to kill them fast. I would rather not change that. They have been arranged.
CONFIDENTIAL

The positive suggestions for tax revision to take effect for the interim period after victory in Europe are as follows:

1. Speed up refunds attributable to carry-backs of net operating losses and of unused excess-profits credits.
2. Speed up refunds resulting from the recomputation of deductions for amortization of emergency facilities.
3. Make the post-war credit of 10 percent of the excess-profits tax currently available for tax liabilities of 1944 and subsequent years.
4. Advance to January 1, 1946, the maturity date of outstanding post-war refund bonds.
5. Increase the specific exemption under the excess-profits tax from $10,000 to $25,000, effective for 1946.

No further changes are suggested for the interim period.

Speeding up the refunds, making the post-war excess-profits credits currently available, and advancing the maturity date of post-war refund bonds, involve no change in ultimate tax liabilities, but would improve the cash position of business during the interim period. A detailed description of these proposals is presented in part 9 of Studies in Post-War Taxation.

The increase in the specific exemption to $25,000 would reduce the repressive effects of the excess-profits tax upon smaller corporations. A large number of the smaller corporations would be freed from liability under the tax and the burden for the remainder would be reduced, with no considerable loss of revenue.

The other suggestions relating to corporate taxation that have previously been made (see pt. 7) were suggested only for the period after the end of all major hostilities. The suggestions relate to reduction and repeal at designated appropriate times of the excess-profits tax, and the capital stock and declared value excess-profits taxes. Additional revisions of the corporate tax structure for the post-war period are being studied, including such matters as accelerated depreciation, special treatment of corporate dividends, and revision of the corporate tax rate. Consideration is also being given to revisions in the individual income tax, estate tax, and the estate and gift taxes. In view of the necessity for maintaining high taxes during the interim period, tax changes in these fields were not considered appropriate for that period.

The suggestions in this memorandum are based on our present appraisal of the future economic situation. Subsequent developments might make it necessary to suggest additional changes for the interim period.

It will be observed that the suggestions in this memorandum are intended to take effect during the interim period following the end of major hostilities with Germany and prior to the end of the war with Japan. It is not intended thereby to suggest that other legislation may not be desirable during this period to take effect after the end of the war with Japan.
SPECIAL MEMORANDUM ON SUGGESTED TAX CHANGES TO BE EFFECTIVE AFTER THE END OF THE WAR IN EUROPE

In a letter to members of the Joint Committee on Internal Revenue Taxation, dated March 24, 1945, Mr. Dough-nton, the chairman, proposed that at the next meeting of the committee consideration be given to tax revisions to be effective in the interim period following the end of major hostilities with Germany and prior to the end of the war with Japan. He also indicated that the tax suggestions of the staff of the Treasury Department (including the Bureau of Internal Revenue) and the Joint Committee on Internal Revenue Taxation, applicable to this period, would be available for consideration at that time. Accordingly, this special memorandum has been prepared summarizing the suggestions for the interim period, most of which have been presented in Studies in Post-War Taxation.

It is suggested that all present tax rates should be retained and that no major changes in taxation should be made until after the defeat of both Germany and Japan. This position, as indicated in part 2 of Studies in Post-War Taxation, is supported on the following grounds:

1. Federal expenditures can be expected to remain at a high level even after victory in Europe, and thus the need for revenue will not be lessened. With the war continuing on one front, it has been estimated that the Federal Government would spend for war alone at the annual rate of about $7,000,000,000.

2. It appears unlikely that there will be any serious general unemployment during the period of the Pacific war. This period can be expected to be one of reasonably full employment since the pent-up demand for goods and services is expected to offset the anticipated cut-back in war production. Such unemployment as does exist will largely be caused by unavoidable delays in the reconversion of plants to peacetime production. It is likely to be limited to a few areas in which large cut-backs in war production are made. General tax reductions could do little to help these isolated areas.

3. Inflation will continue to be a danger during the period of the Pacific war. Tax reductions at this time might be an important factor in starting a run-away inflation, since they would increase demand for civilian goods and services already in excess of limited production. Furthermore, tax reductions might weaken other anti-inflationary controls.

4. While the armed forces are still called upon to endure personal and economic hardships, tax reduction would impair morale.

T0779-45
May 7, 1945
3:30 p.m.

1067 - REVISED

Present: Mr. D. W. Bell
Mr. Joe
Mr. Glasser
Mr. Dubois
Mrs. Klots

H.M.Jr.: Come on Frank, let's go.

Mr. COE: Harold Glasser has heard from Despres and
Colonel Chandler at the War Department. They would like
to send this telegram out right after IFCOD 1 is approved,
and it's clear from the War Department that General
Hilldring is taking the position that if they get this
thing cleared they would be--he thinks he can get approval
of JCS today. Is that it?

Mr. GLASSER: That's right.

H.M.Jr.: Who said that? Who did he say that to?

Mr. GLASSER: To Despres.

Mr. Dubois: This is really General Somervell, isn't
it Harold?

Mr. COE: This is Somervell's crowd, which is agitating
for it.

H.M.Jr.: I am not going to be part of a sort of black-
mail scheme. I am going to ask General Hilldring if it's
true. Who told who to what?

Mr. GLASSER: I'll give you the background of the
story. General Somervell's crowd wanted to put in a new
provision in IFCOD 1 permitting them to rehabilitate the
synthetic oil plants. We took the position that IFCOD 1
now has adequate administrative machinery to handle that
question and we don't have to add anything. They admitted
that that was true but they said, "If you agree to the table
going out permitting us to repair the synthetic oil plants,
now than, we'll agree to IFCOD 1."

H.M.Jr.: Who?

Mr. GLASSER: General Somervell's crowd said to
Hilldring.

H.M.Jr.: If I call up Hilldring he will say, "Who says
this?"

Mr. COE: Chandler told Mr. Glasser and Mr. Despres
also told--

H.M.Jr.: And they are putting it up to me.

Mr. GLASSER: It's blackmail.

H.M.Jr.: Why don't I go to Clayton, who's Chairman of
this Committee, and say, "This is outrageous, and I will be
no party to it?"

Mr. BELL: Why did they do this now instead of waiting
for a cable from Eisenhower? Do you know?

Mr. GLASSER: I think there is a cable.

H.M.Jr.: I think the thing for me to do is deal on the
level with Clayton.

Mr. COE: Yes, I think Clayton--I don't see any reason--
you have dealt with Hilldring. It would be better to deal
with Clayton. He's Chairman of the Committee. On the other
hand, we can deal with Despres who can get it to Clayton.

H.M.Jr.: Did they tell you to bring it to me?

Mr. GLASSER: I told Despres it was being cleared
with you.
Mr. DuBois: Frank, you had some feeling we might want to go along, the Secretary might want to get both sides of this. I feel the same way you.

H.M. Jr.: Of what?

Mr. DuBois: Of the advisability of going along with this.

Mr. Glasser: If I may speak on that point. I think that we should go along with it because there are two questions here. One question, and the question we are deciding with this cable is that we should begin to--they want to begin repairs of the plants now pending the answer to the major question of whether we want the synthetic oil plants to stay in Germany. Now, that question is going to come before the Clayton Committee now, whether we want the plants to stay. If they repair the plants--

Mr. Bell: I thought we decided they didn't want to stay in the order.

H.M. Jr.: You get me all balled up. I can't follow your thinking. The other day in the midst of this thing--we haven't got this thing immediately. I mean, you don't let me keep my mind on the principal track and my main thinking is to get this IPCOO 1 out.

Mr. Glasser: The way to get out is to approve the cable.

H.M. Jr.: I don't agree with you.

Mr. Cole: Those are the two views, sir, on that.

H.M. Jr.: Well, I mean, Glasser, in the middle of the meeting I am trying to think how to get this thing out before the thing is even signed. He says the thing isn't going to be carried out.

Mr. Glasser: Mr. Secretary, that wasn't my own opinion, that was a result of the discussion here amongst all of us.
MR. COE: I don't think it's such a hot issue.

HMRJ: What did you say?

MR. COE: I said I don't think it's such a hot issue for the White House.

HMRJ: I don't think we should answer. I think this is a Committee that can function and I take it that Clayton should get hold of this thing and say, "If there is a chance of this thing going out, I want this thing to go out today."

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

HMRJ: Hello.
Operator: Mr. Clayton.
HMRJ: Hello.
Mr. Will Clayton: Hello, Henry.
HMRJ: Will, you got a minute?
C: Yes.
HMRJ: Look, Will, I'm kind of angry, see?
C: What's the matter?
HMRJ: Well, let me tell you the way the thing - COE's brought me a story. He's brought me a telegram which I'll read to you, see?
C: Who brought it?
HMRJ: Frank COE.
C: Oh, Frank COE, yeah.
HMRJ: The proposed telegram that they want to send out, that is General Milldring does, is the following: "The question of permitting production and necessary repairs including cannibalization to permit production of synthetic oil in Germany now under discussion on a governmental level here, pending the determination of that question and receipt of further instruction, you are authorized pursuant to paragraph 30 and 31 of new JO7-1067 to permit such production and necessary repair including cannibalization." Now I am told this - it comes to me through Colonel - what's his name - Chandler and Dupree, that if I approve this cable, see? Hello?
C: Yes.
HMRJ: Then Milldring says that he can get this I out today.
C: Ahah.
HMRJ: Now what I say is this. I don't like blackmail in any form.
C: Yeah.
HMJr: If he can get IPOOS I'll get it out and then let you call a committee meeting of this committee and then we'll consider this cable.
C: Yes.
HMJr: What?
C: Yes.
HMJr: It's just holding a pistol to my head.
C: Yes.
HMJr: And I don't like it. Now I don't know whether it has reached you or not, but the boys first thought I should call Hilldring, and I said no, you're chairman of this committee and you and I think alike on these things.
C: Yes. Pending determination of that question and how does that stand?
HMJr: I'll read it back...
C: Yeah.
HMJr: ...do you want to put a girl on?
C: The last - no, just the last paragraph.
HMJr: Pending determination of that question an receipt of further instructions, you are authorized pursuant to paragraph 30 and 34 of New JSS 1067 to permit such production and necessary repair including cannibalization.
C: Yeah, I see.
HMJr: Now what they are saying to me is this - in so many words - and I understand, for you, that it is Dernny who is back of this thing.
C: Yes, I think so.
HMJr: If I, Morgenthau, will approve this, and the rest of them but they just put it up to me - I mean, I can only talk for myself...

C: Yes.
HMJr: Then Hilldring says he can get out IPOOS I today.
C: Yes.
HMJr: And I say if there's a chance of getting out IPOOS I let them get it out first and then let this come before the committee as provided for in IPOOS I.
C: Yes, yes. I think you are right.
HMJr: What?
C: I think you are right. Let us call him.
HMJr: I think it is much better....
C: I'll call him right away and then I'll let you know.
HMJr: Because I think that this comes pretty near to blackmail.
C: Yeah. I'll call him right away and I'll let you know.
HMJr: Will you call me right back?
C: As soon - just as soon - I've got a matter in the next room that I've just got to finish first...
HMJr: All right, all right.
C: ...but as soon as I do that, I'll call him, and I'll call you back.
HMJr: Don't you think it's pretty outrageous?
C: Yes, I do. I think they ought to get out IPOOS I and then let us discuss the telegram.
HMJr: Well, we could call a meeting at once.
C: Of course.
HMJr: And another thing, the request would come from Eisenhower. Now this doesn't come from Eisenhower.
C: Yeah, that's right.
CMDr: This was suspicion — came from Somervell.
C: Yeah. I shouldn't wonder.
CMDr: What?
C: I shouldn't wonder.
CMDr: Well, I thought you would agree with me.
C: I'll call him right away, and I'll just — as soon as I get through this matter in the next room, then I'll let you know.
CMDr: Thank you so much.
C: O. K.
MR. COE: Everybody's happy.

H.M.JR: Let me just give you a little--don't--you fellows all wanted me to sign this, to agree to this thing, see? Let me give you a little talk. I have always said I have got my bull's-eye on one thing and I think I do what my conscience tells me is right, and as long as I do what my conscience tells me is right, then these fellows can't get me. Now, just as soon as I start to make side deals then I am vulnerable and then if they do this, well, if you make another one we'll get another one and maybe we can get it out, and I won't be--hell, they can do it over me. Look, the longer--I want you to look up the day I took this IPCO 1, what we call here revised 1067. I want to know what day I took that to the President. It's at least ten days ago. It's almost two weeks and every day they wait. You heard me tell him the Army is vulnerable and every day that these people hold this thing up they are that much more vulnerable. But the other thing, if I may let an older man say what something goes wrong, I want to know it, but I don't want to--well anyway each person--I thought you used bad judgment. That's that. How forget it. Skip it. There's that and we all work under pressure. You most likely get excited. I get excited. I am not going to be-- I am going to fight along the line that we get IPCO 1 and no deals. I am not going to make any deals. I hope you are with me.

MR. BELL: Yes, I think that's right. I don't think you ought to make any deals to get IPCO 1. On the other hand, if this is a real situation some place along the line--

H.M.JR: Let General Eisenhower send me a cable.

MR. BELL: We have a procedure for handling that and we agreed to that the other day.

H.M.JR: Say, look how Clayton reacts.

MR. BELL: Yes.
May 7, 1945
4:00 p.m.

WAR BONDS

Present: Mr. R. W. Bell
Mr. Gaston
Mr. Gamble
Mr. Fussell
Mr. Coyne
Mr. Hooteling
Mr. Frenesil
Mr. Lane
Mr. Delehanty
Mr. Engelman
Mr. Shugrue
Mr. Bailey
Miss Blake
Mr. Holts
Mr. Welcher
Mr. Frenmore
Mr. Adams
Mr. Murphy
Mr. Han
Lt. Levy
Mrs. Ogleman
Mrs. Dolez

MR. GAMBLE: We had a staff meeting this morning, Mr. Secretary, at which time we told these people what you had to say this morning about the part that War Finance has played in bringing about this impending V-J Day, and I asked these people to prepare a very brief report on where they stood at the moment on the Seventh War Loan. I outlined what I wanted them to do so far as high lights of accomplishment are concerned so you would have a picture of what is going on.

I will start with Mr. Lane of Radio, Advertising, and Press.

MR. LANE: May I use part of your desk for these things?

H. W. JR: All right. When you said half an hour--you want twenty minutes for them and ten for yourself?

MR. GAMBLE: I am keeping several here on the other.

MR. LANE: We have reached the state where we have been concentrating on the use of material. Mr. Delehanty will tell you that we are cut to beat the records of advertising space of previous war loans, and there will come a war loan when we will not exceed every previous one, but this one is not going to be it. I think we can promise you there will be more ads--more radio ads and more posters this time than ever before. We are not going to take the time to go into these in detail, but Mr. Bell may want to see them later.

H. W. JR: Fix me up a little exhibit.

MR. GAMBLE: It is all ready.

MR. LANE: So much for advertising.

(Mr. Gaston enters the conference.)

MR. LANE: The news desk is going to start this week. They will start with a clip sheet--a pay roll clip sheet, and three special labor clip sheets for the CIO AP of L, and the railway publications.

Here are some map features that are running in about two thousand newspapers, some of them in as many as four hundred weeklies. We have a couple new press features, one is by-line features by some very well known authors, Drew Pearson, Nash, Ida Chase, and so forth.

In the meeting with the Advisory Committee of Managing Editors that helps us plan all this material, they suggested a cartoon release for the first time. Practically all of our stuff is very serious, and there is the thing we are featuring.
The big thing in press, we expect, however, will be statements from Admirals and Generals, designed for front page use on front pages of papers. There will be fifty-six of those and Paul Miller of AP promised to carry two a day, one for AM and one for PM. There will be a short statement to run with the pictures.

MR. GAMBLE: They have come from these people. Incidentally, the Admirals and Generals have sent them in. We have cleared them through War and Navy that they are issues in conjunction with the Drive.

Mrs. LANE: On magazines we just have a few of the covers in. I'll show you those as a sample, showing that these are going to be used really in as many different ways as the war bond was used. That's all signed by the seven five-star Admirals and Generals. In the Fifth War Loan we had those war bond covers, and we had two thousand twenty-six magazines with a circulation of one hundred and seventy-two million and we are ahead of that already, Mr. Secretary, with two thousand five hundred and forty-six magazines and a circulation of one hundred and seventy-four million, seven hundred and fifty-four. On our magazine advertising we had last time sixteen hundred and fifty magazines of all types that gave us space for the official treasury ads and this time we are going to have about two thousand. As to the editorial side of magazines, some of the things you already know about, the piece by yourself in the New York Times, the magazine section. Ted Gamble has the full-page editorial in the Saturday evening Post. Collier's is having their corps overseas send in war bond messages. American Weekly is preparing factual articles on a number of people that own war bonds and that sort of thing, and we think that will be very outstanding this time and in addition from proofs already in we believe national advertisers are taking on more war bond advertising than in any previous drive.

Here's one by Santa Fe Railroad they are running in eleven hundred different papers. Here's another one about insulation. Here's one by Gallery Hats. Here's one that is very appropriate, Mr. Secretary. I am going to give you this. The nearer we get, the harsher they fought, by American Locomotive. I think that's very good. For these times it's really very much right.

As far as radio goes, you know about the kick-off plans between eight-thirty and nine the night before the Drive opens. We can give you the details on that after this meeting. Then at nine o'clock the following morning there is going to be a big show from here in Washington, the Breakfast Club, which is going to start retailers off on their drive. That night there is going to be the Buffalo show. All in all we think the radio looks very promising.

For the first time we got one to ask each commercial show, not for one, but two complete programs to be devoted to war bonds. As far as I know, the transcriptions—the orders from that are higher than we have ever had which is due in a large part to the grand job Lieutenant Levy has done over there in building these shows. The stations have liked them.

On outdoor displays I don't know whether you have seen our own displays. Here are two of them for local sponsorship. There is a third one which is not ready yet, based on the two jins flag raising—the same as the poster.

(The Secretary holds a telephone conversation with Mr. Clayton.)

(The Secretary leaves the conference temporarily.)
Mr. LANE: These are a few of the boards being used by national advertising users converting their regular outdoor showings to war bonds.

Mr. GAIBLE: There are eighty-five thousand of those throughout the country.

Mr. LANE: How's a car card being used in about one hundred car card plants. We have a million miscellaneous items. This is one of the best. This will be used on the front window of about fifteen thousand Western Union and Post Office with an additional distribution of about twenty-five thousand railroad stations. I think that's very good. This leads up to the Eighth War Loan, Mr. Secretary. Coca-Cola has already sent in an outdoor design they want us to approve for the Eighth War Loan. (Laughter) These are the highlights of the advertising campaign.

Mr. UKAIBLE: Tom omitted one thing. On the opening day we have forty network shows next Sunday, ten on each of the four networks, exclusively dedicated to the opening of the Drive and sixty percent of all the programs in the opening week with a schedule of about forty percent for the remainder of the period. Tom has covered that for all of his department, Mr. Secretary. The others are all very brief. Ralph, on the payroll savings--

Mr. ENGLISH: As you know, the payroll drive has been on since April 6th, and although the bulk of the money will come in in the last few weeks of it, we already have reports from many large companies that they have over-subscribed their quota. The money is not all in yet, although it is coming in, you can see by the B bond report. One of the most satisfactory things, I think, to report is that the shipyards where they have had cut-backs have already discounted that problem and were the first to start their drives, and we have about five of the large shipyards already reported as being over the top. That is one of our headaches out of the way, we hope.

Now we are not kidding ourselves. A three months' drive is a long drive to carry out, so we are checking this week with one thousand of the bigger firms in the country throughout the country and by the end of next week we will have a line about where we stand on subscriptions so far. We are also planning some extra car card designs in June in case we have to have a clean-up campaign to put us over. From this moment on I want to report I feel confident we'll make the goal.

Mr. GAIBLE: We have a quote showing what plant quotas have already been confirmed by the plants showing exactly where we stand. You can keep that, and we are checking it every day to make sure there is no time lost in getting that important payroll money in.

Mr. Pembroke will report briefly on the farm phase of the program.

Mr. FREEMAN: Mr. Secretary, the farm phase of the Seventh has two main features. One, our regular farm-to-farm canvass; two, solicitation by rural bankers of their farmer depositors.

In the farm-to-farm canvass we have more better-trained volunteer solicitors and will ask more farm families to buy bonds than ever before.

The American bankers association in its official program for the Seventh has specifically urged solicitation of farmers by rural bankers.

To implement this, we have arranged with the Agricultural Commission of the American Bankers Association and the State Colleges of Agriculture to sponsor meetings in rural counties to discuss "keeping agriculture financially sound."

These county meetings include rural bankers, a few farm leaders, and the County Agricultural Extension Agents.
At these meetings the main topic is to show that in addition to helping finance the war, how larger War Bond investment by farmers will give agriculture the economic stability it needs—both now and in the post-war period.

This emphasis on farm solicitation by the AOA with the educational work the Extension Service will do with rural bankers combined with our regular farm-to-farm canvass will give us the best job we have ever done in the farm field.

Mr. Melcher: Mr. Melcher will report on schools.

Mr. Melcher: Mr. Secretary, our school children, composing an army of thirty million eager bond salesmen, are accepting (and are already achieving) Seventh War Loan quotas averaging about ten percent of local & bond quotas.

As you know, many local war Finance Chairmen had for months been urging that the Seventh be timed so that the school children could take part.

The significance of this insistence became clear when Dr. Lickert reported his findings on the Sixth War Loan.

Briefly, Dr. Lickert found as follows: In the Sixth, more than twenty million people received information about the drive from children; half of all the homes that were solicited were solicited by children; three million people were reached by children who were reached in no other way; those solicited only by children were just as likely to buy as those solicited only by adults; one million five hundred and ninety-five thousand people bought their extra bonds in schools.

The quotas schools have accepted in the Seventh range from ten percent in Louisiana, to twenty-two percent in Michigan (which amounts to fifty million dollars); to the one hundred percent undertaken by the schools of Greene County, Alabama.

In Rhode Island, the students have undertaken to sell a bond apiece; and in Hammond, Illinois, forty-nine students and one teacher have set and already achieved a goal of fifty army field ambulances, representing an E bond sales goal of two thousand dollars.

Exciting letters about school sponsored equipment are beginning to come back to inspire the children. A French student pilot being trained in South Carolina only last week wrote to the St. Hedwig's School in Chicago to thank them for sponsoring the trainer he was using. Similar letters are coming from Burma, the Philippines, Germany, and all over the world.

This year's sales reports from schools will show that the schools have accounted for almost one and three-fourths billion dollars worth of E bond sales since Pearl Harbor.

The result is, of course, much greater than either the Treasury or the schools ever hoped for. To account for it, let it be pointed out that the school War Bond Army comprises thirty million students and one million teachers meeting five days a week, to which must be added one thousand seven hundred colleges and thousands of youth groups.

Furthermore, the schools have been able to give the Schools At War program a lot of attention, because the Treasury has made it an educational program.

In other words, we have remembered that the first job of the schools is to teach, and we have made our War Bond school projects educational. Today, every child learns much of his arithmetic by keeping stamp sales records, and the same is true of the other subjects.

An important factor is that the schools are on the job between drives as well as during drives. In the interim between the Sixth and Seventh they successfully conducted more than two hundred and fifty thousand
separate campaigns for life rafts, parachutes, ambulances, planes, and even entire hospitals.

More than fifty thousand schools thus earned the right to fly the Treasury Minute Man Flag, denoting regular purchases by at least ninety percent of the students, and many have flown this flag continuously for more than two years.

Thank you.

H.M.Jr: Thank you.

MR. GAMBLE: I think we'll jump around. We got in ten minutes late, you know.

H.M.Jr: I'll give you a full thirty minutes.

MR. GAMBLE: We'll take Mr. Houghteling on railroads.

MR. HOUGHTELING: In our labor work we are working with Mr. Angelman, of course, on payroll savings, and purchase of additional bonds through the pay offices of the companies. We have made a special effort in the field of railroads. We had four regional meetings at which all sixty of the class one railroads which we serviced through this office were present and we got them all to adopt quotas which is the first time that that has been done. I have a list here of fifty-six railroad quotas which have been adopted voluntarily by the war bond organizations. They cover railroads employing one hundred and twenty-nine thousand one hundred and eighty-three persons, and the total of the quotas have jumped to one hundred and twenty-six million nine hundred dollars, nine hundred and four thousand six hundred and seventy-one, which is an average of one hundred and three dollars and twenty-four cents per capita.

Now, in the last drive they raised about twenty-six dollars per capita, so if they make the quota they have adopted themselves and they swear they are going to make, they will do about four times as well as they have done before. And they are going into it by all sorts of competition between divisions and different units.

I also want to show you, Mr. Secretary, V-E Day letters which have been written by William Green of the American Federation of Labor and Philip Murray of the CIO urging all members of those organizations to intensify their efforts on account of V-E Day and to go ahead and increase their payroll savings rather than let it go down.

These also will go out. They are in Chicago at our mailing office there and they will go out as soon as V-E Day is declared by the President.

H.M.Jr: Thank you.

MR. GAMBLE: This railroad job is really an outstanding job this time for the first time, Mr. Secretary. It means a lot of hard work on Lawrence's part. They spent ninety days on it, he and his railroad people, and they have done a fabulous job for it.

Red Shugrue and some of his special events boys could tell you about the activities designed to help people in the field from here, and you couldn't cover this in the rest of the afternoon. I'll take yours.

H.M.Jr: I am sorry I didn't allow enough time.

MR. GAMBLE: How many events are there?

MR. SHUGRUE: Four thousand two hundred and forty.

MR. GAMBLE: There will be forty-two hundred and forty cities throughout the United States having a show with the Army, Navy, Marine Corps, Coast Guard, and so forth. We are shipping several hundred planes and taking thirty-two infantry units to all of these cities in all of the forty-eight states. It's an unbelievable story. This is a story of unity on the home front which out-does everything in the war, really. It's a shame to cover it so sketchily and so briefly, but we will leave that for you for you can see that. Those are actual dates that have been arranged for in those cities.
Mr. Shugrue has both of his aides with him, one from Hollywood and one from another city on the west coast in charge of two of his activities, from Portland, Oregon. (Laughter)

Mr. Holts will tell you something about our sixteen millimeter program which supplements this job.

Mr. HOLTS: Mr. Secretary, the organization of the sixteen millimeter film industry was accomplished for the Sixth War Loan Drive. The industry had never functioned as a complete entity prior to this drive.

Twenty-five thousand sixteen millimeter motion picture projectors belonging to schools, war plants, individuals, government, state and county agencies, roadshow operators, etc., were mobilized for the purpose of exhibiting War Bond films during the Sixth War Loan Drive. There were eighty-seven thousand showings and twenty-three million five hundred thousand people. It is anticipated that there will be one hundred and twenty-five thousand showings to a minimum of thirty-five million people during the Seventh War Loan Drive.

War Finance in Washington has already made available to the field the necessary exploitation and publicity materials and approximately twelve thousand prints of five different films produced by the Navy, Marine Corps, Army Ground and Air Forces and the U.S. Coast Guard, prints of which are now being shown throughout the country. The majority of the films were produced exclusively for the Treasury Department for the Seventh War Loan Drive.

With the cooperation of the Office of War Information, Bureau of Motion Pictures, some four hundred and twenty-five educational and commercial sixteen millimeter distributors have volunteered their facilities to distribute these films under the direction of a State film coordinator, who is a member of the State War Finance Committee. During the Seventh War Loan Drive, many states have established film coordinators on the county level who are under the direction of the County War Finance Chairman and the State sixteen millimeter Chairman.

I also have the material here—explanations and publicity material that is being used in this program.

Mr. GAMBLE: All the films are being completed and copies will be here in the Treasury to be shown at any time. They will be shown this time to thirty million people during the Drive itself.

Tom, do you want to report on Hollywood films?

Mr. RAILES: Yes.

From the standpoint of organization, manpower, enthusiasm and ideas, the motion picture industry's Seventh War Loan campaign should be its most successful.

An actual total of sixteen thousand four hundred and twenty-five owners and managers have, in writing, pledged their complete cooperation. Highlights of this participation follow:

Approximately five thousand theaters are issuing agents. The goal for the Seventh War Loan is ten thousand agents.

During the Sixth Loan, more than five thousand five hundred bond premiers were held. The industry is hoping for eight thousand in the Seventh.

June 6th, the anniversary of D Day, will be Free Movie Day. Any bond-buyer will be admitted free to any theater in the United States.

On sixteen thousand screens, four special motion picture subjects will be shown. Important among these is "The All-Star Bond Rally," which is considered one of the best bond-selling instruments yet produced by Hollywood.

Secretary Morgenthau, Lieutenant-Commander Robert Montgomery, Edward Arnold, Bing Crosby and his four boys will appear in the three other films.
Ten or more stars will tour sixty cities participating in important city-wide and factory rallies.

Bob Hope is bringing a cast of stars to Washington for a kickoff rally at Uline's Arena, Sunday evening. This event will be broadcast nationally over NBC.

Hundreds of other events are being planned in all parts of the country, such as the unveiling on May 11 of a replica of the Iwo Jima flag raising, in Times Square, New York.

Samuel Finanski, national chairman of the Seventh War Loan Committee for the industry, has asked me to express the following to you:

"Both Secretary Morgenthau and Mr. Gamble often have thanked the producers, exhibitors and distributors for their efforts. While we appreciate such expressions, we feel it would be more fitting and proper for the motion picture industry at this time to express gratitude to both Secretary Morgenthau and Mr. Gamble for permitting us to participate in this war financing program, which to our minds is second only to actual fighting, so far as the war effort is concerned."

H.M.Jr: May I make a little suggestion? I like to make suggestions. Nothing much ever happens to them. (Laughter) but I saw last week--I saw down at the hospital at Daytona--the Signal Corps get out a weekly picture which is restricted. It's an all action picture.

I don't think you were here, were you? We had one here. For instance, for the first time it showed--I had never seen it before--a bazooka in action actually shooting. They hit something and then a couple of Germans came out. They won't release it. It's silly they won't, but what I was thinking of is a trailer. Supposing they only take thirty seconds and they show a soldier aiming a bazooka and shooting--and underneath, this costs so much. This takes a twenty-five dollar bond, this takes a fifty dollar bond, but it's an action picture. They had the new ninety tank with a ninety millimeter gun that had never been shown before. It shows this tank in action, but it costs so much.

In other words, it takes thirty seconds. Take things which are news which they don't release which is just plain stupid and the public hasn't seen--a motion picture thirty seconds long. This costs so much.

MRS. GAMBLE: We can get each newspaper to cover one principal instrument of war.

H.M.Jr: Just take the bazookas in action, but it costs so much, a fifty dollar bond, a seventy-five dollar bond. If this one were shown, this costs so much.

MRS. GAMBLE: It can be done. These films, he just--

H.M.Jr: You can use it for the Eighth War Loan.

MRS. GAMBLE: We can use it for the Seventh War Loan.

H.M.Jr: I was thinking, for whatever it's worth, there is no copyright.

MRS. GAMBLE: These films that will be shown at the bond rallies were made at a cost of one hundred thousand dollars that the industry has paid for.

H.M.Jr: That's what they are paying you and me for.

MRS. GAMBLE: It's packed with entertainment. You will enjoy the subject as a motion picture subject. It runs seventeen minutes. There is a good crack in there about Morgenthau, and the industry liked the subject of yourself so well the one we made for the plants now--

H.M.Jr: Give the women three minutes.

MISS BLAKE: The women are very much on the job. I think they are better organized than they have ever been before. We have--at the beginning of the drive we sent out a brochure which emphasizes the part women can play. May I say the house-to-house canvas is better organized than I have ever seen it. I think they realize the importance of that. Then we did get out a booth charter which does recognize the volunteers
H.M.JR: Let me have that.

MR. DELEHANTY: All of the material—

H.M.JR: I didn't know you were going to do that. If you fix an exhibit, I'll get Mr. Gamble and a few of you people and we'll go in there and we'll have another session. I don't enjoy doing it this way—rush.

MR. DELEHANTY: It's ready for you.

MR. GAMBLE: Where?

MR. DELEHANTY: In room forty-four twenty-six.

MR. GAMBLE: Upstairs.

MR. BELL: I think it's a very good program, well advanced, and certainly, the figures are showing up. I notice the figures have been pretty high; the first of May, the first of the month was very low, running around forty or fifty million dollars a day.

MR. GAMBLE: We'll have over one billion dollars of E Bonds backlog as we go into the opening of the Drive. That doesn't mean we are not in good shape.

H.M.JR: When you fellows are all confident, that's when I begin to worry.

MR. GAMBLE: They have been worried for ninety days, whistling in the dark.

MR. ENGLISHMAN: The "Little Flower" came across for the first time. I guess he is having everyone in the City Government interviewed just because he is not going to run again.

H.M.JR: Gaston?

MR. GASTON: It sounded swell.
I think everybody should keep themselves sufficiently influenced so they can move from day to day. No matter how many pictures are set, no matter what radio program is being made, we ought to be big enough to scrap it tomorrow or tonight if we thought we were on the wrong track, and I think that through all these people that you have got to keep your stethoscope to each person’s heart and brain, nearer the heart to make sure that we are going to get the thing, but keep ourselves on our toes to meet this situation, and I think if we do, we will meet with success again.

I appreciate this opportunity in getting a little preview and maybe on my trip up and back to Buffalo--I don’t know who is going to meet me there--maybe I can get some more--but I have always been interested and I have always felt that the raising of the money was my first job. I have a lot of other things to do but this is my first concern and I am available to be of any assistance, at all times, so don’t hesitate to call on me day and night, and I mean that.

So, those that are going to tell me what I am doing in Buffalo Monday, if they will stay behind, I will appreciate it.

(Mr. Gaston, Mr. Coyne, Mr. Noughteling, Mr. Presoill, Mr. Delelany, Mr. Angelman, Mr. Bailey, Miss Blake, Mr. Holt, Mr. Melcher, Mr. Fredmore, Mr. Adams, Mr. Hass, and Mrs. Oulahan leave the conference.)

Mr. FUSEKEL: The OK program tentatively is slated for Friday night, a post V-E Day radio program, at which you will be interviewed.

Mr. GAMBLE: It will be a five-minute speech, Mr. Secretary.

H.W.R.: I thought you cleaned up everything. They were going to take my voice off the sound track.

Mr. GAMBLE: For three minutes and a half Sunday night. This is five minutes.
H.M. JR: I'll be in Daytona Beach.

MR. FUSSELL: Delegate it to somebody else or go over to Jacksonville and hook on the circuit there.

LT. LEVY: It depends on how many stations take this, because there is a station in Daytona, the Blue Network. If the Blue Network is in on it, we can do it from there.

MR. GAMBLE: I would leave it that way and if you can do it from Daytona; I would do it.

H.M. JR: If I am on Sunday night and Monday night, I don't think I should go on Friday night.

MR. GAMBLE: I feel a little that way, too.

H.M. JR: I don't think I should go on. Let's go on Sunday and Monday night. I think that's plenty.

MR. GAMBLE: I feel that way, too.

H.M. JR: I think that's plenty. By Friday nobody is going to listen.

Did Mr. Truman make a statement at three o'clock?

MR. FUSSELL: He is going to make it tomorrow.

H.M. JR: Who is interested—who's going to be interested in what I say Friday? Fussell, glad to have met you, many thanks. Sit down and listen to the rest. I am not going to do it.

MRS. KLOTZ: Do you want to know about this memo?

(Discussion off the record.)

---

MR. GAMBLE: We will first read you the schedule for Buffalo.

LT. LEVY: Three p.m., press conference; four p.m., our radio rehearsal, no dress rehearsal which you would have to attend, just a private rehearsal; six p.m., War Finance Division reception and dinner with approximately one hundred and fifty people at the Statler; eight p.m., attend the Infantry Show at the Stadium. You will not be required to speak but you could, if you wished to. Approximately forty thousand people will be there; ten p.m. broadcast at the Music hall.

MR. SHAPIRO: That's a very nice place.

H.M. JR: The mood I'm in tonight—have you got that written down?

MR. GAMBLE: We have killed about ten things they wanted you to do, Mr. Secretary.

MR. LANE: At least that many.

MRS. KLOTZ: When is this?

H.M. JR: Buffalo.

MR. GAMBLE: The 14th.

MRS. KLOTZ: This coming Monday?

H.M. JR: That's not such a good day.

MR. GAMBLE: The thing you could cut off there, if you cut something, would be the dinner. I think you should go to the Stadium to see the show.

MRS. KLOTZ: Danny Kaye is going to be on the same program.

H.M. JR: I asked for him.

MRS. KLOTZ: That's wonderful. I certainly would go, Mr. Morgenthau.
H.M.JR: I'm on the radio at ten o'clock.

Mr. Gamble: And I think you should go to the Infantry Show. Mr. Murphy has prepared the first draft of your speech, and it's good.

H.M.JR: Did Murphy say it is good?

Mr. Gamble: I said it's good. I went over it with Mr. George Kasz and we made one suggestion only. We thought the speech was very good.

H.M.JR: This is for Monday night?

Mr. Gamble: Yes, in Buffalo.

H.M.JR: Who's the fellow you worked with over there when I asked you, Henry?

Mr. Murphy: Mr. Horn.

H.M.JR: Horn.

All right, that's Buffalo.

Mr. Gamble: The only other thing that I'm doing is the speech for Sunday night.

H.M.JR: He's having lunch with me tomorrow.

Mr. Gamble: There is nothing to discuss about that other than to check on the time. The program is from eight-thirty to nine. You will go on at approximately eight twenty-six and one-half or eight twenty-seven. We would like to have you do it from your desk, after which we would like you to visit the show at the Arena, Bob Hope's show. His show is part of the broadcast you are on and following the broadcast he is doing to do an hour's show at the Arena.
H.M.JR: After you check it we'll beef. (Laughter) Check it just for fun.

MR. GAMBLE: This is really a good break in the light of all the problems we have. I think the President is making a serious mistake not to talk to our war bond people. I think he is getting terrible advice from somebody.

H.M.JR: You know who.

MR. GAMBLE: No.

MR. LAND: That's a great time, Sunday night. You will be speaking to by far the largest listening audience you ever have.

MR. GAMBLE: This will probably be the largest radio audience to listen to a show.

H.M.JR: Don't make me nervous. Earth knows, doesn't he?

MR. GAMBLE: Yes. He knows he's to do it, and he knows the occasion, and I have suggested he might want to make this a statement from you to the war bond workers, as a theme for it.

H.M.JR: Let me give--

MR. GAMBLE: I am through.

H.M.JR: Let me give you an idea for a show I might like to take part in later on, see? I would like to get together some of the Congressional Medal winners from the Pacific and get them here, see? I would like to have men who flew dive bombers. Make it a kind of "We the People." It would be Levy and Morgenthau without the governor or something.

MR. GAMBLE: You can add my little boat.

MR. LAND: What happens to my little boat?

MR. BELL: What's the fellow's name, the actor?

MRS. KLOTS: Orson Welles.

MR. BELL: You would leave him out, too.

H.M.JR: Ted is always crowding me on Orson Welles.

MR. GAMBLE: I sure have.

H.M.JR: Pick out some of these men who received these recent citations. They are simply magnificent! And if you can get half a dozen of these Congressional Medal winners, and put them on, and talk about what they have done in the Pacific, and that have gotten them within the last month, I think it would make quite a show.

MR. GAMBLE: It would be a good audience show.

H.M.JR: I think it would be a good show. Will you think about it, Dave?

MR. LEVY: Yes.

H.M.JR: Get the ones fresh from the Pacific, somebody fresh from Okinawa or some who have got Congressional Medals of Honor.

MR. GAMBLE: We can.

MR. LAND: Put it on NBC or CBS.

MR. GAMBLE: They will help build it up.

MR. LEVY: One of these days would be a good time-- Memorial Day or--
MR. GABLE: NBC is taking Memorial Day and they are devoting every program on the air that day to it, Mr. Secretary.

H.W.JR: I want to give you a couple of ideas. If they want me to do another one, I want to do one on hospitalization of the soldiers.

MR. GABLE: I would do that on Memorial Day and the other on Flag Day.

H.W.JR: You mean the job that is being done.

H.W.JR: It's a wonderful job, and it's got to be done because there is going to be more and more of it. More and more of the money has to go there. It's a wonderful job.

MR. GABLE: The story there again is to get boys out of the hospital. My brother was just a number in the Infantry until he got injured and from that day on you would have thought he was a General in command of the Army.

H.W.JR: I have kept out of this. They suggested at the hospital—a Colonel and a Lieutenant Colonel were both talking to a civilian who had trench feet; he was discharged and the man couldn't hold his job because he couldn't stand up, and this Colonel and Lieutenant Colonel and the man's wife went out together; they looked at his feet and looked at his shoes. The trouble was with his shoes. They talked to his wife and told her to get him a new pair of shoes so the fellow could stand at his job. That's the kind of attention that these fellows that are being discharged are getting, just like this fellow with trench feet. But there are so many cases, and I would like to do one program on hospitalization. How does that strike you?

MR. GABLE: I like it very much.

H.W.JR: The place to do it is at the hospital and I'll not do it at Walter Reed.
MR. GABLE: You can keep one fellow in pretty well, but if you take more than one, you will have trouble.

H.M.J.: Will you tell him it's my idea?

MR. GABLE: I'll be glad to. They want you to be photographed at the Flag raising ceremony Wednesday morning, at eight o'clock.

H.M.J.: Tell them about my appointment with the President. If I don't have an appointment at the White House, I will.
It's unfortunate that the thing - until we do it's holding up the negotiations because Bob Lovett called me and called my attention to that fact that our memorandum on the negotiations.

MMjr: Yeah.

C: See that the IPOCG document is awaiting the President's approval, you see. Which is as a matter - is really technically isn't awaiting his approval until the Chief of Staff approve it.

MMjr: Well, as I remember, I think it was either Thursday or Friday a week ago that we took that to the President.

C: That's right.

MMjr: And since then the President has been waiting on the Army.

C: That's right. I think we are going to get it on the track now. I've got the memorandum for the negotiations document in front of me and signed by Mr. Stimson - it's signed by Pease. I thought Pease hadn't signed it, but he signed it Saturday night.

MMjr: Oh, wonderful.

C: It's signed by Lathim, signed by Ralph Bard, signed by you and me and Leo Trusler by Fowler because Fowler himself is out of town.

MMjr: Well, I think that's wonderful.

C: We've got the whole thing ready except that Bob Lovett got me an notice that I shouldn't deliver it until we get the IPOCG thing straightened out on account of this sentence in there.

MMjr: I see.

C: So I'm holding it on that account. But as soon as I hear from Hillering, I'll call you back.

MMjr: Well, there's another way to look at that. If we delivered the negotiations one to the President and told him that the Army has been holding the the other one up for ten days....
Treasury Department
Division of Monetary Research

Date: 5/7/1945

To: Mr. Coe
From: Mr. Glasser

War Department wants us to agree to this cable as the price of getting JCS approval to IPGUS 1.

Friedman and I recommend that we concede on this cable and make the fight on the major question. It should be pointed out that repairs and cannibalization at this time would prepare the plants for removal from Germany as reparations.
Reference to (blank)

The question of permitting production and necessary repairs including cannibalization to permit production of synthetic oil in Germany now under discussion on a governmental level here. Pending determination of that question and receipt of further instructions you are authorized pursuant to paragraphs 30 and 34 of new JCS 1167 to permit such production and necessary repair including cannibalization.
MAY 7 1945

Dear Lord Keynes:

Thank you for your note concerning our work on Bretton Woods. I am optimistic about the prospects for the legislation, even though it has been going more slowly than we had anticipated. As you may have noticed, President Truman spoke out strongly in its favor, a day or so after he took office.

I was glad to learn of the preparatory talks which you and the Chancellor have had with members of the House of Commons.

With warm personal regards to yourself and the Chancellor.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The Right Honorable Lord Keynes, C.B.
U.K. Treasury Chambers,
Great George Street,
S.W., 1,

Postage 5/5/45
Henry Morgenthau Jr.,
The Secretary of the Treasury,
Washington, D.C., U.S.A.

Dear Mr. Secretary,

Thank you very much for sending me your 'Foreign Affairs' article on Bretton Woods. I have also just had the opportunity of reading your excellent opening statement to Congress, a copy of which our Ambassador sent personally to the Chancellor of the Exchequer.

We here are full of admiration of the energy and enthusiasm with which you are waging the campaign and congratulate you on it. On this side, it has seemed wiser to avoid too much publicity during the period whilst the issue is before Congress, but we are not being idle. The Chancellor of the Exchequer has been seeing Representative Members of the House of Commons in his room at the House, about a dozen at a time. There have been three such meetings already and the fourth (and probably final one) is next week. I shall have a similar meeting with members of the House of Lords.
I have been present at the Chancellor's meetings, and the way in which those present (and they have included the hottest critics) have responded to explanations has been very encouraging.

Yours sincerely,

Keynes

RECEIVED
Treasurer Department
APR 4 1945
Office of
Assistant Secretary White
TO Commissioner Homan

FROM Secretary Morgenthau

I have your memorandum of May 2, 1946 describing the new proposal of the Stock Exchange with respect to the employment contract between it and Mr. Emil Schram. I see no reason to take issue with your view as to the action the Salary Stabilization Unit of the Bureau should take with respect to the application filed by the Stock Exchange.

[Signature]
MEMORANDUM FOR THE SECRETARY:


On March 22, 1944, the New York Stock Exchange filed an application requesting approval to increase the salary of Mr. Schram from $48,000 to $65,000 per year for three years beginning July 1, 1944, and ending June 30, 1947, and for seven years thereafter to employ him in an advisory capacity at a salary of $30,000 per year. This application was later amended to request a salary of $65,000 per year for three years beginning July 1, 1944. The contract also provided that Mr. Schram was to be employed in an advisory capacity for a seven-year period beginning July 1, 1947, at a salary of $35,000 a year, and contained further provisions that in the event of his death during the three-year period, his widow would receive $35,000 for seven years, and in the event of Mr. Schram's incapacity during the three-year period, Mr. Schram would continue to receive compensation at the rate of $35,000 a year for seven years.

Due to your interest in the matter, the case was referred to your office for consideration and comment. As a result of your memorandum to me dated May 10, 1944, the application was rejected.

Mr. Schram, however, continued as president of the Stock Exchange at the original established salary rate of $48,000 per annum, which position he still occupies at that salary.

On March 20, 1945, the Exchange filed a new application covering the proposed employment of Mr. Schram for a period of approximately fourteen years commencing February 1945 and ending December 31, 1958. The provisions of the proposed contract of employment are as follows:

1. To pay Mr. Schram $20,000 per annum as president of the Exchange so long as he is elected to that position. Mr. Schram is not obligated to accept the position following the annual meeting in 1947.

2. To pay Mr. Schram $25,000 per annum in an advisory position from the date he is not elected president to December 31, 1958.

3. In case of Mr. Schram's incapacity during the period of employment, the Exchange will pay him at the rate of $25,000 per annum commencing at the date of incapacitation and ending December 31, 1958. However, such payments shall cease when payments made for the position of advisor plus payments made by reason of incapacitation shall have been paid for ten years. The effect of the proviso is to limit the total payments in the event of Mr. Schram's incapacity to an amount not in excess of $250,000.

4. In case of Mr. Schram's death during the period of employment, the Exchange will make payment to his widow at the rate of $25,000 per annum commencing at date of death and ending December 31, 1958. However, such payments are to cease when the salary paid for the position of advisor plus payments, if any, made for incapacitation, plus payments made to the widow shall have been made for a period of ten years in the aggregate. The effect of this proviso, also, is to limit total payments to an amount not in excess of $250,000.

5. The Exchange will reimburse Mr. Schram for all reasonable expenses incurred by him on behalf of the Exchange.

6. The contract shall be terminated if (a) Mr. Schram fails to perform his duties under the agreement; (b) if Mr. Schram accepts full-time employment in any other business; (c) if Mr. Schram engages in or accepts employment in a competitive business.
Conversant with Clayton

May 7, 1945

At 5:30 Will Clayton called me to say that General Hildring had been unable to get in to see Marshall. He has an appointment with him at 8:30 tomorrow and one at 8:45 with Stimson. I said, "How don't promise them anything and don't give anything away." He said, "I haven't, but I told them at once that if I poop was an official document and they brought this up before the Committee, they would have no trouble with me on any reasonable request." I said that that was right.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE May 7, 1945

TO Secretary Morgenthau

FROM Mr. Coe FC

SUBJECT: Information for your Meeting with Gutt.

Recently the Treasury and War Departments have held many meetings with Gutt on the subject of settlement for advances of Belgian francs to the U.S. Army for troop pay. In calculating the amount to be paid, the War Department deducts the amount of currency which experience has shown will be returned by our troops through military channels. Gutt does not think that we should make this deduction.

The War Department told Gutt on May 4 that it was certifying to the Treasury a payment of $13.5 million. This is $12.5 million in excess of what had been certified when Gutt began his discussions and is $96 million more than the War Department had agreed to pay several weeks ago. Gutt was also told that strong cables were dispatched to the Army in Belgium to reduce its outstanding advances.

Gutt is still not satisfied. The War Department has indicated to him that no further steps can be taken before its regular certification to the Treasury about June 15.

On May 4 you sent a letter to Gutt dealing in detail with the principles involved.

Gutt will probably open this question with you again. I suggest that you state to Gutt that, since Belgium will receive all the dollars that are due regardless of the arrangements made and since the Treasury and War Departments' staffs are in agreement, he should not press the matter further. You could state also that you do not have the time available to consider this matter in detail.

Copies of the letter from Gutt and your reply are attached.

Attachments.
May 7, 1945

Secretary Morgenthau

Mr. Coe

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Attachments.

FILE COPY

JMD: 1 pm, 5/7/45
In closing, I wish again to assure you that we have given careful consideration to all aspects of this problem. Although I am leaving town today for a few days I hope to see you again before your return to Belgium.

Sincerely,

Mr. Camille Cott,
1765 - 22nd Street, N. W.,
Washington, D. C.

June 5, 1943
With the compliments of Mr. Camille Gutt
Washington, May 1st, 1945

My dear Secretary:

Friday afternoon, April 27th, I had a meeting with Messrs. Daniel Bell, Frank Coe, General Richards and his assistant. Another meeting is scheduled to take place sometime this week. But, although they all showed every possible courtesy and good will, I am afraid things did not advance much and I wonder whether they will advance more this week, as the Army seems to want definite figures, whilst I want definite principles.

One never knows whether one is entirely right on a given question before having discussed it with the opposite parties and having listened to their arguments. I listened with great attention to the arguments put forward by the Army and I am really convinced I entirely met every one of them. This is why I am writing you today.

""

Our position is based on the letter sent on January 30, 1943 by our Ambassador in Washington to the Secretary of State, making it clear that we would provide in reverse land-lease "supplies, materials, facilities and services for the United States forces, except for the pay and allowances of such forces, administrative expenses, and such local purchases as its official establishments may make other than through the official establishments of the Government of Belgium."

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

There could be no doubt about the meaning of this sentence. All the Belgian notes used for the pay of the Army did not come under the reverse land-lease provisions and had therefore to be paid in dollars or sterling.

From the first day we agreed not to ask for the payment of the notes transferred to the armies but not actually paid up by them, e.g. remaining with the Field Army cashiers, although they have been - on account of their importance - a heavy burden for us as they quite unduly increased our monetary circulation.

But from the first day too, our point was - and has never been contradicted until I came to Washington last month - that the sums actually paid up to the troops had to be reimbursed to us in dollars or sterling, it being understood: firstly, that a certain margin - 10% or 20% - could be left to cover the direct purchases made by the armies; secondly, that this was purely a current account to be regularly adjusted and that the Belgian notes, when ultimately handed back to us, would be repaid to the United States Army in dollars.

This is, in fact, the agreement we made with the Canadians and the British. And the latter, having received substantially the same amount as your Army until March 31st, agreed to make two first payments totalling 54 million dollars. So far, payments made by the United States Army to us have amounted to only 5 million dollars.

""

This startling difference comes from the fact that the United States Army wants to make its payments according not to
the amount paid up to the troops, but to the amount that the troops are supposed to have actually spent.

To me, this does not seem logical at all. It is pure guessing and, I would add, useless guessing. If a part of the pay has not been spent, it will eventually flow back to the Field Army cashiers and from them to us, and we will repay it in dollars. This is clear and definite. But we have to start from actually known figures and not from approximate estimates. And the only known figures are:

1) The sums transferred to your Army;
2) The sums paid up to your troops by your Army.

I do not think this thesis in itself met with any opposition. The objections raised were objections of fact, not of principle. They are as follows:

1) This thesis could have been discussed at the beginning of the operations, but it should not be at this stage of the war.

2) It should be discussed all the less because if our point were admitted, the other liberated countries would want to take advantage of it, which would oblige the Army to entirely alter its accounting system.

I did not agree with either objections, and my reply was the following:

1) The operations in Belgium began in September. We had transferred to SHAEF, before the liberation, more than five billion francs (116 million dollars) for the two armies. As soon as new demands were put forward, I repeatedly drew the attention of SHAEF on their quite abnormal volume and pointed out that the figures were extravagant. Despite all the replies to the contrary, events have conclusively proved that I was right. At the same time, I unceasingly asked for accounts indicating and the distribution and the use of the funds for payments. Both were always promised for one or two months later, but every time the date was postponed. You certainly will agree with me that it would not be fair to make us bear any responsibility for the matter being discussed only now, as we raised the point from the very beginning of the operations and the delay comes exclusively from the Army.

2) Whether other liberated nations would claim the same regime I am asking to be applied to us, I do not know; but I want to point out that our situation is quite different from theirs.

For geographical and strategical reasons, the density of the troops located in Belgium has been much greater in proportion to the territory occupied than in any other liberated areas. The Battle of the Bulge still increased this difference. Belgium is the country which, proportionately, has by far transferred to the armies the greatest amount of national currency, and by far supplied the greatest volume in land-lease.

3) This leads me to a third remark which was made at our meeting, when it was suggested that we should consider our position via a via the United States globally, e.g. from the angle not only of Belgian notes transferred but, too, of land-lease received.

Had I adopted this point of view, the only result would have been to make our case still much stronger, as the reverse
land-lease we supplied considerably exceeds the land-lease we received.

As a matter of fact, on March 31st, 1945 we had actually supplied to the United States Army reverse land-lease goods and services to the amount of 77 million dollars (to which should be added all the commitments entered into), whilst we had received in land-lease 7 million dollars. The Agreement signed on April 17th, 1945 brings the latter figure — as of March 31st — to about 10 million dollars.

""

Of course, we are not asking the United States Army to change its accounting system. But accounting is one thing, provisional payments are something else. They have to be based on the only real figures we possess, and to be adjusted later on either monthly or quarterly.

I apologize for this long letter, but I had two reasons for writing it:

The first is to show you that none of the arguments raised against our point of view can stand discussion.

The second — and I stressed it already in my previous letter — is that, did we not come to a fair agreement, I should fear the public opinion’s reactions in my country. I am very much concerned about that point.

The payments made by the British and Canadians have been published in Belgium. I instructed my people in Brussels not to mention, so far, the 3 million paid over here. I was afraid such publication would create hard feelings, and I would go to any length to prevent it.

For the last eight months, I have lived in Belgium and I have seen how public opinion in a liberated country reacts. People having been shut off from the outer world and having stood under the strain of occupation for more than four years do not always easily understand certain things. It was hard, for instance, to explain in Belgium our land-lease position and my land-lease agreement. I nevertheless did explain the position and took the responsibility of signing the agreement, for I thought the arrangement was a fair one. I could not say the same, in all sincerity, if the point I made at the meeting were not met.

Believe me, my dear Secretary,

Yours very sincerely,
May 7, 1945.

My dear General Vasson:

For the Secretary, I am acknowledging your memorandum of May 3, which transmitted a copy of the report on the status of the Soviet aid program as of March 31, 1945. Thank you for calling this matter to Mr. Morgenthau's attention.

Sincerely yours,

(Signed) H.S. Klotz

H. S. Klotz,
Private Secretary.

Major General C. H. Vasson,
Director of the U.S.A. Branch,
Foreign Economic Administration,
Washington 25, D.C.
May 3, 1945

FOREIGN ECONOMIC ADMINISTRATION
WASHINGTON, D.C.

MEMORANDUM

To: The Honorable Henry Morgenthau
From: Major General C. V. Rossen
   Director of the U.S.S.R. Branch

Subject: Status of the Soviet Aid Program

Attached hereto is your personal copy of the report on the status of the Soviet Aid Program as of March 31, 1945. This report summarizes operations in the month of March and in the entire period from October 1, 1944 to date.

Enclosure - 1
Copy No. 144A
STATUS OF THE SOVIET AID PROGRAM
AS OF MARCH 31, 1945

Prepared for the President's Soviet Protocol Committee by the Foreign Economic Administration
STATUS OF THE SOVIET AID PROGRAM

PERFORMANCE DURING MARCH

Shipments from the Western Hemisphere to the U.S.S.R. during March totaled 483,885 long tons -- 145,050 tons to North Russia, 45,090 tons to the Persian Gulf, 172,104 tons to the Black Sea and 161,632 tons to the Soviet Far East.

Shipments during the first nine months of the Fourth Protocol period have totaled 2,770,617 long tons, which is 160 percent of the 1,731,678 tons required by the Protocol. April shipments are expected to reach 520,000 tons and present forecasts indicate total shipments for the entire Protocol period of 6,400,000 tons which would be 110 percent of the Protocol commitment.

Cargo shipped during March and in the first nine months of the Protocol period is summarized in the following table:

<table>
<thead>
<tr>
<th>Type of Cargo</th>
<th>March 1945</th>
<th>July 1945</th>
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<tbody>
<tr>
<td></td>
<td>Long Tons</td>
<td>Percent</td>
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<tr>
<td></td>
<td>of Total</td>
<td>Total</td>
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<tr>
<td>U. S. SUPPLIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R.B. Transportation Equipment</td>
<td>19,875</td>
<td>4%</td>
</tr>
<tr>
<td>Trucks and Other Vehicles</td>
<td>61,806</td>
<td>13%</td>
</tr>
<tr>
<td>Metals</td>
<td>87,790</td>
<td>18%</td>
</tr>
<tr>
<td>Chemicals and Explosives</td>
<td>45,077</td>
<td>9%</td>
</tr>
<tr>
<td>Petroleum Products</td>
<td>66,985</td>
<td>15%</td>
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<tr>
<td>Machinery and Equipment</td>
<td>38,089</td>
<td>8%</td>
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<tr>
<td>Food</td>
<td>328,858</td>
<td>22%</td>
</tr>
<tr>
<td>Other U.S. Supplies</td>
<td>451,173</td>
<td>4%</td>
</tr>
<tr>
<td>U.S. TOTAL</td>
<td>311,112</td>
<td>6%</td>
</tr>
<tr>
<td>CANADIAN AND BRITISH SUPPLIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>483,885</td>
<td>100%</td>
</tr>
</tbody>
</table>

* Does not include clearance through the Persian Corridor of 328,781 long tons of petroleum products supplied during the Fourth Protocol period by United Kingdom refiners at Abadan for United States account and replaced by the U.S. to the U.K. in other areas.

Aircraft deliveries continue ahead of Protocol schedules with additional allocations supplementing Protocol offerings. During March, 375 army aircraft were delivered from factories, 527 departed from Fairbanks, Alaska, with Soviet pilots, and one was shipped by vessel to North Russia. In addition, 12 Navy flying boats departed from Elizabeth City, North Carolina. In all, 1317 U.S. manufactured aircraft have departed from North America to the U.S.S.R. of the total, 3,031 planes were delivered in fulfillment of United Kingdom Protocol obligations.

Other important items shipped in March included: 182 medium tanks, 9,474 trucks including 72 amphibious, 76 truck-laying tractors, 76 R.H. locomotives, 50% flat cars, 157 marine engines, and machinery and equipment valued at $30,879,000.

Foreign Economic Administration
April 26, 1945

Regraded Unclassified
ACTUAL SHIPMENTS VS SHIPPING OBJECTIVE
FOURTH PROTOCOL - CUMULATIVE

<table>
<thead>
<tr>
<th>MONTH</th>
<th>ATLANTIC SHIPMENTS</th>
<th>PACIFIC SHIPMENTS</th>
<th>TOTAL</th>
<th>SHIPPING OBJECTIVE</th>
<th>ACTUAL IN % OF OBJECTIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>JUL 1944</td>
<td>263,153</td>
<td>541,423</td>
<td>804,578</td>
<td>495,632</td>
<td>129.1%</td>
</tr>
<tr>
<td>AUG</td>
<td>505,152</td>
<td>680,914</td>
<td>1,186,066</td>
<td>967,263</td>
<td>122.6%</td>
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<tr>
<td>SEP</td>
<td>783,136</td>
<td>982,415</td>
<td>1,765,551</td>
<td>1,450,894</td>
<td>121.7%</td>
</tr>
<tr>
<td>OCT</td>
<td>1,019,941</td>
<td>1,291,843</td>
<td>2,311,784</td>
<td>1,034,505</td>
<td>110.5%</td>
</tr>
<tr>
<td>NOV</td>
<td>1,295,257</td>
<td>1,005,765</td>
<td>2,301,022</td>
<td>2,418,156</td>
<td>118.6%</td>
</tr>
<tr>
<td>DEC</td>
<td>1,891,901</td>
<td>1,874,894</td>
<td>3,766,795</td>
<td>2,391,766</td>
<td>118.3%</td>
</tr>
<tr>
<td>JAN 1945</td>
<td>1,766,531</td>
<td>2,049,637</td>
<td>3,816,168</td>
<td>3,385,417</td>
<td>113.4%</td>
</tr>
<tr>
<td>FEB</td>
<td>2,037,378</td>
<td>2,251,554</td>
<td>4,288,932</td>
<td>3,660,048</td>
<td>110.9%</td>
</tr>
<tr>
<td>MAR</td>
<td>2,599,451</td>
<td>2,413,366</td>
<td>4,772,817</td>
<td>4,352,679</td>
<td>109.7%</td>
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<tr>
<td>APR</td>
<td></td>
<td></td>
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<td>4,836,510</td>
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<tr>
<td>MAY</td>
<td></td>
<td></td>
<td></td>
<td>5,319,941</td>
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<tr>
<td>JUN</td>
<td></td>
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<td></td>
<td>5,803,571</td>
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</tbody>
</table>

Data on actual shipments and objective are in long tons.

DISTRIBUTION OF TONNAGE BY SHIP REGISTRY

- U.S. Ships transferred to Soviet Registry 4,049,000 tons 23.7%
- U.S. Ships 1,082,000 tons 50.8%
- Soviet Ships 2,300,000 tons 14.5%
- Others 472,000 tons 2.7%

SHIIPMENTS, IN GROSS LONG TONS, FROM OCTOBER 1, 1941 TO MARCH 31, 1945

Foreign Economic Administration

Regraded Unclassified
EXPOSURE AND AVAILABILITY
CUMULATIVE SINCE OCTOBER 1, 1941

BOMBERS

PURSUIT PLANES
(FOR U.S. PRODUCTION ACCOUNT)

MEDIUM TANKS

TRUCKS
(EXCLUDING JEEPS)

Foreign Economic Administration

Regraded Unclassified
EXPORTS AND AVAILABILITY
CUMULATIVE SINCE OCTOBER 1, 1941

- Quantity made available at U.S. centers of production

LOCOMOTIVES

FLAT CARS

FIELD TELEPHONES

ARMY BOOTS

FOREIGN ECONOMIC ADMINISTRATION
EXPORTS AND AVAILABILITY
CUMULATIVE SINCE OCTOBER 1, 1941

STEEL
CUMULATIVE OF MARCH 1944

<table>
<thead>
<tr>
<th>1943</th>
<th>1944</th>
<th>1945</th>
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ALUMINUM
(ALL FORMS)

<table>
<thead>
<tr>
<th>1943</th>
<th>1944</th>
<th>1945</th>
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</thead>
</table>

COPPER
(INCLUDING COPPER BASE PRODUCTS)

<table>
<thead>
<tr>
<th>1943</th>
<th>1944</th>
<th>1945</th>
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CHEMICALS AND EXPLOSIVES

<table>
<thead>
<tr>
<th>1943</th>
<th>1944</th>
<th>1945</th>
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</thead>
</table>

Foreign Economic Administration.
EXPORTS AND AVAILABILITY
CUMULATIVE SINCE OCTOBER 1, 1941

- Quantity made available at U.S. centers of production
- Arrived or On Order

MARINE ENGINES
FOODSTUFFS
PETROLEUM PRODUCTS

Foreign Economic Administration
<table>
<thead>
<tr>
<th>Date of Sailing</th>
<th>Number of Vessels Sailing</th>
<th>For Service</th>
<th>For Personnel Col.</th>
<th>For Small Craft</th>
<th>For Port</th>
<th>Total</th>
<th>Yardship</th>
<th>Dates Sailed</th>
<th>Dates Sailing in U.S.S.R.</th>
<th>Lost</th>
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<tr>
<td>1943 Oct</td>
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<td>1944 Jan</td>
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</tr>
</tbody>
</table>

Total: 1,899

*Includes one tanker from O.S. for other purposes.
**Includes one tanker from O.S. for special purposes.

Of the 2,000 vessels from October 1, 1943, to March 31, 1945, 1,055 were owned by American vessels, 660 by Soviet vessels, 33 by American vessels transferred to Soviet registry, 47 by British vessels and 2 by a Dutch vessel. In addition to the 2,000 vessels, there were 250 ships that loaded partial cargoes in the U.S.S.R. for the U.S.S.R. In addition to the 70 ships shown above as lost, several ships have been sunk on their return voyage.
<table>
<thead>
<tr>
<th>Week</th>
<th>Name</th>
<th>Total</th>
<th>Total</th>
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<tbody>
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<td>Week 1</td>
<td>Name 1</td>
<td>Total 1</td>
<td>Total 2</td>
<td>Total 3</td>
<td>Total 4</td>
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<td>Week 2</td>
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<td>Total 2</td>
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<td>Week 5</td>
<td>Name 5</td>
<td>Total 5</td>
<td>Total 5</td>
<td>Total 5</td>
<td>Total 5</td>
<td>Total 5</td>
<td>Total 5</td>
<td>Total 5</td>
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<tr>
<td>Week 6</td>
<td>Name 6</td>
<td>Total 6</td>
<td>Total 6</td>
<td>Total 6</td>
<td>Total 6</td>
<td>Total 6</td>
<td>Total 6</td>
<td>Total 6</td>
</tr>
</tbody>
</table>

In addition to the above, the 5.6 kg. of oxalic acid, reported on March 31, 1945, has been transferred to North Borneo in August 1945. An estimated amount of 5.6 kg., which was shipped in August, has been turned over to local authorities in North Borneo port.
PROGRESS OF INDUSTRIAL PROJECTS FOR THE U.S.S.R.
As of March 31, 1945

STEEL MILL
This 450,000-ton project, planned to be completed in November 1944, was designed to produce a million of 350,000 tons of steel. A new steel mill was erected in the U.S.S.R. The mill was completed in 1945 and it is now in operation. The mill has a capacity of 1 million tons of steel per year.

PETROLEUM PROJECT
This project, approved in September 1942, was developed to produce petroleum from the U.S.S.R. It consists of four basic plants and the associated facilities. The entire project is estimated to cost $15,000,000, including engineering and replacements. The project is now in construction.

ELECTRICITY
This project, approved in 1943, is designed to produce electricity for the U.S.S.R. It consists of two basic plants and the associated facilities. The entire project is estimated to cost $20,000,000, including engineering and replacements. The project is now in construction.

OIL REFINING
This project, approved in 1943, is designed to produce oil refining facilities for the U.S.S.R. It consists of four basic plants and the associated facilities. The entire project is estimated to cost $12,000,000, including engineering and replacements. The project is now in construction.

FACILITIES
The facilities are estimated to cost $25,000,000. The project is estimated to cost $30,000,000, including engineering and replacements. The project is now in construction.

AIRPLANE PRODUCTION
This project is designed to produce airplanes for the U.S.S.R. It consists of two basic plants and the associated facilities. The entire project is estimated to cost $18,000,000, including engineering and replacements. The project is now in construction.

TEXTILES
This project is designed to produce textiles for the U.S.S.R. It consists of three basic plants and the associated facilities. The entire project is estimated to cost $15,000,000, including engineering and replacements. The project is now in construction.

ELECTRIC POWER
This project is designed to produce electric power for the U.S.S.R. It consists of two basic plants and the associated facilities. The entire project is estimated to cost $20,000,000, including engineering and replacements. The project is now in construction.

EMERGENCY PLANTS
This project is designed to produce emergency plants for the U.S.S.R. It consists of two basic plants and the associated facilities. The entire project is estimated to cost $15,000,000, including engineering and replacements. The project is now in construction.

SECRET
This project is designed to produce secret plants for the U.S.S.R. It consists of three basic plants and the associated facilities. The entire project is estimated to cost $18,000,000, including engineering and replacements. The project is now in construction.

SPECIAL PLANTS
This project is designed to produce special plants for the U.S.S.R. It consists of two basic plants and the associated facilities. The entire project is estimated to cost $12,000,000, including engineering and replacements. The project is now in construction.

Regraded Unclassified
**AIRCRAFT DELIVERIES TO U.S.S.R.**

October 1, 1941 to March 31, 1945

### Table: Aircraft Deliveries

<table>
<thead>
<tr>
<th>Aircraft Type</th>
<th>Total Delivered</th>
<th>Delivered to U.S.S.R.</th>
<th>Delivered to other countries</th>
<th>Delivered to UK, U.S. and Canada</th>
<th>Delivered to China and to Russian personnel in China</th>
</tr>
</thead>
<tbody>
<tr>
<td>B-24 Liberator</td>
<td>1,480</td>
<td>1,000</td>
<td>0</td>
<td>1,480</td>
<td>1,000</td>
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<tr>
<td>B-25 Mitchell</td>
<td>1,400</td>
<td>0</td>
<td>0</td>
<td>1,400</td>
<td>0</td>
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<tr>
<td>P-38 Lightnings</td>
<td>1,400</td>
<td>0</td>
<td>0</td>
<td>1,400</td>
<td>0</td>
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<tr>
<td>P-47 Thunderbolts</td>
<td>1,400</td>
<td>0</td>
<td>0</td>
<td>1,400</td>
<td>0</td>
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<tr>
<td>P-51 Mustangs</td>
<td>1,400</td>
<td>0</td>
<td>0</td>
<td>1,400</td>
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<tr>
<td>B-17 Flying Fortresses</td>
<td>1,400</td>
<td>0</td>
<td>0</td>
<td>1,400</td>
<td>0</td>
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<tr>
<td>B-25 Mitchell</td>
<td>1,400</td>
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<td>0</td>
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<tr>
<td>P-47 Thunderbolts</td>
<td>1,400</td>
<td>0</td>
<td>0</td>
<td>1,400</td>
<td>0</td>
</tr>
</tbody>
</table>

### Notes:
- Aircraft delivered may include aircraft received before delivery to U.S.S.R. or other countries.
- Aircraft delivered to China and to Russian personnel in China are not included.
- Aircraft delivered to the United Kingdom are not included.
- Aircraft delivered to other countries include aircraft delivered to the United States and to Canada.
### EXPORTS AND AVAILABILITY

#### As of March 31, 1945

<table>
<thead>
<tr>
<th>Item</th>
<th>Aircraft in Service</th>
<th>Aircraft in Reserve</th>
<th>Aircraft in Storage</th>
<th>Total Aircraft</th>
<th>Value of Reserve Aircraft</th>
<th>Total Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

#### SUMMARY

- Total Aircraft: 4,584
- Value of Reserve Aircraft: $1,182 million

#### NOTES

- Original data on aircraft was provided by D.D. and O.D. for evaluation.
- Values are expressed in terms of aircraft equipment or materials before shipment.
- Includes materials for production.
- Includes aircraft for reserve.
- Includes aircraft for overseas.
- Includes aircraft for repair.
- Includes aircraft for training.
- Includes aircraft for support.
- Includes aircraft for testing.
- Includes aircraft for maintenance.
- Includes aircraft for conversion.
- Includes aircraft for assembly.
- Includes aircraft for repair.
- Includes aircraft for training.
- Includes aircraft for support.
- Includes aircraft for testing.
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- Includes aircraft for conversion.
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- Includes aircraft for assembly.
- Includes aircraft for repair.
- Includes aircraft for training.
- Includes aircraft for support.
- Includes aircraft for testing.
- Includes aircraft for maintenance.
- Includes aircraft for conversion.
- Includes aircraft for assembly.
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<thead>
<tr>
<th>Secret: Sheet 2</th>
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### Table: Equipment Employment

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<th>Identified</th>
<th>Identified</th>
<th>Identified</th>
<th>Identified</th>
<th>Identified</th>
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<tr>
<td>01</td>
<td>Basic Position</td>
<td>100</td>
<td>100</td>
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<td>100</td>
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<td>100</td>
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<td>02</td>
<td>Other Support</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
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<td>50</td>
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<tr>
<td>03</td>
<td>Transportation</td>
<td>75</td>
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<td>75</td>
<td>75</td>
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<td>30</td>
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<td>30</td>
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<td>05</td>
<td>Other Equipment</td>
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<td>45</td>
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</tbody>
</table>

**Notes:**
- All data and 2007 data are not recorded.
- The total number of personnel is not specified.
### Table: Data for Various Items

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Actual</th>
<th>Projected</th>
<th>Variances</th>
<th>Operating Expenses</th>
<th>Total Inv. and Fixed Expenses</th>
<th>Total Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft Engines</td>
<td>2,100</td>
<td>2,200</td>
<td>+10%</td>
<td>1,000</td>
<td>3,000</td>
<td>5,000</td>
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<tr>
<td>Missile Systems</td>
<td>1,500</td>
<td>1,600</td>
<td>+6.67%</td>
<td>800</td>
<td>2,300</td>
<td>3,800</td>
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<tr>
<td>Submarine Systems</td>
<td>1,200</td>
<td>1,250</td>
<td>+4.17%</td>
<td>600</td>
<td>1,850</td>
<td>3,050</td>
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<tr>
<td>Satellites</td>
<td>500</td>
<td>550</td>
<td>+10%</td>
<td>200</td>
<td>750</td>
<td>1,250</td>
</tr>
<tr>
<td>Radar Systems</td>
<td>1,800</td>
<td>1,900</td>
<td>+5.56%</td>
<td>900</td>
<td>2,700</td>
<td>4,500</td>
</tr>
</tbody>
</table>

### Notes:
1. Original data rounded to nearest integer.
2. Variances calculated as percentage differences.
3. Operating expenses include salaries, rent, utilities, and other general expenses.
4. Total sales include both fixed and variable expenses.
<table>
<thead>
<tr>
<th>Time</th>
<th>Fiscal Quarter</th>
<th>Program Performance</th>
<th>Reported</th>
<th>TOTAL APP. - Year Performance</th>
<th>MAJOR AGENCIES AND DEPARTMENTS</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

**Notes:**
- Revised and Approved by the Defense Research and Engineering Organization, Office of the Secretary of Defense, as of FY 2023.
- Includes expenditures for defense-related and non-defense-related programs.
- Excludes expenditures for research and development.
- Excludes expenditures for procurement of goods and services.
- Excludes expenditures for construction.
- Excludes expenditures for military personnel.
- Excludes expenditures for civil works.
- Excludes expenditures for military equipment.
- Excludes expenditures for military construction.
- Excludes expenditures for military procurement.
- Excludes expenditures for military research.
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- Excludes expenditures for military infrastructure.
- Excludes expenditures for military support.
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<table>
<thead>
<tr>
<th>Time</th>
<th>Force Projected Program Performance</th>
<th>Budgeted</th>
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<tbody>
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<td>01-01-60</td>
<td>12,375</td>
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Note: All data are 1960 E.S.也只有

Regarded Unclassified
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- All quantities are in 100s.
- Data not available.
- Graded Unclassified

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- 1. Field Supplementary
- 2. Field Technical
- 3. Field Administrative

Values:
- 0 = Not available
- 1 = Available
- 2 = Available with limitations
- 3 = Available with full production

References:
- Page 12 of the document.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

TO Mrs. Klots
FROM Charles S. Bell

The Secretary stated this morning that he wanted this reorganization recommendation prepared promptly before Beardsley Ruml, Senator George or the Director of the Bureau of Budget does it. He perhaps would be interested to know that on November 30, 1944, the Director of the Bureau of Budget had precisely this in mind, as will be evidenced from the attached screwball circular which went out from Donald Stone's office.

Mr. Char. Bell
Hold!
TO: Mr. Lent

SUBJECT: Postwar organisation of Treasury Department and banking functions

Consistent with the objectives of project no. 44-751, Demobilisation and postwar reorganisation, a project on postwar organisation of Treasury Department and banking functions is hereby assigned to the Government Organisation Section.

The purpose of the project is to arrive at recommendations with respect to the following:

1. What units now in the Treasury Department are inappropriate to its central purpose and might better be located elsewhere;
2. What activities and units in other agencies should be transferred to Treasury;
3. Are there activities in Treasury which should be merged with similar activities in another agency;
4. Should the banking functions of the comptroller of the Currency in the Treasury Department, the Federal Deposit Insurance Corporation, and the Board of Governors of the Federal Reserve System be integrated more closely, and if so, in what manner and location (it is believed that the issue of regard to banking functions can be resolved without going extensively into the intricacies of the Federal Reserve System);
5. What is the most appropriate location of credit union functions, now temporarily located in PSC?

The solution of these questions will require consideration of the general scope and role of the Treasury Department in the future.

The project will be carried on by Harold Goldmen (48) as project supervisor. Raymond E. Milhous (48) will be responsible for coordinating this project and the results with other projects carried on as part of the general program encompassed in project no. 44-751. T.T. Creach, Jr. (35) should be kept informed of developments which bear on statistical problems. The project should be completed by December 31, 1944.

Authorized by: Donald C. Stone.

Regraded Unclassified
Secretary Morgenthau
Mr. O'Connell

May 7, 1945

Referring to your note to Commissioner Nanan with respect to the results of the survey of farmers in upstate New York, a similar project on a somewhat larger scale is already underway in the state of Connecticut. In accordance with your memorandum to Commissioner Nanan, a similar project will be instituted in the other states and in the territories right away.

cc Comr. Nanan

Signed Joseph J. O'Connell, Jr.
TO: Secretary Morgenthau

FROM: Stanley W. Franscini

May 7, 1945

The American Bankers Association has adopted a program, which lays chief emphasis on the sale of Seventh War Loan securities to individuals. The association has recommended acceptance of individual bank quotes, personal solicitation of depositors by bank officers and employees, reporting and recording of sales, inter-bank and bank staff competition in the sale of war bonds, and full advertising and publicity support for the Seventh War Loan. These recommendations are embodied in a special booklet, prepared and distributed by the association to its 10,000 member banks. An A.B.A. War Loan Chairman has been appointed in each state with instructions to cooperate with the State War Finance Committees, and regional A.B.A. War Loan Chairman have been appointed to direct, supervise and coordinate the banking activities in groups of states.

The A.B.A. program has been adopted, in whole or in part, by practically all states, with every indication that acceptance of individual bank quotes and personal solicitation of depositors by banks will reach a new high record during the Seventh War Loan. Hundreds of banks have developed original promotional material in support of the loan, and bank and lobby display will be more generally used than ever before.

The National Association of Mutual Savings Banks has adopted a national quota of $150,000,000 for sale of war savings bonds to individual investors, and this quota has been allocated among the 17 states in which the association operates, with individual quotas assigned to each savings bank in those states. A regular reporting system has been established. This association also has prepared a brochure for distribution to its members, and many individual banks, including the Bowery Savings Bank, have recommended for the first time the withdrawal of funds from savings accounts to purchase war bonds.

The United States Savings and Loan League has accepted a national quota of $150,000,000 for the sale of Seventh War Loan securities to individuals by the savings and loan associations and cooperative banks of the country.

Quotas accepted by the National Association of Mutual Savings Banks and the United States Savings and Loan League are in addition to purchases of Seventh War Loan securities for their own account.
Mrs. Klots

Mr. O'Connell has read and approved these letters and on account of the income tax angle I have read them by phone to Mr. Wolf who approves.

If there is any chance to get anything about the Gould case on the wires it will have to be before NY-Day proclamations come, so I urge one the Secretary's immediate attention to these letters.

One point in this connection. It is supposed to be a breach of etiquette to give out a letter before the recipient has received it. I do not think this needs to prevent us from sending the Middle and Munson letters available immediately to the press, provided we rush the letters over to Middle and Munson this afternoon. The papers may use them in any event before Sunday mortgaged.

Signed

Mr. Russell

[Signature]
Dear Mr. Numan:

Please convey to all Bureau of Internal Revenue personnel concerned in the Robert Gould case my thanks for a big job well done.

Of course we are still interested in the income tax angles of this case, and in all angles of the numerous other black market cases on which Treasury agents are working.

The results in this case so far indicate how effective cooperation can be when the various Treasury investigative agencies, the Office of Price Administration and the Department of Justice all work together. Credit is due everyone who took part in the preparation and prosecution of this case.

And please tell the Bureau people that the result in this case leads me to expect big things in the many other cases to come.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Joseph D. Numan,
Commissioner of Internal Revenue,
Bureau of Internal Revenue,
Washington, D. C.

EBF: nmc

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Dear Mr. Biddle:

Please convey to Mr. Claude F. Stephens, United States Attorney for the Eastern Judicial District of Kentucky, my appreciation of his excellent work in presenting the case which ended last week in the sentencing of Robert Gould to six years in prison, and in fines of $240,000 each against Gould and a distillery company convicted of widespread black market violations.

While the specific charges against the defendants concerned violations of the Price Control Act, you doubtless know that the Alcohol Tax Unit of the Bureau of Internal Revenue initiated this and other cases, and that the Treasury is still deeply interested in the income tax angles.

There are in this country, unfortunately, some people, relatively few in proportion to our total population, who see in the war only an opportunity to amass personal wealth, at the expense of everyone else. These racketeers do not care how they break down the economy of the country by black market operations. A considerable number of them attempt to evade income and other taxes. We in the Treasury are determined to do our utmost to identify these enemies of society and to perfect cases against them.

I am happy to take this opportunity to speak of the effective cooperation between the Treasury, Justice, and the Office of Price Administration which is indicated by the action taken, thus far, in this case.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Francis Biddle,
The Attorney General,
Department of Justice,
Washington, D. C.

EBF: nmc
Reconversion: Progress is being made in gradually easing industrial controls and facilitating preparations for reconversion, but any action of a sweeping nature apparently awaits the actual proclamation of V-E Day. Numerous limitation orders have recently been revoked by the WFB, but most of the items covered have been of relatively minor importance, or the orders have been limited in scope. However, revocation of many major limitation orders is said to be impending. In this connection, a WFB committee recently recommended that 217 orders restricting or banning civilian goods be lifted by the WFB immediately after V-E Day.

In addition to the steps being taken to ease restrictions on civilian goods output, WFB field offices have been instructed to assist, within certain limits, any manufacturer who needs machine tools, capital equipment or minor construction in his reconversion program. To this end, priority and preference ratings will be assigned to all projects which meet requirements, and manufacturers needing help have been asked to apply immediately.

However, a recent WFB study of 72 civilian goods industries which have converted substantially to war production revealed that plant clearance looms as a greater obstacle to reconversion than bottleneck machine tools or new construction. According to the study the average period for plant clearance is estimated at 75 days.

Materials shortages may retard automobile reconversion

In view of its outstanding importance, special interest focuses on the reconversion problems of the automobile industry. Estimates on resumption of civilian production by this industry continue to show considerable variation. Some of the recent optimism over reconversion prospects may have to be tempered somewhat as the industry comes closer to grips with total.

In addition to long-recognized obstacles such as plant clearance, bottleneck machine tools, and the tying up of parts suppliers with war production, current shortages of certain materials are causing concern. Prominent among these is the current and prospective tight textile supply situation. In addition, a shortage of a synthetic resin due to naval requirements may necessitate burdensome changes in painting processes, while a shortage of lumber may retard plant clearance operations.
Steel orders and operations at high levels despite outages

A return to the 40-hour week for most Ford Motor Company employees at Detroit, and the publicity attending the President's request for a heavy reduction in shipbuilding appropriations, were among the most recent developments centering attention on outages in war contracts. Although some trade sources expect that a rather chaotic order and scheduling situation will develop in the steel industry after V-E Day, reports from Pittsburgh last week indicated that pressure on mills continued to be heavy, with incoming orders showing only a slight decline from month-earlier levels. Moreover, no substantial evidence of weakness had yet appeared in the market for steel scrap.

Steel operations last week showed a further rise of 0.6 points to 95.6 percent of capacity as the industry continued to recover from the adverse effects of work stoppages in the bituminous coal mines early last month. (See Chart 1.) In this connection, the United States Steel Corporation reported near the end of April that in the first 16 days of the month the company lost production of 104,000 tons of steel ingots due to coal shortages.

The Steel Corporation further stated that a decline in the demand for steel plates was being offset by increased demand for other steel products, and that unfilled orders were equivalent to about 5 or 6 months output. However, the company expects an immediate drop in the demand for steel at the end of the war in Europe, but asserted that it had been unable to learn to what extent its operations will be affected. Near the end of last week the Steel Industry Advisory Committee informed the WPB that there is now sufficient steel capacity to take care of the requirements for the war against Japan and still make available for civilian production an amount of steel well in excess of the average pre-war civilian consumption.

Steel costs to be increased by higher coal miners' wages

The recent wage controversy in the bituminous coal industry was finally settled last week, when the Director of Economic Stabilization approved the new wage contract negotiated by the United Mine Workers and the coal operators. The new contract is reported to grant average pay increases of about $1.02 per day, and the Stabilization Director is permitting producers to charge an average of 12 cents per ton more for bituminous coal to offset a large part of the increased payroll costs. The increase in coal miners' wages doubtless will intensify the demands of steel producers for an upward revision in steel prices, as the president of the United States Steel Corporation recently claimed that the new coal wage contract will increase coal costs 30 cents per ton and steelmaking costs 45 cents per ton.

Bituminous coal output improves but labor troubles

As anthracite production

The unauthorized work stoppages while the coal wage negotiations were in progress last month cut into production substantially, with soft coal output in the first week in April dropping 26 percent below year-earlier levels. Since that time improvement has occurred, and output in the last week in April was only 3 percent below the corresponding week last year. (See Chart 2.)

Operations in the Pennsylvania anthracite coal mines came to a halt last week when about 75,000 miners walked out as a new wage contract, which miners and union officials failed to reach an agreement on a new wage contract. Subsequently, the Solid Fuels Administrator took possession of the mines and ordered the miners to report to work at the beginning of this week. Anthracite coal production from the beginning of the year through the week ended April 30 was about 2.7 million tons (1 percent) below last year's level. Moreover, the Solid Fuels Administration recently estimated that only if no interruptions occurred in production in March, the output of anthracite during the 1944-45 coal year would fall about 8.6 million tons short of requirements.

Annual rate of income payments slightly lower in March

Due in part to the usual February to March rise in interest and dividend disbursements, income payments increased in March. However, the rise in total payments was slightly less than seasonal and the annual rate of income payments declined to $154.5 billions from $164.7 billions in February. (See Chart 3.) Payments for Government salaries, including military pay, rose to a new record high in March. Salary and wage payments in the distributive and service industries also increased but a moderate decline occurred in the commodity-producing (chiefly manufacturing) industries.

In reflection of the decline in factory employment during the past year, the last-mentioned group saw its major income component to fall below year-earlier levels in
March. Total income payments were about 6 percent larger then in March 1938. However, two-fifths of the increase was accounted for by the continuing rise in payments for government salaries and wages, including military pay. These disbursements now account for more than 18 percent of total income payments. (Refer to Chart 1.)

Heavy consumer buying cuts department store stocks

The sustained outpouring of income payments in March undoubtedly was an important factor in boosting seasonally-adjusted department store sales during the month to the highest level on record. (See Chart 2.) Although the sales pace slackened in April, department store sales in the last week of the month were 10 percent above year-earlier levels. Moreover, Dun and Bradstreet reports that during the past two weeks retail sales in general continued above the corresponding period of 1939 despite unseasonal weather over wide areas.

The combination of heavy retail sales and goods shortages caused adjusted department store stocks [in dollar value] to decline somewhat in March, and at the end of the month they were about 2 percent lower than a year earlier. (Refer to Chart 2.) However, due to the shift towards higher-priced goods and the erosion of price ceilings by various devices, the decline in the physical volume of inventories was undoubtedly greater than the index would indicate.

Outstanding orders for merchandise of 296 department stores in the various Federal Reserve Districts declined somewhat in March, but totaled $770 million at the end of the month, an increase of only $425 million a year earlier. Indicative of the present difficulties in procuring merchandise, the manager of the Chicago Mercantile Exchange last week asserted that production of house furnishings in the present quarter will be the lowest for any period during the war.

Commodity prices gradually rising

The trend of commodity prices apparently continues upward, but at a gradual rate. Most prices, in fact, have been backtracking steadily since the beginning of May. The April advance of the basic commodity index is stopped at ceiling levels, and the index level of the past two months held unchanged within the narrow range of the past two months. Corn and wheat were slightly lower, while sugar and cotton advanced for the 5th successive week.

The chief indication of a rising price trend recently has been in the futures markets. Many futures (particularly in more distant months) have been substantially below ceiling levels, even though spot prices were at or near the ceilings. One reason for this may have been a reduced demand for future delivery in the belief that the end of the war would be followed by a drop in agricultural deliveries. The belief that the end of the war would bring a reduced demand for future deliveries was followed by a drop in agricultural futures prices. If so, this belief has been modified since the war. (See Chart 2.) Recent food shortages developed, and future prices for these commodities have been rising since the latter part of March. (See Chart 2.)

The Dow-Jones futures index last week reached the highest level since late January.

The U.S. all-commodity index in the week ending April 26 continued its recent advance, rising 0.7 percent to a new wartime high. The index is 1.5 percent higher than last year and 4.2 percent above the August 1939 level.

As in previous weeks, the advance in the all-commodity index in the last week of April was due to higher prices for farm products, chiefly fruits and vegetables. Increases of 11 to 26 percent were reported in prices for wheat, potatoes, and corn in eastern markets, while a seasonal price increase for apples ranged from 11 percent at New York to nearly 25 percent at Portland, Oregon. The wholesale price index for farm products as a group has risen 8.5 percent since the end of March, and is 6 percent higher than last year.

Cotton prices above 280 buying level

Spot cotton prices continued to advance during the past week, and the 10-cent average in the last week of April was 8.3 cents over the parity increase of the last full quarter. In the first full quarter of this season, the parity average was 8.3 cents below the parity increase. Since then, the New York price has been 11 cents above the parity increase. The advance has been brought on by the demand for cotton during the war. The total purchased this season is estimated at 32,000,000 bales, which is 10 percent lower than the parity increase. The advance in the cotton price is expected to show a slight increase for the first time since 1938.
than half the year's supply. The expected world carryover next August 1, estimated by the Department of Agriculture at 97.2 million bales, will be 26 percent higher than at the beginning of the war.

**Farm prices at new high; parity unchanged**

Prices received by farmers rose 5 points in April to a new wartime high at 263 percent of the 1939-40 average. (See Chart 6.) This is the highest farm price level since August 1938. The index shows a 3.6 percent increase in the past year, and an increase of 10.1 percent since the beginning of the war in 1939. The parity price index was unchanged from March. Hence the parity ratio is up 1 point to 137, comparing with a ratio of 116 percent in April last year.

Sharp advances in prices of truck crops account for most of the April farm price increase. The truck crop price index at 250 was up 56 points. It averaged 17.7 percent higher than a year ago and, excepting 1943, was the highest April index in 31 years. Gains of 50 percent or more during the month to noted in prices of cabbage, celery, onions, and green peas.

Higher prices for fruits and meats also contributed to the gain in the general farm price level. The outstanding price increase in fruits was in lemons, with a gain of 33 percent. The average price reported for grapes (60.57 cents a bushel) showed a decline of 1 cent a bushel from March, and was 64 cents lower than last year's April average.

Oats prices rose 0.7 percent and beef cattle 3.7 percent during the month, making the meat animal index the highest since May 1943. Heavy milk production caused the dairy products price index to fall off slightly. Wheat gained 1 cent a bushel, although stocks are above average and a large crop is in prospect.
**STEEL INGOT PRODUCTION**

Percent of Capacity

- 1940
- 1943
- 1944
- 1945

**BITUMINOUS COAL PRODUCTION**

Source: American Iron and Steel Institute

Source: Bureau of Mines

Office of the Secretary of the Treasury
Division of Research and Statistics

Regraded Unclassified
# Commodity Price Indexes in U.S.

**CHART 5**

- **Moody's Index of U.S.** December 31, 1939-40
- **Commodity Futures (Dow-Jones)** 1924-39/40
AVERAGE PRICES RECEIVED BY FARMERS
Indexes: August 1909 - July 1914 = 100

PERCENT

All Farm Products

PERCENT

Truck Crops

PERCENT

Food Grains

PERCENT

Fruit

PERCENT

Meet Animals

PERCENT

Cotton

PERCENT

Poultry and Eggs

PERCENT

Dairy Products

Office of the Secretary of the Treasury
Division of Research and Statistics

Chart 6

Regraded Unclassified
To: Mr. Gaston  
From: Secretary Morgenthau  

May 7, 1945

Please get me up by noon tomorrow a telegram congratulating the following Generals:

General Eisenhower
General Bradley
General Patton
General Spaatz
General Doolittle
Report of the War Refugees Board
For the Period from May 7 to June 2, 1945

V-E DAY

With the surrender of the German armies, much of the Board's work in Europe has been automatically terminated, inasmuch as the Executive Order establishing the Board strictly limits its activities to the rescue and relief of victims of enemy oppression in enemy-occupied territory. Accordingly, Representatives Glew and McCalla were advised that relief and assistance of refugees liberated from the Germans are not within the Board's jurisdiction and that requests received by them for such help should be referred to the United Nations Relief and Rehabilitation Administration, the appropriate military authorities, the Intergovernmental Committee on Refugees, private refugee organizations, or other national or international groups authorized to deal with matters of this nature.

Our representatives were requested to begin immediately to wind up all Board activities in Sweden and Switzerland and to prepare final reports. On the basis of their estimates of the time required for this purpose and the expected period necessary to accomplish the winding-up process here, appropriate recommendations have been submitted to the Bureau of the Budget with a view to concluding the Board's activities and accomplishing its final liquidation within approximately sixty days after the end of the current fiscal year on June 30, 1945.

OPERATION FROM SWITZERLAND

In view of the foregoing, Representative McCalla was advised that all shipments of Board parcels should cease and was requested to take stock of all Board parcels still in Switzerland and to report the numbers and location to us. He is advised in reply that there were approximately 28,792 undistributed Board parcels on hand in warehouses in Geneva and that shipments of 31,029 parcels out of the 60,000 originally sent to Switzerland have been made as follows:

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<td>April 16</td>
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cc: Miss Champions (for the Sec'y), Cohn, Dobbs, Gosten, Hodel, McCormack, O'Dwyer, Files

Shortly after the cessation of hostilities, Representative Kataki and McCalla advised us that requests from National Red Cross representatives who recently returned to Switzerland from Germany, Austria, and Northern Italy indicated that, while Allied military authorities were making every effort to ensure adequate relief to liberated civilians and deporitees, etc., an unavoidable delay in reaching many of the persons formerly aided by the Board through Intercoress is being experienced because of the magnitude and complexity of the task and the difficulties of transportation and distribution which are involved. It was stated that emergency calls for aid for liberated detainees and deportees in temporary accommodations and on the roads have been sent by Intercoress field workers and that a large number of sick persons remaining in concentration camps were also reported to be in need. Apparently, this is a period of emergency need the duration of which is as yet undefined, and it was reported that local Allied commanders having to deal with these displaced persons welcome such shipments as the International Red Cross has been able to get through to them. On the basis of this information, supplemented by reports from other sources, and in view of the fact that Intercoress truck convoys were still leaving Switzerland periodically, so that it is technically able to continue relief shipments to meet this situation, our representatives strongly recommended that the 28,792 undistributed Board parcels remaining in Switzerland again be made available to Intercoress to enable it to fill this temporary urgent demand until the situation becomes clearer. The Board promptly called its approval to the shipment of these parcels out of Switzerland on condition that military authorities permit Intercoress to continue relief shipments to concentration camp survivors.

Because of the great interest of the Board and its representatives for so many months in the problem of concentration camp relief, and in order that first-hand current information as to the needs in such camps might be obtained, we cabled...
Representative McClelland authorizing him to visit some of the liberated concentration camps, particularly Buchenwald, as soon as possible, and to make arrangements with appropriate military authorities for the necessary permission and travel facilities.

McClelland's most recent report describes the splendid work of the International Red Cross in continuing distribution of food relief, including Joodi parcels, to liberated detainees in southern Germany and Austria. Four trucks were sent to Linz on May 20 with forty tons of food, including 2,650 Board parcels, for the detainees liberated from Mauthausen. In view of reports that some 77,000 liberated detainees are leaving a most precarious existence in the Linz area, with from 300 to 400 persons per day dying from disease and starvation, McClelland has requested Intercross to prepare a second truck convoy to leave for Linz about June 4, when he expects to be in that area himself visiting camps to determine where the remaining Board stocks can be most effectively used. On May 29, twenty-eight trucks left Switzerland for Flossenau, with Theresienstadt the final destination. The convoy carried 3,600 Board parcels with other relief goods and was accompanied by two Czech officials who will attempt to arrange Czech and Russian clearance so that the relief goods may proceed to Theresienstadt. Another Inter cross convoy was scheduled to leave on June 1 with eighty tons of supplies, including 5,000 Board parcels, for distribution to released civilian detainees in the Salzburg area.

Reports from Representative McClelland disclose that it was possible for the International Red Cross to utilize for the relief of Luxembourg deportees and detainees in Germany only a small portion of the funds made available for this American labor-sponsored project. The interested agencies are now negotiating to have these funds used for the relief of families of Luxembourgers who were deported to German concentration camps or were evacuated by the Nazis and to assist returning deportees in the reestablishment of their homes.

It is understood from a private source that the Swiss are preparing to accept for a temporary stay and to provide for the maintenance of some 3,000 children from German camps.

Theresienstadt

From a representative of a private organization we learned that an International Red Cross delegate who recently visited Theresienstadt reported that of the 30,000 Jews there now, some 17,000 are from the original group of internees and 13,000 are recent arrivals from other camps. The largest national group consists of about 6,000 Czechoslovakians, and approximately 5,000 former Germans comprise the second largest group. The new arrivals brought typhus into the camp, which has resulted in conditions of great hardship, and medical supplies are urgently required. The United Nations Relief and Rehabilitation Administration was reported to have sent three planes of supplies from London, and it was indicated that, if the necessary official permission could be obtained for supplies to be flown in, the International Red Cross will send one plane from Switzerland with supplies chiefly from the United States. It was stated that in addition the Red Cross is sending several trucks of food, supplied in large part by the private agency represented by this informant, and that similar convoys with such supplies are being sent to Dachau, Landsberg, and other camps for the internees there.

More exact figures concerning the inmates at Theresienstadt were contained in a late cable from McClelland in which he quoted information given to him by an Intercross delegate who was at the camp in early May. It was stated that there were 17,556 Jewish deportees in Theresienstadt as of April 6, and that 12,863 new deportees were brought in from camps all over Germany, such as Bergen-Belsen, Buchenwald, Dachau, and Mauthausen, between that date and May 5. Of the latter number, 88 persons were dead on arrival and 221 others died shortly thereafter, so that the total number of survivors there as of May 5 was 30,330. The camp is now reported to be under Czech control.

EVACUATIONS FROM SWITZERLAND

About the middle of May it was reported that the evacuation of the two groups of Bergen-Belsen and Theresienstadt refugees probably would not be completed before the middle of June at the earliest. On May 24, Representative McClelland cabled us that the date for the movement from Switzerland of the first convoy of approximately 1,000 refugees, to go via Marseille to Tarragone, thence to UNRRA camps in southern Italy, had been definitely fixed for June 4, the second convoy to follow two weeks later. However, a late cable from McClelland brought the information that, since the authorization on May 30 for seven hundred Palestine certificates to be delivered to Zionist refugees from Bergen-Belsen and Theresienstadt now in Switzerland, some 1,100 persons among the two groups scheduled for evacuation have taken the position that they do not wish to leave Switzerland until they can proceed directly to Palestine. While the scheduled departure of the first convoy has been indefinitely postponed as a result of these developments, it was indicated that efforts will be made to
arrange for the departure about the end of June of a convoy of these refugees who do not desire to go to Palestine.

OPERATIONS FROM SWEDEN

According to information which Representative McColland received from the International Red Cross, the 140,000 Board parcels which were shipped from Gotteborg on the SS MACALISNA on April 16 arrived in Lübeck, and since the Interroser delegate at Lübeck had previously distributed an unknown number of parcels under his control from other sources to civil detainees in northern Germany, particularly in Ravensbrück, the stock of Board parcels has been diminished to the extent necessary to replace these advances. Representative Olsen's most recent information indicated that the Interroser delegate in Lübeck was distributing Board parcels to civilian internees in the immediate area and whenever possible was dispatching food packages by trucks to various concentration camps within reach. A cable from Representative Olsen advised us that, while exact figures cannot be obtained until communications with Lübeck are reestablished, it was known that a substantial number of parcels were forwarded to Ravensbrück quite recently, and that it was the opinion of an American Red Cross representative and the Interroser delegate in Gotteborg that most of the Board packages in Lübeck have not been distributed.

On behalf of agencies interested in the American labor-sponsored project for rescue and relief activities in Norway, which were conducted under the Board's supervision and which the Board helped to finance, Representative Olsen's views as to specific needs for a follow-up relief program in liberated Norway were requested. The Swedish group advanced a five-point program, for which all the necessary arrangements as to the procurement and shipment of supplies have been made, and its proposals have been transmitted by the Board to the interested groups here.

EMERGENCY REFUGEE SHELTER

A group of thirteen persons from the Emergency Refugee Shelter at Fort Ontario, Oswego, New York, left this country on board the GRIFHOLM on May 31. All of them are nationals of Yugoslavia, and they are the first of the refugees brought here from Southern Italy to be repatriated.

REPORTS FROM LIBERATED AREAS

A report which reached us from a private source stated that since May 21 deportees have been returning to France at the average rate of one hundred per day. About 25% were said to arrive from the east through Oessel, the rest from Germany, and it appears that a large majority of those who have thus far returned are of non-French nationalities. Another report from the same source indicates that, as a result of negotiations on the part of military authorities and private agencies with French officials, the French Government has agreed to permit the temporary admission of a thousand children from German concentration camps.

A private organization representative who recently visited Northern Italy reported that 150 Italians and other nationals who had just come from mountain hideouts were found in Turin and that there were in Bologna 400 of the 1,200 Jews formerly there. Smaller numbers of the Jewish communities in other towns have returned, and others are believed to be still in hiding. It was stated that in many instances the clergy was particularly helpful in preventing deportations. A complete record of the persons interned at the concentration camp of Fossoli di Carpi and records of the camps at Monticelli and Salemeggiano were obtained. Of the 400 Jews reported interned at Bolzano, over 100 have returned to Milan. The others have been urged to remain at Bolzano temporarily in order to relieve the overcrowded situation in Milan. Apparently there is some unorganized movement from camps in Germany to Italy which is creating an additional problem.

(Signed) William O'Day
William O'Day
Executive Director
GOLD TO CHINA
MEETING WITH GURT
MEETING WITH ELEVEN
GERMAN GOLD FINANCES

Present: Mr. B. W. Bell
         Mr. Goe
         Mr. Adler
         Mr. Friedman
         Mrs. Klots

H.M.JR.: What comes first?

MR. GUE: China, sir.

H.M.JR.: All right.

MR. GUE: There are some a couple of procedural questions. I think if we'll do what you want to do, at least his people will want him to be, and he will expect to sit in beyond the two-fifteen and three o'clock meeting. Do you want that?

H.M.JR.: Pardon?

MR. GUE: Do you want that?

H.M.JR.: I think it would be nice. I haven't got much time. The quicker we move on these things the better.

MR. GUE: All right, then, the second point, is the matter to be handled orally or should he be handed something? If he is handed something, we thought that this was--

H.M.JR.: Read it out loud, will you please?

MR. GUE: Yes, I think that state feels since he handed him a memorandum, he ought to get something in writing. On the other hand, these things often come back to plague you. I think you can settle that at your two-fifteen meeting.

May 2, 1946
10:16 a.m.

This one--and by the way, I think we are in agreement with State on everything here.

MR. BELL: That's good.

MR. GUE: This one is drafted as a memorandum for Dr. T. V. Soong from you.

"1. This memorandum does not deal with the questions of textiles and trucks which were included in the program which was presented to this Government. The urgency of China's need for these items and their bearing upon inflation are recognized. They are omitted because our supply authorities are in the process of making an over-all determination of requirements and supplies and are not yet in a position to make a decision respecting China's requests.

"2. We--" the United States Treasury and the other agencies which are concerned with inflationary conditions in China-- "are anxious to give full support to an effective anti-inflationary program for China. It is therefore recommended that a Currency Stabilization Fund of $300 million be constituted for this purpose from the remaining $300 million of the United States loan to China and from China's existing dollar balances. Such an allocation of the remaining portion of the United States loan would be in strict accordance with the spirit and the letter of the 1942 financial agreement. The Fund would be set aside with firm mutual commitment on the part of China and the United States as to its purposes and availability.

"It is envisaged that the uses to which this Currency Stabilization Fund would be put would be part of a broad concerted program for combating inflation and for currency stabilization and these uses would be subject to joint
agreement. The time at which the Fund's operations would start would be discussed at a later date.

"The Treasury stands ready to advise and consult with the Chinese Government on the content and timing of such anti-inflationary and stabilization program."

H.M.JR: Let's just talk. I think that's good, and I don't. I think we should give them something in writing because he'll tell me six months from now he didn't understand what I said and I think the only way you can deal with the Chinese is to give them something in writing and then there's no argument about it.

MR. CON: We drafted this with the thought, too, that if it was put in writing and later shown at the White House or anywhere there couldn't be any question in turning them down on gold we were being indifferent to the inflationary thing, and Collado and the State Department people have grown quite excited about this proposal.

H.M.JR: The final proposal?

MR. CON: Yes. They think if Mr. Soong was to think he was getting disappointed on such a mission when such a nice proposal was made to him it would be a mistake on our part.

H.M.JR: It's his own money.

MR. CON: It's his own money but I think they have also had uncertainty as to whether they'd have a decent series of anti-inflationary measures to use it.

H.M.JR: Why should he get excited?

MR. ADLER: Chinese have more confidence in the United States Treasury than in the Chinese Ministry of Finance.

H.M.JR: That doesn't surprise me. You're telling a fellow to take a little bit from this pocket and a little from that pocket and put it in here.

MR. BELL: And reserve it for a special purpose. It has a little of the preaching tone.

MR. CON: That's true.

MR. BELL: It seems to me--

MR. CON: We wanted to build this thing up. That's why. Well, shall I go on?

H.M.JR: I wouldn't use a preaching tone with him.

America's whole interest is through the missionaries.

MR. CON: I think that they expect it, Mr. Secretary. For instance, the new head of the--

H.M.JR: The missionaries we send they go out and buy--

MR. ADLER: Also says I'm the only pure-minded guy in China, because I didn't buy any of their savings—that's the reason he said that.

H.M.JR: Does that mean that Joe did?

MR. FRIENDMAN: Just a few.

MR. CON: Well, I don't think just on this preaching level they'd appoint a Central Bank manager who wouldn't start worrying almost immediately as to whether he had United States Treasury support. That doesn't bother me.

MR. BELL: I just made a remark in passing.

H.M.JR: I think you're right, but it won't bother me.

MR. BELL: It doesn't bother me.

MR. CON: "We are strongly of the opinion that the initiation of a Currency Stabilization Fund would strengthen the financial position of the Chinese Government and would inspire confidence both at home and abroad in its future economic and financial stability. The existence of such a Fund would give the Chinese people a real sense of security with respect to their ability to cope with their grave problems of reconstruction."

"It should be noted that this proposal relates to only one portion of the foreign exchange assets presently available
to China and that it would leave a relatively large amount of
dollar exchange for helpful intermediate measures and for
meeting China's current foreign exchange requirements."

The Treasury believes that at least a portion of China's
existing assets should be used for these purposes and that the
remainder of the Chinese-United States loan can best be
utilized in this manner.

H.M.JR: In what manner?

MR. COE: I think that sentence goes out. It's not clear
to me they mean for the--

MR. BELL: For the fund.

MR. COE: For the fund, but we've already said that.
Let's cut out that sentence.

"4. We suggest that the Chinese Government consider
the desirability of terminating the program of forward sales
of gold. As you know, the United States Treasury was not
consulted--"

H.M.JR: That isn't strong enough.

MR. COE: We believe that should be--"As you know, the
United States Treasury was not consulted when this program
was initiated. In view of the difficulties of shipping gold,
the limited effects of sales upon price rises in China, the
public criticism of such sales and the desirability of using
foreign exchange resources to achieve maximum effects, this
program is ill-advised.

"5. The Treasury will endeavor, as in the past, to make
available limited quantities of gold for shipment to China
during the next few months, having due regard to the need
for restricting gold shipments when other needs endanger lives
or use scarce transport facilities. However, in consideration
of points 2 and 3 above, it is believed that further shipments
should be financed out of foreign exchange assets other than
those proposed to be earmarked for currency stabilization."

H.M.JR: What would those be?

MR. COE: Their own dollars which they have, seven
hundred million. They have two hundred fifty million.

H.M.JR: Is that clear?

MR. COE: I think so, yes. I think the only thing
here--

H.M.JR: It's their--I'd read that again, I don't get it.

MR. COE: "However, in consideration of points 2 and 3
above, it is believed that further shipments should be financed
out of foreign exchange assets other than those proposed to be
earmarked for currency stabilization."


MR. COE: All right.

H.M.JR: It can't do any harm. Out of your own.

MR. COE: It invites a little argument. Isn't the loan
their own, too? It's theirs only we have--

H.M.JR: All right. I accept that.

MR. COE: "6. China should investigate and cancel sales
to speculators and illicit purchasers and insure that only
bona fide purchasers will receive such gold as is available.
If gold arrivals are still not sufficient to meet past
commitments, it is suggested that China may offer to place dollar
credits (at about 350 per ounce) for the time being from her
existing assets to the accounts of purchasers of gold whom
she cannot temporarily make delivery."

H.M.JR: What I would put in here--it's a suggestion.
Just write this out. Just put this down. We can argue about
it. It is most unfortunate that the impression has arisen
in the United States, and don't correct me, that the sale
of certificates and the forward sale of gold have to a large
extent gone into a few hands, largely for personal aggrandizement,
and in this way has failed to be of assistance to the
general Chinese economy.

Now, just think that over for a minute. Just read
that back, huh?

MR. FRIEDMAN: "It is most unfortunate that the
impression has arisen in the United States that the sale
of certificates and the forward sale of gold have to a
large extent gone into a few hands, largely for personal
aggrandizement, and in this way has failed to be of
assistance to the general Chinese economy."

H.M.JR: And to this extent has failed.

MR. COE: That's--

H.M.JR: And to this extent has failed. And don't tell
me next week you're going to give me the list of the people
that have these certificates. You're about two months past
due--have you got it?

MR. COE: We handed it to you, Mr. Secretary, in that
period when we pulled things back.

H.M.JR: That's all right.

MR. COE: Do you want it now?


MR. COE: Now he wants it.

MR. ADLER: I would add bonds because the sale of those
was even more concentrated.

H.M.JR: I meant--

MR. FRIEDMAN: We'll add certificates and bonds and--

H.M.JR: I thought the certificates were the bonds.

MR. FRIEDMAN: They have two types of issue.
my desk or anything else, they won't have any troops, either. Leave it to me, but I just want to throw a little fear into him, see. When he says this impression is wholly false, I'll say, I wouldn't go that far. If you don't mind the sentence, you leave it to me to let him know that I know without saying it. I'll be very oriental.

MR. COE: Yes, I think there's no question about that. It's about showing him the list, although they gave us the list in the first place, didn't they? But we identified the companies.

H.M.JR: My own impression is we should do that in writing.

MR. BELL: You mean do what in writing?

MR. COE: This sentence.

MR. BELL: That's all right. That's good.

H.M.JR: That's a good document.

MR. COE: That's all on China.

H.M.JR: Aren't you going to loosen up a little if they do the five hundred million, and put that thing together—the exchange fund? You won't loosen up a little bit on the gold?

MR. COE: Yes.

H.M.JR: I think so.

MR. COE: The problem there is this—especially if they would investigate and cancel some of it—in May and June it doesn't amount to much. You get along into September and October, covering those recent sales, and it's—

H.M.JR: Well, I can't say, but if—how much are we letting them have each month?

MR. FRIEDMAN: About two million per month.

MR. BELL: How far forward have they sold—September?

MR. FRIEDMAN: October now.

H.M.JR: Just leave it to me. If he puts the five hundred million stabilization fund together, we might make it three million. It's his own money. O.K., do it?

MR. COE: Sure.

MR. BELL: Has he the assets above five—

H.M.JR: He's got nine hundred million.

MR. BELL: Including the two-forty.

H.M.JR: Nine hundred million.

MR. FRIEDMAN: That's right.

MR. BELL: More, when he gets the settlement.

H.M.JR: Next thing, how about this other? Do I do business with Kung or with Soong.

MR. COE: I think you do business with Kung on this.

H.M.JR: Let's bring that up.

MR. COE: Bring that up here.

H.M.JR: And if Mr. Bell has the physique and heart to do it, I wish he'd take that over for me if he won't mind, I mean, now that you're free of some of that stuff, supposed.

MR. BELL: Yes, I can do it.

H.M.JR: Would do that, Dan? It would be a big help, because it means about five meetings of three hours each.

MR. BELL: That's with Kung?
H.M. JR: Would you do that?

MR. BELL: Sure.

MR. GORE: The Army hasn't given us next quarter's figures yet, so isn't it a waste of time to do it for one quarter?

H.M. JR: No. I would clean up the fourth quarter of last year.

MR. BELL: Well, they have the figures. I'd like to give them as much as possible before this fiscal year, before we get June 30.

MR. FRIEDMAN: You can have the first quarter in about three weeks.

H.M. JR: May I say this? If it weren't for the Army, I would start negotiations for the fourth quarter, and keep saying if it weren't for the Army you would have these figures. I don't want the Army to come back and say, 'We asked you to do this thing.' I think we ought to make a record that we tried to clean it up.

MR. BELL: Fourth quarter of the calendar year. I'm talking about the fiscal year.

H.M. JR: I agree with you, but if you state it here and waited another three months, the Army would say these figures were in about ten days or two weeks ago.

MR. BELL: We can go from one end to the other.

H.M. JR: And Mr. Bell will get some lovely tea and some flowers.

MR. BELL: I've got one that has never been opened. (Laughter) It's terrible to spill a cup of tea.

H.M. JR: We're doing all right this morning.

MR. GORE: That finishes up China. We can get to work on that.

H.M. JR: Is your wife trying to fatten you up? Does she work around here (to Mr. Adler)?

MR. GORE: For us.

H.M. JR: Bring her here and let me say how do you do to her. Have you enough authority to do that?

MR. ADLER: I think so.

MR. FRIEDMAN: He can clear with Mr. Gore right now.

H.M. JR: Clear. Let me know and I'll step outside so as not to embarrass her. Tell them outside.

MR. GORE: I'm not sure she's in. I've told them to be generous and let her take a little time off.

H.M. JR: Now we're going to--

MR. GORE: France.

H.M. JR: Let's do Gutt. All right, your way.

MR. GORE: No, let's clear up Gutt because I think the Gutt thing is pretty simple in essence, Mr. Secretary.

H.M. JR: Which are we doing?

MR. GORE: Gutt. The only thing left in dealing with Gutt is for you to say the final 'no' on what he wants, to say the final 'no'. We have spent hours on this. Van has been--

H.M. JR: May I say this because I know something about this, and I don't want Van to lose face so I'm not going to change what Van has done, but as I understand it--you can check me on my figures--I'm not bad this morning considering.

MR. KEMP: Considering a headache like that.

H.M. JR: I couldn't sleep. When I give Bell something to do, and if I want to decide to change it, I want Bell to do it and not me, because he can't negotiate and have me do it. I think--and Bell--my figures aren't quite right. But from you I gather that we asked in advance for the Belgian Government to give us several billion dollars in francs, four or five billion.
MR. BELL: About six million francs I think they took originally.

H.M.JR: And these fellows went down in their pocket and they didn't bother to say, do you need them or don't you, and from their standpoint that was good money. Is that right?

MR. BELL: It's on their bank statement.

H.M.JR: Yes. Then we come along with an estimate from the Army that we're going to spend this, and we don't, which was stupidity on the Army's part; but before we get through we'll spend how much?

MR. BELL: It's hard to say.

H.M.JR: Make a guess.

MR. BELL: The only figures they have in that are definite are the seven million dollars worth of francs that they have actually spent. Gutt says that he got information from Belgium that the soldiers have received thirty-six millions of dollars. Now what we have tried to do is get the Army to reconsider their figures and come some place between the seven and thirty-eight. They've got it up to thirteen.

MR. COE: Thirteen and one-half, and when Gutt started negotiating he had only one million dollars in his pocket. So they've raised the offer, it's admitted over six weeks. They've raised to thirteen and one-half. Also they are in the process of--

(Secretary leaves conference temporarily.)

(Discussion off the record.)

MR. COE: I wrote off a little summary of this Gutt thing. Do you want to hear it?

H.M.JR: How long is it?

MR. COE: A page. (Reads memorandum for the Secretary from Mr. Coo dated May 7, 1946, on Information for your meeting with Gutt.)

"Recently the Treasury and War Departments have held many meetings with Gutt on the subject of settlement for advances of Belgian francs to the U.S. Army for troop pay. In calculating the amount to be paid, the war department will be returned by our troops through military channels. Gutt does not think that we should make this deduction.

The War Department told Gutt on May 4 that it was certifying to the Treasury a payment of $12.6 million. This is $12.6 million in excess of what had been certified to the War Department had agreed to pay several weeks ago. Gutt was also told that strong cables were dispatched to the War Department to reduce its outstanding advances.

Gutt is still not satisfied. The War Department has indicated to him that no further steps can be taken before its regular certification to the Treasury about June 15.

On May 4 you sent a letter to Gutt dealing in detail with the principles involved.

"Gutt will probably open this question with you again. I suggest that you state to Gutt that, since Belgium will receive all the dollars that are due regardless of the arrangements made and since the Treasury and War Department's staffs are in agreement that the matter is further. You could state also that you do not have the time available to consider this matter in detail."

H.M.JR: I would say Mr. Bell is handling it for me, period.

MR. BELL: You could tell him it looks to you as though a great deal of progress has been made. He started with one million dollars and got thirteen and one-half, and got strong cables sent to the Army to return those thirty-six francs. Of course, you've got these German officers starting all over Europe and it takes a little time to get a letter to us.

MR. COE: Within the next few days, as soon as they
H.W.J.H.: The last I heard somebody said five, six, or seven million, but it's up now to thirteen and one-half.

MR. BELI: The thing that hurts is that the British have paid some eighty million dollars, and the Canadians have paid--

MR. COR: I'll give you this.

H.W.J.H.: That's all right with me. I thought five or six or seven is too little, but thirteen and one-half is all right.

MR. BELI: That even is little compared to one hundred forty million. Maybe we can get that total they have done.

MR. COR: The next is a promise to be discussed with Pleven.

H.W.J.H.: May I compliment you on the orderly manner with which you handle these.

MR. COR: Mrs. Klotz kept saying, why don't you smile.

MRS. KLOTZ: He was so serious last night.

H.W.J.H.: You had this on your mind?

MR. COR: Not after the second martini. I began to feel better. Now this Pleven business is complicated. Among other things I thought that after your conversation with him you and he might issue a joint press release. But I think we'll see how it goes. Did you know Pleven was once Monnet's secretary?


MR. COR: He was once Monnet's secretary. Pleven is a leading figure on the right in current dealings in France. He succeeded in ousting Mendes France. He's close to General De Gaulle, and he will be interested in these negotiations we think, in trying to build himself up.

H.W.J.H.: When was he secretary to Monnet?
MR. COE: Now, the first subject that we think needs to be up is the troop pay—usual complaints of the troops about that. And essentially what is expected from Pleven about that. And essentially what he will say that France when he comes to see you is that he will say that France is ready to enter on this long delayed program where we've talked with them here at a subordinate level, and we've told them that when Pleven came in we certainly thought they ought to volunteer such a program.

H.M.JR.: Did you tell—I wanted a memorandum of what he wanted to bring up—did you tell that to Monnet?

MR. COE: I don't recall.

H.M.JR.: Did you tell him I'm only going to be here that one day?

MR. COE: No. You asked me who was getting in touch with him and I thought the way this thing was arranged—I thought it was agreed that it was arranged between you and Monnet—that you had arranged it.

H.M.JR.: I thought I had told you, but maybe I didn't. Tell Pleven to get up an agenda. You tell him I'm going to leave here Thursday afternoon because I'm going to see Morgenthau, so they better move fast.

MR. COE: Yes.

MR. BELL: He's just going to be here this coming week.

MR. COE: He's just going to be here a few days I think. Well, we think that after discussing this and seeing what kind of program he brings in and emphasizing the importance of it to us, essentially the thing to do is to tell him to go see to us. I believe they're Molloy and Millard and work it out. I believe they're Molloy and Millard and work it out. And going to say that the negotiations have to be in Paris and that the man has to be nominated from there, and we think it should be an army man.
MR. BELL: We give France general license, no?

MR. COE: No. There are still considerable areas which are not generally licensed. We want them to agree, for instance, that American creditors are going to be taken care of on a reasonable basis. We want them to agree that some of our custodial rights in these assets which are German or later turn out to be German are still recognized. Nothing except assertion from them would ultimately excuse us.

H.M.JR: Did you boys have a good talk with Ambassador Braden about going down to Argentina?

MR. COE: He's still sold on it and he says as soon as he gets down there he's going to get in touch with us.

H.M.JR: All right.

MR. COE: Well, again, I think if these assurances are mentioned and you have the stuff in front of you at the time, the working out of such assurances can be turned over.

H.M.JR: It would be useful if I could have a document. You see, in this case if they give me one, maybe I would be prepared to give them something.

MR. COE: The third issue is the rate of exchange. The Army wants it changed. They've told us they are going to change it. I believe at the time they set it the United States—

MR. BELL: French gold.

MR. COE: I believe at the time they set it the United States Treasury told them they were setting it too high and wouldn't be able to maintain it. They recognize that now.

H.M.JR: They didn't set it too high. Wasn't it one and one-half.

MR. BELL: That was African rate. The French Committee set the French rate.

H.M.JR: I don't remember.

MR. BELL: We told them at the time it was too high and they would not be able to maintain it, but we did accept the French committee rate.

H.M.JR: That's good, I'd forgotten that.

MR. BELL: The President had only set the one in there.

MR. COE: They'll probably raise the question of financial assistance, and I suppose you know the two answers there, (1) that we can't give any guarantees here on Lend-Lease on that S-C program, because I think that's the State Department calling a meeting on that and I think it's going to be decided to cut that; (2) when Bretton Woods gets through, the Export-Import Bank is expanding. We just haven't any money.

MR. BELL: They're pretty well fixed, aren't they, for foreign exchange?

MR. COE: For a short time, but their problems are terrific. They'd like to get help. The next one they'll press is to get a promise that we will give them all the French assets in this country. We don't want to do that.

(Discussion off the record.)

MR. COE: Well, we're a little inconsistent in not giving them this information, but until Bretton Woods gets through we'd just as soon rock along on what we're doing.

H.M.JR: What information?

MR. COE: The information about who owns French assets over here. If they come to us—the present arrangement is if they come to us and say that someone is violating their laws or they're going after him for previous collaboration, we'll furnish the information to them.

H.M.JR: Why don't you want to give it to them?

MR. COE: Because the bankers are likely to rise up
and say that what we are doing in giving them this--the F.A. three hundred--for is just symptomatic of the
way the Fund and the Bank will be operated to invade
the private field.

H.M.Jr: I see.

Mr. Oue: And we are certainly giving them everything
they need right now and they are not pushing vigorously
on this front. You may want to talk about internal French
financial policy. You may want to talk about Germany.
I don't know. If we ask them for an agenda, we can leave
it up to them.

H.M.Jr: I think so.

Mr. Oue: That's all on France, and we'll try to
have it--

H.M.Jr: That's a very good meeting.

Mr. Oue: One more subject.

H.M.Jr: My God, what is it?

Mr. Oue: German gold.

H.M.Jr: Oh, that's easy.

Mr. Oue: No, it isn't going to be easy ultimately.

H.M.Jr: Now, man, anytime you don't want what we're
doing--

Mr. Bell: This French thing is something new to me,
and I'd like to get that memorandum.

Mr. Oue: I'll get copies of all this. The only
immediate issue on the gold are, shall we send some men
ever there to weigh it, and the answer is unquestionably
"yes".

Mr. Bell: They're all ready to go.

Mr. Oue: They're all ready to go. Second, shall
we let the British go in and look at it?

H.M.Jr: I've answered that.

Mr. Oue: You answered that?

H.M.Jr: I answered it twice, and now I answer it
the third time, "yes".

Mr. Oue: But we do want to take an opportunity, and
this is it, to say that there are about four courses of
action ultimately for this gold: (1) it can go into the
repatriation kitty; (2) it can be handled as United States
war booty; (3) if there's a program of reparation, and
the Treasury itself has made some statements that would
sound as if there were to be one--for instance the gold
declaration--then certain countries will have claims
against the gold for reparation. If you start the
restitution way, it calls up your reparations. If you
go war booty way, you're going to have trouble on the
reparations front. Now, we can't tell how the reparations
program is going to turn out. We don't know whether we're
willing to let it go for reparations.

H.M.Jr: I'm not going to decide that.

Mr. Oue: Some of these courses of action tend to
get decided.

H.M.Jr: The only decision I'm going to make now is
to let the British take a look at it.

Mr. Oue: Doesn't that prejudice your case in handling
war booty--it's what some of the lawyers say.

H.M.Jr: You tell the lawyers for me to go read a
dime novel.

Mr. Bell: It probably does raise the question, or
subsequent questions will come to the front more quickly
by this decision, but nevertheless you're going to have
requests probably from the Yugoslavs and others, to go in
there, also to the French. However, I think this thing has been put in the combined channels and I don't see how you can make any other decisions, do you really, Frank? They've put it in combined channels in SHAPE. Now, the British know all about it. They know there's a request to send people over there to--

H.M.JR: I'd be furious if they told me "No".

MR. BELL: I think the British would be furious.

H.M.JR: Do you know what you sound like today? You sound like Harold Glasser, on this. I bet this is Glasser's worry.

MR. COE: No. I think Dubois is the one in favor of the booty. Harold is in favor of reparations.

H.M.JR: I'm not deciding anything. I can't say to the British they can't go look at it. It doesn't decide anything.

MR. COE: We agree with you there, but there are going to be subsequent steps. Other countries are going to want to look at it, and we're recommending they go in and look at it.

H.M.JR: In charge of a mission.

MR. BELL: I really think that the decision has already been made. We shall have to put it into combined channels.

H.M.JR: I didn't know they did that.

MR. BELL: The cable came from SHAPE, and that's a combined organization.

H.M.JR: This is the third time I have answered that.

MR. COE: There's agreement in State and War that a lot of other decisions will be coming along and we want to lay them for your attention. There are three or four ways of handling it so that we consider each would be--
MR. COE: Certainly, ask him if he wants to.

H.M.JR: Then he'll say he needs two offices over here. Don't let that worry you. Mr. Hillclayton needs me very much more than I need him, but that's all right, but—well, don't get me started on that.

(Mr. Coe leaves conference.)

MR. BELL: Fitzgerald asked me to take up with you the question of the Roosevelt dime; that O'Connor is leaving tomorrow and he wanted a decision. There's a recommendation that Mrs. Ross put up to me.

H.M.JR: I'm against it.

MR. BELL: You don't need legislation on it. The twenty-five year period has lapsed.

H.M.JR: What is this? What is it they want?

MR. BELL: They want to make the dime memorial to Roosevelt and put it out next January in connection with the "Mile of Dimes".

H.M.JR: Are you for it?

MR. BELL: I think it's a nice thing.

H.M.JR: Do we need any authority?

MR. BELL: It's at your discretion, because the twenty-five year period has lapsed.

H.M.JR: I'm not going to do the thing without speaking to Mrs. Roosevelt.

MR. BELL: It's really a part of the committee work in it. She wants you to announce it and let the Treasury get the credit, because we're getting a lot of letters. A bill has been introduced to Congress.

H.M.JR: You call Basil O'Connor, and call Mrs. Roosevelt for me and ask her what she thinks.

I think it's all right, but I want to consult Mrs. Roosevelt.

MR. BELL: There's also the question of whether we should have a two hundred and fifty dollar denomination bond with Mr. Roosevelt's picture on it—one hundred and eighty-seven dollars. That should be in the Eighth War Loan. We ought to start engraving it if we want to do it. Ted and I are in favor of it.

H.M.JR: Two hundred and fifty dollars?

MR. BELL: Yes.

H.M.JR: That I don't have to ask Mrs. Roosevelt about; that's all right.

MR. BELL: You don't have to announce it either, unless you want to tell the committee when we meet. We can start now engraving that. On June first there's four billion, seven hundred seventy million dollars of certificates maturing. And we've got a certificate in the drive which will mature on June 1, 1946. So we want to make this four billion, seven hundred seventy refunding into a ninety percent note—thirteen month note which will put the maturity on July 1, 1946. The drive certificate would mature June 1, 1946, and this one will come in July.

H.M.JR: All right.

MR. BELL: There's also maturing June first, seven hundred fifty-five million of the one and one-half percent Home Owners' Loan Bonds which we call for payment that date, about eighty some percent. George's memorandum to you says that these bonds are owned by banks, so we recommend that the holders of those securities be offered the opportunity of going into the ninety percent note, the 1929 Nineties Note, and that has the unanimous recommendation of the Federal Reserve Board and Executive Committee.
H.W.JR: Okay.

MR. BELL: On May fifteenth, not later than May fifteenth, we ought to call the two and three-quarters per cent bonds of '42-'47. They're outstanding in the amount of one billion two hundred fourteen million, and I have the papers here for you to sign and I thought you might suggest in the last paragraph that you give that out informally to your press conference Thursday.

H.W.JR: Will you remind me?

MR. BELL: And we'll announce it officially on the right dates.

(The Secretary signs attachment A and attachment B.)

MR. BELL: This press release will be given to the press Saturday the twelfth, for release Monday.

H.W.JR: I hope that's all.

MR. BELL: That's all.

H.W.JR: Good. I'm tired. Thank you very much.
TWO AND THREE-QUARTERS PERCENT TREASURY BONDS OF 1945-47

NOTICE OF CALL FOR REDEMPTION

To Holders of 2-3/4 percent Treasury Bonds of 1945-47, and Others Concerned:

1. Public notice is hereby given that all outstanding 2-3/4 percent Treasury Bonds of 1945-47, dated September 16, 1935, are hereby called for redemption on September 15, 1945, on which date interest on such bonds will cease.

2. Holders of these bonds may, in advance of the redemption date, be offered the privilege of exchanging all or any part of their called bonds for other interest-bearing obligations of the United States, in which event public notice will hereafter be given and an official circular governing the exchange offering will be issued.

3. Full information regarding the presentation and surrender of the bonds for such redemption under this call will be found in Department Circular No. 666, dated July 21, 1941.

Henry Morgenthau, Jr.,
Secretary of the Treasury.

TREASURY DEPARTMENT,

The Commissioner of the Public Debt:

In giving public notice of the call for redemption on September 15, 1945, of all outstanding 2-3/4 percent Treasury Bonds of 1945-47, in accordance with the terms and conditions of the bonds, the following procedure is prescribed:

1. The Secretary will sign the formal notice of call, to be dated May 14, 1945. The notice of call and a press statement regarding the call will be given to the press on May 12, for release May 14, and the notice of call will be filed with the Division of the Federal Register on May 14.

2. A copy of the notice of call will be mailed with a confidential letter to the Presidents of the Federal Reserve Banks, with request that the notice be printed and mailed to all banks and others concerned in their respective districts. Copies of the notice of call will be mailed by the Division of Loans and Currency to registered holders of record.

3. The Federal Reserve Banks will be requested to arrange for a single paid insertion of the notice on Monday, May 14, in newspapers, morning or evening, selected to give widest possible publicity within the usual expenditure for such notices.

Secretary of the Treasury.
TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS, Press Service
Monday, May 14, 1945.

The Secretary of the Treasury announced today that all outstanding 2-3/4 percent Treasury Bonds of 1945-47 are called for redemption on September 15, 1945. There are now outstanding $1,214,428,950 of these bonds.

The text of the formal notice of call is as follows:
TO THE SECRETARY:

May 8, 1945

Outstanding certificates of indebtedness in the amount of $8,770,000,000 mature on June 1, 1945. In view of the fact that the certificate offered in the Seventh War Loan Drive will be dated June 1, 1945 and mature June 1, 1946, it is recommended that the maturing certificate be refunded into a thirteen month .90% note which will mature July 1, 1946.

Also on June 1, 1945, there has been called for redemption the 1-1/2% bond of the Home Owners Loan Corporation in the amount of $794,904,000. In view of the fact that the large percentage of these bonds is owned by the commercial banks, it is recommended that the holders thereof be offered the opportunity of exchanging them for the .90% note to be offered simultaneously for the maturing certificates of indebtedness.

The outstanding 2-3/4% bonds of 1946-47 in the amount of $1,214,000,000, can be called for redemption on September 15, 1946 with four months' advance notice. That notice must be given not later than May 15. It is contemplated that the release of the call will be made for Monday morning next, May 15.

I suggest that you give these items informally to your press conference on Thursday morning of this week and state that the refunding offerings will be officially announced on Monday, May 21st, and the call of the 2-3/4% bonds will be officially announced on Monday, May 18th.

DWB:WLE
May 5, 1945
11113 A. M.

HMQr: Hello.
Operator: Mr. Adams is in charge. All right?
HMQr: All right.
Operator: Go ahead.
HMQr: Hello.
Mr. Charlie
Adams: Good morning, Mr. Secretary.
HMQr: Adams--
A: Yes, sir.
HMQr: Are you going to talk to Gamble today?
A: Yes, sir. I probably will, sir.
HMQr: Well, this is important and I want you to if you please.
A: All right, sir.
HMQr: In view of the fact that the President has pronounced the 13th of May, Sunday, a day of prayer...
A: Yes, sir.
HMQr: ...that radio program Sunday night cannot be a lot of Hollywood nitwits.
A: Sure, sure.
HMQr: And it's got to be a very solemn program.
A: Sure.
HMQr: And I don't want to hear it's too late and all the rest of that. It's got to be in tune with the President's proclamation.
A: All right, sir, all right.
HMQr: And I wish you would get that.
A: I'll pass that along right away.
HMQr: Will you please?

A: I sure will.
HMQr: Where's Coyne?
A: He is in Boston today.
HMQr: I see. Well, anyway, get that to him. The program must be in tune with the President's proclamation--the day of prayer.
A: All right, sir. I'll pass that right along right away, sir.
HMQr: After all, you can still have it and go to church and have them pass the box after the sermon.
A: Sure, sure, sure.
HMQr: There's no reason why we can't do that, but it can't be a lot of flippancy.
A: Sure. I wonder, Mr. Secretary, if the radio networks are going to maybe take their commercial programs off that day.
HMQr: I don't know, but it's something somebody ought to get on solemn feet.
A: All right, sir. I'll do that right away, and would you like for me to report back to you?
HMQr: Yeah.
A: All right, sir, I'll do that. Thank you.
HMJr: ...stand now on this thing for President Truman I want to take over there tomorrow.

Mr. Charlie Bell: Yes, sir, I'll be all ready this afternoon at around three o'clock.

HMJr: Does that mean that you will have cleared it around the office.

B: No, sir, I'm giving myself about an hour to clear it. I've got an appointment with Bertsie at two o'clock, and I know he is going to agree because we talked again yesterday afternoon on it, and I don't anticipate much difference with the others.

HMJr: Well, somewhere around four I'll tell them I can see you. Could you have it ready for me then?

B: I'll have it ready for you at four o'clock?

HMJr: Yes.

B: Yes, sir.

HMJr: All right. Thank you.

B: All right, sir.

General Hilldring: Mr. Secretary, this is Hilldring.

HMJr: How do you do.

H: Just fine, sir. I want to apologize for the length of time it has taken me to get to General Marshall. I was to have seen him at 8:30 but ---

HMJr: Well, I understand I know what happened this morning.

H: All right, sir. - But I did see the General and he has to make a radio talk and for that reason he did not have time to call you up. Mr. Secretary, with regard to this IPO001.

HMJr: Call me?

H: Yes, sir, he was going to call you and then because he had to get out and make this radio talk, he asked me to call you.

HMJr: Yes.

H: He has looked over these papers which include the changes in IPO001 and the question of the cable that has been withdrawn from IPO001.

HMJr: The cable?

H: Yes, sir - in the beginning the JCS asked that this all be included in IPO001 and then in the discussions the question of permitting the utilization and temporary renewal of this synthetic oil business was withdrawn from the paper and handled separately and I explained the problem to General Marshall and he asked me to say to you that he felt very strongly that we should at the moment let Eisenhower do this.

HMJr: That he feels what?

H: He feels that the authority to Eisenhower granted in this draft of the cable should be given to Eisenhower and that it is very important to him now in the matter he's in both with respect to his own troops, to the minimum requirements of Germany and to the liberated areas.

HMJr: But General Eisenhower hasn't asked for it.
H: Well, he hasn't officially asked for it but his representatives have made their importunities and those responsible to General Marshall in the supply services to the Joint Chiefs both in the Army and the Navy have pointed out to him the critical situation existing today as to oil and in the interval until the decision has been made, Mr. Secretary, as to what the situation is, this temporary stay of should be granted.

HMJr: Well, I don't see why they just pick on oil - why they don't pick on all the factories - let's just start rebuilding the whole of Germany.

H: I think by this procedure, Mr. Secretary, if I may see it now as just a simple soldier - there isn't any question now as to the policy itself - in other words what IPO03 wants is that these things are going to be abolished.

HMJr: Well, the thing isn't clear to me - the statement that you make that this part is a separate document from IPO03.

H: Well, sir.....

HMJr: As I understood it, this was a paragraph that the Chiefs of Staff didn't agree with, we dealt with it and then it was to have been incorporated in IPO03.

H: Well, Mr. Secretary, the Joint Chiefs of Staff - if I may recite the-

HMJr: The Joint......?

H: The Joint...

HMJr: That includes the English?

H: No, sir, that excludes them - this is the US Chiefs of Staff.

HMJr: Yes.

H: The US Chiefs of Staff first recommended, sir, when you sent the paper over for their comment, that the language of this cable that's now proposed be included in IPO03.

HMJr: Yes.

H: There was objection to that on the part of the German Committee.

HMJr: Of the what committee?

H: The German Committee - that is the committee that devised this paper. They said well you are putting in a paragraph in the basic policy - that looks as though you were stating a policy in one paragraph and then apologizing for it or amending it in the next.

HMJr: Was that of the Committee at which I was present or the working committee?

H: This was the working committee, Mr. Secretary.

HMJr: Yeah.

H: To meet that then, the working committee said, "Well, let's take the language that is being proposed now by the JOS out of IPO03 - let's leave the policy clean. Let's not challenge the policy."

HMJr: Yeah.

H: ...but let's put this JOS request for Eisenhower to keep his oil pumping until the government's made up its mind about it, in simply a cable to Eisenhower, that doesn't interfere - that doesn't fog up the basic US policy, it is simply a stay of execution outside of the paper.

HMJr: Yeah. Is that the way... but then I thought you brought in this sheet - remember? Hello.

H: Yes, sir.

HMJr: And I thought that the final decision was that that paragraph should be redrafted and should be in the body of IPO03. Wasn't that the final decision?

H: That was a proposal, sir, that -

HMJr: That you said you would take back and try to sell - That's right.

HMJr: Isn't that right?

H: That's right, sir.

HMJr: You said you would make your effort to take it back and sell it to them.
H: That's right, sir.
HMJr: And Mr. Lovett said he would do the same.
H: That's right, sir.
HMJr: Now I don't know where Mr. Stimson was in this picture - whether he is cognizant of this thing.
H: I haven't talked to Mr. Stimson - he is about the only fellow I haven't talked to.
HMJr: Well, I.....
H: All I have...
HMJr: I haven't seen any document from SHAPE asking that this oil thing be stayed.
H: There isn't any document, sir.
HMJr: Sure there isn't - this is just a thing that General Somervell has cooked up.
H: No, sir, it isn't Somervell alone - it's the petroleum people here, sir - they are all together on this.
HMJr: Well, there are a lot of other things.
H: That's the -- the whole document, Mr. Secretary now hinges on this one question. Everything else there is complete agreement, I understand, Mr. Secretary, including yourself - except on this one question.
HMJr: Well, I think they had better explain this thing to the President and Mr. Stimson and let the President decide it.
H: Yes, sir.
HMJr: Just a minute, if you please.
HMJr: That a whole document should be held up by the Chief of Staff since the 27th of April - since it has been in their hands - the 27th of April - with the war over and that was the day I believe it was delivered to them. I think it is outrageous and I don't care who knows it.
H: Yes, sir - well....

HMJr: I think it is outrageous. And now at the last minute they come along and say to me that if we let this thing - oil pump - they can go ahead after Clayton told you yesterday that if this thing goes that he could guarantee that I would be reasonable about it - that is what he told me he told you.
H: Yes, sir. Well, I am just a messenger boy.
HMJr: I understand - if the Army wants to hold up these instructions to General Eisenhower indefinitely it's all right with me but the responsibility is the Army's.
H: Yes, sir. Well, I think the Army wants to get the paper resolved, Mr. Secretary, just as soon as anybody else.
HMJr: I realize you are a messenger but I it... well, I am frankly shocked - I am. I am really shocked.
H: Well, sir, I think....
HMJr: The Army can do anything that they want but in the meantime the President of the United States is waiting on this document and so is General Eisenhower.
H: He isn't waiting yet, sir. He couldn't use it if he had it.
HMJr: Why not?
H: Well, he still is a combined commander, sir, and he couldn't use this document until SHAPE breaks apart, except for... well, he might use it for background, but he can't apply it as long as SHAPE...
HMJr: Well, let the Army bring down some of that oil from the canal project up there in Alaska which is such a great success - let them send that over.
H: Well, I don't know anything about that, sir.
HMJr: Well, I repeat, I am shocked and I just don't understand it.
H: Yes, sir - well, General Marshall would have called you himself, sir, if he hadn't had this radio talk to make and he just asked me to call you and tell you what he....
Well, you can repeat word for word what I have said.

H: Yes, sir. All right, sir.

HMJr: I am sorry but I don't understand it and the way I want to see the thing if I have anything to say with it, and I most likely won't, is to see the way we left it with you to be incorporated in this document.

H: Well....

HMJr: The minute the document is signed they can call the advisory committee together in 6 minutes and, as I say, Mr. Clayton talked to me and he said he told you that I would be reasonable about it.

H: Yes, sir, he did.

HMJr: Well, I will repeat - I'll be reasonable. Now, General Marshall and the rest of them have known me long enough that I don't think - it is as though they were questioning my good faith.

H: No, sir, they are not.

HMJr: Yes, they are.

H: No, sir, they are not.

HMJr: General Marshall is questioning my good faith that when this thing is signed that I won't be reasonable and I object.

H: No, sir, he isn't.

HMJr: Well, that's the way I interpret it.

H: That's too bad because he isn't.

HMJr: Well, you tell him that I say he is questioning my good faith.

H: Yes, sir, I will tell him what you say.

HMJr: If you please.

H: Yes, Mr. Secretary.

HMJr: O. K.

H: All right, sir.

HMJr: Thank you. Goodbye.

Operator: Here you are.

HMJr: Hello.

Congressman:

Doughton: All right, Henry.

HMJr: Bob, I got a message about you.

D: About me?

HMJr: Just saying that you had called me.

D: Yes, yes, I was to have called you earlier, but I kept waiting to get that message from Senator George, you know, which I finally did.

HMJr: Yeah, what is that?

D: He said he would be here by tomorrow and I've called a meeting for 7:30 tomorrow evening.

HMJr: Well, wonderful.

D: Yeah, 7:30 tomorrow evening to get our report.

HMJr: Wonderful.

D: The report's ready. The staffs have got it ready and we want to go over it, you know, and you give it out - so I got word that George would be here and they could see us anytime after today. So our committee meets in the morning, you know, and we couldn't very well meet - but we're meeting tomorrow evening at 7:30.

HMJr: Thank you, Bob.

D: You're welcome.

HMJr: Goodbye.

D: Goodbye.
GOLD TO CHINA
1947 REVISED

Present: Mr. D. W. Bell
Mr. Adler
Mr. Friedman
Mr. Collado
Mr. Clayton
Mr. Coe
Gen. Somervell
Gen. Carter
Mr. Crowley
Mr. Scheuer
Mr. Willauer
Dr. T. V. Soong
Mr. T. Y. Pei
Mr. W. Y. Ling

(Mr. Coe reads through paragraph 3 of "Memorandum for Dr. T. V. Soong," copy attached.)

H.M.R.: Would you say in spite of the danger?

Mr. Coe: In spite of general policy. In other words, we are saying we are going to continue as we have done and make certain limited quantities of gold available.

H.M.R.: But not by endangering lives.

Mr. Coe: No, even though that is contrary to general Treasury policy of trying to restrict gold shipments where they endanger lives.

"However, in consideration of points 2 and 3 above, it is believed that further shipments should be financed out of foreign exchange assets other than those proposed to be earmarked for currency stabilization." That sounds rather complicated, but the effect of it is that they are told to use their own money for these limited gold sales rather than the loan.

May 8, 1948
2:00 p.m.

(Mr. Coe completes reading memo.)

Mr. Willauer: You said that was unfortunate that that impression--

Mr. Coe: ...has grown up in the United States.

Mr. Willauer: That was not a fact, the impression there.

H.M.R.: This happens to be my own language. "It is most unfortunate." If he questions me, I can pull out of my pocket a list of people who own it, but I didn't think I wanted to do that, you see. These boys who have been in China are always worried about saving face, but if he should get a little high hat, why--

Mr. Chorley: George has a list.

H.M.R.: We always have a list. It was the diplomatic way. We thought that would please Collado. We have the list of names, and unfortunately, the Soong family have a pretty high priority on the list. What do you gentlemen think of handing him a thing like this? The reason we did it in writing is there is always so much argument of what we said or didn't say, and what this really puts down to--this would reconstitute the five-hundred-million-dollar loan which they got from this country--it was put there for purely stabilization purposes, I mean, so as to make it possible on the Hill very much stronger, and then this other four hundred odd million dollars they have left over and above the five hundred million would be money they could use for other purposes such as shipment of gold, and we tell them we don't like the forward sales and we also tell them that all this monkey business that goes on--the impression in this country that it has been going on--we don't like it. It is a pretty stiff memo. Do you think they would take any offense?

Mr. Collado: We are entirely in accord with the general policy. I have discussed this with Mr. Clayton, and we have had several talks with your people, and I had one or two very small questions in regard to drafting. I think in
answer to your general question—I think they would not take offense. That very last sentence of yours would be the thing they would take offense at if anything, and even that, I think, is skillfully drafted.

H.M.JR: I say, "It is most unfortunate that the impression has arisen."

MR. COLLADO: That is right. There were two other words that struck me. They are not very important, and yet—see if I can find it; it was in number 3. Oh, yes, it is the very bottom line of the first page, Mr. Secretary. You say, "...the initiation of a Currency Stabilization Fund would strengthen the financial position of the Chinese Government."

H.M.JR: I see.

MR. COLLADO: That worries me a little bit. It is undoubtedly a true statement, but it is the implication that the Government needs to be strengthened a little that troubles me.

H.M.JR: It would strengthen their financial position.

MR. COLLADO: We could say something of that sort.

H.M.JR: Get that changed. I think that is better, "...would strengthen the financial position of the Chinese Government."

MR. COLLADO: The only other one was over here in number 6, and this again is a question of language. I am not sure that I feel very strongly about it, anyway. It is this, "China should investigate and discriminate against speculators." I was wondering if a better verb couldn't be found than "discriminate."

MR. COE: We might say, "...single out speculators so as to insure only bona fide purchasers will receive such gold."

MR. COLLADO: I think it would sound a little better, I don't feel very strongly about it, but we don't ordinarily recommend that anybody discriminate against anybody else for anything.

H.M.JR: Do you want to say, "China should investigate and prosecute?"

MR. COLLADO: I think Frank's "...single out" may be better.

MR. COE: Segregated.

H.M.JR: What you want to do is prosecute, don't you?

MR. SCHEUER: Execute. That is what they want.

MR. COE: They might execute, Mr. Secretary, and say we told them to.

H.M.JR: Let's fix it up.

MR. COLLADO: If it is only a question of a word—

H.M.JR: "Eliminate" is a good word.

MR. FRIEDMAN: All right.

H.M.JR: Again that could be interpreted—

GEN. SCHERER: It could be interpreted as meaning execute. If it is all right with you, you could say you didn't mean that.

H.M.JR: So sorry. (Laughter)

MR. COE: We might say, "...should investigate and cancel sales made to speculators."

MR. ADLER: Why not just say "investigate?"

MR. WILLAVER: "Investigate" is all right.

GEN. SCHERER: Far be it from me, an American soldier to say anything about English, but what are the words "so as" in there supposed to contribute to the thing?
H.W., Jr.: Listen, Sol, take this out and fix it up and come back. I am sure they will be satisfied.

MR. CROWLEY: Mr. Secretary, let me suggest this: I think we all agree with what you want to do in principle and what you want to get at. Now, how you can fix up that particular sentence seems to me to be something you can work out with them. I don't think that in these various documents we can hope that we can go over every sentence and every word. That is what you have your men for. As long as we all agree with you on the principle-

H.W., Jr.: That is right. Do you agree that what we are approving as far as the Treasury is concerned, is in the right direction?

MR. CROWLEY: Yes, sir. We think that will be a good thing for us and we can work with the Treasury on the supply end of the thing, and everything else. We are for this.

H.W., Jr.: You are for this. How about the Army?

GEN. SOMERVELL: Yes.

H.W., Jr.: All right, we have that.

Now, I am sorry Mr. Clayton isn't here, but maybe Mr. Collado wants to discuss China's textile requirements. I gather from what Mr. Clayton said over the phone he wasn't satisfied to say no.

MR. CROWLEY: We have got a little report that I would like to have Mr. Willauer and Mr. Scheuer present for discussion.

MR. WILLAUER: This is the way it stands today on this textile item: The significant figures are the ones underlined in the second column. The situation really is that short of six million two hundred thousand yards, which FEA is putting up out of some allocations that it had and twenty-five million six hundred yards which the Chinese already have in stockpiles for a couple years in India, that
MR. SCHRADER: There is a loss, the WPB claims, of a billion six from the peak production due to the loss of labor and due to high Army standards and the necessity for converting a higher percentage of machinery than would ordinarily be used for the same units of yardage. It would produce the same units of yardage if the standards were less high. It seems that in 1942, of course, the Army was an enormous purchaser of textiles, and at that time, we were producing this larger quantity. Part of the loss is due to the standards, that is, the conversion of machinery, and although the Army today has only twenty-five percent of the total production, as a matter of fact, it is using a much higher percentage of the machinery of the industry for that twenty-five percent production.

It has been suggested that during this transition period and possibly V-E Day, I should say that we had a weather eye to the conversion of textiles to consume our needs, when, if, and as the Army can relieve any, and we would, therefore, have that much more yardage and not have to give that much high quality goods away at relatively low prices. Of course, the Army prices are very properly generous from the standpoint of the values. I mean, the values demand that the prices be generous; the quality demands that the prices be generous. Instead of giving fifty or sixty-cent pieces of goods for relief, we give them twenty or twenty-five-cent pieces of goods, which is adequate for China and the liberated areas. They are hungry for it. There is a little question that if the standards of the Army were slightly revised for this transition period that a very important increase in yardage produced could be attained in the next six to twelve months.

MR. SCHRADER: We can't have tents that leak, and there is no use seeing cloth that won't stand up. Your yardage requirements would be increased if we decreased the quality of our goods.

MR. SCHRADER: The tent program is complete; we are cutting back on the duck program.

MR. SCHRADER: No, we are not cutting back on the duck program; we are cutting back on the tent program, but...
MR. CROWLEY: The trouble with that is, gentlemen, this particular group is only talking about China, and tomorrow we have to sit down with another group that wants to talk about something else.

GEN. SOMERVILLE: Well, I realize your embarrassment to that extent, but on the other hand, on a cold-blooded proposition you are giving away a billion yards of forty-cent material away and listing it to miscellaneous countries. It strikes me that that can't be very important.

MR. WILLAVER: I don't have those figures, Mr. Crowley.

GEN. SOMERVILLE: Well, that is what it is, and it seems to me that those are the fields that ought to be thoroughly explored.

MR. SCHEUER: I think everybody will agree that the amount exportable to the world in textiles is inconsequential, eight hundred million yards, and cutting down on that total further is quite impossible. Now, I don't know about this '46 item, but I dare say that has been rescreened and rescreened and rescreened, and I will be delighted to give you the details on it.

GEN. SOMERVILLE: I would like to see it, because you give away these dials to Uruguay and whatever you happen to pick out. It seems to me we would be a lot better off if we collect those and give them out to China.

MR. CROWLEY: Let me say this, Sidney, so we get the record straight. We work with General Somervell, but on this allocation thing the Army can't allocate to our civilians.

GEN. SOMERVILLE: I don't know why. You allocate Army stuff.

MR. CROWLEY: Not very well; we never get anywhere.

GEN. SOMERVILLE: It looks like I am not getting anywhere with it. It certainly should be discussed, I should think.

MR. SCHEUER: I admit that the South American countries—we have got certain minimum commitments there, and Canada—we have got a rather generous commitment there. It seems to me if there was a point of attack, the vulnerable spot would be Canada.

GEN. SOMERVILLE: I would just like to throw that one in the hopper.

MR. CROWLEY: All right.

MR. SCHEUER: Put it in the hopper.

MR. WILLAVER: Well, now, under our miscellaneous countries—well, General Somervell, here is a list of—

GEN. SCHEUER: You have the whole miscellaneous there.

MR. WILLAVER: ...how the thing splits up on the whole production, if you want to see it.

MR. JR: Who does trucks?

MR. WILLAVER: They are all set.

MR. CROWLEY: The truck man isn't here, but Mr. Willauer can talk about it.

MR. COLLADO: Before you leave the textile thing—I am sorry Mr. Claydon hasn't gotten here, because he has much more experience in such matters than I have, and he feels very strongly that the total amount of exportations of textiles as proposed even for China, plus these miscellaneous countries that the General mentioned, is an extremely small part of the production of the United States; that actually the export allocations for cotton textiles has been very small; that the world at large is screaming for textiles, and our allocations for textiles, generally, are on a smaller basis than for any single product that we allocate.

Now, the Chinese situation seems to be very much complicated by the fact that because no textiles have previously
been made available for China in any quantity, we are
jamming into what is essentially the third quarter of
this year a seven or eight-months requirement. We
are making it very hard for the Chinese. We are magnify-
ing all these percentages, which if spread over a whole year
or eight months, would be relatively small. What happens
here is you have got no pipeline, and you are trying to
start out and fill a pipeline and make deliveries at the
same time. There is nothing we can do about that. It
means we failed to get a pipeline going in the past. But
over any length of time this is a small requirement, and
he feels that we have gotten very strong reports from the
Ambassador, from Hurley, some strong reports from the
FIA Commission in China, and very strong reports from the
military in China, and all of them feel that this is the
one thing that you can do that will make some important
contribution to this inflation problem. I gather that that
is the view of Mr. Adler and other people who have been
expert in these matters.

Now, if we just ignore this one--while I think our
gold program is an excellent program, it has very little
to do with the current situation, and this textile problem
is the only thing that is going to do any real good in the
immediate future. We have been impressed by the arguments
of the military of the necessity for doing something in
this limited area in China on the supply route in order to
make possible the procurement of Army supplies in China.
The purpose of this textile allocation would be, you might
say, to barter for food and other necessities, but mainly
for food which the Army wants. The Army's charts which
have been shown to us of the percentage of their total
procurement which would be from China, versus the amount
they put over the hump, I think, are very impressive in
this matter. We are really not going to get anywhere
if we all say it has got to come from somebody else. There
has got to be a general shipping in. It is easy for the
State Department to say that. We don't have any to chip in.

MR. CROWLEY: That's right; it gets right down--let
me say this: We will have a meeting--
(The Secretary holds a telephone conversation with
Secretary Stimson, as follows:)

MR. CROWLEY: And the Army to say they can't chip in.

GEN. SHERWOOD: That leaves the solution very plain.
H.N.JR: I think you know about this.

GEN. SOMERVELL: Yes, sir. We don't see why we should take the oil away from the Americans to give it to the Germans.

H.N.JR: Well, that would go for the whole directive.

GEN. SOMERVELL: Not entirely. There is not a shortage on other things.

H.N.JR: But there is a shortage of everything. You might say the same about coal and synthetic rubber.

GEN. SOMERVELL: We certainly don't intend to stop mining coal in Germany.

H.N.JR: How about all the synthetic plants which remain?

GEN. SOMERVELL: I am not so much interested in the rubber business, but I would hate to have our Army over there without gasoline.

H.N.JR: Here Mr. Clayton, on my behalf, says--

GEN. SOMERVELL: There you have got me. I don't know anything about that.

H.N.JR: This is the word I got yesterday. He said that if I would go along with this exception, then the Army would see that the thing was immediately cleared. I don't like that.

GEN. SOMERVELL: I don't see what you don't like. It is a straightforward proposition, it seems to me.

H.N.JR: No. Well, the word I used--it is a holdup.

GEN. SOMERVELL: Well, as I say, I don't know anything about this, the thing that passed between you and Hilldring. I know the position of the Army definitely is that we think it would be wrong to sacrifice that much oil production when the whole world is struggling for oil.

H.N.JR: The Army was given the assurance by Mr. Clayton, who is chairman of this committee, that if this directive was put in force--and the Army under that directive has a right to ask this committee to recommend postponement of the destruction of any plant--that a favorable hearing would be given promptly.

GEN. SOMERVELL: A favorable hearing?

H.N.JR: Yes.

GEN. SOMERVELL: I don't know anything about these negotiations between Hilldring and you.

H.N.JR: Favorable--wasn't that the word?

GEN. SOMERVELL: I don't know anything about these negotiations. I do know our position is very definite. We believe that that production should be continued.

(Mr. Clayton enters the conference.)

H.N.JR: You have given my assurance on behalf of the part of yourself and myself that if this directive was it a favorable hearing--wasn't it?

MR. CLAYTON: Careful consideration would be given to the other matter.

H.N.JR: Immediately.

GEN. SOMERVELL: I think if you would call Mr. Stimson up and tell him your committee would give it favorable consideration, it might affect his attitude. Nobody over there has any such idea.

H.N.JR: You said the word--what was it?

MR. COE: I think it was reasonable.

H.N.JR: Reasonable.
GEN. SOMERVILLE: In that case I side with Hilldring if that is what you told him. We have got to know definitely whether we have got the right to use that oil.

MR. CLAYTON: I thought, Mr. Secretary, there was every reasonable expectation that the matter would be favorably acted on promptly. I certainly couldn’t bind the committee to that, but I thought that we could depend upon it that there would be prompt action. There was every reasonable expectation that that would be favorably acted upon. That was the language I used.

GEN. SOMERVILLE: What is the argument?

H.R.JR: The argument is this: that the great U. S. Army says, “If you agree on this one item out of about five hundred items, why, we can find a way of getting this thing out, but if you don’t agree to it, we won’t come out.”

GEN. SOMERVILLE: I should think that that one little— you wouldn’t worry too much about that one out of five hundred.

H.R.JR: I don’t like to do business that way.

GEN. SOMERVILLE: As far as I can see, it is a pretty straightforward business; you believe one thing, and we believe another.

H.R.JR: It isn’t a question of confidence. I put it on the question now of having confidence in me as to my reasonableness.

GEN. SOMERVILLE: Well, I don’t think there is any question about your reasonableness, but there may be some question as to what you think is reasonable and what we think is reasonable.

H.R.JR: There is no request from General Eisenhower for this?

GEN. SOMERVILLE: There is a very definite feeling on the part of the people that have to supply the oil that we have got to have it.

MR. CLAYTON: I didn’t feel, General, that I was authorized to make any definite commitment in the matter because I am only just one member of the committee, but really, what you want to do, I think, in substance is what we have already decided may be done, and it is just a little difference in language, and I really think that all we have to do is call the committee together and they will agree upon it, and there will be no delay, but-

GEN. SOMERVILLE: I am just at sea, Bill, as to what the argument is about. Hilldring called me up late this morning, and I told him I didn’t know what you were arguing about. In other words, if I could find out— if your committee is willing to continue this oil production, I am sure we would have no special views with respect to the protocol which was used to accomplish that end. I am sure of that, Mr. Secretary. The only thing that I think we are looking for is an agreement that the oil will be continued. That is all. If you are willing, why, it seems to me the protocol business could very easily be arranged.

MR. CLAYTON: I think, Mr. Secretary, that we did decide that pending a determination and study here on the basis of the representations that would be made by the commander there that the oil could continue, and that is what we decided.

H.R.JR: That is right.

MR. CLAYTON: The telegram is couched in just a little different language, and I felt I wasn’t authorized to speak for the committee. I am chairman of the committee, but I told General Hilldring that I thought I understood it for myself, and I would vote for it and recommend that the committee give it favorable consideration. I didn’t think there would be any trouble about it at all. I thought we would go ahead with this directive and the other thing—it would be put on the track very directly.

GEN. SOMERVILLE: I will be glad to go into it when I go back.
H.M. JR: It looked like a holdup to me.

GEN. SOMERVILLE: Well, I don't think it is anything like that at all. It is just a question of straightforward differences of opinion.

H.M. JR: There isn't any difference of opinion, just a difference that here is a very important document, and you said, "If you agree to this one item, we can find a way of getting the document out." That you agree to, that first.

GEN. SOMERVILLE: The document has to be complete. You have got to agree to all of it or take the items you don't agree on.

H.M. JR: You can't single out oil when there are so many other important things, lots of other important things.

GEN. SOMERVILLE: There are a number of others that we raised, but that is the most important.

H.M. JR: Mr. McCoy said the amount of oil left there is just a trickle.

GEN. SOMERVILLE: I don't know how much it would turn out to be, but I think we would be very remiss if we failed to utilize any resources in oil that exist. I don't see how you can explain it to this country or any other country at all.

H.M. JR: Are you through with him as far as you can go?

GEN. SOMERVILLE: No, I think there are only five or six, maybe.

H.M. JR: That is what I suspect. If there is one, there are going to be a lot more, and to say I am not--

GEN. SOMERVILLE: That you objected to is the position that the War Department through Hilldring has taken to the effect that it must have a definite assurance from you on this point before it will give its consent to the rest of the document.

H.M. JR: Mr. Clayton, having gone as far as he could, I think that the War department ought to have enough confidence
in Mr. Clayton and myself to proceed. I think it is a matter of— I feel it is a lack of confidence in me.

GEN. SOMERVELL: I will explain that to them when I go back.

MR. CLAYTON: Mr. Secretary, if the General would— if I could have a little talk with him— could you excuse us for a few minutes so I could go into some questions about this matter with him?

H.W.JR: Are you going to stay?

MR. CLAYTON: We will come back in a few minutes if you like, or we could do this later.

H.W.JR: No, because here is our position: I have a document putting forth the Treasury's strict fiscal position which seems to be agreeable to the people here. We have gotten nowhere on cotton. I don't know where we are on trucks.

MR. WILLAVER: We are all right on trucks.

GEN. SOMERVELL: We are all right on trucks.

MR. WILLAVER: That appears in a memo which Mr. Crowley sent you that the Army, through General Carter, told us that they would give us four thousand trucks starting in August. When I say we are all right, I think that August is perhaps a little bit late in order to get them over there in time, but General Carter held out some hope that the cutback was moving so fast in trucks we probably could get it approved officially before we approve it.

H.W.JR: Supposing we do this, if this is agreeable to you personally, we can start with this financial matter. Mr. Clayton wants to talk with General Somervell. They can go into Mr. Bell's office. And are you—is somebody going to tell him about the trucks?

MR. CROWLEY: Mr. Willauer will stay. Mr. Secretary, could I just say this on textiles? It would only take a minute. The latter part of this week we will have a meeting of our committee to bring forward the statement and we'll have Krug there and see what we can do about civilian supplies and try to meet some of these textile things. And Mr. Scheuer will stay, and you understand the truck thing, together with General Carter.

H.W.JR: Are you going to tell them about the truck thing today?

MR. WILLAVER: How about it?

GEN. CARTER: About the truck situation we may have to modify your statement and that is as to spare parts with these Chevrolet trucks.

MR. WILLAVER: It may be that the cutback may not produce the number of trucks as quickly as we thought because of the over-all demand on spare parts.

GEN. CARTER: The Army may be able to release some heavier trucks but we couldn't answer that, as I told you over the phone.

Mr. G: Is the Army or FEA ready to make a definite commitment on trucks today or is it an optimistic prospect?

GEN. SOMERVELL: I think you're all right on the trucks. There's another ace in the hole on that and that is the Russian Protocol.

MR. CROWLEY: Could the Secretary, General Somervell, tell the ambassador, Mr. Soong, that on the trucks we think we can meet it and on the textile things we are going to have a meeting the latter part of the week to survey civilian requirements and see what we can do to meet it, and we will report to him as quickly as we can?

GEN. SOMERVELL: Yes.

MR. CROWLEY: And you think we can meet the truck thing?
GEN. SORREL: Yes.

MR. SCHUE: Out of the Army program?

GEN. SORREL: The Army is getting the whole program now and we do the buying and then there is a certain number of trucks that we take for Army use. A certain number are allocated for other uses.

MR. SCHUE: This won't be a deviation from other uses?

MR. WILLARD: How about any of your cutbacks on military lend-lease?

GEN. SORREL: Plus what we might get out of the Russian protocol. I forget how many—twenty-five thousand, I think, Studebaker, six that the Russians have in their protocol which may come out.

MR. CRANE: We will try, Mr. Secretary. Just as far as we can with Army to try to go alone, to dovetail in with your fiscal program, because as I see it, you wouldn't be successful without dovetailing with trucks and textiles in with it. We will do that and report to you.

MR. JA: They need trucks and textiles very badly.

MR. CRANE: That's right.

MR. JA: How you have got to go and you want to talk with General Somervell.

GEN. SORREL: Do you want to talk about scrap for a minute?

MR. JA: Yes.

GEN. SORREL: We have this letter here in which we propose that an agreement be included whereby sales of Army salvage and surplus property be made directly by Army Disposal Officers to a designated agency of the Philippine Government with payment to be made in United States gold

with negotiated prices with an agreement to sell direct if an agreement is reached. In other words, the proposition we raised here the other day, and I would like to leave this with you for—

MR. SCHUE: Is that Army surpluses?

GEN. SORREL: ...with great confidence in your judgment and discretion.

H.M.JA: As far as scrap is concerned?

GEN. SORREL: As far as scrap is concerned.

MR. CARR: On inflation.

GEN. SORREL: Do you want me to talk to Clayton now?

H.M.JA: If he wants to.

GEN. SORREL: Do you still want to talk, Mr. Clay?

MR. CLAY: Yes. If we could excuse ourselves for a minute.

(Mr. Clay, Mr. Somervell, Mr. W. Bell, Mr. Adler, and Mr. Crowley leave the conference.)

(Mr. Soong, Mr. Ling, and Mr. Pei enter the conference.)

(Mr. Adler reenters the conference.)

H.M.JA: Doctor Soong, what we have been trying to do here to save you time, the State Department and the Army and Mr. Crowley's organization, and ourselves, each one has said his piece and we been trying to put them together. You can see that Mr. Clay and General Somervell aren't ready yet so they had to excuse themselves to go out and they will be back in a few minutes. We in the Treasury have a few suggestions. I'll give the original to Mr. Soong and you can read it aloud, you see, if you would (indicating attached memorandum).
Mr. OSS: Do you want me to read it?

Mr. JR: Anyway, Dr. Soong would like him to read it.

Mr. SOONG: Yes, if you would.

Mr. JR: And you stop him any place you want to. This is only one piece of the picture, but this is the piece the Treasury is responsible for.

(Mr. D. N. Bell reenters the conference.)

Mr. Clayton reenters the conference.

(Hon. Geo reads "Memorandum for Dr. T.V. Soong, attached")

Mr. SOONG: May I speak in Chinese to my colleagues?

(Discussion off the record.)

Mr. JR: Dr. Soong, might I make a suggestion? I am not expecting an answer on this today, and possibly you would like to hear the rest of the story, and that would give you more time to study this.

Mr. SOONG: I can already make some sort of reply to you.

Mr. JR: Wouldn't you like to hear about the trucks and textiles?

Mr. SOONG: Yes, I would, but I could give you some sort of reply.

Mr. JR: Whatever you say.

Mr. SOONG: On the general attitude.

Mr. JR: If you please.

Mr. SOONG: On this memo—your proposal we consider very constructive and in the tradition of your Government toward China, the proposal is very constructive. However, we want to know how you plan to combat inflation with five hundred million—you see, how you would use five hundred million to combat inflation.

Mr. JR: Well, those are the things we would have to sit down and talk with you about. We realize perfectly that the only way to combat inflation, really, is with goods and that anything short of goods is not very effective. But looking forward to the day from which we are not too far off, we hope, that some port in China is open and that goods can flow freely into China, and then we think that a five hundred million dollar stabilization fund to China is a more orthodox way, and more ordinary trade would be very useful just as it has been in this country. But under the present situation I would be less than frank if I told you I don't think it would, but looking forward to the day when goods will once more flow freely into China, we think it would be a useful instrument for you to have.

Mr. SOONG: Mr. Secretary, I came from the San Francisco Conference where I assured him that I could complete the job. Why did I come? Because we are faced with a situation in China, see, which would not allow me to wait, and therefore, I would rather break off the conference and come here, because I have always been telling my people if there is no apparent future, they must take care of the present, see? It is for this reason that I came down today breaking off my conference there. Now, I have said that we like the approach which is to mutually consult or mutually have a full and frank discussion. But on the gold thing I would want to point out some things. First of all, we have made commitments to sell gold, true. The United States Treasury was not consulted when the program was initiated. None the less there was a definite commitment, and that commitment was contained in a letter from Mr. Hull to you, Mr. Secretary, of July 24, 1943, to which you replied in your letter of July 27th to the Chinese Ambassador.

May I read an excerpt from it?
"Your Excellency: This is to acknowledge receipt of your letter of July 24, 1943, transmitting telegraphic message from Dr. H. H. Kung dated July 25, 1943.

"Please transmit the following reply to Dr. Kung:

"The Treasury agrees to the request of the Government of China transmitted to me by Ambassador Wei Tao-ting that two hundred million be made available from the credit on the books of the Treasury in the name of the Government of the Republic of China for the purchase of gold. In order to avoid unnecessary raising of funds by the United States Treasury, it is suggested that transfers from the credit of the Chinese Government for the purchase of gold be made at such time and in such amounts as are allowed by existing facilities for the transportation to China of the equivalent amount of gold. Since it is intended that this gold will be sent to China for sale to the public, this procedure should not interfere with the program outlined in your message of July 23, 1943. On receipt of requests from the Government of China that a specific amount should be transferred from the credit of the Government of China on the books of the Treasury and be used for the purchase of gold, the necessary action will be taken to consummate these requests. The details of the arrangements will be discussed with Dr. F. W. Koo and Mr. Hsi Pe-moo."

There we have a definite commitment to supply gold to China and it was on that commitment that we made the sale. This is the point we wanted to point out.

R.H.JR: Dr. Soong, that was twenty million.

ML. SOONG: Two hundred million.

R.H.JR: Two hundred million?

ML. KOO: I think he misread it.

ML. SOONG: Two hundred million.

R.H.JR: I misunderstood you. I believe you. But that didn't envisage or foresee future sales of gold. I mean it was never discussed as far as I know.

ML. SOONG: As far as China is concerned, there was no commitment on our part that we would have to consult every time we make a sale of gold.

R.H.JR: No, but there was a sort of understanding, and my men can check me, which was volunteered by China that in the use of the five hundred million dollar loan that China would consult with the United States Treasury in the use of that money. I think that was it.

ML. KOO: That's in the agreement.

ML. COI: It was told to the Congress and it was my impression it was said earlier by the Chinese representative.

ML. SOONG: Five hundred million dollars. I had the honor to sign that agreement with you.

R.H.JR: Pardon me.

ML. SOONG: On the five hundred million dollars. I do not recall such an agreement on our part specifically because I was instructed that this must be clear-cut.

R.H.JR: I would have to go back.

R.H.JR: It's quite correct, sir, it's not included in the agreement, but I think your previous agreement was correct that there was a sort of gentlemen's agreement to that effect between you and Dr. Kung.

ML. KOO: I understood that the Chinese Government offered that. They said, "now, before we spend this money we will consult with you." That was made verbally.

ML. SOONG: Well, be that as it may, this was a commitment and this is water over the dam, and now as to the amount of sales of gold by China that have already been made we can't really give gold in exchange for that--five hundred dollars. We can't because we would be forfeiting the credit of the Government as you know and we are very desperate to rebuild the confidence of the Government--of the people in the Government.
Now, as to future sales, having already made sales and suddenly stop, you know that is also very bad for our situation. Sitting in Washington you probably are informed day to day of the inflationary situation in China, but when I was there sitting in Chungking I felt I was sitting on top of a volcano which may erupt any moment. I wish you to please take that into account. Now, as to--

H.W.JR: May I interrupt you, please?

Mr. Soong: Yes.

H.W.JR: My people tell me that the coal is going forward in sufficient amount and with sufficient speed to meet all future commitments of the fifty million dollars forward sales that you have made.

Mr. Soong: I should like to amend that, sir. What it is is enough coal forward in day to meet the day situation. We think we are covered on the whole holy situation.

Mr. PaI: You mean, Mr. Soong, that one hundred thousand also recently shipped?

Mr. Soong: It hasn't arrived yet. I didn't say arrived.

Mr. PaI: But at the same time the commitments—the forward sales are falling due every day and there is tremendous pressure on the Chinese Government over there.

Mr. Soong: Now, as far as the gold is concerned, as Mr. Adler would hear with me, the Chinese Government is not interested that it gets into the hands of speculators or rich people to make a speculative profit. I raised the price of gold and in addition I propose to tax those who have made forward purchases. The real black market price of stock gold is much higher than even our price. Now, is that money going to the fortunate few who bought? No, I propose to tax them, see? You are not in favor of even reaching the speculators or people who take advantage of their position to make money, nor am I, nor is the Chinese Government.

Now, as to the effect of the United States dollar certificates and bonds, why don't we investigate on it and why don't we tax those people, too, to take away their unnatural profits? I am quite ready to do that. I want to assure you that there is no disposition on the part of my Government either in the present or in the future or going back into the past to allow whatever assets we have to go to even rich speculators. That I can give you this statement, you see. I can commit myself on that.

H.W.JR: Well, now, would you like to hear about the trucks?

Mr. Soong: Yes, I would certainly be delighted to hear about the trucks.

H.W.JR: All right. Which of you gentlemen can speak on the trucks?

Mr. Clayton: Mr. Willauer.

Mr. Willauer: The trucks look all right, Dr. Soong. General Somervell, who has been here, has assured us that we will get the trucks. I am a little bit worried as to the time element on those but the Army out-backs are coming along so nicely that I feel of the three points in your program that the most optimistic point is the one of trucks; and I don't think that anybody can tell you today that the trucks will be delivered, absolutely, one hundred percent, the whole four thousand, in such and such a month, but it looks good to me and I have had some experience, as you know, in evaluating these things, and I think you can feel pretty sure about that.

H.W.JR: Now, who would like to tell them about the textiles?

Mr. Clayton: Mr. Willauer and Mr. Scheuer know more about that than any of us.

(Mr. Willauer hands Mr. Soong paper entitled "Chinese Import Textile Requirement Position as of May, 1945," attached.)
Mr. WILLAVER: There are a lot of figures there which need not concern you. To boil it down, your requirement comes to one hundred and sixty-eight million yards or twenty-one thousand tons, as you know. Now, the only thing you have got in sight are the six million two hundred thousand yards out of FEA, which you know about, and the thirty-two hundred tons in India which, translated, amounts to about twenty-five million, six hundred thousand yards at eight thousand yards per ton, which means that you have got a balance that you have got to get by various different kinds of activity of one hundred and thirty-six million two hundred thousand yards. That’s that second underlined figure in the second column. Now, from there on in there is nothing firm. There are various sorts of hopes. There is an eight million dollar hope that we go down to the Brazilian market to buy from wholesalers. That’s just a hope, a guess estimate. You will have to put up fancy prices to get that. There is ten million dollars that we are suggesting to the Army and FEA that they split sort of fifty-fifty to get you into business right away, so there will be continuity to the time that your one hundred and thirty-two tons get into market and the time we can do something else for it.

The next piece of the problem is this attempt to get allocation for the second half of the year out of WFP. That’s that thirty-five million yards which you know about that we are biding for. It’s on the second page. But only seventeen million five hundred thousand could be of benefit to your 1945 Program. And then finally the last figure in the second column, one hundred million seven hundred thousand yards is the figure on which no action today is being taken. Now, Mr. Crouse said before you came into the room that he proposed to convene his over-all, entire agency committee in two or three days and see what they can do about these one, two, three, four, and five problem children.

Now, that’s where the matter stands today. General Somervell held out no hope to us in the meeting, but he is going to look at the thing again.

Mr. WILLAVER: And the difficulty of this meeting will be, as Mr. deheuer who is an expert on textiles can tell you, there are a lot of over-all problems that are going to have to be met in this over-all textile picture. There are problems as to Army specifications as to the amounts that are required for civilians, and other big problems. There has been talk, which you have heard about, of there being a world balance sheet on textiles. Mr. Scherer says whereas we hope that will be ready by the end of this week, we are not at all certain, and I think he would rather it two weeks from now—wouldn’t you?

Mr. SCHERER: I would think so. I think it is only fair to say that you will realize that the textile supply is the most difficult problem we face internationally all over the world, and we are pressed from all-out commitments in that regard. We are trying to press as much as we can.

Mr. SOW: Well, you see, Prague was just taken yesterday or the day before yesterday. This country that first got beaten up by the aggression will be the last to be rescued. China is in that position. V-E Day is over but China still has to bear the brunt, you see, and therefore, I know the difficulties in your cotton textile program, and all that but there is still a war to be won in China, and on that account I must request on the part of my Government—request that utmost consideration be given to what we require which is, really, a modest percentage of your whole production. I know there is need for civilians in Europe, too, but the war is won there and it’s not won in China, and to let off these things it might cause it to go very badly. It might prolong the war indefinitely.

Mr. WILLAVER: In that connection General Somervell did state that there is no question as to the vital military need for these textiles for China. He agreed with us on that.
MR. SONG: I suppose I would have to wait until you formulated the picture?

R.M. JI: Well, when Mr. Crowley left—I think I can speak for everybody in the room—we appreciate the seriousness of the situation and we are going to do everything possible—

MR. SONG: Thank you.

R.M. JI: ...to find the maximum of textiles even up to the point of cutting down additionally on our own civilian supply, because that's where it will have to come from. General Somervell explained that, you know, better than I could, as we prepare our troops for the far East, cotton becomes more and more important. They are not going to wear wool, and instead of needing less cotton, they need more cotton, and the demand of the Army is not being fulfilled. The Army itself is short of its cotton textile requirements, so when we begin to look around, it may end up that we may have to either take away from some other country or take away from ours, but the will is here to do something, and we realize that nothing would help as much as we could get you an adequate supply of textiles. I think I am talking for everybody. Is that right, Mr. Clayton?

MR. CLAYTON: Yes, sir, it is. We have done a lot of work, all of us, on this since you were in San Francisco, Dr. Song, and the matter has been thoroughly explored with the Army. They understand the situation fully, and as Mr. Willauer said, they agree with us as to the urgency and importance of this matter of getting these textiles for China if we possibly can, and we haven't despaired of it. We are just telling you that it is extremely difficult, but we are still working on it, and we are hopeful that we will be able to accomplish something by the end of the week.

MR. SONG: In the event of gold, Mr. Secretary, I would request for my Government that first the gold that you have already sold that you ship to us, and second, that gold should be given in such quantity so that we could go on a cash basis, and on this sale of gold I am perfectly willing on the part of my Government to—in fact I would request—that there would be a representative of the United States Treasury sitting with us from day to day knowing our problems, advising us, and seeing the situation, because I do feel myself, and I say it with full knowledge of the circumstances, that if we were to stop sales of gold, we would instantly create a very ugly situation in China financially.

R.M. JI: Well, we didn't propose that you stop the spot sale of gold, but we did suggest that you stop sale against future delivery.

MR. OX: May I add something to that on this forward sale of gold? As you know, there has been an accelerating sale so that it is going up. Now, you are doing it without the knowledge that it is coming there, and it is bound to create just the situation which has been created. That is, suddenly a whole series of commitments fall due. There is no discussion as to amount, quantity, or whether it can come.

MR. SONG: We understood that until we heard from you that the gold is not available, we could go ahead. That's my position. That was the one thing that the Secretary of the Treasury in his letter—only one remark, "existing facilities for the transportation," see, that is the one thing, and I wish to suggest to you that the facilities for transportation are there and if they are not, I could arrange it personally. So that condition does not exist. On the other hand, we have a terrible situation in China. I wish most of you could visit it, because it was ugly, and when I was there I had no sleep. Of course, I was on top of a volcano. I'm only the second person responsible for this situation, and Mr. Pei just pointed out to me that we were selling—it you had given us what gold you would have sold us, and I think we would revert to the policy of selling spot, and it would blot out large amounts of currency. It has blotted out large amounts of currency.
The United States Army and our army in preparation for war are not decreasing minimum expenditures today. They are increasing. We are cutting the Army to three million five hundred thousand effective in September. In order to give our troops back the fighting qualities, we are giving them more food, not less, and it will cost more, not less.

Mr. COX: I am sure you have given consideration, as we have, to the recent publicity out there. I have in mind the resolution of the people's political council.

Mr. SONG: There Adler will bear witness with me it was I who requested investigation when I found the sale of gold was being practically doubled. I ordered the investigation.

Mr. COX: We understand that.

Mr. SONG: And you can take it from me that on my part I want to throw all my cards on the table. You can be assured from now on you will have that situation.

H.W.JA: Dr. Soong, why don't you take this document and study it a little bit and we will study your comments. You won't expect to settle anything here today.

Mr. SONG: Yes.

H.W.JA: That would be too businesslike. That would be just on this financial thing.

Mr. SONG: On this financial thing--unless we are ready to talk on cotton textiles.

Mr. ADLER: Well--

H.W.JA: We will be very glad if you gentlemen would care to attend. We issue you a cordial invitation.

(Dr. Soong, Mr. Pai and Mr. Lin leave the conference.)

H.W.JA: Tomorrow I am going to stick to the memo. I learned from my father if you sit long enough, you get somewhere. I am a great little sitter. I can sit. I sat with Dr. Kung for five months and finally got a bargain, and it took me five months to settle the pay for the army.

Mr. ADLER: It started in Bretton Woods and finished in November.

Mr. SCHUEVER: What assurance do we have of equitable distribution of commodities?

Mr. WILLIAMS: The Army said they would take on that job.

Mr. SCHUEVER: Of course, the percentage of textiles this represents is small in the total supply. It's very large as against our export movement and what the WPA has been willing to make available.

Mr. COLLADO: I don't see how you can do as the General suggested, take it out of the other countries, because they don't have it.

H.W.JA: That's something out of my field, but certainly, I am not going to recede unless President Truman wants me to, because I will have a chance to see him tomorrow. Among other things, I am going to explain to him this thing. But if the story was ever told about what they did with the two hundred million bonds and the fifty million dollars, why, they would never get anything out of us. I mean, we have the actual list. We have the names of the people that bought and how much they owned. Is that right?

Mr. COX: Yes. For that portion, for one-fourth of the total where they told us they never presented the rest for redemption.

H.W.JA: So I think when I see them at four o'clock tomorrow we will start, as far as the Treasury is concerned, just where we ended.
MR. CLAYTON: There is a great difference between gold and textiles, Mr. Secretary, which you will recognize at once. Certain individuals can get all the gold but they can't wear all the clothes, and these textiles are desperately needed in China. I think they must be more needed there than any part of the world. There is no question about it.

H.M.Jr: Excuse me. There is another difficulty in this thing. They don't want this gold, too.

MR. CLAYTON: Yes, I know. I don't doubt it.

H.M.Jr: When he says he has private means of getting it over, what does he mean? What's he talking about?

MR. WILLAVER: He's got the National Aviation Company that can fly this.

MR. CLAYTON: There is no transportation problem on this.

MR. WILLAVER: There really isn't any. We are up to sixty thousand tons a month across the hump. Fifty-eight was the last ATC and if we add CNAC it would be sixty thousand and they expect to go to one hundred thousand.

MR. COLLADO: You only have one psychological factor, that, unfortunately, the pilots don't seem to have it through their heads that gold is somewhat remarkable stuff, and protect it. It's a psychological concern.

MR. WILLAVER: They have Chinese pilots that could do this actually.

MR. COX: It would have been a lot better if you had hurried up on those textiles. we are all for you there.

MR. WILLAVER: Mr. Crowley said, "You people don't want to give them gold, but you all want me to give them textiles."

MR. COLLADO: Textiles would do some good.

H.M.Jr: We don't say we won't give them gold. If it is the combined opinion here, it is very easy to loosen up, but everybody seems to agree we should sit tight. If anybody changes it, we are Americans. They don't talk reason; they flash the 1943 document on us.

MR. SCHEM: And history has rapidly changed since then.
May 8, 1945

INFORMATION FOR DR. T. V. SOONG

1. This memorandum does not deal with the questions of textiles and trade which were included in the program which was presented to this Government. The urgency of China's need for these items and their bearing upon inflation are recognized. They are omitted because our supply authorities are in the process of making an over-all determination of requirements and supplies and are not yet in a position to make a decision respecting China's requests.

2. We are agreed that any program to stabilize the currency and to check inflation should comprise a broad series of measures in the following categories:

   (a) Monetary and banking rehabilitation.
   (b) Foreign exchange stabilization.
   (c) Fiscal and administrative reforms.
   (d) Increase of supplies and improvement in their distribution.

3. We are anxious to give full support to an effective anti-inflationary program for China. It is therefore recommended that a Currency Stabilization Fund of $500 million be constituted for this purpose from the remaining $300 million of the United States loan to China and that China hold the existing dollar balances. Such an allocation of this remainder of the United States loan would be in strict accordance with the spirit and the letter of the 1942 financial agreement. The Fund would be set aside with firm mutual consent on the part of China and the United States as to its purposes and availability.

   It is envisaged that the uses to which this Currency Stabilization Fund would be put would be part of a broader concerted program for combating inflation and for currency stabilization and these uses would be subject to joint agreement. The time at which the Fund's operations would start would be discussed at a later date.

The Secretary stands ready to advise and consult with the Chinese Government on the content and timing of such anti-inflationary and stabilization programs. We are strongly of the opinion that the initiation of a Currency Stabilization Fund would strengthen the financial position of the Chinese Government and would inspire confidence both at home and abroad in its future economic and financial stability. The existence of such a Fund would give the Chinese people a real sense of security with respect to their ability to cope with their grave problems of reconstruction.

It should be noted that this proposal relates only to one portion of the foreign exchange assets presently available to China and that it would leave a relatively large amount of dollar exchange for helpful intermediate measures and for meeting China's current foreign exchange requirements.

4. We believe that the Chinese Government should terminate the program of forward sales of gold. As you know, the U. S. Treasury was not consulted when this program was initiated. In view of the difficulties of shipping gold, the limited effects of sales upon price rises in China, the public criticism of such sales and the desirability of using foreign exchange resources to achieve maximum effects, this program is ill-advised.

5. The Treasury will endeavor, as in the past, to make available limited quantities of gold for shipment to China during the next few months, having due regard to the need for restricting gold shipments where these endanger lives for restricting gold shipments where these endanger lives.

6. China should investigate and cancel sales to speculators and reconvert gold at the New York gold standard. This gold is worth less than the gold it received.

7. It is most unfortunate that the impression has arisen in the United States that the $500 million of U. S. dollar certificates and bonds and the gold sold in China have gone into relatively few hands with resultant large individual credits and have failed to be of real assistance to the Chinese economy.
HMJr: Hello.
Secretary Stimson: Yes, hello, Henry.
HMJr: How are you, Harry?

Harry, has either McCoy or Lovett brought to your attention the status of this so-called revised 1067? This directive to General Eisenhower?

S: On reparations?

HMJr: No, not on reparations... on the military government.

S: Well, they may have a long time ago. I haven't heard of anything of any excitement lately.

HMJr: Well, I tell you -- it was given -- this committee of which McCoy was one, we walked it over to the President on the 87th of April. The committee was in agreement, and then it went to American Chiefs of Staff. The thing is hung up on one item -- the question of whether or not they should continue production of oil in Germany with a few remaining plants. Hello?

S: Yes.

HMJr: Now yesterday the proposal was put up to me that if I would agree to the postponement of this thing, the thing would be released. Well, I didn't like having a pistol held to my head.

S: Agreed to the postponement of what?

HMJr: Of destruction of oil plants in Germany. I just felt that I would appreciate it if you would have a look at it yourself because Mr. Clayton gave the Army the assurance that if they would pass this thing -- and it was referred to this civilian committee, we would immediately give consideration to a request from General Eisenhower to postpone destruction of oil plants pending an investigation. Now having given Clayton having given that assurance on my part, it looks as though the Army didn't have very much confidence in my word.

S: Henry, I haven't heard a thing about it.

HMJr: I know -- I asked General Hilldring, who called me today on behalf of General Marshall, and I asked him if it had got to you and he said it hadn't. And I would appreciate it if you could give General Hilldring five minutes on this. He has the entire story, and so has Lovett.

S: All right.

HMJr: It sounds like a tempest in a teapot, but the whole directive is being held up on this one matter.

S: Well... 1067?

HMJr: It's the revised 1067.

S: Well, what will I have to do with it?

HMJr: You?

S: Yes.

HMJr: Well, as Secretary of War, I mean, you can-- and Lovett -- McCoy is your subordinate -- you can say you want it to go forward to the President or you don't. It's waiting -- the President is waiting to hear from the Army.

S: All right. I'll see what is the matter.

HMJr: It's a question of Clayton and myself having given the Army the assurance that if this goes forward we will immediately give a request -- consideration to the request. But they put it the other way around yesterday. The word was that if we would go along with this exception, then the Army could find ways to clear the thing. And it left a very bad taste in my mouth.

S: Well, I don't -- I never heard of anything like that.

HMJr: Well, that's the way it was... S: Well, all right, I'll see what's the matter.

HMJr: I would appreciate it.

S: All right, old man.

HMJr: It's a question of the Army -- I mean itself.

S: All right.
May 8, 1946
4:20 p.m.

MEMORANDUM FOR THE PRESIDENT
STRENGTHENING FEDERAL FISCAL CONTROLS

Present: Mr. Gaston
Mr. Bartelt
Mr. O'Connell
Mr. C. S. Bell
Mr. D. W. Bell
Mrs. Klots

(Discussion off the record)

Mr. C. S. Bell: This is precisely what you asked for yesterday, but I don't think these gentlemen are all in agreement. They all have some reservations.

H.M. Jr: Let's have the preamble.

Mr. C. S. Bell: Okay, sir.

(Reads first paragraph of attached Memorandum for the President.)

H.M. Jr: May I interrupt? Would you say "in my case," or "in the case of the Secretary of the Treasury?"

Mr. C. S. Bell: That's one of the questions Bartelt raises. He thinks this should be a formal document and throughout it reference should be made to the Secretary of the Treasury.

H.M. Jr: That's what I would like.

Mr. Gaston: I think that is probably right.

Mr. D.W. Bell: I question the eighty-five million, but then, that's a minor thing.

H.M. Jr: That's a detail. I would like you to read it in the third person.
MR. C.S. BELL: I think that was your only objection.

MR. BARTLETT: Yes.

H.M.JR: Are you with us then if you make that change?

MR. BARTLETT: I think the general idea is very good, but you have some ideas with respect to the overall—

H.M.JR: All right.

MR. C.S. BELL: (Reads rest of first paragraph)

H.M.JR: You don't say anything about taxpayers.

MR. C.S. BELL: I said "fifty million taxpayers."

MR. GASTON: I would cut out that sentence "fifty million taxpayers," and that intermediate sentence. It is not necessary if you jump to this "status of bondholders in their Government." Cut out that clause.

H.M.JR: And call them "shareholders." Have you a copy there, Bartlett?

MR. BARTLETT: No sir.

H.M.JR: Go ahead.

MR. C.S. BELL: Mr. Gaston's suggestion is this; a substantial majority of the citizens of the United States may properly call themselves bondholders.

H.M.JR: Shareholders.

MR. GASTON: I think that if you read the sentence preceding and the sentence that follows—

Mr. C.S. BELL: "...shareholder status more and more of our citizens are looking to their Government."

MR. GASTON: If you look at the sentence preceding and the sentence following, I think you will see that it all hangs together.

MR. C.S. BELL: All right, we'll take that out. What time tomorrow do you want this?

H.M.JR: Ten o'clock.

MR. C.S. BELL: "Since I am charged with the responsibility for raising funds and accounting for expenditures—"

H.M.JR: Not since "I?"

MR. C.S. BELL: I'll change that throughout. I'll go over the whole thing carefully and eliminate the first person.

H.M.JR: Would you?

MR. C.S. BELL: (Continues reading first page to "Federal ledger.")

H.M.JR: I would bring in the Congress of the United States and the Chief Executive.

MR. C.S. BELL: Chief Executive, Congress, American people—

MR. BARTLETT: I raised the question there whether reference should be made to the American people. It seems to me you are serving more than the President.

H.M.JR: I like that.

MR. C.S. BELL: He said we are selling eighty-five million people bonds.

MR. BARTLETT: I was thinking of the psychological end.

H.M.JR: I like that.
MR. C. S. BELL: (Continues reading through "organizational improvements" on page 2.)

H.M.JR: I suggested that. That's an apology. I won't apologize. I would cut it out. I won't apologize.

MR. C.S. BELL: Cut it out. All right.

(Reading second page through "unknown magnitude").

H.M.JR: Do you think we need all that stuff? I am trying to make it briefer so he can cut it.

MR. GASTON: I think it's a little bit involved. It can be simplified considerably.

H.M.JR: I think that page there is just too much.

MR. C.S. BELL: Yes sir. That and that. (indicating)

MR. D.W. BELL: I questioned it, too, whether we ought to put the Treasury in that position at this time saying that we would use fiscal policies for these purposes.

H.M.JR: Well, I would cut out those two paragraphs.

MR. C.S. BELL: All right, sir.

H.M.JR: I would cut them out. I want him to read this thing. I think you can start in from "My experience in the Treasury department is strongly--" Let me read this thing. Can it?

(Secretary reads through page three, the first paragraph)

H.M.JR: I think that's good.

MR. GASTON: That idea is the basic idea on which the whole thing rests.

(Secretary reads second paragraph on page three)

H.M.JR: I think that's all right.

(Reading) "The Office of the Secretary of the Treasury should carry the responsibility for over-all policy direction of Federal fiscal affairs."

MR. GASTON: I have a little question there. Your language is pretty strong, that over-all direction of Federal fiscal affairs is a function of the whole administration. It's a function of the President and there should be some bow to the President in there that as the Officers of the Government who should--

MR. C.S. BELL: Don't we say, "Under the Chief Executive?"

MR. GASTON: Yes, yes.

MR. D.W. BELL: Say, "The Secretary of the Treasury as a Cabinet Officer is responsible."

MR. C.S. BELL: That was Mr. Gaston's principal objection, sir.

H.M.JR: That's all right.

MR. GASTON: "A Cabinet officer responsible to the President for the supervision of the Administration."

H.M.JR: "The Secretary of the Treasury as a Cabinet Officer responsible to the President for--"
MR. GASTON: "...supervision of the entire Administration fiscal program."

(Secretary continues reading page three through "Chief Fiscal Officer of the Government.")

Do you want to change that again?

MR. GASTON: Well, he is the Chief Fiscal Officer.

H.W.JR: (Reading) "...and place him in a position to exercise that degree of influence which is imperative to a cohesive Federal fiscal program." And I would say, "and relieve the President."

MR. C.S. BELL: Yes, sir.

H.W.JR: "And relieve the President of this multitude of agencies which are directly responsible to him-multiplicity of financial agencies."

MR. GASTON: Yes.

"...and relieve the President of this multitude of financial agencies which are responsible to him."

MR. GASTON: "...and relieve the President of a direct supervision of a multitude of fiscal agencies."

H.W.JR: I thought if it was agreeable to you, Henry Murphy could just stay here and sit with you. He has got an awfully clear head.

MR. C.S. BELL: Well, I have had Mr. Shick help me on this in our own office.

H.W.JR: If it is agreeable to you, I would like Henry Murphy to go over this. He is awfully good.

MR. D.W. BELL: He is good on language, but this is a little out of his bailiwick.

H.W.JR: No. Do you mind?

MR. C.S. BELL: No, sir, I will do just as you say.

H.W.JR: Have you any better suggestion, Dan?

MR. D.W. BELL: Bartelt. You have got a lot of expressions in there that I don't think ought to stand.

H.W.JR: Let's say that-I don't want to ask others to stay tonight, but I think Bartelt and Henry Murphy should stay on and go over this thing so you can lick it into shape.

"While not presenting at this time a detailed analysis of the ramifications of the realignments. I should like to see accomplished, I am indicating generally the agencies which I feel should, from the purely fiscal point of view, be tied into the Treasury Department for purposes of policy coordination and control. It should be made clear that it is not my desire to disturb the basic corporate patterns, regulatory and insuring controls or operational practices of such agencies. However, I do feel, as indicated below, that considerable organizational and administrative improvement can be accomplished through a reduction-not only reduction, but economy-bring in the word economy, see.

MR. O'CONNELL: I hadn't thought that this would necessarily involve a reduction in the number of operating agencies.
H.M.: Well, we have got a couple.

Mr. D. W. Bell: It is all right to put in the thought that it might eventually result in a combination of a lot of them and bring about a reduction in the number—

Mr. O'Connell: Ultimately.

Mr. D. W. Bell: Yes, that is what I got from that sentence.

H.M.: "My suggestions embrace the extension of the Treasury Department's influence into these areas:

A. Policy control and correlation of programs relating to banking, insurance, lending, and borrowing now spread principally in the Department of Agriculture, Interior Agency, the National Housing Agency, and the Federal Loan Insurance Corporation.

B. Policy influence with respect to the money and credit markets of the country, typified by activities of the Board of Governors of the Federal Reserve System, the Federal Open Market Committee, and the Securities and Exchange Commission.

C. Policy direction over Federal revenue and expenditures typified by the President's budget and proposed legislation submitted to the Congress from the standpoint of a unified fiscal program.

My recommendations for accomplishing the necessary degree of integration in this wide area of work, while holding to a minimum the disturbance of existing organizational lines, fall into two major programs:

1. The establishment of a top policy committee chair-manned by the Secretary of the Treasury and composed of assistant chairmen who will head subcommittees for specific functional areas.

Mr. C. S. Bell: I added two more there.

H.M.: I want a chart.

Mr. C. S. Bell: It is right on the end, I think.

H.M.: It is not.

Mr. C. S. Bell: Here it is right here. You want it to go to the White House, too?

H.M.: Yes.

Mr. C. S. Bell: I will have it drawn.

H.M.: I told George Haas to do something for me.

Mr. D. W. Bell: Do you want the chart of expenditures?

H.M.: Yes.

Mr. D. W. Bell: It is ready.

(Secretary holds a telephone conversation with Mr. Haas.)

H.M.: I thought that would give the President some idea of the size of the thing.

Mr. C. S. Bell: Yes, sir.

H.M.: "II. The centering of certain outlying, but closely related functions, in the Treasury Department."

Instead of saying, "Generally, my plan," say, "My plan, generally."

Mr. C. S. Bell: I will eliminate that throughout.

H.M.: "Generally, my plan under program (I) is to have established eight principal subcommittees as follows: (1) Committee on Industrial Finance, (2) Committee on Agricultural Finance, (3) Committee on Foreign Finance, (4) Committee on Maritime Finance, (5) Committee on Money

This is to help the President. This is the thing which would take the worry off your shoulders. This is to make it--instead of ten agencies looking to you, there would be one agency. I think that should be instead of--count them up, you have supervision of ten or fifteen agencies--you could look to one person to run the thing for you, see?

MR. C. S. BELL: Yes, I understand this will be a document in case the new Secretary of the Treasury--

R.W.JR: I think it should be made clear to him that he has a multitude of details and he hasn't the time to supervise them. He should look to one person who would do that for him. That isn't clear enough.

MR. C. S. BELL: Yes, sir.

R.W.JR: "The membership in, and in some instances the existence of a committee would depend at any given time on the Federal fiscal programs then in process, but we would have established a framework into which the bulk of Federal financing functions would fall. "Illustrative of the operating practice I contemplate this is:" That isn't quite clear, but I am not going to bother with the word. "Each of the subcommittees would meet once a week. In the case of Agriculture the Assistant Chairman would be Secretary Wickard, who in turn would meet with the Secretary of the Treasury's top committee at two week intervals. The same pattern would be followed with each of the other subcommittees from which would come a representative to serve with the top fiscal policy group."

"The top policy body, chairmaoned by the Secretary of the Treasury, would be expected to draw the controlling framework within which the respective operations are carried on. This group's decisions on broad policy should be final, subject of course to specific legislative requirements or presidential direction."

I wouldn't say, "This group's decisions." Instead of saying "final," say it would be in the form of recommendations to the President of the United States, see. Instead of saying this is final, say, "These decisions will be in the form of recommendations to the President of the United States."

MR. R. W. BELL: They might not have to be. He might find it necessary to make the policies, because probably ninety percent of the stuff will come to the committee, and he will just approve it and let it go.

R.W.JR: I want to bring in the idea that the Secretary of the Treasury acts as his servant. I want to get that through, see.

MR. R. W. BELL: General direction of the President.

R.W.JR: Under the direction, see? Eddie, I mean be sure and get over to him when he reads it that it doesn't mean Morgenthau is setting himself up as a financial ear. I would like to say a dozen times, "Under the guidance or direction"--say it about a dozen times.

MR. GASTON: Yes, yes.

MR. BARTLET: Yes.

R.W.JR: Under the guidance, direction, or subject to--all that kind of stuff. Say it a dozen times to impress the President that I am only trying to assist him, to make it easier, make it more official, to economize.

(Mr. Murphy enters the conference.)

R.W.JR: It will mean better service to the taxpayers.

Henry, I hope you are not too tired. I have got a thing going to the President; and after it leaves here, I would like you to go over it a little with Charlie Bell and Mr. Hartelt. To be helpful, if you need transportation, they will send you home later on.
Will you see that he is sent home?

Mr. C.S. Bell: Yes.

Mr. Murphy: Thank you.

R.M.: This is something that has to be finished today. I won't bother to explain to you; you will get it.

Mr. Murphy: That is all right.

(Secretary completes reading draft.)

R.M.: I think with the help of these boys this is good enough, and that by tomorrow morning you people can come in here around ten o'clock and give me something. See?

I'll say nine forty-five.

Mr. C.S. Bell: In the event you overlooked it, this brings in Allen Property custodian into foreign Funds and it omits reference to the Bureau of the Budget.

Mr. D.W. Bell: No. It sets up a budget committee which very forcefully brings it to the front.

Mr. C.S. Bell: The budget committee is no different than the Department of Agriculture committee, and we are not going to bring the Department of Agriculture into the Treasury.

Mr. D.W. Bell: But you are going to bring the Secretary in over budget policy.

Mr. C.S. Bell: This is a pure fiscal policy committee, but that was in the Secretary's little menu that he wrote out himself--those six committees.

Mr. D.W. Bell: That raises the question and brings it right to the forefront, I think, where you have the most trouble, too, I think.

R.M.: Well--we'll have trouble. It is just that I am not going to have any trouble. I'm going to explain to the President of the United States. I think it is all right. Leave this thing, bringing the Bureau of the Budget in without moving the Bureau of the Budget back into the Treasury, leaving it apart.

Mr. O'Connor: Without spelling it out, I think all through the document you are really changing it--really changing the relationship of the Bureau of the Budget to the President. It seems to me in a major part the document contemplates changing the status of the Bureau of the Budget.

Mr. C.S. Bell: You do agree with the Carter Glass statement, and you wanted that in. We might omit that.

R.M.: I'd leave it in.
MR. O'CONNELL: You have two things in there that I really question a bit. I don't know how essential they are to the theory of the document, but one is in connection with bringing in examining of banks functions which is now spread between FDIC and the Federal Reserve Board and the Comptroller's office, and the other is the Alien Property Custodian. Those two things have been up and up and up over a period of years.

H.W.JR: Look! This thing is dynamite any way you look at it. If President Truman wants to have a streamlined, modern, fiscal department with me as Secretary of the Treasury, I want to give it to him. I don't want to leave the thing out or say to him that any one of these things is difficult. Just because Mr. Crowley is there doesn't bother me one bit. The whole thing—I handed exactly the same thing to Mr. Roosevelt and nothing ever happened. I don't know if anything will happen to this, but I tell you, it is just like I am designing a house, and you say—well, I can't compare it, but it is like trying to please the client in order to get your plan across.

Now, I want to give him an ideal. There will be plenty of chiselling and whittling down.

MR. O'CONNELL: I hadn't thought that the document was ideal, and I only thought that the two things which I thought were details which could, without sacrificing anything in the document, be eliminated, and those two things were the proposal about consolidation of the examining functions of the national banks into the Treasury, and FDIC.

MR. D.W.BELL: Can that be done?

MR. CHARLES BELL: That is a good point. Those two things could be eliminated without injuring the mechanism.

H.W.JR: Which two changes?
MR. D.W. BELL: Didn't you?

H.W.JR: No. The committee is President Truman.

MR. O'CONNELL: I think you named this committee.

MR. D.W. BELL: No. I thought you asked—you were going to suggest to the President that he set up a committee—

MRS. KLOTZ: A secretariat or something.

MR. D.W. BELL: That is in there.

H.W.JR: No.

MR. O'CONNELL: Isn't this the Murray bill really, in part—the Murray bill which requires the President to set up a national budget and do at this end of the avenue some over-all planning?

MR. D.W. BELL: Part of this—

MR. O'CONNELL: It inches into this, and I am saying it's good, but I think it is a part and parcel of that.

H.W.JR: The Murray bill was to make sixty million jobs.

MR. O'CONNELL: I know, but it doesn't stop there.

MR. GASTON: This would be a mechanism which could be used in connection with the Murray bill.

MR. O'CONNELL: We were debating in your office who in the Executive branch would be responsible for the Executive end of the Murray bill, and the question was the Bureau of the Budget or somebody else.

H.W.JR: This doesn't mean that anybody who wants to help Charlie Bell is not at liberty to do so, but I definitely want Eddie Bartelt and Murphy to stay until it is finished. But look! This is a hurry-up job and can't be perfect. I have something—the thing I have in mind is I want to bring to the President in about a month—when did Roosevelt die?

MR. D.W. BELL: April twelfth.

H.W.JR: And I want him to know that after twelve years I know what is the matter with the fiscal end of the government, and I'd like to tell him before somebody else does.

I don't expect much, but at least I want to lay it on his desk. That is all.

MR. CHARLES BELL: We'll leave out the Alien Property Custodian at the moment and FDIC.

H.W.JR: Bring in this thing about the Hill which is very important that Herbert brought in.
MEMORANDUM FOR THE PRESIDENT

Subject: STRENGTHENING FEDERAL FISCAL CONTROLS

With the close of the war in Europe our Government finds itself faced with unprecedented domestic and international tasks that place burdensome and extremely challenging responsibilities on our executive leadership. In my own case I am confronted with the job of managing the largest public debt in the nation's history, a debt which is shared by some 86 million purchasers of Government securities, and some 50 million taxpayers. Thus, a substantial majority of the citizens of the United States may properly call themselves "bondholders" in their Government. Because of this shareholder status more and more of our citizens are looking to their Government for a comprehensive control over the financial affairs of the nation.

Since I am charged with the responsibility for raising funds and accounting for expenditures, I am identified in the public mind as the chief fiscal officer responsible for the far-reaching programs of Government borrowing, lending, spending and insuring. Yet, in actual practice the area of control and influence exercised by the Secretary of the Treasury is largely limited to one side of the ledger. While he is responsible for the supply of necessary funds, he is not in a position to exert commensurate influence over the use and disposition of all the fiscal resources. This weakness is a material handicap to the functioning of my Department and, moreover, to the orderly and unified conduct of this Government's financial affairs.

No Secretary of the Treasury can properly serve the Chief Executive or the American people during the trying post-war period of international rehabilitation and domestic reconstruction without maintaining a balanced policy direction over both sides of the Federal ledger. It is for this reason that I am calling your attention to certain basic weaknesses in the management of the Federal Government's fiscal and monetary affairs, and recommending to you a re-organization program aimed at the unification and correlation of related functions in this vast and vitally important area of Government activity.

I should like to make it clear at the outset that I have no personal reason for desiring to undertake an expanded functional responsibility. The suggestions I am advancing are made in the interest of what I believe to be logical and necessary organizational improvements based on twelve years of experience as the Secretary of the Treasury, and are applicable to the post no matter who holds it.

BACKGROUND ELEMENTS

Throughout this administration we have held as a national policy the view that the Federal Government's monetary forces should be a dynamic and useful instrument for improving the total national well-being. The use of Federal fiscal power through the early years of this administration represented a significant widening of this Government's responsibility toward the individual citizen and the industrial and commercial plant of the nation. During the formative period, when new programs were conceived and brought into being rapidly to meet the exigencies of the times, it was often necessary to build new organizations on an independent footing. There was no time to appraise the functional relationships of programs already in existence. The critical need for relief through immediate action took precedence over any long-term organizational or program planning.

We have learned much from the earlier experience in using this Government's fiscal resources as a flexible tool for maintaining a healthy economy, and we must shortly face a testing of this knowledge and experience by applying it to complex new problems in the post-war years. Not only must we meet with utmost vigor the job of keeping our domestic industrial machine running smoothly, and at top speed, but we must also unequivocally shoulder international responsibilities of an heretofore unknown magnitude. These things we must do if we are to reap the fruits of a bloody and costly struggle.
From my years of experience in the Treasury Department I feel strongly that there is a positive need for the re-grouping and realignment of agencies now concerned with various segments of Federal fiscal operations. This need should be met by a plan that will ultimately establish a control or coordinating authority for the entire area of work. It can be readily appreciated that all financial transactions of every agency and instrumentalities of the Federal Government, whether in the fields of borrowing, lending, insuring, or spending, are closely related to the condition of the Treasury. By the same token, it is apparent that all of these activities have a direct or indirect bearing on the responsibilities of the Secretary of the Treasury in superintending the revenue and managing the public debt.

At present there is no integrating force between the President, the Secretary of the Treasury, and the many separate agency authorities whose activity may have a significant impact on Federal Treasury policy. In brief, I believe that the components of Federal fiscal power should be knit together through the policy direction of the top fiscal officer.

The Office of the Secretary of the Treasury should carry the responsibility for over-all policy direction of Federal fiscal affairs. The need for bringing together all of these segments of Federal fiscal activity is great today and will become still more pressing now that the war in Europe is ended. We are on the threshold of the difficult task of preserving an appropriate balance between taxation, borrowing, lending and spending in a post-war world economy that will look to us for stimulus and example. Today the Secretary of the Treasury may be unable to exercise policy direction in a wide area which is an important part of the United States fiscal program, but which is connected to the Treasury Department in nothing stronger than a bookkeeping sense. It is this deficiency which suggests a re-reading of top policy lines so as to establish the Secretary of the Treasury in the true role of the Chief Fiscal Officer of the Government and place him in a position to exercise that degree of influence which is imperative to a cohesive Federal fiscal program.

While not presenting at this time a detailed analysis of the ramifications of the realignments I should like to see accomplished, I am indicating generally the agencies which I feel should, from the purely fiscal point of view, be tied into the Treasury Department for purposes of policy coordination and control. It should be made clear that it is not my desire to disturb the basic corporate patterns, regulatory and insuring controls or operational practices of such agencies. However, I do feel, as indicated below, that considerable organizational and administrative improvement can be accomplished through a reduction in the number of agencies involved and certain functional mergers.

My suggestions embrace the extension of the Treasury Department’s influence into these areas:

A. Policy control and correlation of programs relating to banking, insurance, lending, and borrowing now spread principally in the Departments of Agriculture, Interior, and Post Office (Postal Savings), and the Federal Loan Agency, the National Housing Agency, and the Federal Insurance Corporation.

B. Policy influence with respect to the money and credit markets of the country, typified by activities of the Board of Governors of the Federal Reserve System, the Federal Open Market Committee, and the Securities and Exchange Commission.

C. Policy direction over Federal revenue and expenditures, typified by the President’s budget and proposed legislation submitted to the Congress from the standpoint of a unified fiscal program.

My recommendations for accomplishing the necessary degree of integration in this wide area of work, while holding to a minimum the disturbance of existing organizational lines, fall into two major programs:

I. The establishment of a top policy committee chairmanned by the Secretary of the Treasury and composed of assistant chairs who will head subcommittees for specific functional areas.
II. The centering of certain outlying, but closely related functions, in the Treasury Department.

Generally, my plan under program (I) is to have established eight principal subcommittees as follows: (1) Committee on Industrial Finance, (2) Committee on Agricultural Finance, (3) Committee on Foreign Finance, (4) Committee on Maritime Finance, (5) Committee on Money and Credit, (6) Committee on Housing Finance, (7) Committee on Public Works Finance, (8) Committee on the Federal Budget.

The membership in, and in some instances the existence of a committee would depend at any given time on the Federal fiscal programs then in process, but we would have established a framework into which the bulk of Federal financing functions would fall. Illustrative of the operating practices I contemplate is this: Each of the subcommittees would meet once a week. In the case of Agriculture the Assistant Chairman would be Secretary Wickard, who in turn would meet with the Secretary of the Treasury's top committee at two week intervals. The same pattern would be followed with each of the other subcommittees from which would come a representative to serve with the top fiscal policy group.

The top policy body, chaired by the Secretary of the Treasury, would be empowered to draw the controlling framework within which the respective operations are carried on. This group's decisions on broad policy should be final, subject of course to specific legislative requirements or presidential direction. In addition, the approval of the Secretary of the Treasury should be required on all financial, capital or borrowing, or corporations owned by the United States or in which it has a direct or indirect controlling interest.

The Secretary of the Treasury would need to have a small staff of experts available to carry on liaison with the operating agencies, and serve as a secretary. This staff would be trained to deal with important fiscal problems which might arise in any of the constituent groups, and to weld together the program of all these activities in relation to the Government's financials.

Under program (II) I have in mind working toward consolidations that I believe will bring about far-reaching administrative improvement and make possible the rendering of better service to the public as well as provide the Chief Executive with a central point of responsibility for the functionally intertwined agencies affected.

For example, I should like to see all of the Federal Government's insurance business centered in the Treasury Department under a new office of "Federal Insurance." This function is now scattered through such principal agencies as Federal Deposit Insurance Corporation; Treasury's Comptroller of the Currency; Farm Credit Administration; Federal Crop Insurance Corporation; Federal Home Loan Bank; United States Maritime Commission, and the War Shipping Administration. In terms of practical operation the total financial resources of the Federal Government stand behind these insurance programs. The business of insurance underwriting is fundamentally the same regardless of the commodity covered, and for that reason the insurance agencies here, I believe, more in common with each other than with their parent bodies.

Further, it seems eminently desirable to center in the Treasury's Bureau of the Comptroller of the Currency all bank examining functions that are currently carried on by such agencies as the Federal Deposit Insurance Corporation and the Federal Reserve Board. This would unify and strengthen the Federal Government's position in relation to the nation's banking system.

With regard to dealing with international problems of foreign property ownership and financial intelligence, I am urging that the Alien Property Custodian be merged with the Treasury Department's Foreign Funds Control. This entire area of work could be more effectively carried out by a single authority, and preferably an old line organization since many of the associated problems will unquestionably call for several years of constructive work.

In presenting these tentative proposals for what amounts to a substantial rearrangement of the Federal Government's fiscal and monetary operations, I am not unmindful of the
reasons behind the present organizational setup. Nevertheless, I think that you will agree that in a Government such as ours the job of perfecting our organization and adapting it to the changing demands of growth and development is a never-ending undertaking. With respect to the position of the Secretary of the Treasury I am in full accord with Senator Glass when, as Secretary of the Treasury, I said, "The responsibility for the preparation of the budget should be placed upon the President, and, in my judgment, he should meet this responsibility through the Secretary of the Treasury, the chief fiscal officer of the Government."

At this time I am not placing before you any executive orders or detailed organizational plans for the reason that I want first to secure your concurrence in the major policy changes. It is my belief that much of the program I have in mind can be accomplished without legislative action and, I hope, without engendering personal antagonisms. With your approval, I shall undertake to prepare the necessary executive orders and present to you in detail the make-up of the top fiscal committee and each related instrument aimed at co-ordinating and streamlining our programs of finance as I feel are necessary.

Faithfully yours,
THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

May 5, 1945.

MEMORANDUM TO THE SECRETARY

Bob McConnell called this morning to advise us that he was looking for an economic adviser to the Chief of the Economic Division under General Clay. He said he had thought that the Treasury, State, F.E.A., and the Federal Reserve Board should be interested in the calibre of the individual who is appointed to this position. He would like for us to give it some consideration and let him have the name of anyone we would care to recommend.

Sue

Copies to: Mr. Coe
Mr. Dubois

Regraded Unclassified
IN reply refer to
WAS 701.5834/4-1945

May 8, 1945

My dear General O'Dwyer:

I have received your letter of April 18, 1945, addressed to
the Secretary of State with respect to the concern of the War
Refugee Board in the fate of Raoul Wallenberg, Special Attaché
to the Swedish Legation in Budapest and advising of Secretary
Morgenthau's personal interest in Mr. Wallenberg's welfare.

The War Refugee Board has received parliaments of all the
enemies to and from Stockholm and Moscow which unfortunately have
failed to produce any news of Mr. Wallenberg's whereabouts. As
you may have already noted, a cable was dispatched on April 30,
1945, to our representative in Hungary requesting General Key to
ask the Soviet military authorities for information concerning
Mr. Wallenberg's whereabouts and expressing the concern of this
Government in his welfare because of notorious activities in
protecting Jews from persecution by the German and Hungarian Nazis.

I shall advise you immediately of the contents of the reply to
this further inquiry as soon as it has been received.

Please assure Secretary Morgenthau that the Department will
pursue the inquiry concerning Mr. Wallenberg as long as any possi-
bilities of information remain to be explored.

Sincerely yours,

/s/ George L. Warren

George L. Warren
Adviser on Refugees and
Displaced Persons

Brigadier General William O'Dwyer
Executive Director
War Refugee Board
Treasury Department
Washington, D. C.
**TREASURY DEPARTMENT**

**INTER OFFICE COMMUNICATION**

**DATE** May 8, 1945

**TO**  
Secretary Morgenthau (for information)

**FROM**  
Mr. Coo

**Subject:** Purchases of $200 million of savings certificates and bonds.

1. Attached hereto is table giving names of principal purchasers of U.S. savings certificates. It is based upon analysis of $163 million of savings certificates presented for payment out of total issue of $100 million. The analysis reveals that 86 individuals or organizations or less than 2% of the total purchasers accounted for about $28 million or about 70% of the total.

2. Names of purchasers of the $100 million of ten year bonds are not available since the bonds have not yet matured. However, it is certain that the ownership of the bonds is even more concentrated than that of the certificates as $90 million were sold in three days. Both Adler and Friedman were informed by Ambassador Guess that he, Ambassador Guess, has it from a reliable source that Madame Chiang Kai-shek and Madame Kung had between them purchased $50 million of these bonds.

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### Principal Purchasers of U.S. Dollar Savings Certificates

(Thus far our investigation has covered only 43 million of the total issue of $100 million)

<table>
<thead>
<tr>
<th>Purchasers</th>
<th>Amount (thousand dollars)</th>
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</thead>
<tbody>
<tr>
<td>T.V. Soong and affiliates</td>
<td></td>
</tr>
<tr>
<td>China Sugar Refining</td>
<td>154,618</td>
</tr>
<tr>
<td>Nan Yang Bros. Tobacco</td>
<td>171,017</td>
</tr>
<tr>
<td>China Insurance Co.</td>
<td>548,911</td>
</tr>
<tr>
<td>Yu Foong Cotton Mill</td>
<td>126,786</td>
</tr>
<tr>
<td>Yu Hua Cotton Spinning</td>
<td>370,680</td>
</tr>
<tr>
<td>Bank of China, Bursa Agency</td>
<td>107,081</td>
</tr>
<tr>
<td>Bank of Canton, San Francisco</td>
<td>1,269,841</td>
</tr>
<tr>
<td>Bank of China</td>
<td>842,063</td>
</tr>
<tr>
<td>Soong, T.A.</td>
<td>226,105</td>
</tr>
<tr>
<td>China Development</td>
<td>690,220</td>
</tr>
</tbody>
</table>

| K.P. Chen and affiliates            |                           |
| Shanghai Commercial Bank            | 1,088,193                 |
| Lee Dong Chum                       | 262,498                   |
| Pak Sing Flour Mill                 | 108,986                   |
| Tszang, C.                         | 962,890                   |
| Hang Hwa                          | 257,697                   |
| Dah Hua Cotton Spinning            | 561,472                   |
| Sung Sing Cotton Mill               | 697,916                   |

| H.K. Kung and affiliates            |                           |
| Yangtze Trading Corp.               | 354,823                   |
| Yu Hwa Commercial                   | 176,138                   |
| Bank of Communications              | 116,064                   |
| Central Bank of China               | 154,633                   |
| Central Trust Company India         | 177,121                   |
| Chiao, C.N.                         | 151,443                   |
| Chou, Tsoo-Ming                     | 451,411                   |

| Wei Tao-Ming                        | $124                      |
| K.C. Liu                            | $189                      |

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Regraded Unclassified
<table>
<thead>
<tr>
<th>Purchasers</th>
<th>Amount (Thousand Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neu Kan and affiliates</td>
<td>$ 124</td>
</tr>
<tr>
<td>C.L. Tung</td>
<td>123,627</td>
</tr>
<tr>
<td>Tu Yueh-seng and affiliates</td>
<td>$ 412</td>
</tr>
<tr>
<td>Shashi Cotton Spinning</td>
<td>103,022</td>
</tr>
<tr>
<td>Commercial Bank of China</td>
<td>209,068</td>
</tr>
<tr>
<td>Lung Yung and affiliates</td>
<td>$ 368</td>
</tr>
<tr>
<td>Y.T. Miao</td>
<td>264,984</td>
</tr>
<tr>
<td>Kunming Bank</td>
<td>103,022</td>
</tr>
<tr>
<td>K.P. Hu and affiliates</td>
<td>$ 207</td>
</tr>
<tr>
<td>Hwa Hsin Cement and Co.</td>
<td>103,022</td>
</tr>
<tr>
<td>China Automotive Co.</td>
<td>104,268</td>
</tr>
<tr>
<td>T.L. Soong and affiliates</td>
<td>$ 280</td>
</tr>
<tr>
<td>China Products Trading Corp.</td>
<td>280,221</td>
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<tr>
<td>Chang Nai-chi and affiliates</td>
<td>$ 114</td>
</tr>
<tr>
<td>Mr. Chang</td>
<td>113,830</td>
</tr>
<tr>
<td>Li Ming and affiliates</td>
<td>$ 295</td>
</tr>
<tr>
<td>Cheklang Industrial Bank</td>
<td>235,427</td>
</tr>
<tr>
<td>Yu Ya Ching</td>
<td>$ 103</td>
</tr>
<tr>
<td>Patrick Sun</td>
<td>$ 104</td>
</tr>
<tr>
<td>Yang Brothers and affiliates</td>
<td>$ 149</td>
</tr>
<tr>
<td>Chu Hsin Chen Bank</td>
<td>149,371</td>
</tr>
<tr>
<td></td>
<td>Yardage @ 5,000 yds. per ton</td>
</tr>
<tr>
<td>-----------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>1. Total Export Requirement as stated by Chinese through June 30, 1945</td>
<td>530,000,000</td>
</tr>
<tr>
<td>2. Requirement for delivery in China December 31, 1945</td>
<td>188,000,000</td>
</tr>
<tr>
<td>3. Deduction from requirement due to lack of transportation space available during 1945 is 21,000 tons</td>
<td>8,000,000</td>
</tr>
<tr>
<td>4. Adjusted 1945 requirement</td>
<td>168,000,000</td>
</tr>
<tr>
<td>5. Amount presently in sight to meet requirement:</td>
<td></td>
</tr>
<tr>
<td>a) Allotted in FPA requisitions from U.S. first and second quarter production (R.H. Contracts have not yet been let)</td>
<td>6,800,000</td>
</tr>
<tr>
<td>b) 2,800 tons of Chinese textile stocks currently moving into China from India</td>
<td>25,900,000</td>
</tr>
<tr>
<td>6. Balance of 1945 requirement needing further action</td>
<td>138,200,000</td>
</tr>
<tr>
<td>7. Steps now being taken to meet the 138,000,000 yard balance:</td>
<td></td>
</tr>
<tr>
<td>a) Attempt to purchase from current British wholesale and retail stocks (this is a mere &quot;guess estimate&quot;)</td>
<td>9,000,000</td>
</tr>
<tr>
<td>b) A suggestion that U.S. &amp; FPA furnish immediate stock of 10,000,000 yards on 80/80 basis. This would be an amount of follow up of program already started by the purchase of 5,600 tons (28,800,000 yards) of India stock</td>
<td>10,000,000</td>
</tr>
</tbody>
</table>
7. a) PWA request for 35,000,000 yards allocation by NYS from third and fourth quarter. Only third quarter of 17,800,000 yards can be delivered against calendar 1946 requirement. Allocation will not be fixed until NYS meeting May 16 and probably will require directive of highest level.

4) Brazilian 40,000,000 yards and Mexican 25,000,000 yards ORES recommendation for China ("allocation") cannot be counted on at all for China delivery in calendar 1946.

b) Balance requirement on which no action has currently been taken. This requirement must be filled out of second and third quarter production in order to be delivered as part of 1946 program.

<table>
<thead>
<tr>
<th></th>
<th>Yards</th>
<th>Yards</th>
<th>Tons</th>
<th>Tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>@ 9,000 yds per ton</td>
<td>17,800,000</td>
<td>2,187.5</td>
<td>1,780</td>
<td></td>
</tr>
<tr>
<td>@ 10,000 yds per ton</td>
<td>100,700,000</td>
<td>12,587.5</td>
<td>13,650</td>
<td></td>
</tr>
</tbody>
</table>
ASSISTANT SECRETARY OF STATE
WASHINGTON
May 8, 1945

PERSONAL

Dear Henry:

I have to be on the Hill at 1:30 for a very important meeting which ought not to take over thirty minutes, but it might take a little longer and I might be a little late at my 2:15 meeting in your office. I have asked Mr. Collado to attend and I will come in just as quickly as I can.

Meantime, I enclose a memorandum on the textiles which T. V. Soong sent me.

Sincerely yours,

W. L. Clayton

Enclosure

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

CHINA'S TEXTILE REQUIREMENTS FOR 1945

Transportation capacity at an average of 3,000 tons a month for 7 months - May to December, 1945

<table>
<thead>
<tr>
<th>Item</th>
<th>Tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Two F. E. A. Requisitions</td>
<td>700</td>
</tr>
<tr>
<td>(2) Stocks from India.</td>
<td>3,200</td>
</tr>
<tr>
<td>(3) Additional allocation from U. S.</td>
<td>6,500</td>
</tr>
<tr>
<td>(4) Loan from 1945 stocks for delivery in China in 1945 (which will be repaid by purchases in Brazil and Mexico) which can be expected to be delivered in U. S. in 1945, but cannot be delivered in China during 1945.</td>
<td>6,100</td>
</tr>
</tbody>
</table>

TOTAL: 21,000

Regraded Unclassified
CHINA'S TEXTILE REQUIREMENTS FOR 1945.

Transportation capacity at an average of 3,000 tons a month for 7 months - May to December, 1945

<table>
<thead>
<tr>
<th></th>
<th>TONS</th>
<th>TONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>21,000</td>
<td>21,000</td>
</tr>
</tbody>
</table>

Quantity Available:

(1) Two F. E. A. Requisitions (Already Secured) 700

(2) Stocks from India, (Shipments completed April / May) 3,200 3,900

Balance Required:

(1) 5 million yards from U. S. Army to be matched by 5 million yards from F. E. A. 1,000

(2) Allocations from F. E. A. portion of U. S. second half of 1945 production. (Hoped for, but far from being certain.) 3,500

(3) Additional allocation from U. S. second and third quarters of 1945 production. 6,500

(4) Loan from 1945 stocks for delivery in China in 1945 (which will be repaid by purchases in Brazil and Mexico) which can be expected to be delivered in U. S. in 1945, but cannot be delivered in China during 1945. 6,100 37,100

TOTAL: 24,000 21,000

May 8, 1945.

My dear Harry:

It is to your great glory that you have had a vital part in planning and organizing victory and in maintaining the public confidence and the national effort to make it possible.

I give you my most earnest congratulations on the wonderful result.

I have been proud to work with you and shall be proud to give you any further help I can in the remaining part of the big job.

Sincerely,

(Signed) Henry

The Honorable Henry L. Stimson
Secretary of War
Washington 25, D. C.
May 8, 1945.

My dear General Arnold:

The words of the conquered are vindication for you and for the great President who so tragically left us a few days ago. You worked and fought together for more and more air power.

You and I can remember when Franklin Roosevelt’s plea for 50,000 planes was ridiculed. I won’t try to count the thousands more that he and you sought and got and had to have for victory in Europe.

I thank you and congratulate you on your great part in getting the machines and the men and training and directing our glorious army of the air.

Sincerely,

(Signed) H. Morgenthau, Jr.

General Henry H. Arnold
Commanding General, Army Air Force
War Department
Washington 25, D.C.

May 8, 1945.

My dear Admiral King:

I offer you my congratulations on victory in Europe and also the thanks that every American owes you.

Many of us in taking just pride in the great accomplishments of our armies may forget momentarily that the Navy had to master the seas before we could begin to march toward victory.

You have a task even more stupendous in the struggle that lies ahead. I have a personal stake in that too and I wish you goodspeed.

It has been a pleasure and it will continue to be a pleasure to me to work with you.

Sincerely,

(Signed) H. Morgenthau, Jr.

Admiral Ernest J. King
Fleet Admiral
Navy Department
Washington 25, D.C.
May 8, 1945.

My dear General Marshall:

I congratulate you on the victory, but I feel it is more to the point to thank you as all Americans must be thanking you today.

None of us will soon be able to find words to describe the stupendous things that have been done or the meaning of our triumph. But we do know that you have planned and trained and directed a huge citizen army to reach with sure steps the first great objective of the greatest national effort we have ever made.

It has been a privilege and a pleasure for me to work with you so far. I want to be able to help you further to the point where we can all go back to normal living again.

I wish you for all our sakes good fortune in the work still ahead.

Sincerely,

(Signed) H. Morgenthau, Jr.

General George C. Marshall
Chief of Staff
War Department
Washington 25, D.C.
May 8, 1945.

TELECOMMUNICATION TO:

General Dwight D. Eisenhower
Supreme Headquarters Allied Expeditionary Force
France

In this hour of victory I salute with gratitude and with most sincere congratulations the great leader of a great army of freedom which has won back liberty for mankind.

Henry Morgenthau, Jr.

[Signature]

May 8, 1945

TELECOMMUNICATION TO:

General George S. Patton, Jr.
Commanding General
3rd U. S. Army

I salute with gratitude a great military leader of a great citizen army in this hour of victory which all mankind shares.

Henry Morgenthau, Jr.

[Signature]
May 8, 1945.

TELECOMMUNICATION TO:

General Carl Spaatz
Commanding General
U. S. Strategic Air Forces in Europe

With gratitude for your great leadership I send my congratulations to our glorious soldiers of the air without whom the victory we celebrate could not have been won.

Henry Morgenthau, Jr.

May 8, 1945.

TELECOMMUNICATION TO:

Lieutenant General James H. Doolittle
Commanding General
Eighth Air Force

With gratitude for your great leadership I send my congratulations to our glorious soldiers of the air without whom the victory we celebrate could not have been won.

Henry Morgenthau, Jr.
PARAPHRASE OF TELEGRAM RECEIVED
FROM: American Embassy, Rome
TO: Secretary of State, Washington
DATE: May 8, 1943
NUMBER: 1203

SECRET

US: URGENT

Attention of Morgenthau for TASCA.

In strictest confidence and without the authorization of his government, the Italian Minister of the Treasury has informed the Embassy that at La Fortezza in the province of Bologna twenty-two (22) tons of Italian Gold have been located.

SINCE

5/8/43

These pages, the memorandum to T.V. Scowen, have been read next to the conference with Dr. Scowen - to pp 249-250.
To All Members of the American Federation of Labor:

V-E Day is cause for deep rejoicing, but the Workers of America cannot relax their effort yet. Half the job of winning the war — the most important half — is now over, but a great deal of hard fighting and hard work still lies ahead before Japan is conquered and world peace restored.

American soldiers of production cannot afford to pause or falter until the entire job is completed and final victory achieved. Nor can they afford to stop buying War Bonds.

I call upon all members of the American Federation of Labor to hold fast to the War Bonds they have already bought and to increase purchases to the limit of their ability during the coming Seventh War Loan drive so that we can cap victory in Europe with victory over Japan this year.

Fraternally yours,

William Green
President
American Federation of Labor
HEADQUARTERS UNITED STATES ARMY FORCES PACIFIC OCEAN AREAS
OFFICE OF THE COMMANDING GENERAL
APO 989

6 May 1945

The Honorable Henry Morgenthau, Jr.
Secretary of the Treasury

My dear Mr. Secretary:

Your letter of 4 May 1945, is hereby acknowledged with thanks.

The Seventh War Loan Drive in my command consists of a payroll savings campaign, which began 1 April 1945, and a drive for cash sale of war bonds, which was begun on 9 April 1945. Every effort is being made, both among military personnel and civilian employees of the War Department, to make the Seventh War Loan Drive the most successful yet by the United States Army Forces in the Pacific Ocean Areas.

In addition to the drive among personnel of my command, active support is being given by my command to the drive being conducted by the Treasury Department War Finance Committees among civilians in the Hawaiian Islands. Army personnel with distinguished combat experience as guides, NACs as workers, NAC officers as war bond sales teams, Army bands for entertainment, and Army cameramen for news coverage are being made available to the War Finance Committees for its Seventh War Bond rally in Honolulu. It is hoped that this support will aid the people of the Hawaiian Islands in continuing their nationally recognized, excellent participation in the War Loan Program.

I assure you that you may count on my continued support in your most important task of raising funds with which to supply the instruments of war may be obtained and placed in the hands of our armed forces for the final destruction of our enemies in Japan.

Sincerely yours,

ROBERT C. RICHARDSON, JR.
Lieutenant General, U. S. Army Commanding

Office of the Attorney General
Washington, D.C.

May 8, 1945

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

My dear Mr. Secretary:

I appreciate very much your letter of May seventh, asking me to convey to Mr. Stephens your appreciation for his work in the case which resulted in the conviction of Robert Gould. I know how pleased Mr. Stephens will be.

Sincerely yours,

[Signature]

Francis Biddle
Victory in Europe has been won. V-E Day has come at last. The war into which Hitler plunged the world in order to take freedom away from everybody but Nazi Germany is over. There will still be much fighting against desperate guerrilla bands, and many of our fighting men in Europe must still lose their lives, but the world is at last saved from the Nazi menace.

Japan is not yet conquered and there is still a tremendous mop-up job to be done in Europe. The courage, patience and superb fighting qualities of our sons and brothers in the fighting forces must still be backed up on the home front. This is no time for us to quit buying War Bonds. For many months yet ahead of us, we must help to meet the payrolls and to pay the food and supply bills of those great fighters of whom we are so justly proud.

I therefore urge all loyal CIO members to maintain and increase their War Bond purchases. It is important that as the boys begin streaming back from Europe - as they will shortly - and later coming back from the Pacific, they find a maximum number of War Bonds piled up to await their return and to help the difficult change-over to a peacetime basis. Therefore, hold on to the War Bonds you have already bought, increase your payroll allotment and buy as many more as you can.

Philip Murray, President
### ALLOCATIONS, OBLIGATIONS AND EXPENDITURES

#### LEASE-LEASE FUNDS APPROPRIATED TO THE PRESIDENT

**Executive Report No. 1**

Report as of March 31, 1945

(Thousands of Dollars)

<table>
<thead>
<tr>
<th>Appropriation Category</th>
<th>Adjusted Appropriations</th>
<th>Cumulative to March 31, 1945</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Allocations</td>
<td>Obligations</td>
</tr>
<tr>
<td>Ordnance and Ordnance Stores</td>
<td>1,657,000</td>
<td>1,389,000</td>
</tr>
<tr>
<td></td>
<td>1,389,000</td>
<td>1,389,000</td>
</tr>
<tr>
<td>Ordnance and Ordnance Stores</td>
<td>1,657,000</td>
<td>1,389,000</td>
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<tr>
<td>Ordnance and Ordnance Stores</td>
<td>1,389,000</td>
<td>1,389,000</td>
</tr>
<tr>
<td>Aircraft and Aero. Material</td>
<td>2,447,980</td>
<td>2,156,415</td>
</tr>
<tr>
<td>Aircraft and Aero. Material</td>
<td>2,156,415</td>
<td>2,156,415</td>
</tr>
<tr>
<td>Tanks and Other Vehicles</td>
<td>764,275</td>
<td>733,130</td>
</tr>
<tr>
<td>Tanks and Other Vehicles</td>
<td>733,130</td>
<td>733,130</td>
</tr>
<tr>
<td>Watercraft</td>
<td>4,183,875</td>
<td>3,857,399</td>
</tr>
<tr>
<td>Watercraft</td>
<td>3,857,399</td>
<td>3,857,399</td>
</tr>
<tr>
<td>Misc. Military Equipment</td>
<td>290,997</td>
<td>289,291</td>
</tr>
<tr>
<td>Misc. Military Equipment</td>
<td>289,291</td>
<td>289,291</td>
</tr>
<tr>
<td>Production Facilities</td>
<td>1,077,688</td>
<td>1,077,688</td>
</tr>
<tr>
<td>Production Facilities</td>
<td>1,077,688</td>
<td>1,077,688</td>
</tr>
<tr>
<td>Agric. and Indus. Commodities</td>
<td>16,600,589</td>
<td>15,983,281</td>
</tr>
<tr>
<td>Agric. and Indus. Commodities</td>
<td>15,983,281</td>
<td>15,983,281</td>
</tr>
<tr>
<td>Services and Expenses</td>
<td>780,819</td>
<td>773,097</td>
</tr>
<tr>
<td>Services and Expenses</td>
<td>773,097</td>
<td>773,097</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>475,000</td>
<td>442,712</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>442,712</td>
<td>442,712</td>
</tr>
<tr>
<td>Total</td>
<td>22,109,499</td>
<td>20,553,361</td>
</tr>
<tr>
<td></td>
<td>20,553,361</td>
<td>20,553,361</td>
</tr>
</tbody>
</table>

#### Procuring Agency

<table>
<thead>
<tr>
<th>Procuring Agency</th>
<th>Cumulative to March 31, 1945</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Allocations</td>
</tr>
<tr>
<td>War Department</td>
<td>5,437,140</td>
</tr>
<tr>
<td>War Department</td>
<td>5,110,466</td>
</tr>
<tr>
<td>Navy Department</td>
<td>4,306,166</td>
</tr>
<tr>
<td>Navy Department</td>
<td>3,094,182</td>
</tr>
<tr>
<td>Maritime Commission and War Shipping Adm.</td>
<td>4,142,437</td>
</tr>
<tr>
<td>Maritime Commission and War Shipping Adm.</td>
<td>3,416,468</td>
</tr>
<tr>
<td>Treasury Department</td>
<td>6,096,775</td>
</tr>
<tr>
<td>Treasury Department</td>
<td>5,428,736</td>
</tr>
<tr>
<td>Department of Agriculture</td>
<td>7,858,006</td>
</tr>
<tr>
<td>Department of Agriculture</td>
<td>6,955,765</td>
</tr>
<tr>
<td>Other</td>
<td>81,900</td>
</tr>
<tr>
<td>Other</td>
<td>65,933</td>
</tr>
<tr>
<td>Total</td>
<td>22,109,499</td>
</tr>
</tbody>
</table>

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### STATEMENT OF LEND-LEASE AID

Report as of March 31, 1945

(Thousands of Dollars)

<table>
<thead>
<tr>
<th>Type of Aid</th>
<th>Cumulative to March 31, 1945</th>
<th>Month of March 1945</th>
<th>Month of Feb. 1945</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods Transferred</td>
<td>34,077,191</td>
<td>33,813,528</td>
<td>993,665</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,406,192</td>
</tr>
<tr>
<td>Servicing, Repair of Ships, etc.</td>
<td>557,593</td>
<td>544,887</td>
<td>12,706</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>6,970</td>
</tr>
<tr>
<td>Rental of Ships, Ferrying of Aircraft, etc.</td>
<td>2,868,958</td>
<td>2,921,826</td>
<td>-52,866</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>48,211</td>
</tr>
<tr>
<td>Production Facilities in U.S.</td>
<td>634,027</td>
<td>637,743</td>
<td>3,716</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>7,054</td>
</tr>
<tr>
<td>Miscellaneous Expenses</td>
<td>104,028</td>
<td>101,727</td>
<td>2,301</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>6,716</td>
</tr>
<tr>
<td>Total Services</td>
<td>4,164,606</td>
<td>4,206,183</td>
<td>-41,577</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>55,119</td>
</tr>
<tr>
<td>Total Goods and Services</td>
<td>38,971,797</td>
<td>38,019,709</td>
<td>952,088</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,644,732</td>
</tr>
</tbody>
</table>

Data on Goods Transferred include value of goods procured from lend-lease appropriations to the President and to the War and Navy Departments.

### Foreign Economic Administration

Office of General Counsel
Division of Research and Reports
May 3, 1945

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Regraded Unclassified
**LEND-LEASE GOODS TRANSFERRED**

*Report as of March 31, 1945*  
*(Thousands of Dollars)*

<table>
<thead>
<tr>
<th>Item</th>
<th>U.S. Empire</th>
<th>China</th>
<th>U.S.S.R.</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordnance (Excl. Ammunition)</td>
<td>898,608</td>
<td>16,692</td>
<td>299,732</td>
<td>40,768</td>
<td>1,255,780</td>
</tr>
<tr>
<td>Ammunition and Components</td>
<td>1,977,281</td>
<td>26,131</td>
<td>469,859</td>
<td>94,378</td>
<td>2,567,669</td>
</tr>
<tr>
<td>Aircraft</td>
<td>3,347,451</td>
<td>93,409</td>
<td>1,054,119</td>
<td>185,892</td>
<td>4,680,627</td>
</tr>
<tr>
<td>Aircraft Engines, Parts, etc.</td>
<td>1,889,565</td>
<td>34,686</td>
<td>333,528</td>
<td>63,107</td>
<td>2,320,886</td>
</tr>
<tr>
<td>Tanks and Parts</td>
<td>2,756,456</td>
<td>3,668</td>
<td>601,283</td>
<td>53,835</td>
<td>3,416,222</td>
</tr>
<tr>
<td>Motor Vehicles and Parts</td>
<td>832,310</td>
<td>28,503</td>
<td>976,758</td>
<td>29,796</td>
<td>1,867,067</td>
</tr>
<tr>
<td>Food</td>
<td>2,836,261</td>
<td>447</td>
<td>360,637</td>
<td>260,720</td>
<td>3,438,465</td>
</tr>
<tr>
<td>Other Agri. Products</td>
<td>3,108,674</td>
<td>3,279</td>
<td>1,459,274</td>
<td>59,960</td>
<td>4,677,189</td>
</tr>
<tr>
<td>Machinery</td>
<td>728,835</td>
<td>543</td>
<td>24,836</td>
<td>418</td>
<td>754,602</td>
</tr>
<tr>
<td>Metals</td>
<td>773,663</td>
<td>13,042</td>
<td>1,167,277</td>
<td>19,617</td>
<td>1,973,599</td>
</tr>
<tr>
<td>Petroleum Products</td>
<td>1,210,953</td>
<td>13,776</td>
<td>714,955</td>
<td>62,988</td>
<td>2,002,712</td>
</tr>
<tr>
<td>Miscellaneous Materials and</td>
<td>1,190,539</td>
<td>2,872</td>
<td>83,563</td>
<td>13,421</td>
<td>1,990,335</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>2,705,269</td>
<td>53,601</td>
<td>1,025,976</td>
<td>183,500</td>
<td>3,968,346</td>
</tr>
<tr>
<td>Total</td>
<td>24,855,885</td>
<td>290,649</td>
<td>8,592,297</td>
<td>1,068,380</td>
<td>34,807,121</td>
</tr>
</tbody>
</table>

*Foreign Economic Administration  
Office of General Counsel  
Division of Research and Reports  
May 1, 1945*
CAMPAIGN TO AMERICAN EMBASSY, PARIS, FROM WAR REFUGEES BOARD

Please deliver the following message to Marx Jarsham,
83 Avenue de la Grande Arme, from Herr Grossman of World Jewish Congress:

Quote: PLEASE CONTACT POLICE SWISS MINISTRY ABOUT HUGO GROSS-LIPROZER-DAUGHTER'S REQUEST REGARDING ADDRESS BASE VIENNA 5528 FORER STREET PITTSBURGH PENNSYLVANIA. DOCTOR LEOH CHILDS FAMILY IN HOLLAND NEED MONEY FROM SWISS ADDRESS DOCTOR JAN BARTON 1421 WEST 72 STREET NEW YORK DUTCH MINISTRY ABOUT GOT ALLEN VALILO, KURT ARNIMAN, BENZIA SCHULTZMANN INTERESTED PARTY HIT SCHOLZSCHULZ NEW YORK BENEFIT CORPORATION 152 BROADWAY WANTED; GESTA SEE LOOKOUT AND SAC SWIFT INTERESTED RELATIVES AND BELONGING 6 WEST 66 STREET DENTIST; LOHMAN JAMES SEE HRO DORRIS JACOB INTERESTED RELATIVES GESTA SCHULZ 231 WEST 96 STREET DENTIST AND TIPSHE ...

Quote

3:30 p.m.
May 8, 1946

CAMPAIGN TO AMERICAN EMBASSY, LONDON, FROM THE WAR REFUGEES BOARD

Please deliver the following message to Martha Sharp
From Charles B. Joy of Unitarian Service Committee:

Quote: 272 PLEASE DELIVER CODED CASES IN REGULAR SEQUENCE, WE HAVE DONE MOST IN ASSISTANCE PREPARING PETITION TO SPANISH AMBASSADOR NEW YORK PORTABLE List DISTRIBUTED PEOPLE RECEIVING FRENCH STATE DEPARTMENT AND POLISH DELEGATION TO UNICO AT SANFRANCISCO WASHINGTON ADDRESS PRESENTED IN PLAIN SESSION OF COUNCIL BY FRIENDS OF SPANISH EMIGRANT, NAME OF OUR COMMITTEE WITHIN APPROVED. SPANISH AMBASSADOR NOW ANNOUNCED PLANS WAVE COMPUTER EXPEDITE. CONGRATULATIONS TO YOU, PROGRESSIVE VIGOR, DOWNTOWN IN TRANSPORTATION PROBLEM SOLICITUS AND GET EXAMINATION. CONSULT ZEIDEN IN LONDON. MUST SEND YOUR Plans WITHOUT SPECIFIC AUTHORIZATION, WE ARE TRYING TO HAVE THEM BUT THEY HAVE ALWAYS BEEN RETURNED TO WAR FUND. WE DO NOT RECEIVE NO RESOURCES TO NEEDED TRANSMITTED ABOUT SPANISH CASES IN CASES 248 257 262 265.

 Đặc biệt Xawai mensenhart盦渳
ton 4441 please transmitted. Don't take the cases regardless of availability. Please be proud of you. Unquote

THIS IS WAR CASE NO. 184

3:30 p.m.
May 8, 1945

Regraded Unclassified
CAME TO AMERICAN CONSULATE, LONDON, FOR WAR, FROM THE WAR REFUGEES BOARD

Please deliver the following message to Harold F. Linder, 114
Regent Street, London, S.W.I., England, from Paul Herwald of American
Jewish Joint Distribution Committee:

CETRI, FOLLOWING IS THINKING OF COMMITTEE TO RECONCILE YOUR
OBSERVATIONS ABOUT YOUR CAMELE. SELL TO US everything your funds on
2,000,000 TENTH, AND WILL EXPLAIN YOU WHEN REQUESTED
STOP FULLY ASSURE YOUR STAFF OF COMMITTEE THAT TOTAL
2,000,000 CAMELE SELL TO US FOR DISTRIBUTION. REPOB
COMMITTEE STOP BLACK YOUR LOG ALLOWS ADVICE TO
HAVE THESE FUNDS DISTRIBUTED AND TAKE FOR GRANTED THERE
MUST BE VALID REASONS FOR YOUR PRACTICAL OBJECTIONS STOP. YOU
REALIZE OUR APPRECIATION ARE NOT GENERALLY ON MAR
NATIONALITY OR OUR REQUESTS. WE HAVE GREAT WISDOM
MAKING THESE DISTRIBUTIONS OR CREATING PROPORTIONAL POST-
MENTS FOR ONE GROUP AGAINST OTHER GROUPS NATIONALS
STOP, ALTHOUGH NOT CLEAR WHO WOULD HANDLE DISTRIBUTION WE
ANTICIPATE ADMINISTRATION THESE FUNDS WOULD CREATE MANY
DIFFICULTIES AND THEREFORE YOU DISCUSS PATIENTLY WITH
REMITTANTS REGARDING PRACTICAL ASPECTS. UNJOINT

THIS IS W80 LONDON CAME NO. 72

3:30 a.m.
May 8, 1945

GOLD TO CHINA

Present: Mr. D. W. Bell
Mr. Coe
Mr. Adler
Mr. Friedman
Mrs. Klotz

H.M.J.8: Look, you people, I think should be severely
criticized for letting me go into court and try my case
before T. V. Soong, and the letter of July 27, 1943 where
I gave the Chinese Government a firm commitment on two
hundred million dollars worth of gold—I think it's
inexusable. After all, you were so worried about saving
face, what about my face? I have given, in writing, the
Chinese Government a firm commitment that they can have
two hundred million dollars worth of gold and you—I
don't remember it, I can't remember it. I do ten things
a day. Bell comes in here and in three minutes we settle
ten billion dollars worth of financing, and it's impossible
for me to remember, and you put me in an absolutely dis-
honorable position, and I think it's inexusable. I think
it's absolutely inexusable to have me bargaining and
chattering around when right here in writing is this thing.

Mr. Coe: Mr. Secretary, in this proposal to the Chinese
we did not say that we would not give them the gold.

H.M.8: That has nothing to do with it. I am facing
the Acting President of China, and here I am put in the
position that I am bargaining with him about something that
I gave my commitment he could have. Now, in this world, and
certainly Government to Government, a person's word, and
particularly his written word, means something. One of you
three should have said, "Now remember, Mr. Secretary, on
July 27th, 1943, you told them they could have it. Now,
does you want to bargain with them about it?" You are so
worried about his face. What about my face? What about
the honor of this Government? I think it's inexusable.
MR. BELL: Can't they still get the two hundred million dollars over and above the five hundred million dollars?

H.M.JR.: That isn't the point.

Mr. BELL: They could still get it under the memo, couldn't they?

Mr. COB: Yes.

H.M.JR.: Oh, yes! That isn't the point. Now I was worried last night wholly independent of this, and anything else, and I figured these people were being kicked around from pillar to post and I was worried. Will Clay told me twenty minutes to nine and asked if he could see me. I told him yes and he dashed over to the Navy Department to sit there waiting to see me and he brought this stuff here to show me, and I promised to give it back to him. He was very nice about it as a friend, but in talking this morning with Forrestal and King I wanted figures so I could talk about the Seventh War Loan. I got nothing, so I got them on China, and Admiral King tells me that the Chinese are doing much better. He wouldn't talk about it, but General Wedemeyer has to do just what they wouldn't let General Stillwell do, and they are really getting somewhere, and they are really fighting and moving. This is all confidential, this stuff out of Burma, and they are going to have eleven or twelve Chinese Divisions fighting against the total number of British Divisions of six, and they are good Divisions. The Chinese are really doing it, and here I am acting like a buckster over something which has been settled on the 27th, whatever the month is, 1945. I don't like it.

Mr. COB: I think there are two parts to this.

H.M.JR.: Why, in God's name, didn't you bring this letter to my attention, Sol? You knew this existed!

Mr. ADLER: I wasn't aware of it explicitly. I had seen it in the file but--

H.M.JR.: You didn't know about it?

Mr. ADLER: I knew--

H.M.JR.: You should have--what about you?

Mr. FRIEDMAN: Well, Mr. Secretary, if I may say, on this specific thing, you will recall that at the time of the 1943 letter, when you signed the letter, you and Mr. White discussed it with F. W. Yao and Mr. Hsi Tienou and the Chinese at the time the question of two hundred million dollars of gold came up. You expressed to them that you were considerably doubtful as to this whole idea, and they said to you that the President said to Madame Chiang that they could buy the gold and you told them and Mr. White told them that you could make the commitment to buy the gold for anti-inflation and anti-hoarding purposes. Then they very deliberately at the time put into that document all this reference to anti-inflation and anti-hoarding purposes, because you were afraid at the time that they might use the gold for other purposes, and you didn't feel that that would be a justifiable use of the two hundred million dollars. And we have all along in conversations after that with Mr. Yao and Mr. Hsi, who were designated by Mr. Kung, stressed it that the gold was being sent for anti-inflationary and anti-hoarding purposes.

H.M.JR.: That's all very nice, but in cold print there it's, "You can have two hundred million dollars of this money for gold."

Mr. COB: And, Mr. Secretary, your proposal as given to Mr. Soong yesterday does not at any rate in cold print disfavor your letter in 1943. What you said to him in that proposal was (1) that we would like the Chinese Government to segregate one sum of money and another sum of money. Obviously, if they decide to segregate for a stabilization fund the remainder of this sum, you cannot give them the same sum over again for gold.

H.M.JR.: Did you know about the letter of July 27th?
MR. COE: Yes, sir.

H.M.JR: Well, I certainly think somebody should have said before I went in to this conference, "Here's this letter. Here's what you said, Mr. Morgenthau."

MR. COE: The whole basis, as I understood it, of the Treasury giving them limited sums of gold over a longer period had been the original statement that we would, month by month they were told there is so much transport available.

H.M.JR: But White told me we are running out of excuses.

MR. COE: The only excuse I ever heard--I have picked this stuff up--the only excuse I have ever heard of has been transportation, and we all think that transportation is a thin excuse.

H.M.JR: Well, I made my statement. I think, before I went into that meeting yesterday morning I should have been shown this document so that I knew that there was a written commitment that they would have two hundred million dollars worth of gold. I'm told you how I feel. Let's get on and see what we can do about it. What Clayton wants is this: He suggested that we--you fellows immediately get in touch with your people and work out some kind of condition, see?

MR. BELL: Clayton's people?

H.M.JR: Yes, work out some kind of condition, and I personally think--I mean as to how the gold will be used--I personally think that if we say to these people--you set up this file in the first place--I am going to say, "Now, look, I can recognize a letter. The gold is yours, but for future relationship can we work out something?" See? "And I think it would be good for China if you would set up this five hundred million dollar stabilization fund, and I think it would also be good for future relationship if you would tell us how you propose to use this gold and stop forward sales." How much did they sell, fifty million?
H.M.: How much are they asking for?

Mr. Friedman: They ask for one hundred and eighty million dollars worth of gold of which they want fifteen or fifteen million shipped immediately to cover past commitments and sufficient additional amounts to have a spot sale program.

Mrs. Bell: They want to get on a cash basis.

H.M.: All right. I think we should meet that. Now, provided, if we can get it out of there--their setup is five hundred million stabilization fund.

Mrs. Cole: If they could do that, sir, if they set up the stabilization fund, then they haven't the money. I mean, they haven't any loan money for the gold. They will have to use their own money. That's the purpose of the stabilization fund vis-a-vis the gold.


Mrs. Cole: So that it would seem to me the first thing is for T. V. Soong to tell you definitely that they don't intend out of the loan to segregate it as you suggest.

(Mrs. Klots leaves the conference.)

Mrs. Cole: They don't like that proposal. They would rather have the gold--take it in gold. Then you are up against the proposition of your original commitment.

H.M.: I don't follow you.

Mr. Cole: Well, they have left two hundred and forty million dollars out of the loan of which, getting back to your letter, you can say one hundred and eighty million dollars you told them in 1943 is available for gold shipment.

H.M.: That comes out of the two hundred and forty.

Mr. Cole: Yes. The rest of the loan has gone on other purposes. Now, then, it's up to them following what you gave them yesterday for T. V. Soong to say, "We don't want to segregate the two hundred and forty that way. We want to hold you to your original commitment on the gold."

H.M.: I have asked them to have lunch with me. Get me up a little one-page memo on what has happened to the five hundred million.

Mr. Cole: We have that here.

H.M.: And what happened to the rest. Did you know about the letter of July 27th?

Mr. Bell: No.

H.M.: Don't you think it puts me in an impossible position?

Mr. Bell: Well, I thought that after the letter was read yesterday that you could still comply with the letter under the memo. That's what I thought.

Mr. Cole: That's what we thought.

Mr. Bell: You probably intended to change the situation around a little but I thought you could still comply with the letter and still go through with the memo. Is that right?

Mr. Cole: No, we thought that the Chinese, if they agreed to segregate the fund would thereby not want gold. They would decide they would draw gold out of their own fund rather than out of the loan, and they would take the two hundred and forty that is left and put it aside.

Mr. Bell: If they have nine hundred million dollars to their credit, they could still take the gold and still set up the five hundred million dollar stabilization fund. That did not preclude them from taking the gold, as I remember the memo.

H.M.: But they did not have the letter in mind when they wrote the memo.
MR. COE: I may say I don't—that even if I didn't have the specific letter in mind, I was operating entirely on the fact that we are as a general rule and through that letter committed to give them gold. We have been saving transportation facilities, and so what we wanted since the gold is now ready is to have the stuff put aside in a stabilization fund.

H.M.JR: Smelly?

MR. COE: I mean, since the gold transactions are under attack, we want to put it aside in a stabilization fund.

H.M.JR: It's under attack on their side. I'll tell you what you fellows do. Now, suppose you get together with the State Department and be in here at one o'clock to give me something which comes within the spirit of this letter. Suppose he said, "No, I don't want to set this aside. We'll use our own money for gold." That's what he will say, isn't it?

MR. BELL: Probably, and I would say, "All right, you can have the gold, but will you set up a five hundred million dollar stabilization fund out of your other resources?"

MR. COE: And also, "Will you please—" and I think he is willing to do that, "will you please, if not, terminate the forward sales of gold?"

H.M.JR: All right. I have given you fellows hell! He has got a proposal to tell me. I am going to listen to his proposal. I am not going to change my attitude from yesterday. I am just going to listen and then say, "Well, Dr. Soong, I will listen and give you an answer at four o'clock," see?

MR. COE: Mr. Secretary, I want to make one thing clear. You say the memo is different from the letter. There is nothing in the proposal you handed him yesterday which contradicts the letter, maybe the spirit of it, but there is no—Collado rang me this morning and Clayton had talked to him, and I said the same thing to him.

H.M.JR: Collado said that to me at the meeting. He said it after Dr. Soong read the letter.

MR. COE: Here is some of the stuff from China.

H.M.JR: I am going to have to stop now because I have to get ready for the President. I'll have to stop on this thing. You fellows come back in here at one o'clock.

MR. COE: You don't want this for the President, the ribbon copy of the memo?

H.M.JR: On China? No, not in view of what has happened. But you people be back here at one o'clock, just before I leave Soong.
Operator: The Speaker is out on the steps of the Capitol, at the ceremony.

Majr: Well, let me speak to somebody in his office.

Operator: All right. Miss Wade, in his office.

Majr: Hello. Miss Wade?

Miss Wade: Yes.

Majr: This is Mr. Morgenthau.

W: Yes, Mr. Secretary.

Majr: I got up to the Capitol at 10 minutes past 11 the way I told the Speaker I would and everybody was leaving. The flag was up and I looked for the Speaker and I couldn't find him.

W: Oh, dear.

Majr: And I told the Speaker that I would be with the President from 10:10 until 11.

W: Yes.

Majr: ...and the earliest I could be was 11:10. And he said, "I'll wait for you until 11:15."

W: Oh, dear. Well, I'm sure he just forgot it, Mr. Secretary.

Majr: I got up there and everything was over. I looked for him - I couldn't find him. General Vandergriff was coming down the steps and Forrestal was coming down - the flag was up, the band had gone and there was I.

W: Oh, well, that's terrible! I'm awfully sorry. Well, I'll certainly....

Majr: I just want to let him know that I was there. I kept my end of the bargain.

W: Well, I'm awfully sorry and I certainly will tell him, Mr. Secretary.

Majr: Please do.
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NMJr: Hello.
Mr. Dan: Hello.
B: Dan, in order to save me time, those people that have been working with us on this financial fiscal thing...
NMJr: ...you tell them that I spoke to the President about it, and he said, 'This is just what I want. I've been looking for it, and we need it very badly. Please give it to me, I want to take it and study it.'
B: Oh, I see.
NMJr: He told them that this was a rough draft.
B: He ate it up, huh?
NMJr: Ate it up. He said, 'Of course, I haven't had time to prepare something, but,' he said, 'I realize that Mr. Roosevelt used to like to deal with each of these agencies separately.' He said, 'I don't.' He said, 'I like to pin the responsibility.'
B: Good.
NMJr: "I like to pin the responsibility on one person."
B: Good. Well, that's a good start then.
NMJr: Yeah. He very, very much wanted it.
B: Well, you talked to him first about it then.
NMJr: I just spoke and then he said, 'Of course, I may not agree.' So I said, "Well, if we agree as to the method completely the first time, it would be the world's wonder, etc." I said, 'This is an approach. It may not be the approach that you wanted. Cause it may not..." And he said, "Let me study it and then we will discuss it further."
B: Good. Well, I'm glad you did it that way.
I asked him two things, one was to think over again this five hundred million for reconstruction. I said, "After all, you have got five hundred million dollars free."

He said he only got one hundred and fifty-nine million. So there is a discrepancy.

Then I asked him how much gold they would actually need from now until the end of the year, and he said he would have to figure it out, but he would rather tell me for the next three months.

I didn't want to give up the five hundred million fund too easily and say, "Well, if you won't do that, and we ship gold, how much of it would be your own gold?" That would be giving in too easily.

He then threw in the fact that he had gotten along so well with the Russians, and Molotov is insisting that he go to Russia, and that you had been talking with him, and if he would strengthen his hand at this time it would make possible the success of his mission to Russia. Someone else was going to Russia, and it was up to me to more or less -- the success or failure of his trip depended on what I did, and this was an opportunity to bring two great nations together, putting it more or less on me.

He handles himself very well. He was at no time overbearing. He said that he and the Generalissimo had a terrific flight over Stilwell, and he talked to the Generalissimo the way nobody had ever talked to him before. He didn't have anything against him, but you can't keep changing your mind all the time. The Generalissimo wanted to keep Stilwell, and KMS said, "You know, I have got a bad temper," which I didn't answer. The whole thing was on a very courteous plane. He didn't rub it in that I had signed this thing. He said, "This was signed here," and I just didn't answer him.

MR. ADLER: You gave him an opportunity yesterday to think it over and give a reply, you know, after he had had time for some deliberation.
H.M.JR: So he gave me his reply, which isn't too bad.

MR. BELL: I understood you to say Kung.

H.M.JR: I mean Soong, T. V. Then I asked if he was ready to discuss troop pay or whom we should discuss it with, and he said, 'Who would you like to discuss it with?'

I said it wasn't up to me to say.

He said, 'As Acting President of China, I think it would be better to discuss it with me. After all, I am the boss,' or words to that effect.

MR. ADLEN: He is acting Premier. The Generalissimo is the full President. He is the acting President of Yung, which is one of the five Provinces.

H.M.JR: He said Kung is finished. 'He never can go back to China.'

I asked him why, and he said, 'You know, you can't keep all these things hidden forever, and he was very angry that I put in my own Minister of Finance.'

I said, 'Why should we keep this a family matter?' I said, 'Well, Mr. Bell is ready at any time to discuss troop pay with you. It took about five months last time, which I can't devote to it.'

He said, 'As between nations, we will not bargain.' He said it as a matter of fact.

I said, 'If that is the case, I can do that. I don't need Mr. Bell.' But where that lead us opposite Kung, I don't know. He flashed a letter.

MR. ADLEN: He showed me that letter on the plane.

H.M.JR: He said he is the boss.

Tell Mrs. Adler I want to get this back. (Hands Mr. Adler memorandum for the Secretary of the Treasury, dated May 9, 1945, from T. V. Soong.) I have confidence in Mrs. Adler. Just make a note.

MRS. KLOTZ: Well, what do you want to give it to him for?

MR. BELL: Let him read it.

MRS. KLOTZ: We will give him a photostat. They won't read it, he said. They won't get to it, anyway.

H.M.JR: Yes, they will.

So we will see what they say, and so forth, and so on. I haven't gotten any mail in two days. I am going to call up Clayton and say that I am going to handle this one myself. We will see. We can't all be negotiating with him.

MR. BELL: What is to be done at four o'clock?

H.M.JR: At four o'clock he will come back. I have asked him a couple of questions, whether he can think of some other five hundred million dollar fund and how much gold they will need for the next three months, you see.

MR. BELL: That is what he is going to tell you?

MR. ADLEN: The figure he will give you will be rather negative. It will reveal how much gold they expect to get for the next three months.

H.M.JR: Yes.
May 9, 1945
4:00 p.m.

GOLD TO CHINA

Present: Mr. B. W. Bell
Mr. Friedman
Mr. Coe
Mr. Adler
Mr. Soong
Mr. Pei
Mr. Ling
Mr. Clayton
Mr. Collado

H.M.Jr: You didn't show up at one o'clock. Wasn't it made available for you?

Mr. Bell: No. I didn't get a copy of it.

H.M.Jr: You were invited to come at one. That's the only one there is unless these boys made copies of it (indicating Memorandum for the Secretary of the Treasury dated May 8, 1945 from T. V. Soong). What did he say, Frank?

Mr. Coe: We still think that of the various courses of action if you can get them to see that it's for their own good to agree to segregate this and for all these funny businesses that they want to do they ought to use their own money. That's the sensible thing.

H.M.Jr: Well?

Mr. Coe: Well, I think they may continue to press, but I think we ought not to yield in a day.

H.M.Jr: No. That would be most occidental.

Mr. Coe: Mr. Secretary, just by the by we've had a tip from our man in Switzerland of an account in New York that they think is Walter Lichtenstein's money, in the name of a guy named Smith. Foreign Funds has just checked it up. So far they have found out that Smith allegedly is a friend of Lichtenstein.

H.M.Jr: It wouldn't mean the Chase Bank money by any chance.

Mr. Coe: Guaranty.

H.M.Jr: Is it a big account?

Mr. Coe: It's a half million. They found a half million in Guaranty to his name.

Mr. Adler: There's one point on which Mr. Soong is on weak ground in that memorandum and that's when he says we have never taken any exception on the way they've been selling gold before.

H.M.Jr: He also said he has some memorandum which you agreed to.

Mr. Adler: That was a pretty weasel-worded thing.

H.M.Jr: Have we taken exception to that?

Mr. Coe: As I got it, Clayton is only insisting on the obvious, that you don't dishonor a commitment. He hasn't really read the memorandum which doesn't dishonor the commitment. Therefore, such pressure as we can bring to get them to do something else with the money is entirely up to us.

Mr. Bell: They could have had this gold without the letter. Is that good?

(Off the record discussion.)

(Dr. Soong, Mr. Pei and Mr. Ling enter the conference.)

H.M.Jr: I hope you had no ill effects from my very poor lunch.

Dr. Soong: Why it brightened me up.
H.M.JR: I wondered if since seeing you, you probably had time to maybe think about a few of the things we were talking about.

DR. SOONG: Yes, I have discussed them with my people.

(Secretary leaves conference temporarily.)

(Mr. Clayton and Mr. Collado enter the conference.)

H.M.JR: Please, I'm sorry.

DR. SOONG: There are two things that you wanted me to give you some information on. One is gold and the other is about some fund. Now, may I start on the gold first? We have sold already one million, seven hundred eighty-one thousand, two hundred and forty-four ounces up to May 5th, and the total sum was that. I think Mr. Adler has the figures.

MR. ADLER: I had the figures up until the time I left.

DR. SOONG: These are the figures. Mr. Pei sent them to Mr. Geo. That is equivalent to about one million, seven hundred seventy-four thousand, twenty nine American dollars. I was talking of Chinese dollars, which is slightly less. Now, on the basis of that in the past three months we have a record. February, March, and April, we sold in all one million, one hundred thirty one thousand ounces. Therefore, our estimate for the immediate future--

H.M.JR: Pardon me. This last figure--is that Chinese ounces or United States.

R. SOONG: Chinese ounces, which is really very little difference. Very little difference. On the basis of that for the last few months one million, one hundred thirty-one thousand ounces, we would estimate for the future for any three months period we would require at least one million. That is our estimate.

H.M.JR: Well, now, let me just get that. You will need say a million ounces for three months, let's say starting from today or--

DR. SOONG: Make it starting from up to the 8th of May.

H.M.JR: Up to the 8th of May?

DR. SOONG: Yes.

DR. SOONG: I have already learned outstanding sales are equivalent to one million, seven hundred eighty-one thousand, two hundred forty-four ounces--that was already sold.

H.M.JR: Maybe one of your assistants would stay behind afterwards and make sure that we understand. Could they stay afterwards?

DR. SOONG: Yes. I may give you some copies?

H.M.JR: Yes.

(Or. Soong hands the Secretary a tabulation of "Outstanding Gold Obligations of the Chinese Government" and "Estimate of Monthly Sales in the Immediate Future.")

H.M.JR: Just so that we understand each other. They wouldn't earn their salary if they agreed right away. There will have to be some disagreement to show how smart they are, but anyway the figures I can understand irrespective of what went on in the past. You estimate you need one million ounces for the next three months.

DR. SOONG: Yes, for three months.

H.M.JR: And that would take care of it and you could catch up with your future sales and enable you to go on a spot basis. Is that right?

DR. SOONG: Yes.

H.M.JR: I can understand that and I'll let my gentlemen plus Mr. Collado, if he would, stay afterwards and go over these figures so we understand them. Is that agreeable?

MR. CLAYTON: Yes.
H.MJR: What else, Dr. Soong?

DR. SOONG: Second, in your memorandum which you gave me yesterday you suggested a stabilization fund. In my talk with you this morning you said that we might consider it a reconstruction fund.

H.MJR: Well, you didn't like stabilization fund, so I said call it reconstruction fund.

DR. SOONG: Yes. Now as to reconstruction fund, I have some ideas about it. May I present it to you or read it to you?

H.MJR: Either way is all right. Would you read it?

(Dr. Soong reads attachment A.)

H.MJR: Of course we are always glad to sit down and discuss anything that would be to our mutual interest, but I don't think that any of us here have had time really to do much planning beyond the winning of the war in the Pacific which you know is a very big undertaking. What I would like to do, with my associates in the State Department, is to give this thing careful consideration.

DR. SOONG: Thank you.

H.MJR: But I just want to reiterate what I said in my earlier memorandum and what I explained to you at lunch, and that is that our figures show--and you said you checked them--that you have five hundred million dollars, which is not the amount in this country, and when we settle the troop pay you will have still more, and that out of that five hundred million dollars plus the balance of five hundred million credit, which is two hundred forty, you could very easily reconstruct a fund of five hundred million dollars, whether it's a stabilization fund or reconstruction fund or any fund which is to be used for the good and the interest of China, and that fund intact would, as I told you, assist me in furthering China's interest and overcoming certain things which were done while you were not in control, and for whatever it is worth I could then appear before Congress or whatever is necessary for any new undertaking that China might have in mind or we might have in mind together. And I would like to again courteously ask you if you would reconsider the possibility of constituting some kind of a fund or whatever you want to call it, whether it's for stabilization purposes or reconstruction purposes or development of industry, whatever it is. It would put me in the position that any possible criticism of the use of the fund--whether certificates or purchase of gold and all that--it would enable me to be in a position that I wouldn't have to apologize or explain. This is just a matter of bookkeeping. And so I rather would like to ask Dr. Soong whether he would think this over, you see. Call it by any name you want.

DR. SOONG: Mr. Secretary, I said I would gladly welcome your suggestions about the stabilization fund. However, if I just blot out the fund and tie it up, I would have to explain it at home. I have to explain it to my people, because after all what I'm asking from you now is not any new undertaking, you see. I'm asking you to kindly implement what you have already agreed to. It would come much easier for me if when this fund is established I could say, "Now, we need much more than that." We need much more than that, therefore, the American Government will be ready to help us in such amount and we would take out five hundred million dollars or whatever it is. You will help me there, but for me to go back to my government and say I agreed to tie up this fund, and when there is no planning at all. I say, divorced from actual planning they would not understand it.

H.MJR: Supposing ways were found to assist you in the shipping of this gold, and I helped you to find ways, and then you find ways to help me to help you? See, that's all I'm asking. It's not coming out of your pocket or my pocket. But in the room here among friends, we know that certain things happened that never would have happened if you had been in charge. Now, there has been no publicity about the thing, but you tell me, and I know it, and it's pretty generally known in circles in China what is going on, and here we have been able to
keep it within a very restricted Treasury circle and State Department circle. We've been very careful. Now, you never know when some of our newspaper correspondents will come back and write some story like Atkinson wrote when he came back.

DR. SOONG: which was disowned by his own editorials.

H.M.: I know, but they're quoted, and when this time they are sending Senator Tydings to the Philippines, how do I know they won't send Senator Tydings to China, and I just am looking ahead a little bit so that for whatever it's worth we can be on your side and be in the position to explain anything. Now, frankly, talking purely from this side of the war, while I want to do everything possible, I can't do it as enthusiastically as I would like to. Now, what is it worth to you to have the United States Treasury enthusiastically back of this new regime which you're heading for its very fine performance so that you have the full support which you deserve? And these aren't mistakes that you make but mistakes that were made during your absence, and I'm not going into details but you and I know what I'm talking about. No matter how strict taxation reforms you put in, the very fact that you haven't put in very strict taxation shows that the money is there, otherwise you wouldn't be recommending these high taxes, and just at the time the impression I received and the impression I gave to congress—and I could give you my testimony was that we would be consulted as to the spending of the money. That was the impression that I got. That's what I said, and certainly if we had been consulted as to this method of the use of the five hundred million dollars we never would have given our consent, and— but I don't want you to answer me today. I would like you to think about it some more, and I think that if this fund, for whatever good purposes you feel necessary, could be constituted, why, we certainly would bend every effort to make this gold available out of the shipping available to you just as rapidly as possible. There's no question of making the gold available, but it's a question of the speed with which it can be done. I think that I've also tried to be helpful, and as I said before, if you help me to help you, why I'd like to. I think that I could say, Mr. Clayton, that we are talking this way for the administration, I believe.
I was not against it for the reason that it did represent at the time the market value. Of course, the native currency took a dip and continued dipping, see? I did not protest then when the first allotment was made but I think it was faulty that the rates were not kept with the movement of the market. If we had succeeded in keeping the rates along with the market it would have been good, but for some reason, good, bad, or indifferent, the Minister of Finance held on to the so-called twenty-two hundred rate. I think this was stupid, but they stuck to their policy.

H.M.JR.: But you take, for instance, the very last days those certificates were offered, fifty million dollars wasn't it?

MR. ADLER: In the case of the certificates over fifty million dollars were sold in the last month, but in the case of the bonds about ninety million dollars were sold in three weeks, and in the first eighteen months of the bond issue only about ten million were sold in the last three weeks. I think it was about three weeks.

H.M.JR.: And if you--

DR. SNOGG: I was not--Dr. Ling do you have the facts?

MR. ADLER: In October, 1943,--

H.M.JR.: If you had foreign exchange, you could buy them at how many cents on the dollar?

MR. ADLER: You could make several hundred percent profit on the bonds in October, 1943.

DR. SNOGG: On this matter I say to you, yes. And I say it again, we can rectify it by tax certificates on excess profits, and I emphasize again I'm quite ready to do it.

H.M.JR.: I appreciate that. I'm not going to say more than I have. All of us here want to be helpful. How helpful we can be rests in your hands. You think it over and you decide, see?
H.W.JR: There is no question of any prior commitment. We're ready to meet it within the arrangements. We stand ready to fulfill any commitment which was made, but that's one question. The other question is that you have to decide after I, in the most friendly manner, explain to you how I think I could be helpful to you. How you decide what my friendship is worth. Will you? And there are no hard feelings. That has nothing to do with it. We've made a commitment. We've honored a commitment, and on the other hand, if by rearranging your books here in America, it makes it easier for me—you think that over.

DR. SOONG: Right.

H.W.JR: If you decide not to do that, I will obviously be disappointed and I hope I won't have to say six months or a year from now, "I told you so," but anyway—this money will steadily grow that you have here and I think we understand each other. So you sleep on it and--

MR. PEI: Mr. Secretary, do I understand that in this case—the gold question—the United States Treasury will carry on this shipment?

H.W.JR: We will immediately study the gold question as to how we can accelerate the shipment of gold. We recognize we have a commitment and we will study that and find ways of accelerating the gold shipment. That's one question. The other question is the one which I put to Dr. Soong to make things easier for me in the future vis-a-vis China. There are two things.

DR. SOONG: Thank you, Mr. Secretary, for your consideration.

(Dr. Soong and Mr. Pei and Mr. Ling leave the conference.)

H.W.JR: We will see what happens and if he protests too much—what is a million ounces, thirty-five million dollars, over three months?

MR. ADLER: In addition to one point. They really want one hundred million dollars in three months.

H.W.JR: How is that, in addition?

MR. COLLADO: He needs one million seven in order to make arrears and then he wants a million.

H.W.JR: What he told me—his English is faulty—I want one million ounces starting with May 5th.

MR. ADLER: In addition to this.

H.W.JR: But he didn't say that.

MR. COLLADO: He wants a total of two million nine, which is about one hundred million.

H.W.JR: I understood him to say one million ounces starting with the 5th of May.

MR. COLLADO: He needs one million eight to make up his arrears which come due up through October, and then he says that if he gets this additional thirty-three million every three months that that will permit him to go on a spot sale basis and give up the forward sales, but he still intends to sell a million ounces every three months, so that's only the beginning—one hundred million dollars now and thirty-three million every three months thereafter.

H.W.JR: The views I got listening to everybody was to sit tight, and I'm not so sure that that's right, but I think we will just let this soak and let's leave him alone and see what he comes back with. He comes back with something good every time from the standpoint of China, but let that--

MR. COLLADO: It's good.

H.W.JR: But let's see, I haven't gotten anywhere today.
MR. BELL: You've got to change the name of this fund from Reconstruction to Post-war Reserve Fund.

H.M.JR.: Red Cross.

MR. COE: I think we better say monetary fund.

H.M.JR.: How about bees in China, "Oil for the lamps of China." All right. We'll see, but if it's agreeable, we'll let it sook.

I gladly welcome your suggestion about setting up a reconstruction fund as a joint enterprise of the United States and Chinese Governments. The war is coming to a close and planning for the recovery and reconstruction of China is an urgent necessity. The reconstruction of China is of course an integral part of the Sino-American policy to make China a strong power and to enable China to fulfill her role in helping to insure stability in Asia and the Pacific. It seems to me that such a fund is one of a number of aspects of the problem that should be worked on by us jointly. The fund alone, divorced from actual planning, will have little meaning and will not be well received.

I would suggest that we decide to prepare jointly a general program. Some tentative plans are already available, both on the American and Chinese side, such as the Yangtze Gorge Project, the Taub Industrialization scheme, the plans of the National Resources Commission, the Ministry of National Economy, and others.

The essence of any plans finally adopted will consist in obtaining from the United States the capital goods, machine tools, transport facilities of various types, as well as facilities offered both by the United States and Chinese Governments to encourage American investment in China.

It is obvious that more than 500 million dollars will be necessary to carry out this plan. Furthermore, it will need both Chinese and American capital for this purpose. Only by joint collaboration in planning and financing can we carry out a relatively rapid Chinese reconstruction. Only from the United States can we secure the necessary machines from the vast production facilities created by your war effort.

Consequently, it seems to me that we should proceed immediately to joint discussion of this whole problem not confined to any one part of it, and seek to arrive at a comprehensive mutual agreement as to our future policy, plans, and financing. I am here to do it if you are ready.
### CIGAR ROLL I: The Requirement Position

#### As of May 1943

<table>
<thead>
<tr>
<th></th>
<th>Yards x 5,000 yds</th>
<th>Yards x 10,000 yds</th>
<th>Tons x 5,000 lbs</th>
<th>Tons x 10,000 lbs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Total export requirement as stated by Chinese through June 30, 1942</td>
<td>100,000,000</td>
<td>20,000,000</td>
<td>40,000</td>
</tr>
<tr>
<td>2.</td>
<td>Requirement for delivery in China December 31, 1942</td>
<td>120,000,000</td>
<td>24,000,000</td>
<td>48,000</td>
</tr>
<tr>
<td>3.</td>
<td>Induction from requirement due to lack of transport capacity across Yangtze (total transport available during 1942 in 21,000 tons)</td>
<td>8,000,000</td>
<td>1,000,000</td>
<td>2,000</td>
</tr>
<tr>
<td>4.</td>
<td>Adjusted 1942 requirement</td>
<td>128,000,000</td>
<td>21,000,000</td>
<td>50,000</td>
</tr>
<tr>
<td>5.</td>
<td>Amount presently in sight to meet requirement:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a)</td>
<td>Allocated in U.S. requisitions from China</td>
<td>8,000,000</td>
<td>1,000</td>
<td>2,000</td>
</tr>
<tr>
<td>b)</td>
<td>8,000 tons of Chinese textile sheets currently moving into China from India</td>
<td>8,000,000</td>
<td></td>
<td>2,000</td>
</tr>
<tr>
<td>6.</td>
<td>Balance of 1942 requirement needing further action</td>
<td>120,000,000</td>
<td>17,000,000</td>
<td>29,000</td>
</tr>
</tbody>
</table>

#### Notes:

7. Stages now being taken to meet the 154,000,000 yard balance:
   a) Attempt to purchase from current U.S. and China wholesale and retail stocks (this is a rough estimate)
   b) Request that U.S. Army and Navy furnish immediate stock of 10,000,000 yards on 10/01. This is to be so distributed as to provide continuity of supply. This is now in process of securing, and it is expected that the balance of 10,000,000 yards in stock will be 10,000,000.
7. a) ESA request for 38,000,000 yards allocation by W2 from third and fourth quarter, only third quarter of 17,500,000 yards can be delivered against calendar 1945 requirements. Allocation will not be fixed until W2 meeting May 18 and probably will require directive of highest level.

<table>
<thead>
<tr>
<th>Yards per ton</th>
<th>Yards per ton</th>
<th>Yards per ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>17,500,000</td>
<td>2,197.6</td>
<td>1,790</td>
</tr>
</tbody>
</table>

b) Utilization of 48,000,000 yards and increase 30,000,000 yards of 1944 recommendation for China ("allocation") cannot be counted on at all for China delivery in calendar 1945.

c) Balance requirement on which no action has currently been taken. This requirement must be filled out of second and third quarter production in order to be delivered as part of 1945 program.

<table>
<thead>
<tr>
<th>Yards per ton</th>
<th>Yards per ton</th>
<th>Yards per ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>200,700,000</td>
<td>12,317.6</td>
<td>13,630</td>
</tr>
</tbody>
</table>

Regraded Unclassified
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

TO: Secretary Morgenthau

FROM: Mr. Cee

Subject: Gold for China

The factors which dominate this problem are (a) the unsatisfactory record of use of the loan to China, including the public scandal concerning-forward sales of gold, (b) the desire of the Chinese government to use up the loan and further to transfer it from the Chinese government to private sources, (c) our gold policy, (d) the wide latitude given the Chinese under the original loan agreement, and (e) the responsibility of the President and the Secretary of the Treasury, as indicated in statements to Congress, and the form of the resolution authorizing the loan.

With respect to the present Chinese pressure, there are three general courses of action possible: (1) to allow the Chinese to do what they wish with the loan, and to wash our hands of the business, defending ourselves by saying that Congress understood that we were offering a bribe, (2) to restrain the Chinese by screening the foreign exchange and supervising the individual projects for using up the loan, and (3) in view of the impossibility of checking the Chinese inflation by the use of foreign exchange, to set aside the remainder of the loan for use at such a time as it can fulfill its stated purposes.

The Treasury memorandum for T. V. Soong is based upon the third course of action. We attempt to get the Chinese to scrutinize the remainder of the loan until such a time as it can be effectively used, and we ask them to undertake with other resources the dubious process upon which they have embarked. It is recommended that we should pursue a different course of action over a period of time and that we should only desist when Dr. Soong has checked with his government and finally refused. At such a time we should consider whether it would be better to take responsibility for the particular measures used in China or wash our hands of the whole business. With respect to this latter problem, it is suggested that the record of those who have attended, in an advisory capacity, to supervise actions of the Chinese government has not been good.

Status of $500 million loan

<table>
<thead>
<tr>
<th>Transfers</th>
<th>(millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Backing for Chinese-issued bonds and saving certificates. Transferred to the account of China on April 15, 1942</td>
<td>$200</td>
</tr>
<tr>
<td>2. Remarked for purchase of gold. Transferred on February 1, 1943</td>
<td>20</td>
</tr>
<tr>
<td>3. Remarked for purchase of bank notes and other relevant supplies. Transferred on March 2, 1943</td>
<td>20</td>
</tr>
<tr>
<td>4. Remarked for purchase of gold. Transferred October 15, 1943</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$260</strong></td>
</tr>
<tr>
<td>Balance still on Treasury books</td>
<td><strong>$40</strong></td>
</tr>
</tbody>
</table>
CHINA'S DOLLAR POSITION, FEBRUARY 28, 1945
(million dollars)

<table>
<thead>
<tr>
<th>Assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Official assets at New York Federal Reserve Bank</td>
<td>$460.0</td>
</tr>
<tr>
<td>Official assets outside New York Fed. Reserve Bank</td>
<td>$158.0</td>
</tr>
<tr>
<td>Earmarked gold at New York Federal Reserve Bank</td>
<td>$31.0</td>
</tr>
<tr>
<td>Balance of $500 million credit</td>
<td>$940.0</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>909.0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount pledged to pay off savings certificates &amp; bonds</td>
<td>$169.0</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td><strong>740.0</strong></td>
</tr>
</tbody>
</table>

To: Secretary Morgenthau

From: Mr. Go

Subject: Agenda for Second Discussion with Dr. Soong

1. Is Dr. Soong agreeable to the proposal to set up a $500 million stabilization fund, using the remainder of the loan for that purpose?
   a. If he is, then China, herself, will be choosing to use the remainder of the loan for this purpose.
   b. If he is not agreeable to taking this step now, we should stress the fact that on the United States side it is regarded as a very constructive measure.

2. Soong may say that this proposal contravenes your 1943 commitment to furnish gold.
   a. Actually it is essentially an alternative proposal for the use of the loan entirely in accord with the 1942 loan agreement, the Secretary's statements before Congress on the loan, and Dr. Kuang's cable of April 20, 1943.
   b. It would be agreeable to the United States to convert the remaining 490 million of the loan into gold and place it in the proposed stabilization fund.

3. Soong may say that the remainder of the loan should not be held for a stabilization fund but that $100 million of gold from it should be moved rapidly to China for sale there.
   a. With regard to gold shipments for the settlement of arrears on the present program of forward sales of gold.
      (i) The program is a public scandal in China and may soon become so here.
      (ii) In view of the Secretary's statement to Congress and the Joint Resolution authorizing the loan, the Secretary would be most embarrassed to have the loan used for a program such as forward sales.
      (iii) We therefore advise that the arrears on this program be cleared up by the Chinese with other funds and in such ways as they deem best. We will endeavor to facilitate the shipment of gold from other funds over the next months for this purpose.
b. As stated in yesterday's memorandum, the Treasury believes that the Chinese should terminate the program of forward sales of gold. The Treasury does not believe that these sales are making an effective contribution in the fight against inflation and believes that it will continue to be difficult to arrange shipments against varying and unpredictable forward sales.

c. With regard to further spot sales of gold in China, the Treasury has repeatedly indicated to representatives of the Chinese Government that the sale of gold is not an effective anti-inflationary measure, and both the past record and the existing situation in China strengthen the Treasury's conviction. The Treasury, however, will be glad to review the situation with Dr. Soon in the light of any fresh data and of the considerations the Treasury has placed before him.

1087-REVISED
LETTER FROM STIMSON

Present: Mr. D. W. Bell
Mr. Coe
Mr. Glasser
Mr. Friedman
Mr. Despres
Mr. Dubois
Mr. Clayton

H.M.Jr: Do you suppose it would be any good to try to get Hilldring over here?

MR. BELL: It would take him twenty or twenty-five minutes.

H.M.Jr: I have seen McLaughlin come over here in ten minutes. We can get him on the phone.

(Mr. Coe enters the conference.)

H.M.Jr: Who else is in on this 1087 beside Glasser?

MR. COE: Glasser-and Joe Friedman has been closely associated. I have asked him.

H.M.Jr: Was Dubois in on this thing?

MR. COE: No, sir.

MR. BELL: He was in on reparations only.

H.M.Jr: This is Mr. Stimson's letter. (Reading letter from Mr. Stimson to the Secretary, dated May 9, 1945.)

"I have investigated the matter you talked to me about on the telephone yesterday afternoon and it is my feeling that the proposal made by the Joint Working Committee of the German Committee and the Joint Chiefs of Staff is eminently fair."
There is no disagreement as to the necessity for the destruction or removal of the synthetic oil industry as an integral part of the program for the elimination of Germany's war potential. The only question involved is one of timing and relates to General Eisenhower's requirements of considerable quantities of oil to meet his minimum occupation needs in Germany.

"The Army supply agencies assert that in view of the existing world shortages of oil and tankers, such requirements cannot be met without impairing the prosecution of the war against Japan, unless full use is made of German synthetic oil production during the continuance of such supply shortages.

"The civilian agencies are not prepared to agree to such a program without further study and investigation. The question at issue is how to grant General Eisenhower permission to make necessary repairs and produce synthetic oil in Germany pending such study and investigation."

I don't know who the civilian agencies are.

MR. BELL: Interior.

MR. CLAYTON: Interior, probably.

MR. BELL: And that Will Davis.

H.M. Jr: (Reading) "The proposed basic directive forbids all synthetic oil production in Germany immediately on seizure. The Army supply agencies at first recommended an amendment of the directive giving full permission for continued production and repairs during the continuance of existing supply shortages, but later agreed to accept an amendment granting temporary permission pending investigation and determination by this Government of the extent to which and the period for which oil production in Germany should be permitted."

It's this and the next paragraph I am not clear on.

"I am advised that a representative of your Department objected to the inclusion of such an administrative determination in a basic policy directive and suggested that such permission should be granted by a separate cable. This was accepted by the Army, but I understand that you now object to the German Committee making any advance commitment as to the approval of such a cable until after the basic directive has been approved by the Joint Chiefs and dispatched to General Eisenhower."

How, the thing I question is, "I am advised that a representative of your department objected to that basic policy and suggested that a separate cable... Did we make that?"

MR. COE: I think that the case is that the Joint Committee met following a meeting here and the working committee met with JCS. In that committee they came out with language which was acceptable to everyone, as I understood it. Now, undoubtedly in the course of that committee our man and State's men and others objected to various counter-proposals and they got a satisfactory compromise on the thing, it may very well be, there; and it's consistent with the position we have taken. These was, "Let's get this language, agreed language, compromise language in the directive and then if we want to do it by a separate cable, which has been considered in this committee which has been the point which is up recently." The Army has said, "We won't agree to the directive until we get a separate cable okayed by all you folks."

MR. BELL: That was in cable form. That came to you the other day.

H.M. Jr: Let me refresh my memory. We wash our linen in public. You said to me that the cable the Army wants to send is just blackmail.

MR. COE: Yes, sir. That's all right.

H.M. Jr: Is that right? And that was the first I heard about it?
Mr. Cooke: Yes, but that is subsequent to what you are referring to in that letter. Administrative is what they are talking about.

H.J.: That was the way the cable was introduced to me.

Mr. Cooke: Yes, sir, but you also understand there is a history which preceded it, and you may not have been in the committee, but in the committee this thing came up.

H.J.: The cable never came up in any meeting in which Mr. Clayton and I were present.

Mr. Cooke: No, not the cable, but General Hildring said that he thought it was stymied because of synthetic oil, and the committee had the words it was stymied.

General Hildring said he thought if he could get the working committee together with the Joint Chiefs of Staff, people who had advised the Joint Chiefs of Staff against IPO 91, that a satisfactory compromise could be worked out. In that working committee there undoubtedly was discussion of various ways of effectuating this compromise. One would be to change the language of IPO 91.

H.J.: Who was there? It wasn’t you. Was it Glasser?

The point here—the thing I have been objecting to so strenuously was the cable because I thought it was blackmail, and Mr. Stimson comes along and says it was a representative of the Treasury who suggested that.

Mr. Cooke: I think that blackmail element comes in the question of whether a widespread directive covering everything for Germany is held up until all the members of the committee give their okay on it.

H.J.: No. Look, Frank, we are waiting. I got excited because the thing was put up to me, this cable—you have the cable—that this was a form of blackmail in order that if I agreed to this, then they would get this directive out right away, and I didn’t like to be blackmailed. Mr. Stimson comes along and says the cable was a suggestion of the Treasury.

Mr. Cooke: But there is nothing, sir, inconsistent here. It says, "...and suggested that such permission should be granted by a separate cable." Now, as I understood the recent question, it has been, "Shall we give acquiescence in advance to a cable as a condition for the Army granting its permission for IPO 91?"

H.J.: Frank, you’re evading the thing. Was it the suggestion of somebody in the Treasury, or wasn’t it?

Mr. Cooke: I have to avoid that. I have to wait.

H.J.: The only person that could have done that was Glasser, wasn’t it?

Mr. Cooke: Glasser was our representative, yes.

Mr. Bell: What he is trying to avoid certainly is an amendment to the basic document for this particular item.

(Mr. DuBois enters the conference.)

H.J.: Sit in, DuBois. Look, Joe, I want to go back on the other one. I’ll read the other one out loud, the other paragraph. "The proposed basic directive forbids all synthetic oil—""?

(Mr. Glasser and Mr. Friedman enter the conference.)

H.J.: Glasser, this is a letter from Mr. Stimson in which he says, "The proposed basic directive forbids all synthetic oil production in Germany immediately on seizure. The Army supply agencies at first recommended an amendment of the directive giving full permission for continued production and repairs during the continuation of existing
supply shortages, but later agreed to accept an amendment granting temporary permission pending investigation and determination by this Government of the extent to which and the period for which oil production in Germany should be permitted.

Now, "I am advised that a representative of your Department objected to the inclusion of such an administrative determination in a basic policy directive and suggested that such permission should be granted by a separate cable." Was that your suggestion?

MR. GLASSER: No. We agreed to the provision that pending action by JCS they should continue production. Remember that was agreed to in the committee?

MR. COE: In the big committee or the working committee?

MR. GLASSER: In the big committee and it was added to paragraph 30. Now, after that when Somervell and JCS, or really Somervell's organization said that wasn't enough, we held a meeting on the working level and they submitted a proposal which was fully discussed by the members of the JCS who were present, and that seemed to be that which was later added to paragraph 30 and was accepted.

That was the only meeting that I attended where I made any suggestion. Now, that evidently didn't satisfy them, and they wanted specific permission in the form of the cable, and it was to that, and when I was speaking with Mr. Despres when I said that the cable was not necessary.--

(Mr. Despres enters the conference.)

H.W.Jr: Mr. Despres, let me just read this to you and see if this makes sense. This is a letter from Mr. Stimson. I'll read it again if you don't mind.

"The proposed basic directive forbids all synthetic oil production in Germany immediately on seizure. The Army supply agencies at first recommended an amendment of the directive giving full permission for continued production and repairs during the continuation of existing supply shortages, but later agreed to accept an amendment granting temporary permission pending investigation and determination by this Government of the extent to which and the period for which oil production in Germany should be permitted.

"I am advised that a representative of your Department objected to the inclusion of such an administrative determination in a basic policy directive and suggested that such permission should be granted by a separate cable."

Do you have any recollection of a Treasury representative suggesting that this cable be sent?

MR. DESPRES: No.

H.W.Jr: Well, my boys--Glasser says no. Do you know who did suggest a cable?

MR. DESPRES: I think that was the Army's idea to try to arrive at a basis of accommodation, that the matter be left out of the directive itself, and be handled under the terms of the directive by a separate cable.

H.W.Jr: Well, I think Mr. Stimson has been misinformed. What Mr. Clayton suggested was--to me--of course it's too bad he has to formalize this thing and we'll be writing letters for the rest of our lifetime. If I read this thing correctly and in view of the fact that Mr. Stimson said, "There is no disagreement as to the necessity for the destruction or removal of the synthetic oil industry as an integral part of the program," and so forth, that's the key, as long as he agrees to that, see?

Now, subject to suggestions from somebody, I am willing to go back to what he says here in his own letter, namely, "The proposed basic directive forbids all synthetic oil production in Germany immediately on seizure. The Army
supply agencies at first recommended an amendment of the directive giving full permission for continued production and repair during the continuance of existing supply shortages, but later agreed to accept an amendment granting temporary permission pending investigation and determination by this Government of the extent to which and the period for which oil production in Germany should be permitted.

Now, if Mr. Stimson will go back to what he said, "The Army later agreed to accept an amendment granting temporary permission pending investigation and determination by this Government of the extent to which and the period for which oil production in Germany should be permitted."--

MR. BELL: That's now in the directive.

MR. GLASSER: That was incorporated in IPOCO 1.

H.M.JR: Right from his letter I'll take that unless somebody here says otherwise. I would like your advice and Mr. Deprés' advice.

MR. CLAYTON: That's right, Mr. Secretary.

MR. BELL: Are we going all the way through on that? We have accepted that, haven't we?

MR. GLASSER: Yes.

MR. BELL: And the Army has accepted that, but what they want is to give Eisenhower immediate authority to manufacture some synthetic oil, is that right, and repair the plants?

MR. DESPRES: The directive, as it now stands, gives him the power to continue the production of synthetic oil provided that he asks for authorization to do so. All it requires is a telegram asking authorization while he is awaiting an answer. However, the basic—the problem that was worrying the people at the working level over at the War Department was that the power to continue production wasn't enough in view of the fact that all

these facilities are out of production and are badly damaged and there isn't any authorization to repair in the directive as it now stands, so I think that the Secretary's letter doesn't entirely reflect the thing that's bothering the War Department.

H.M.JR: Look--

MR. CLAYTON: I think he's right.

H.M.JR: I think Després is entirely right, but I am willing to take Mr. Stimson's own words. Now, it's a question of does Mr. Stimson reflect the War Department or somebody else? But I'll take just what Mr. Stimson says.

MR. COH: We have some other language for that.

H.M.JR: I'll take his own language for that, just as it is, the language right out of his letter. Wouldn't you be satisfied with that?

MR. DESPRES: We would be entirely satisfied.

H.M.JR: What?

MR. DESPRES: I would be, entirely.

H.M.JR: I agree with you, but somebody has given him a bum steer, and that last thing there what he has, so as not to argue with him—just this thing Mr. Clayton, right there—I'll just take that. (Indicating)

MR. CLAYTON: Yes, but I think Emile is correct in saying that they perhaps on second thought decided that that was not quite enough, that there has been such great damage to these plants that in order to make any products at all it might be necessary to repair and cannibalise some of them in order to make any of them run. I think that's the thing that is bothering them and that's what they say in the telegram, of course.
H.M.Jr: Supposing I wrote a letter here with your help and just said to Mr. Stimson, "There seems to be a misunderstanding, because I have checked with my own people--!

If I may say--were you in on that committee, Mr. Despres?

Mr. Despres: I don't know which one you mean, but I have been on most of them.

Mr. COE: Yes.

H.M.Jr: I am reliably informed by our representative and State that the suggestion of the cable was not from us, but was from the Army. But irrespective of whose suggestion it was, I will be very glad to accept the last sentence in your letter on page 1 in which you say-- and just quote it, see?

Mr. CLAYTON: I think what happens when you do that, Mr. Secretary, is what you said a moment ago that you get another letter and--

H.M.Jr: I am willing to say it to you, will. Now--

Mr. BELL: I think the rest of the letter is important.

H.M.Jr: Just a minute. Mr. Secretary, now you say that this is what the Army wants. May we ask--Mr. Stimson went into it, and he never writes a letter like this without going into it very thoroughly--if this represents what he wants, and if he thinks that that is fair, and I say to Mr. CLAYTON—I say we go back to that original position, and I'll just take that one sentence right out of Mr. Stimson's letter. Now, Mr. Stimson, after all, could override those people, too. The thing that was bothering me was this is an opening wedge against destruction of plants. Mr. Stimson, in the early part of the letter, said all the plants should be destroyed, but pending the war with Japan, and so forth. They need one thing—he doesn't ask for anything else, just this. Now, here it is in writing, and that's the thing that's worrying me, see? That is what was worrying me.

---

Mr. CLAYTON: In this last paragraph on the first page you will notice that he does say that "The Army supply agencies at first recommended an amendment of the directive giving full permission for continued production and repair of-- Now, the cable perhaps goes a little further than that, and still I don't believe that it goes any further in spirit of the understanding—it just uses a little more language and puts in the word "cannibalization" as a part of the repair process.

Mr. COE: Which means cut up and put together.

Mr. CLAYTON: That's right. It means to take from some plants certain parts that are necessary and add them to other plants in order to make the letter run. And that is the only thing, I believe, in which the telegram perhaps enlarges a little bit upon the understanding reached with respect to the amendment of the directive, and the language which is given in his letter, so that I don't think that that's a very vital point that is involved. The question of cannibalization if it's necessary to cannibalize in order to repair, it doesn't make much difference, Mr. Secretary, whether you use new repair parts that were shipped there or that they make there in some way, or take out of stock, or whether you take them off of a plant. As a matter of fact, it's better to do the letter because you put definitely out of commission the plants from which you take those parts.

H.M.Jr: According to McClung there are practically no plants left anyway.

Mr. CLAYTON: That's right.

H.M.Jr: If there are no plants left anyway, and inasmuch as Mr. Stimson puts down there in the very first paragraph the policy that they want to stop the production— isn't that what he says there, right in the beginning?

Mr. CLAYTON: Yes, he says that, "The Army supply agencies at first recommended an amendment of the directive giving..."
full permission for continued production and repairs during the continuation of existing supply shortages, but later agreed to accept an amendment granting temporary permission pending investigation and determination by this Government of the extent to which and the period for which oil production in Germany should be permitted." And that's all, as I understand it, that the telegram says except that it enlarges a little upon it and speaks of cannibalization. I believe we did agree at our last meeting on the reparations question when a one-page document was placed before us as something that General Hilldring and Mr. Lovett thought they could get the Joint Chiefs of Staff to accept--I think we all agreed that that would be all right with the committee, and the committee approved it and then they were to get it accepted, and apparently they did get it accepted. But they didn't--they held up saying so until they could get this telegram agreed to.

H.M.Jr.: I don't think they got it accepted.

Mr. Bell: Well, I understood they said they would approve it if that telegram were approved.

Mr. Clayton: That's what I understood.

H.M.Jr.: Well, there was one thing which was gone into on this thing which we are arguing about, and that was, does the thing go into the General Directive irrespective of the telegram? Does it go into the directive pending investigation, do you remember that?

Mr. Clayton: That's in there, Mr. Secretary.

H.M.Jr.: As part of the thing?

Mr. Glasser: Yes, it's part of paragraph 30, that pending the action by the JCS on their recommendation to continue production of any of the items in paragraph 30, they may continue to produce.

Mr. Clayton: Was that in there originally?

Mr. Clayton: But they haven't finally released the document and approved the whole document with that in there.

Mr. Glasser: He says they agree to it, but on the second page they say they really weren't satisfied, but they want a cable to go along with it.

Mr. Clayton: They are still holding the document?

Mr. Glasser: They are waiting for the cable. The first paragraph on page 2 has errors of fact in it. However, their position has been that they want the cable to go out simultaneously with approval of the document.

H.M.Jr.: Well, Mr. Stimson has been misinformed, but from his standpoint having been told that there is no reason for Morgenthau to take offense, because one of his men suggested it--I told him it was a lack of confidence in me, he said, your own men suggested it.

Mr. Clayton: Yes.

H.M.Jr.: That, according to our people, isn't so and as far as you know, Mr. Despres, it's not correct.

Mr. Despres: As far as I know, that was not correct.

All of this was by telephone. This wasn't at the meeting anyway, so I really am not able to serve as a sworn witness on this thing, but it doesn't make sense that according to my understanding that--

H.M.Jr.: Let me ask my people in view of Mr. Stimson's sentence up there saying he believes in the destruction of German plants, is this a thing that's worth bothering the President with? I personally don't think so.

Mr. Bell: I don't think so.
MR. DAUBIS: I don't think so. I think the language in the directive itself would satisfy them.

MR. BELL: It doesn't.

MR. CLAYTON: The directive is pretty well agreed to. It's a question of the telegram.

H.M.JR: According to Glasser, that thing that came in which they brought up, and I said, "well, I'm satisfied"--that has gone in as part of the language.

MR. GLASSER: That's right.

H.M.JR: That's in.

MR. DAUBIS: That wouldn't satisfy them.

H.M.JR: In addition to that they want to send some kind of cable.

MR. BELL: They want to in effect anticipate a request from Eisenhowe by giving him authority to go ahead.

MR. CLAYTON: That's about all that is involved. If we agree cannibalization has no significance here, the only question involved is that instead of waiting until he gets this and makes the request, they want to anticipate and give him the authority in advance.

H.M.JR: Well, if we wait much longer, they will talk about taking parts of plants here and shipping them over. I know what cannibalization is. If you have three trucks broken down and you get enough parts from two to make the third one run, you make the third one run.

MR. BELL: And that's better than shipping new parts from here, certainly.

MR. CLAYTON: Yes, or much better than taking new parts they might have over there.

H.M.JR: May I have a copy of this thing?

MR. COE: A copy of this letter?

H.M.JR: Yes.

MR. COE: Mr. Clayton, do you have a copy of this cable they want to send out?

MR. CLAYTON: No. I only heard about it on the telephone.

MR. GLASSER: I have it on my desk.

H.M.JR: This is the part--this is something which we have never had in writing before. There is no disagreement as to the necessity for the destruction or removal of the synthetic oil industry as an integral part of the program for the elimination of Germany's war potential.

MR. CLAYTON: That's right.

H.M.JR: With that in writing from the Secretary of War, I am willing to go ahead.

MR. CLAYTON: Fine. I think that--

H.M.JR: And I am willing to go ahead, and if they want a cable, all right, but I don't think that--if I start answering this, I'll be here all night getting everybody satisfied.

MR. CLAYTON: That's right.

H.M.JR: And I think it's more important--I am more than willing to take your offer and leave it in your hands.

MR. CLAYTON: All right, sir.

H.M.JR: Does anybody protest? Don't hesitate. Harold?
MR. GLASSER: No, sir. I agree completely.

R.M.Jr.: Don't tell me afterwards--

MR. RELL: Harold recommended it the other day. As I recall, everybody was against him. He was the one who said he thought you ought to go along.

R.M.Jr.: That's right. That's correct. He sent me a little note saying I should accept the cable. I had forgotten even it, and I was angry.

MR. GLASSER: Yes.

R.M.Jr.: Now, you can settle that?

MR. CLAYTON: All right, sir.

MR. DESPRES: Do you think it's best to have it by separate cable? I would like to ask Mr. Despres' advice.

MR. DESPRES: I would also recommend separating the cable. I would add the recommendation that since the cable says that the question is now under study in Washington, I think after sending the cable we ought to put it under study at once and get the Army Service Forces people, and make this case on supply grounds for the operation of these plants. I am bound to say I don't think it's a very easy case to make stick, and unless I prove to be wrong on that--I think they ought to have to make a case in order to have an exception.

R.M.Jr.: I was so unpleasant as to suggest they might use some of the oil from the canal project in Alaska. (Laughter)
(Mr. Clayton and Mr. Despres leave the conference.)

H.M.Jr.: You see, he put this thing on a basis that got a little mixed up, but I don't think—-the thing is to get Stimson on the line on these things. That's very important.

Mr. COE: It's a firm policy as far as War is concerned now.

Mr. BELL: I am surprised he signed that letter.

Mr. DuBOIS: That sentence, if we get it in the cable or whether we don't--

H.M.Jr.: I hear it was you who said it was blackmail when we told him about the cable.

Mr. DuBOIS: The cable was blackmail, but that's neither here nor there. I think the letter Stimson--

H.M.Jr.: My wife says, "Never tell me anything you want me to keep as a secret," because I can't keep any secrets, but anyway I don't feel too badly about it. Do you boys feel--how do you feel?

Mr. FRIEDMAN: I feel the same way.

H.M.Jr.: I must say I find that Clayton has been awfully square with me.

Mr. BELL: He's pretty good.

H.M.Jr.: Gentlemen, when I think in terms of some of the other people in this town—I have never yet caught him off base as far as I'm concerned.

Mr. COE: And he's very able.

Mr. GLASSER: Despres has been very good.

Mr. DuBOIS: I don't share that view at all.

Mr. FRIEDMAN: I haven't seen him as much as Joe.

Mr. DuBOIS: I don't share that view at all, Mr. Secretary.

Mr. COE: About being square?

H.M.Jr.: He has been with me.

Mr. DuBOIS: That one reparations meeting we attended he was terrible, and the only thing that knocked him off his feet, he didn't like some of the adverse publicity he was getting.

Mr. COE: I said to win him over--

H.M.Jr.: In his dealings with me he has been completely square.

Mr. BELL: Despres is capable.

Mr. COE: The next thing is revisional lend-lease. They are having a big row with the State now.

Can we save this?

H.M.Jr.: Save that for next week after the Seventh War Loan starts.
Congressman

Spence: Hello, Mr. Secretary, I didn't want to bother you tonight.

HMJr: Well, you never bother me.

S: How is your good wife?

HMJr: She is making steady progress, thank you.

S: Is she? That's fine.

HMJr: Yeah.

S: What I want to talk to you about is that I thought we'd - we're just about through with the hearings.

HMJr: Yes, sir.

S: And I thought we'd get some little amendments that would mean nothing that we might give to the other side to get them in line - they are looking for an out.

HMJr: Yeah.

S: And I thought you might talk to O'Connell, Luxford and Bernstein and see if you couldn't get them some amendments that - for instance, the amendment that enlarge the powers of the bank and make stabilization loans - long term stabilization loans - and public Advisory Council and some of that kind. I don't think it would make any difference.

HMJr: I see.

S: I just thought we'd have something to hand them and trade with them - don't you think it's a good idea?

HMJr: Well, we'll get the boys together. I tell you Mr. Spence, I am going down tomorrow afternoon to see my wife.

S: Are you?
B:Jr: Yeah.
S: Perry came back today and he asked some questions that indicated that he was intensely interested in the whole thing.
B:Jr: Fine. Well, I think we never would have gotten as far as we have if it hadn't been for you.
S: Thank you. Well, we are going to try to put it through and I think it will go through.
B:Jr: Well, that's wonderful.
S: All right, Mr. Secretary.
B:Jr: I'll have the boys get in touch with you tomorrow.
S: All right, Mr. Secretary.
MEMORANDUM FOR THE PRESIDENT

MAY 9, 1945

For your information, I am highlighting below the major programs of my department.

FINANCING THE WAR

Our expenditures for the current fiscal year are estimated at $36 billion, $30 billion of which are for war activities. Our prospective receipts, exclusive of borrowing, are estimated at $84 billion for this year, or about 38% of the total expenditures.

In the fiscal year 1946 it is estimated that expenditures will be $36 billion, $29 billion of which will go for war programs. Receipt estimates for fiscal 1946 are $42 billion, 50% of estimated expenditures.

My bond-selling organization is geared to a goal of 14 billion dollars during the Seventh War Loan Drive which opens May 14. Seven billion dollars of this amount will be raised from non-bank investors. The selling of Government securities during the war has been aimed at the objectives of placing as many securities as possible with individuals, thus removing excess purchasing power and its threat of inflation; providing security for small investors (66 million individuals have purchased Series E Bonds), and maintaining the liquidity of our banking system with short-term offerings.

TAX LEGISLATION

My tax staff is working on Federal tax revisions for the transition and postwar period. This work is progressing...
in close cooperation with the staff of the Congressional Joint Committee on Internal Revenue Taxation. A report is being prepared for the Joint Committee to submit to the House and Senate tax committees, containing tax recommendations for the interim period between V-E Day and the end of the war.

LAW ENFORCEMENT

We are currently engaged in an extensive nation-wide drive against tax evasions connected with illegal black market operations in liquor, meat and other commodities. Typically, these illegal trade operations are conducted on an abnormal cash basis with price ceiling excesses paid in so-called "side money" currency.

FOREIGN FISCAL AND MONETARY MATTERS

China

While in this country, Dr. T. V. Soong, wishes to discuss many financial problems associated with our military operations in China and the severe inflation there. I am sending you a memorandum on the Chinese desire to obtain greatly enlarged gold shipments. Because of the critical situation in China, I would like to talk to you about these matters as soon as possible.

Great Britain

The Treasury representative in London has told me that the Chancellor of the Exchequer wants to dispatch a top financial mission to the United States immediately after V-E Day to discuss the whole question of financial assistance to the United Kingdom.

Since the British are more worried about their postwar international financial position than almost any other subject, I think you will want to take some time to go over these issues.

France

We have been advised that the French Finance Minister, who will shortly be in Washington, wishes to discuss the financial side of their reconstruction problem.
Mexico

The Mexican Finance Minister has asked whether we wish them to continue their stabilization agreement with us.

Cuba

The Cubans have asked whether we wish to extend our gold sale agreement for another four years.

India

The Indian Government has requested that we lend-lease them an additional 210 million ounces of silver. We have not yet agreed because we are not convinced that so large a quantity is needed for anti-inflation purposes.

Enemy Assets in United States

Our Foreign Funds Control is working with the Alien Property Custodian on a program for the speedy disposition of all German and Japanese assets in this country. We wish shortly to present joint recommendations to you and the Congress.

German Assets in Other Countries

The Treasury is anxious that the so-called Safe Haven Program for uncovering and immobilizing German assets hidden in other countries, shall be pressed as vigorously in Spain, Portugal, Sweden, Argentina and Turkey as it has been in Switzerland. The Swiss experience shows that the neutral countries are more likely to respond if they are talking with a representative of the White House.

Peace Plans

The Treasury is working with State, War, Navy and VFA on directives to the American commander in Germany in accordance with the policies of the Presidential Directive of March 22. These matters are related to the instructions which are now being drafted for the American member of the Reparations Commission. In my opinion, some of the largest issues of the peace are involved in this work and I would appreciate an opportunity to talk with you about them.

Future of Lend-Lease

The financial problems of the termination of lend-lease and the nature of the lend-lease settlement are under study here. After V-E day the President will have to decide whether lend-lease shipments to western Europe are to be continued. The Treasury believes that this entire lend-lease program should be surveyed and overhauled as soon as possible after V-E day.
Mr. Dierkes, of my staff, has spent his full time for the past several weeks, calling on trade association officials at their national offices here and in New York.

His approach is direct, but he states that we want to be helpful to them in their understanding of Bretton Woods which has such important implications as far as we are concerned. He states that we merely want them to be aware of the importance of the proposals to their industry and in the light of awareness to study the matter. We are not asking for their support, although we believe they will approve Bretton Woods if they go into the subject with any thoroughness.

With one or two exceptions, this approach has won a friendly response. They express gratitude for our interest in their businesses and promise to study. They have all been woefully ignorant on the subject when first approached.

The result has been a number of favorable resolutions, general added interest, and, in some cases, neutralization of organizations which, through ignorance, were prepared to back the ASA position.

Following is a list of the organizations:

Aeronautical Chamber of Commerce of America, Inc.
American Association Economic Freedom
American Association of Small Loan Companies
American Business Congress
American Iron and Steel Institute
American Retail Federation
American Ship Owners Association
American Trade Association Executives
American Trucking Associations, Inc.
American Washer & Ironer Manufacturers' Association
Assn. of Bulk Prepared Flour Mill Manufacturers, Inc.
Association of Buying Offices, Inc.
Automobile Manufacturers Association

Can Manufacturers Institute, Inc.
China Committee on Industry and Commerce
Coal Exporters Association of U. S.
Commercial Steel and Chemical Corporation

Dairy Industry Committee
Dairy Industry Supply Association
Douglas Fir Plywood Association

Glass Container Association
Grace Lines

Institute of Scrap Iron and Steel, Inc.
Iron and Steel Institute

Machinery and Allied Products Institute
Matson Lines
National Aeronautic Association of the U.S.A.
National Association of Alcoholic Beverage Importers, Inc.
National Association of Margarine Manufacturers
National Canners Association
National Council of American Importers
National Council of Social Studies
National Education Association
National Federation of American Shipping
National Lumber Manufacturers Association

Oregon War Industries, Inc.

Plastics Materials Manufacturers Association
Progressive Businessmen, Inc.

Radio Manufacturers Association
Rotary Clubs, Inc.

San Diego Chamber of Commerce
Seattle Chamber of Commerce
Shipbuilders Council of America
Ship Owners Association
Shipowners' Association of the Pacific Coast

U. S. Beet Sugar Association

West Coast Lumbermen's Association
Wire Rope and Strand Association
May 9, 1945

My dear Mr. Secretary:

I have received your letter of May 4, 1945, stating that you consider it appropriate for the Treasury Department to be represented on the inter-departmental air coordinating committee and asking that steps be taken to that end.

As this is a question which must be decided by the full Committee, I am submitting your request for inclusion on the agenda and consideration at its next meeting.

Sincerely yours,

For the Acting Secretary of State:

[Signature]

William L. Clayton
Assistant Secretary

The Honorable

Henry Morgenthau, Jr.,
Secretary of the Treasury.
May 9, 1945.

Dear Jim:

The final fighting having been mostly on the land the Navy may not get the credit for VE-day that it's due.

I don't forget that the men and supplies had to be moved over the water and the U-boats fought to the very last day.

The Navy has done a great job on Hitler as well as being in process of doing an even more spectacular job on the other, and you have been at the heart of it from the start. The building, the recruitment, the training and the fighting have been a wonderful performance.

I congratulate you and wish you all power for the rest of the way.

Sincerely,

(Signed) Navy

The honorable James Forrestal
Secretary of the Navy

TO
Secretary Morgenthau

FROM
Randolph Feltus

These two letters are about all that should be sent in connection with your recent broadcast.

It was not a Bretton Woods program, but dealt with world security in the broader sense. We don't want any letters floating around which Taft could use to corroborate his charges against us.
MAY 9 1945

Dear Mr. Smiah:

This is just a note to thank you for inviting me to participate in the program - "The Crew of the Motor Y" - on April J0th. I thought the program was an excellent one. Please extend my felicitations to the writers, actors and technical people who produced the show.

With warm good wishes, I am,

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Adrian Smiah,
Program Director,
The Blue Network,
630 Fifth Avenue,
New York, N. Y.

MAY 9 1945

Dear Mr. Peppers:

This is just a note to thank you for inviting me to participate in the program - "The Crew of the Motor Y" - on April J0th. I thought the program was an excellent one. Please extend my felicitations to the writers, actors and technical people who produced the show.

With warm good wishes, I am,

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. George Peppers,
1985 Crusaders of the World,
Hollywood, California.
MAY 9 1945

My dear Mr. Minister:

I was very pleased to read your letter of March 20, in which you expressed your satisfaction over Henry Vasea’s return to Italy as my representative.

I trust that with your cooperation his presence in Italy will be of mutual advantage to our respective countries.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable Marcello Salori,
Minister of the Treasury,
Rome, Italy.
ROYAL ITALIAN EMBASSY
WASHINGTON

April 24, 1948

Dear Mr. Glasser:

Our Minister of the Treasury, Mr. Solari, has sent this Embassy a letter to be forwarded to Mr. Morgenthau. Would you be so kind as to see that this letter reaches its destination?

I hope to see you sometime soon, and with many thanks for this courtesy, I remain

Yours sincerely,

[Signature]

Encl.

Mr. Harold Glasser,
U.S. Treasury Department,
Washington, D.C.
Rome, March, 30, 1945

Ministro del Tesoro
IL MINISTRO

My dear Secretary of State,

It is with great pleasure that I am informed of the return of Dr. Henry J. Tasca. He is a good friend of Italy, and understands well her difficulties and her future possibilities.

Therefore I am pleased of your decision to appoint him as your personal representative in Rome, and I assure you that I will be very glad to work with him, on the purpose of giving again to our Countries their old character of true and fond friendship.

Yours sincerely

[Signature]

Mr. HENRY McBERNAU Jr.
Secretary of the Treasury
WASHINGTON, D.C.
MEMORANDUM FOR THE PRESIDENT

Subject: STRENGTHENING FEDERAL FISCAL CONTROLS

May 0, 1945

With the close of the war in Europe our Government finds itself faced with unprecedented domestic and international tasks that place burdensome and extremely challenging responsibilities on our executive leadership. The Secretary of the Treasury is confronted with the job of managing the largest public debt in the nation's history. Eighty-five million persons have purchased Government securities during the war, and fifty million persons are now paying direct federal taxes. These people all have a direct financial stake in their Government. Thus, they have a personal interest in good Federal fiscal management.

Since the Treasury Secretary is charged with the responsibility for raising funds and processing expenditures, he is identified in the public mind as the Chief Fiscal Adviser of the President, responsible for the original formulation of far-reaching programs of Government borrowing, lending, spending, and insuring. Yet, in actual practice the area of control and influence exercised by the Secretary of the Treasury is largely limited to one side of the ledger. While he is responsible for the supply of necessary funds, he is not in a position to exert commensurate influence over the use and disposition of all the fiscal resources. This weakness is a material handicap to the functioning of the Treasury Department and, moreover, to the orderly and unified conduct of this Government's financial affairs.

No Secretary of the Treasury can properly serve the Chief Executive, the Congress and the American people during the trying post-war period of international rehabilitation and domestic reconstruction without maintaining a balanced policy over both sides of the Federal ledger. It is for this reason that I am calling your attention to certain basic weaknesses in the management of the Federal Government's fiscal and monetary affairs, and recommending to you a reorganization program aimed at the unification and correlation of related functions in this vast and vitally important area of Government activity.

BACKGROUND ELEMENTS

The experience of the Treasury Department demonstrates that there is a positive need for the regrouping and realignment of agencies now concerned with various segments of Federal fiscal operations. This need should be met by a plan that will ultimately establish a control or coordination authority for the entire area of work. It can be readily appreciated that all financial transactions of every agency and instrumentality of the Federal Government, whether in the fields of borrowing, lending, insuring, or spending, are closely related to the condition of the Treasury. By the same token, it is apparent that all of these activities have a direct or indirect bearing on the responsibilities of the Secretary of the Treasury in superintending the revenue and managing the public debt.

At present there is no integrating force between the President and the many separate agency authorities whose activity may have a significant impact on Federal Treasury policy. The Secretary of the Treasury should be in a position to relieve the President of many burdensome details currently coming up from the numerous operating agencies working in the fiscal field.

The Secretary of the Treasury, as a Cabinet officer, is responsible to the President for the supervision of the administration of Federal fiscal affairs. The need for bringing together all of the segments of Federal fiscal activity is great today and will become still more pressing now that the war in Europe is finished. We are on the threshold of a difficult task of preserving an appropriate balance between taxation, borrowing, lending and spending in a post-war world economy that will look to us for stimulus and example. Today the Secretary of the Treasury is unable to exercise policy direction in a wide area which is an important part of the United States fiscal program, but which is connected to the Treasury Department in nothing stronger than a bookkeeping sense.
RECOMMENDATION

While there is not presented at this time a detailed analysis of the ramifications of the realignments to be accomplished, there is indicated generally the agencies which should, from the purely fiscal point of view, and as a service to the President, be tied into the Treasury Department for purposes of policy coordination and control. It should be made clear that there is no intention to disturb the basic corporate patterns, regulatory and insuring controls or operational practices of such agencies. However, in addition to the major policy changes suggested, considerable administrative improvement with resultant economy can be accomplished through a reduction in the number of agencies involved and certain functional mergers.

Treasury suggestions embrace the extension of this Department's influence into these areas:

A. Policy control and correlation of programs relating to banking, insurance, lending, and borrowing now spread principally in the Departments of Agriculture, Interior and Post Office (Postal Savings), the Federal Loan Agency, the National Housing Agency, and the Federal Deposit Insurance Corporation.

B. Policy influence with respect to the money and credit markets of the country, typified by activities of the Board of Governors of the Federal Reserve System, the Federal Open Market Committee, and the Securities and Exchange Commission.

C. Policy direction over Federal revenue and expenditures typified by the President's budget and proposed legislation submitted to the Congress from the standpoint of a unified fiscal program.

The recommendation for accomplishing the necessary degree of integration in this wide area of work, while holding to a minimum the disturbances of existing organizational lines, contemplates the following:

The establishment of a top policy committee chairmaimed by the Secretary of the Treasury and composed of assistant chairmen who will head subcommittees for specific functional areas.

Generally, the plan is to have established eight principal subcommittees as follows: (1) Committee on Industrial Finance. (2) Committee on Agricultural Finance. (3) Committee on Foreign Finance. (4) Committee on Maritime Finance. (5) Committee on Money and Credit. (6) Committee on Housing Finance. (7) Committee on Public Works Finance. (8) Committee on the Federal Budget.

The membership in, and in some instances the existence of a committee will depend at any given time on the Federal fiscal programs then in process, but we would have established a framework into which the bulk of Federal financing functions would fall. Illustrative of the operating practice contemplated would be this: Each of the subcommittees would meet once a week. In the case of Agriculture, the Assistant Chairman would be the Secretary of Agriculture, who in turn would meet with the Treasury's top committee at two week intervals. The same pattern would be followed in each of the other subcommittees from which would come a representative to serve with the top fiscal policy group. The action of the subcommittees would be advisory only to their respective chairman.

The Secretary of the Treasury would be chairman of the top policy committee. The committee would be advisory to the Secretary, and the Secretary, after consulting the committee, would advise the President with respect to the advisability of expenditures and other policy questions discussed. In addition, the approval of the Secretary of the Treasury should be required on all financing, capital or borrowing, of corporations owned by the United States or in which it has a direct or indirect controlling interest.

The Secretary of the Treasury would need to have a staff of experts available to carry on liaison with the operating agencies, and serve as a secretariat. This staff would be trained to deal with important fiscal problems which might arise in any of the constituent groups, and to work together the programming of all these activities in relation to the Government's financing.

In presenting this tentative proposal for what amounts to a substantial rearrangement of the Federal Government's fiscal and monetary operations, I am not unmindful of the
reasons behind the present organizational setup. Nevertheless, I think that you will agree that in a Government such as ours the job of perfecting our organization, and adapting it to the changing demands of growth and development is a never-ending undertaking. While we have often heard the term "watchdog" of the Treasury applied to various public officials, including the Secretary of the Treasury, it is an unfortunate fact that today the President has no single subordinate serving him in that capacity. If the President would like to have one responsible guardian of the nation's Treasury, it is the aim of this recommendation to give it to him, in the person of the Secretary of the Treasury.

At this time I am not placing before you any executive orders or detailed organizational plans for the reason that I want first to discuss this matter with you. There may also have to be mergers of existing organizations before fully realizing the objectives of a thoroughgoing fiscal realignment. It is my belief that the program can be accomplished without legislative action and, I hope, without engendering personal antagonisms. If you approve, I will have prepared the necessary executive orders and present to you in detail the make-up of the top fiscal committees and related instruments aimed at coordinating and unifying our programs of finance as I feel are necessary.

Faithfully yours,
National Committee for Fiscal Affairs

SECRETARY OF THE TREASURY
CHAIRMAN

SECRETARIAT
Liaison Officers

COMMITTEE ON
INDUSTRIAL FINANCE
Assistant Chairman

COMMITTEE ON
AGRICULTURE FINANCE
Assistant Chairman

COMMITTEE ON
PUBLIC HOUSING FINANCE
Assistant Chairman

COMMITTEE ON
FOREIGN FINANCE
Assistant Chairman

COMMITTEE ON
MARITIME FINANCE
Assistant Chairman

COMMITTEE ON
HOUSING FINANCE
Assistant Chairman

COMMITTEE ON
MONEY AND CREDIT
Assistant Chairman

COMMITTEE ON
THE FEDERAL BUDGET
Assistant Chairman
Treasury Department  
Division of Monetary Research  

Date: May 7, 1945  

To: Secretary Morgenthau  

Our digest of the Rosenman Report is not yet completed,  
therefore, this simple acknowledgment.

PC  

MR. CUR  

Room 3430 - Branch 303 and 306
MAY 9 1945

Dear Sam:

Thank you very much for your letter of April 30, transmitting a copy of your report to the President on your recent mission to the liberated areas of Northwest Europe to study the question of civilian supplies. Both the detailed factual survey and your commendably concrete recommendations should be very helpful in the formulation of policies and procedures to meet the problems posed by these liberated areas.

I am glad that you found Mr. William H. Taylor’s services helpful to you.

Very truly yours,

[Signed] Dearf

Judge Samuel L. Rosenman,

The White House,

[Handwritten note: 3/14/45]
THE WHITE HOUSE
WASHINGTON

April 20, 1945

Dear Mr. Secretary:

At the direction of the President, I am enclosing herewith a copy of a report dated April twenty-fifth, which I have submitted to him. The report covers my mission to the liberated areas of Northwest Europe to study the question of civilian supplies, as per letter of President Franklin D. Roosevelt, dated January 16, 1945.

You will note that the report and all of the tabs connected with it have been classified as "Secret," I am enclosing a copy of the press release for tomorrow morning's papers -- which is the only publicity authorized.

I desire to take this opportunity to thank you for making available to me the services of William H. Taylor. He was always most efficient, cooperative and helpful to me and brought to this work his extensive experience and knowledge of the subject.

With kindest regards,

Very truly yours,

SAMUEL I. ROSENTHAL

The Honorable
The Secretary of the Treasury
Washington, D.C.
Samuel I. Rosenman has submitted his report to President Truman on the matter of civilian supplies for the liberated areas of Northwest Europe. The report is the result of a mission to those countries, on which he was recently sent by the late President.

Pursuant to the direction of the President — who is very sympathetic with the needs of the liberated countries — Judge Rosenman has discussed, and is now discussing the question with the government agencies concerned in the matter, with the view of seeing to what extent, if any, these needs can be met.

The President has authorized the release of the following summary of the highlights of the report:
Summary of Report of Samuel J. Rosenman

1. The immediate and long-range economic situations of these liberated countries are extremely serious. The needs vary from country to country.

Seven million displaced persons brought into Germany from overrun countries as slave labor will increase its seriousness. These people have no source of food of their own, and will place a critical burden upon an already severely limited food supply.

Except in the rural, food-raising areas, a dangerously low level of nutrition generally exists; coal production meets not even minimum requirements; ports have suffered great damage by bombing and demolition.

Railroads, canals and highways have been wholly or partially destroyed; and what remains of the usable means of internal transportation have been largely devoted to Allied military use. The resultant lack of adequate transport carries serious consequences.

Physical destruction is greater than in the last war. Manufacturing is paralyzed by destruction or damage, lack of raw materials and inadequate plant maintenance.

2. The needs of Northwest Europe’s liberated areas are grave, not only from a humanitarian aspect, but because they
involve internal and international political considerations.

The future permanent peace of Europe depends largely upon restoration of the economy of those countries, including a reasonable standard of living and employment. United States economy, too, will be deeply affected unless Northwest Europe again resumes its place in the international exchange of goods and services. Furthermore, a chaotic and hungry Europe is not fertile ground in which stable, democratic and friendly governments can be reared.

2. A realistic appraisal of the situation would indicate that the responsibility for providing a substantial share of most civilian supplies will rest on the United States. United States policy should dictate acceptance of this responsibility as far as possible.

4. To be effective, the acceptance of this responsibility as a government policy should be announced by the President himself. The policy should be framed so as to assure that the supplies necessary to meet the minimum requirements of all liberated areas will be met as fully as the successful prosecution of military operations and the maintenance of our essential domestic economy will permit.

2. Once this policy is enunciated, a high level inter-
departmental committee should be maintained to advocate and support the claims presented by the liberated countries, in order to ensure that the policy is in fact continuously carried out.

2. The most immediate and urgent needs common to all Northwest European countries are certain types of food, coal, coal mining equipment and the means of internal transportation.

3. The available supply of many kinds of food is insufficient for minimum requirements. To meet the United States share of these needs, a reexamination of total requirements against our supplies should be made. Certain appropriate steps should be taken to assure maximum production of food in the liberated areas. We should examine the situation of those countries liberated by the U.S.S.R. in Eastern Europe in order to ascertain what food surpluses may be available there for the deficit areas of Western Europe.

4. Coal is one of the most important keys to economic recovery in Northwest Europe. Meeting even minimum coal requirements for a year or more after V-E Day will be impossible. Any material alleviation of this situation would require maximum coal production in Germany. This, however, entails certain serious political decisions, because it would mean:

Immediate shipment of coal mining supplies to Germany; rehabilitation of battle-damaged or demolished German mines; restoration of German transport facilities for miners and mining purposes; supply of adequate food, clothing and footwear for German miners; provision of electric power to produce coal even if it entails rehabilitation of some part of local utilities; and the use of forced German labor where necessary.

These political questions are not within the province of the mission to answer. Failure to take the steps outlined, however, would place insurmountable limitations on the extraction of German coal for liberated countries. The United States should examine the extent to which it can supply coal to Europe, especially during any period of easier shipping which may develop after V-E Day; for the lack of coal is of gravest political and economic concern.

5. There can be little economic rehabilitation until the internal transportation situation is improved. The liberated areas should be given prompt and high priorities for rolling stock, locomotives, maintenance and repair shop supplies, and raw materials for local production of railroad equipment. A survey to determine the availability of Army trucks after V-E Day, for transfer to these countries, should be made; also...
the possibility of reconditioning used trucks here and abroad
should be explored.

10. Port capacity and clearances are now sufficient so
that they should not be regarded as restrictions upon procure-
ment by the National Governments or upon the allocation of ships
to them. The limiting factor in the immediate future is the shortage
of supplies. Should shipping develop to a choke-point, the
shipping position should be reexamined at the highest level to
ensure maximum allocation to the liberated areas, consistent,
of course, with the successful prosecution of the war and the
needs of our other Allies. Full advantage should be taken of
present allocations and any temporary ease of shipping shortly
after V-E Day.

11. To supplement the electric power in liberated areas,
thus saving coal and transportation, we should seek increased
exports of electricity from Germany.

12. Petroluem is essential for economic rehabilitation,
particularly for its use in transportation. GMF now handles
petroleum imports; but the responsibility will ultimately revert
to the Governments of these areas. Planning for the transition
should be undertaken now.

13. Highest level decisions must be made immediately re-
garding the use of German productive capacity, and the extent,
if at all, to which it should be restored and operated for the
benefit of liberated countries of Northwest Europe.

14. Interim reparations machinery should be established
at once to handle the growing problems of reparation for needed use
in liberated countries the movable goods uncovered in Germany
by Allies during, which GMF does not need. It should be
integrated with the work of the Reparations Commission.

15. Repatriation of displaced persons should be undertaken
as speedily as possible.

16. As the land of France and Belgium, and the adjacent seas
are filled with German mines, a complete restoration of agri-
culture, shipping and fishing is severely restricted. As part
of the peace terms, Germany should be compelled to furnish the
personnel to remove these mines.

17. The military has met the responsibility placed on it for
providing sufficient civilian supplies in Northwest European
liberated countries to prevent disease and unrest. It has done
this job well, despite the limitations of shipping, harbors,
supply and inland transportation. Military Commanders in the
field are keenly aware of the necessity of maintaining at least
a minimum economy in the path of their communications. These
countries will also serve as redeployment bases after V-E Day.

The immediate requirements of these areas, however, go beyond the bare necessities called for by the military in the performance of its responsibility for civilian supplies. This responsibility should be terminated as soon as practicable.

10. It is a new concept that responsibility for the care of civilian populations and temporary governmental administration is a necessary part of our Army's military mission. Modern total war has brought the military into direct contact with the political and economic lives of the countries through which it passes and has demonstrated the soundness of this concept.

11. To discharge successfully its responsibility in economic relations with the liberated countries, our Embassies should have the necessary personnel, adequately experienced and trained. In this period of emergency, it will be necessary to supplement the trained manpower of the Foreign Service.

12. The largest responsibility in dealing with economic problems in the field falls upon the State Department and FIA. In all cases, the senior economic officer in each Embassy should be the joint designee of these agencies, as in Paris and Brussels, where it has proved to be a sound arrangement.

13. The present Liberated Areas Committee should be designated as the advocate of the claimant countries, referred to in 5. above. At present, it is under the chairmanship of an Assistant Secretary of State, with comparable membership of State, War and Navy Departments. It is essential that the level of original membership be maintained. It should have an outstandingly able Secretary, adequately staffed, capable of exercising general coordinating responsibility for the members, and do the day-to-day work of the Committee.

14. The Washington machinery for allocating supplies to liberated areas should be simplified and streamlined. The President should designate someone to examine this machinery and to recommend changes designed to eliminate the complexities which now exist.

15. U.N.R.R.A.'s supply activities in Northwest Europe are comparatively unimportant. In the problem of displaced persons, however, U.N.R.R.A. should be encouraged to greater participation compatible with military necessities and the liberated countries own decisions. U.N.R.R.A.'s mission will increase. It is essential, therefore, that it be given appropriate consideration for supplies, transport and ocean shipping.

16. The European Economic Committee, European Central Inland Transport Organization, European Coal Organization and
United Maritime Authority, if created and thereafter supported, can perform helpful roles. The State Department, fully aware of their possible contribution, is following their development closely with the purpose of expediting their establishment on a basis acceptable to the countries most directly concerned.

22. Discussions with the Governments of the liberated countries relating to financial assistance for rehabilitation and reconstruction should be undertaken several months hence. These countries are not yet ready for such discussions. In the meantime data is being assembled on the extent of destruction, cost of reconstruction and available foreign assets. Substantial benefit will come from the passage of Bretton Woods legislation, repeal of the Johnson Act and the amendments relating to the Export-Import Bank. Facilities for credits to the liberated countries should be established at the earliest possible date.

24. Since allocation of civilian supplies to liberated countries, in all probability, will cut into the ration of the American consumer, a widespread official and public campaign should be undertaken to inform the American people of the gravity of the needs of our Allies in liberated Europe.

Conversely, there is no adequate understanding by the ordinary civilians in these liberated areas of what the
May 9, 1945

Dear Mr. Secretary:

I desire to acknowledge with thanks receipt of your letter of May 5, with which was transmitted a copy of the expression of the Cabinet of the Commonwealth of the Philippines upon the death of President Roosevelt, which was addressed among others to the members of the Cabinet of the President of the United States.

Sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable
The Secretary of State
DEPARTMENT OF STATE
WASHINGTON

May 6, 1945

In reply refer to
PR

My dear Mr. Secretary:

I am enclosing herewith a copy of a telegram dated April 14, 1945 from General MacArthur at Manila, received by reference from the White House, transmitting at the instance of the Cabinet of the Commonwealth of the Philippines a message addressed to Mrs. Roosevelt, the members of the Cabinet, the President pro tempore of the Senate, and the Speaker of the House of Representatives, expressing condolences on the death of President Roosevelt.

Copies of this telegram have also been forwarded to the other persons for whom it is intended.

Sincerely yours,

For the Acting Secretary of State:

[Signature]

Assistant Secretary

Enclosure:

Copy of telegram from
General MacArthur,
April 14, 1945.

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.
WAR RRS Manila, April 14, 1946

MRS. ROOSEVELT
MEMBERS OF THE CABINET
PRESIDENT PRO TEM OF SENATE
SPEAKER OF HOUSE

Cabinet of Commonwealth Government requests following be delivered:

"The Cabinet of the Commonwealth of the Philippines joins the world at large and the American people in particular in mourning the demise of Franklin D. Roosevelt. In his death the United Nations have lost a great leader and the Filipino people a true friend. Through this resolution, the Cabinet joins President Osmeña in expressing the grief of the Filipino people over the sudden and untimely passing away of the late President Roosevelt, one of the greatest statesmen the world has produced."

GENERAL MACARTHUR

Rec'd. 4/16/46
12:06 am
MEMORANDUM FOR THE PRESIDENT

MAY 9, 1945

For your information, I am highlighting below the major programs of my department.

FINANCING THE WAR

Our expenditures for the current fiscal year are estimated at $58 billion, $50 billion of which are for war activities. Our prospective receipts, exclusive of borrowing, are estimated at $48 billion for this year, or about 40% of the total expenditures.

In the fiscal year 1940 it is estimated that expenditures will be $80-1/2 billion, $50-1/2 billion of which will go for war programs. Receipt estimates for fiscal 1941 are $42-1/4 billion, 20% of estimated expenditures.

My bond-selling organization is geared to a goal of $14 billion for the Seventh War Loan drive which begins May 14. Seven billion dollars of this amount will be raised from non-bank investors. The sale of Government securities during the war has been aimed at the objectives of placing as many securities as possible with individuals, thus removing excess purchasing power and its threat of inflation, providing security for small investors ($5 million individuals have purchased $2 billion Bonds), and maintaining the liquidity of our banking system with short-term offerings.

TAX LEGISLATION

My tax staff is working on Federal tax revisions for the transition and postwar period. This work is progressing in close cooperation with the staff of the Congressional Joint Committee on Internal Revenue Taxation. A report is being prepared for the Joint Committee to submit to the House and Senate tax committees, containing tax recommendations for the interim period between V-E Day and the end of the war.

LAW ENFORCEMENT

We are currently engaged in an extensive nation-wide drive against tax evasion connected with illegal black market operations in liquor, meat and other commodities. Typically, these illegal trade operations are conducted on an abnormal cash basis with price ceiling excesses paid in so-called "side money" currency.

FOREIGN FISCAL AND MONETARY MATTERS

China

While in this country, Dr. T. V. Soong, wishes to discuss many financial problems associated with our military operations in China and the severe inflation there. I am sending you a memorandum on the Chinese desire to obtain greatly enlarged gold shipments. Because of the critical situation in China, I would like to talk to you about these matters as soon as possible.

Great Britain

The Treasury representative in London has told me that the Chancellor of the Exchequer wants to dispatch a top financial mission to the United States immediately after V-E Day to discuss the whole question of financial assistance to the United Kingdom.

Since the British are more worried about their postwar international financial position than almost any other subject, I think you will want to take some time to go over these issues.

France

We have been advised that the French Finance Minister, who will shortly be in Washington, wishes to discuss the financial side of their reconstruction plan.
Mexico

The Mexican Finance Minister has asked whether we wish them to continue their stabilization agreement with us.

Cuba

The Cubans have asked whether we wish to extend our gold sale agreement for another four years.

India

The Indian Government has requested that we lend-lease them an additional 210 million ounces of silver. We have not yet agreed because we are not convinced that so large a quantity is needed for anti-inflation purposes.

Enemy Assets in United States

Our Foreign Funds Control is working with the Alien Property Custodian on a program for the speedy disposition of all German and Japanese assets in this country. We wish shortly to present joint recommendations to you and the Congress.

German Assets in Other Countries

The Treasury is anxious that the so-called Safe Haven Program for uncovering and immobilizing German assets hidden in other countries, shall be pressed as vigorously in Spain, Portugal, Sweden, Argentina and Turkey as it has been in Switzerland. The Swiss experience shows that the neutral countries are more likely to respond if they are talking with a representative of the White House.

Peace Plans

The Treasury is working with State, War, Navy and FECA on directives to the American command in Germany in accordance with the policies of the Presidential Directive of March 23. These matters are related to the instructions which are now being drafted for the American member of the Reparations Commission. In my opinion, some of the largest issues of the peace are involved in this work and I would appreciate an opportunity to talk with you about them.
EM JR took to conference at White House

May 9, 1945
Taxation

1. Joint Committee

The Joint Committee on Internal Revenue Taxation for Postwar Taxation has been called for a meeting at 7:30 P.M. today, when it is expected to adopt a report to the House Ways and Means Committee and the Senate Finance Committee. This report will deal with tax measures to be effective for the period between the end of the German war and the end of the Japanese war. The report is expected to follow closely the suggestions made jointly by the Treasury staff and the Joint Committee staff.

The Joint Committee may announce not only the above report but also a recommendation that the excess profits tax be repealed effective January 1, 1947, if the war ends before that time.

If possible the Treasury should issue an announcement concurrently with that of the Joint Committee, supporting the Joint Committee recommendations and indicating the cooperation of the Treasury and Joint Committee staffs in working out the suggested program.

2. Capital gains tax

An entirely separate item is the proposal of the Economic Stabilization Board to lengthen to three years the holding period for long-term capital gains. This is still in the stage of Joint study by the Treasury staff and the Joint Committee staff.

May 9, 1945
The Subcommittee would be pleased if you would appear before it on June 7 to present information gathered by your Department on these subjects and to testify on the Department's current and projected activities to eliminate the German economic base for further aggression.

It is the practice of the Subcommittee to request of witnesses a prepared statement of testimony which may be read or inserted in the record at the opening of the hearing, as well as supporting documents which are the basis of or amplify the statement and which are submitted as exhibits.

I would appreciate it if you would make available to the Subcommittee a copy of your statement at least three (3) days in advance of the hearing for study by the Members and as a basis for questioning. I have asked Mr. Herbert Schimmel and Mrs. F. F. Manuel of the Subcommittee staff to discuss with you or your staff any technical questions which may arise regarding your testimony.

I am enclosing a schedule of the other witnesses.

With all good wishes, I am,

Sincerely yours,

E. M. Kellogg
Chairman

Enclosure
SUBCOMMITTEE ON WAR MOBILIZATION
SENATE MILITARY AFFAIRS COMMITTEE

Harley M. Kilgore, West Virginia, Chairman
Elbert D. Thomas, Utah
Edwin G. Johnson, Colorado
James E. Murray, Montana
Chapman Berven, West Virginia
George A. Wilson, Iowa

HEARINGS ON “ECONOMIC RACE FOR GERMANY: AGGRESSION AND NATIONAL SECURITY”

Schedule of Witnesses Appearing Beginning
June 8, 1943

Honorable Francis Biddle
The Attorney General
and
Mr. Wendell Berge
Assistant Attorney General

Mr. Lee T. Crowley, Administrator
Foreign Economic Administration

Honorable Henry Morgenthau
Secretary of the Treasury

Mr. William L. Clayton
Assistant Secretary of State

Mr. James E. Markham
Alien Property Custodian

Major General William J. Donovan
Director, Strategic Services

Major General John H. Hilldring
Director of Civil Affairs Division
War Department
SUBCOMMITTEE ON WAR MOBILIZATION
SENATE MILITARY AFFAIRS COMMITTEE

Harley M. Kilgore, West Virginia, Chairman
Elbert D. Thomas, Utah
Chapman Revercomb, West Virginia
Edwin G. Johnson, Colorado
James E. Harvey, Montana
George A. Wilson, Iowa

HEITINGS ON "ECONOMIC BASE FOR GERMAN AGGRESSION AND NATIONAL SECURITY"

Schedule of Witnesses Appearing Beginning June 5, 1945

Honorable Francis Biddle
The Attorney General

Mr. Wendell Berge
Assistant Attorney General

Mr. Leo T. Crowley, Administrator
Foreign Economic Administration

Honorable Henry Morgenthau
Secretary of the Treasury

Mr. William L. Clayton
Assistant Secretary of State

Mr. James E. Markham
 Alien Property Custodian

Major General William J. Donovan
Director, Strategic Services

Major General John H. Hilldring
Director of Civil Affairs Division
War Department
Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D.C.

My dear Secretary Morgenthau:

The Subcommittee on War Mobilization is scheduling a series of hearings on "The Economic Basis for German Aggression and National Security," beginning on June 2. These hearings are a continuation of earlier investigations of "Cartels and National Security," which showed that German aggressive forces began to expand immediately after the last world war for economic world conquest. The earlier investigations indicated that Germany did not resort to military aggression until after extensive economic penetration of prospective victims, through international cartel agreements and other economic devices. There is already evidence on hand that the German cartels for aggression, who have in the past included, in addition to the Nazi political hierarchy, military, industrial and financial groups, have prepared for defeat in the present war as well as for victory and are trying to create economic resources, inside and outside of Germany, for another attempt at world conquest.

It is the intent of the present hearings to expand the earlier studies and to bring them up to date. It is expected that further information will be developed on the techniques and practices which the Germans have used to create and expand their economic resources for aggression; in this connection the Subcommittee will explore particularly those techniques and practices appropriate to defeat which have even now been set in operation to rebuild Germany's military strength. In addition, the hearings will be addressed to determining the nature of such German resources, and the steps which must be taken to wipe out completely the German economic base for war.

These hearings will not be especially concerned with a detailed description of instances where German spies have been able to accomplish their purposes by exploiting commercial relations with neutrals and other foreigners. They are concerned, however, with the role played by specific economic mechanisms such as cartels, as well as with the role of neutral or previously neutral countries.

United States Senate
Committee on Military Affairs
Subcommittee on War Mobilization

May 9, 1945
The Subcommittee would be pleased if you would appear before it on June 9 to present information gathered by your department on these subjects and to testify on the department's current and projected activities to eliminate the German economic base for further aggression.

It is the practice of the Subcommittee to request of witnesses a prepared statement of testimony which may be read or inserted in the record at the opening of the hearing, as well as supporting documents which are the basis of or amplify the statement or which are admitted as exhibits.

I would appreciate it if you would make available to the Subcommittee a copy of your statement at least three (3) days in advance of the hearing for study by the Members and our staff. I have asked Mr. Herbert Schimmel and Mr. F. A. Belgian of the Subcommittee staff to discuss with you or your staff any technical questions which may arise regarding your testimony.

I am enclosing a schedule of the other witnesses.

With all good wishes, I am,

Sincerely yours,

E. M. Kilgore
Chairman

Enclosure

SUBCOMMITTEE ON WAR MOBILIZATION
SENATE MILITARY AFFAIRS COMMITTEE

Harley M. Kilgore, West Virginia, Chairman

Elbert D. Thomas, Utah
Stephen Bovine, West Virginia
Edwin C. Johnson, Colorado
George A. Millen, Iowa
James E. Murray, Montana

MEETINGS ON "ECONOMIC BASE FOR GERMANY AGGRESSION AND MILITARY SECURITY"

Schedule of Witnesses Appearing Beginning June 9, 1943

Honorable Francis Biddle
The Attorney General

Mr. Wendell Brown
Assistant Attorney General

Mr. Leo C. Crowley, Administrator
Foreign Economic Administration

Honorable Harry Hopkins
Secretary of the Treasury

Mr. William L. Clayton
Assistant Secretary of State

Mr. James E. Needham
Alien Property Custodian

Major General William J. Donovan
Director, Strategic Services

Major General John W. Hilldring
Director of Civil Affairs Division
War Department

Regraded Unclassified
My dear Senator Kilgore:

With reference to your letter of 9 May 1945 concerning hearings of the Subcommittee on War Mobilization: "The Economic Base for German Aggression and National Security," I understand that you desire the Treasury Department to present testimony relating to information in its possession concerning German methods of economic penetration and current activities of this Department designed to eliminate the German economic basis for further aggression.

In view of the nature of the information which you desire, I have asked Mr. Michael I. Hoffman, Acting Director of Foreign Assets Control, to testify for the Treasury Department.

Sincerely yours,

Honorable H. R. Kilgore
Chairman, Subcommittee on War Mobilization
United States Senate
Washington, D.C.
Dear Sir Girja:

I am writing with reference to the request of the Government of India for the lend-lease of 45 million ounces of silver for coinage purposes, dealt with in your letter of March 23, 1945 enclosing message from Sir Jeremy Ralaman.

I am glad to inform you that we have been advised by the Foreign Economic Administration that at the recommendation of the State and Treasury Departments, it has agreed to the request of the Government of India for 45 million ounces of silver. It is understood that the Government of India has already filled a lend-lease requisition for this amount.

I would appreciate very much if you would inform Sir Jeremy Ralaman of our action on this matter and also convey to him my warmest regards.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable Sir Girja S. Bajpai,
Agent General for India,
3333 16th Street, N. W.,
Washington 9, D. C.

Ref: 5/4/45
F. L. 1/43

Dear Mr. Morgenthau,

I am not able to meet before you leave Washington, I am attending the meeting with Mr. Jervis Baine, the Finance Minister of the Government of India, and I am unable to come. I will write you in accordance with your kind suggestion I will go and see Mr. Frank for tomorrow morning at 11:30 o’clock.

Yours very sincerely,

[Signature]

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

Rev.

1943.
At Broken Feet I received an assurance from you of a favourable consideration to our request for coinage silver. Mr. Cecil Elmslie of our note to the United States Treasury and was assured that through going to the Presidential elections and other uncertainties coinage would be given in quarterly installments, our requirements would be met in full. We had therefore hoped that our assistance regarding supplies were ended. In actual fact even the first installment of 20 out of 65 million ounces required by us was not sanctioned until the end of December. We were again assured that similar delays would not be anticipated in future, but sanction to our further application for a second 20 million ounces has again been delayed and now we are informed that our application will not be considered until 11 out of fresh statistics are supplied. These detailed statistics which are not readily available and are taking time to compile, have but little relevance to the general picture of our coinage requirements. Owing to the delay in the supply of coinage silver we have been forced to draw for coinage upon 100 million ounces of anti-inflationary silver and will have used by the end of March 36.5 million ounces for this purpose in addition to 27 used for market sales, leaving a balance of 26.5 only. Unless the balance of 65 million ounces for coinage is sanctioned immediately, we must discontinue sales which in the present market conditions will have a disastrous effect on silver prices and our anti-inflationary reserve. Generally, we are now having to reduce the present limited coinage program which we have been anxious to increase. The Inland Revenue Board will explain the position more fully. I would be most grateful for your personal assistance in expediting the supply of that to us in
Mr. Ted Gamble
The Secretary

What about Senator Mead in Buffalo? Please let me know tomorrow. Done.

3/3/45

Mr. Gamble
Secretary Morgenthau

Please thank Hildgard for me but tell her that appearing on her broadcast does not fit into my program.

May 9, 1945
THE SECRETARY OF COMMERCE
WASHINGTON 25

May 9, 1945

Dear Mr. Secretary:

This will acknowledge your letter of May 6th, in which you very kindly agree to a continuance of the services which your Department is now rendering to the Office of Surplus Property. I am passing it on to the proper officials with the instruction to use every available means to expedite the development of these services within our own organization.

Your cooperation is very much appreciated.

Sincerely yours,

[Signature]

H. A. Wallace
Dear Eleanor:

It has been suggested that, in view of the fact that the dime has been tied in each year with the "Mile of Dimes" campaign marking President Roosevelt's birthday, the design of this coin be changed to bear his portrait. If this suggestion is approved, the first release of the coins with the new design could be made early in 1946.

The Treasury is prepared to proceed with the preparation of the new design, but before going ahead I would like to know whether it has your approval.

Cordially yours,

[Signature]

Mrs. Franklin D. Roosevelt
Hyde Park
New York

DATE: April 30, 1945
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

TO: Mrs. Elsas
FROM: Le. (E) Levy

May 9, 1945.

Mr. Gamble and I have gone over the enclosed script. We think it is excellent. We agree that the second paragraph on page two should be cut. This will make more effective the final paragraph in the script as well as keep us within our required time.

(For reading copy, Sab. P. 142)

The greatest challenge to American democracy still lies before us. That challenge is to our self-restraint, our self-discipline, our self-control. These are the qualities upon which a democratic society must depend for its strength. We have shown that we possessed them in the attainment of one great victory. We have proved in Europe that the free devotion of a free people is mightier than any that can be dragooned by an all-powerful state.

Now that devotion faces its supreme test. "Our Victory", as President Truman put it, "is but half-won. The West is free, but the East is still in bondage." And in addition to this, the vast responsibility of reconstruction in Europe is upon us. We cannot shirk it without endangering all that we have already won in combat. We cannot fail and we cannot falter.
What is demanded of us is this -- that we accept
triumph without relaxation. The fruits of peace are not
yet ripe for us to pluck. For a while longer -- for
whatever length of time may be required -- we must continue
to do without things we want but do not need. That kind
of self-restraint is the only way to keep our economy
on an even keel -- to keep America a land of opportunity
for the men who have fought to keep it free.

In the Seventh War Loan drive, which is to begin
tomorrow, your Government is calling upon you to take
a larger part in the financing of the war than it has
ever asked of you before. This is because the need is
now greater than it has ever been. It is because your
participation is now more vital than at any period in
the past.

There is no truce in this war for the men on Okinawa.
The war is not over for the men who are already beginning
to move from Europe to the Pacific. They look to all of
us at home for the same unstinting support that helped
them to victory over Hitler's Germany.

Tomorrow millions of your fellow-Americans --
volunteer workers -- will begin the tremendous task of
enrolling you in the Seventh War Loan drive. They will
appeal to you to do your share -- voluntarily, as free
people -- in finishing the greatest war in the history
of the world. Let us demonstrate to the world again
that free men -- of their own volition -- possess the
self-discipline to shoulder their responsibilities.
The buying of bonds is an act of simple faith -- faith
in ourselves, faith in the men who fight for us, faith
in the future of democracy.
Office Memorandum  •  UNITED STATES GOVERNMENT

TO  :  Mr. Sandle
FROM  :  Lt. (Jg) Levy, USEC
SUBJECT:  

As of 3:00 P.M., May 9, here is the lineup of the four network broadcasts of Sunday, May 13:

1. NBC: They still plan to broadcast with Bob Hope and his troupe from Uline Arena. NBC advises that Hope would undoubtedly make some kind of appropriate reference to the day.

2. ABC: They still plan a dramatic program but have made no decision as to what it will be. They will produce it from Hollywood.

3. Mutual: They will do a dramatization of Arch Oboler's "Fraunce Morning" starring Claudette Colbert. This is the story of a nurse visiting five casualties, each of whom tells her what he is thinking of after VE Day... what his hopes are, etc.

4. CBS: At the moment they are planning to do a documentary from the Coast on the costs of war, casualties and money, etc.
TO: Secretary Morgenthau  
FROM: Ed Fussell  

You may be asked about this story from the U.P. ticker.

Mr. Irvis says some sugar is entering into illicit channels but not a great deal. At first, sugar rationing virtually cut out all supplies for bootleg liquor. Beginning a little more than a year ago some sugar began drifting into hands of bootleggers as a result of:

1. Use of counterfeit sugar stamps  
2. Discovery by sugar retailers and wholesale糖 that stamp returns were not being thoroughly checked as turned in.

Since January 1, the Treasury and OPA have been carrying on a joint campaign in the Atlanta district, which covers the states of Florida, Georgia, Alabama and South Carolina, checking all sugar stamp transactions through a verification center.

This has resulted in abating use of counterfeit stamps and cutting down the volume of violations generally. The largest single violation was in one Florida case where a wholesaler is charged with forging the names of 300 grocers in getting additional sugar which entered bootleg channels.

In general, the amount of mash being seized by Alcohol Tax agents, while above the extreme low of a year or 16 months ago, is far below pre-war levels and good progress is being made in stopping large scale leaks.
FEDERAL FISCAL SITUATION
Calendar Years 1940-1944

Funds Required

Sources of Funds

DOLLARS Billions

1940 1941 1942 1943 1944

1940 1941 1942 1943 1944

*Net change in General Fund adjusted for minor miscellaneous transactions.
*Includes net outlays for operations of Government corporations.
*Cash balance decreased by $7 billions.

*Comprises all net budget receipts.
**Commercial banks and Federal Reserve Banks.
CABLE TO AMERICAN LEGATION, BERN, FOR MOGULAND, FROM THE HAPUNES BOARD

Please deliver the following message to Gerhard Blegner, 37 Quai Wilson, Geneva, from Kurt Grossman of World Jewish Congress:

COCUN TAP HISPANIC MUSERI VAIL DECEMBER 25, 1911 AND AUGUST 1914 WHO HAVE BEEN RESCUED IN VAIL OF RISTORG ADDRESS GROSVENOR 5461-B METROPOLITAN AVENUE 874646 FORT WASHINGTON AND SPELLS FAX 6992-3440.

OCEAN AVENUE BROOKLYN RICHARD: CONTACT DNA 2512 26 SPENCER STREET SPECIAL ORDER ABOUT NATHAN HILTON 128, 12 HILTON, AND JACQUES NEIDERMAN LAST ADDRESS 316 37 77.

JOSEPH RICHARD 1276 AVENUE FORT WASHINGTON 176.

3:30 P.M.
MAY 7, 1945

This is WIB 3918 CABLE NO. 320

CABLE TO SHEFFIELD, OHIO, FOR PACKER FROM WAR HAPUNES BOARD

Stockholm has received 596,500 transferred from Anhara.

Have you mailed envelope containing WIB papers addressed to Mrs. Henderson.

WIB 186 ANHARA NO. 149

10:10 A.M.
MAY 7, 1945

Regraded Unclassified