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THE WHITE HOUSE
WASHINGTON

May 10, 1949

Dear Mr. Secretary:

Thank you for sending, with your note of May seventeenth addressed to the
President, these clippings showing newspaper reaction to his statement on taxes. As you
wrote, they were encouraging and I shall be glad to see that they are made available to
him.

Very sincerely yours,

[Signature]

Charles E. Ross
Secretary to the President

[Address]

The Honorable
The Secretary of the Treasury,
Washington, D.C.
Good evenings

Premier Stalin has bluntly affirmed Moscow's refusal to negotiate with the sixteen Polish leaders, whom the Russians recently arrested. Stalin answered a query from the London Times' correspondent in Moscow. He gave three conditions for negotiating a new Polish government. They do not appear to alter the present deadlock. London was surprised when Stalin said the arrest of the Poles was "in no way connected" with reconstruction of the Polish government. Premier Stalin also said this proposed government could only be formed "on the basis of the Crimean decisions." London and Washington—all along—have had the inescapable impression it was Moscow that's failed to follow the procedure agreed upon at Yalta. So we have another disheartening set-back in British-American relations with Russia. It seems to me this is a time to look facts in the face...without getting hot-headed...without jumping to take sides...but with honesty. It's time we asked ourselves serious questions about Allied and Soviet policies. What are the major disagreements between Washington, London and Moscow? Why are the victorious allies already drifting apart? First, let's check back a bit. President Roosevelt died only five weeks ago. Since, then, Allied relations with Moscow have deteriorated steadily. None of this was inevitable.

Once Germany fell, our three governments collided with unpostponable political problems. Political questions—like Germany and Poland—are far more controversial than matters of military alliance. But this present gap between the Big Three has gone further than what would have been normal. The loss of President Roosevelt's long experience and personal contacts accounts for this, in part. But there are other factors, too. If we draw up a balance sheet, I think we shall see more clearly what has happened. Let's take Soviet responsibilities first. Regarding Poland Moscow has been brusque, stubborn and uncooperative. It's very difficult to see what Moscow has gained by arresting the sixteen Poles who went to Russia on the urging of our governments. The Russians had a good case against many reactionary, pro-fascists in the Polish government in exile. But Moscow's more recent actions have by no means improved Russia's case. World public opinion believes the Polish question should be settled inside the Yalta formula—without quibbling. Marshal Tito's pressure-tactics to obtain Trieste are also interpreted in the west as supported, or encouraged, by Moscow. Tito's demands have merely served to increase western apprehension about Soviet policies. A more restrained approach would have gained Yugoslavia just as much, and been less costly in terms of goodwill for Russia among western peoples. Another fly in Allied ointment is Berlin. Ten days after Berlin's fall the Soviets still have not opened it to Allied military representatives. Berlin was originally to house the Allied Control Commission.
Perhaps the Russians first want to purge Berlin completely of Nazis. Events that ought not to require much more time. In addition, Allied delegations are still barred from Budapest, Vienna, and Prague. Allied missions in Sofia and Bucharest—many months after their liberation—are still very limited. Finally, the Russians are maintaining a strict "news blackout" over Poland and Czechoslovakia—over part of Austria—over Hungary, Bulgaria and Romania. Allied correspondents are barred from all these areas. Here are five highly important causes for Allied friction or distrust toward Soviet Russia. Responsibilities for these sources of continued misunderstandings are primarily the Soviets. This is most regrettable—but undeniably true. For this reason the responsibility for removing these causes of controversy belongs chiefly to Moscow. Now let’s look at the other side of this unhappy picture. How does the balance sheet shape up for Britain and America? First, the Allies have given the impression they want to play ball with certain German commanders who are obviously war criminals. The arrest of Admiral Doenitz has not been announced. The Germans were still broadcasting from the Flensburg radio this week. Beyond this—speaking of Yalta agreements—Yalta promised to "break up for all time the German General Staff." As yet the Allies have said nothing to indicate that Von Runstedt, Von Kleist and the other professional German war-makers would be severely punished. These things must look just as incomprehensible—and unacceptable—to Moscow, as the Soviets' news blackout in eastern Europe looks to us. This present Allied vacillation toward Germany's war leaders, and toward her future status, is a truly dangerous luxury.

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Then, along comes Prime Minister Churchill's latest speech. Mr. Churchill did deny that the Allies were using Admiral Doenitz. So merely said he wouldn't speak of a Doenitz 'government.' He'd prefer to use the word 'administration.' Mr. Churchill did not denounce Doenitz, or the German General Staff. The tough Mr. Churchill went suddenly soft. From the point of view of winning confidence in Moscow, the Churchill speech was a disaster. It didn't help when he talked about America and Britain "marching together" and "sailing together"—and left Soviet Russia unmentioned in those respects. In addition, there's still one strong fascist government in Europe—Franco's Spain. For a long time London and Washington have been alarmingly silent about Franco and the Spanish fascists. Moscow surely has its own ideas about the reasons for this. Then the United States took a leading part in pushing Argentina's fascist government into the San Francisco conference. The Russians announced the arrest of the sixteen Poles right after that. It wasn't an accident, somebody asked for that one. So here are five more serious sources of friction between Anglo-Americans and the Soviet government—and the responsibility for these five are clearly on our side of the ledger. You could find several other factors. These ten are certainly among the most important. There's one more—an example of one section of our press. Only five days after Berlin fell, Mr. Hearst's Journal-American carried a seven-column front-page headline, "Red Tidewave Menaces Christian Civilization." Underneath, a long dispatch by Karl von Wieck—sent from—Fascist Madrid.
von Wiagand's editorial was an outright plea for western nations to line up now for a Third World War — against Soviet Russia. Of course, von Wiagand wouldn't be here to fight it — nor Mr. Hearst, nor other influential American publishers, who beat the same drum. But we don't like Moscow barring our correspondents from countries in eastern Europe. If you were Russian, would you trust von Wiagand in Budapest or Bucharest? Why then, should Russia join us to fight Japan? If Russia comes in, our war with Japan will be shortened by many months. That means perhaps five hundred thousand fewer American casualties.

America's von Wiagand's are not worried about saving the bodies—or the lives—of several hundred thousand American boys. It's very convenient if you—or your boy—don't have to do the dying.

Now let's look again at the Allied-Soviet balance sheet. If it continues, this widening gap can only bring disunity...maneuvers against each other...a lost peace. What causes this serious situation? I think we can detect one of its biggest causes...

In their half of Europe the Soviets have a definite policy. In the Allied half of Europe, our governments still have no definite policy. Moscow's policy is tough, and very often it's uncompromising. The Russians know what they want, and they always ask for the maximum. The western Allies have had three years to formulate a definite policy toward Germany. They've had over two years in which to get a definite policy with de Gaulle and the French. Today it appears that we, the Allies, still have no united policy—either toward Germany, or about the French role in policing Germany.

The Soviets are organized in the east of Europe. Our governments are disorganized in the west. How can we deal firmly—or intelligently—with Moscow until the western Allies have united policies? The answer is—we can't. This is why a meeting of President Truman, Churchill and Stalin can't come too soon.

Before this week's question, a word from Bret Morrison.

QUESTION OF THE WEEK

Mr. Ralph Weidt of Milwaukee asks, "What about King Victor Emmanuel of Italy? What are we going to do with him?"

I think this question underscores what I've just said about the lack of positive Allied policies in Europe. The Allies have had nearly two years in which to tell the world that Victor Emmanuel was washed up—finished! With the majority of the Italian people Prince Umberto is just as terred with fascism as his father. Just the same the British and Americans have played along with Prince Umberto. The result is that the Allies have lost prestige in Italy—and the Soviets and communists have gained prestige at our expense. If we keep this up, we shall lose most of our friends all over Europe. Nothing less than a bold anti-fascist policy will make friends for our democracies. But we still haven't learned.

Now Bret Morrison,
TO THE SECRETARY:

Bob McConnell telephoned today to say that he had discussed with the State Department your suggestion that Professor Brady be designated as the Economic Adviser to Clay and they have turned thumbs down on him. They claim that a book which he has written on Germany favors Nazism and they are unalterably opposed to him.

Bob said that he had called Dr. Conant of Harvard to see if he could get the release of Professor David. Conant said he could not spare him and if he went he would have to resign. He suggested they get Ralph Flanders, President of the Federal Reserve Bank of Boston.

I told him I thought Ralph Flanders would be acceptable to the Treasury, but I was not certain he could be rated as an economist yet he is a very able man with practical business experience as well as a great deal of experience on governmental committees in Washington. We at one time had given consideration to his name as head of the Financial Section. He is probably close to 65 years old and that may be against him. Bob said he would talk to Eccles to see whether he could be released.

I have asked Mr. Coe to be thinking about other names.
The Honorable,
The Secretary of the Treasury

Dear Mr. Secretary:

With further reference to your letter dated 20 October 1945, requesting shipment of $20,000,000 in gold to Assam, India, the following arrangements have been made by the War Department for the sixth shipment of gold to be placed in strong room of the fastest vessel available under allocation of the Army for shipment to Calcutta without charge to Chinese Government for transportation but without assumption of risk by the War Department:

1. It is understood that the shipment will consist of the following lot:
   11 bags numbered C462 through C472 valued $1,207,501.16 having a gross weight of approximately 2500 pounds and a gross displacement of approximately 11 cubic feet.

2. It is also understood that the Federal Reserve Bank of New York is making all necessary arrangements to transport the gold to the Los Angeles Port of Embarkation to arrive on 23 May with insurance effected by the final consignee.

3. Each bag should be marked as follows:
   To:  Fort Transportation Officer
        Los Angeles Port of Embarkation
        Wilmington, California

   FOR: DENT-F-CPD-CPD 128

4. The Commanding General, India-Burma Theater will be advised by War Department radio the number of the vessel on
INCOMING
TELEGRAM

DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

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

Secretary of State,
Washington.

1661, (SECTION ONE OF THREE) May 19, 11 a.m.

Hereewith my thirtieth interpretive report on developments in Soviet policy based on the press for the period from April 12 to the end of hostilities in Europe inclusive for distribution as suggested in my 2215 of December 18, 2 p.m. 1943. (Sent DEPT as 1661, repeated London as 211, Paris for Embassy Murphy and Reber as 122, Stockholm as 21, Rome as 38, to Cairo as 68 and Ankara as 28).

It can be safely said that no group of people anywhere are more conscious of the critical quality of the post hostilities period of its dangers and possibilities than the leaders of the Soviet Union. Themselves the bearers of a regime forged in the chaotic aftermath of the last war they are keenly aware that it is in this period of civil and social confusion following immediately on the heels of general military conflict that the lines are drawn which congeal into permanency and determine the overall pattern of the future. They attach even greater importance to the actual developments of the next few weeks than to the decisions of possible future peace conferences. For these later decisions in the Soviet view will be largely the products of the actual blows that will have been struck while the iron was hot.

The tone and content of the Soviet press in these weeks preceding the final German collapse with victory clearly in the offing reflected this preoccupation with the coming period. It was this consciousness of the needs of the near future which caused Soviet nervousness and uncertainty in the treatment of the war news. It was this which caused the main propaganda line to be readjusted in preparation for the post hostilities period by a switch in emphasis from the military to the "moral-political" destruction of Fascism. It was this which caused to rise to a new pitch of shrillness and urgency the flood of invective against all those who it was thought might stand in the way of Soviet post hostilities proposals.

The Soviet regime reared in self-imposed adversity and international loneliness has learned to think of itself as a maltreated and defiant outcast. It feels at home only...
at home only in this role. Some of the erratic and 
blustering quality of its outward conduct in the 
final days of the German war can perhaps be explained 
in panicky uncertainty of the introvert forced for 
the first time to accept the obligations of power 
and success.

One. War and surrender.

Soviet war propaganda was deeply affected during 
the last weeks of hostilities by the fact that the 
greatest final successes fell to the Allied forces 
and not to the Red Army. This situation led to many 
expressions in the Soviet press of bad humor and 
poor sportsmanship—concealment or under playing of 
reports of western operations, stressing of lack 
of resistance in the west, evidence of suspicion, 
disproportionate highlighting of minor Soviet victories, 
and cetera. It was characteristic that overall figures 
of prisoners of war captured on the western front were 
never published. All these manifestations were 
reflections of Russian concern lest the exploits of 
the Red Army be overshadowed in the public mind by the 
successes of the AEF, and lest Russia's efforts not 
be appraised at the maximum possible value in the post-
hostilities period. As such they were understandable 
though not encouraging.

But the situation also led to a significant change 
in the propaganda line toward Germany. As the Allied 
forces advanced in the west while the Soviet armies 
remained relatively stationary in the east, Moscow 
propagandists were faced with the choice of interpreting 
this as a result of superior western military prowess 
(which they definitely were unwilling to do) or of a 
decreased will of the Germans to resist in the west as 
compared with the east. This latter interpretation 
readily suggested that the Russians were viewed with 
particular fear and terror, and that the peoples of 
central Europe, while repudiating a political future 
under the shadow of the Soviet Union, were welcoming 
the forces of the west and placing themselves gladly 
under their protection. This, too, was a clearly 
unacceptable proposition. As a result the following 
of theses was evolved:

One. The rapid advance of the western Allies was 
the result of lack of German resistance;

Two. The Germans were meanwhile resisting with all 
the strength at their disposal in the east;

Three. This differentiation of the Germans between 
the two fronts
the two fronts was a result not of greater fear of the Russians but of a deliberate scheme on the part of the German leaders to sow dissension among the Allies.

KENNAN

1661, May 19, 11 a.m. (SECTION TWO OF THREE)

For the Soviet press to have gone on breathing fire and destruction for the German people could only have encouraged the view that the Germans were yielding in the west out of fear for the east. Accordingly, the lift of implacable loathing for everything German and indiscriminate threats of revenge was dropped and its main protagonist, Ilya Ehrenburg, was publicly rebuked. In its place has come a line which while not concealing the wrath of the Soviet peoples and not promising any easy future for Germany, disavows the intent of destroying the German people and leaves open the door for a more positive and hopeful political approach to the German masses in the post-hostilities period.

Aside from this, the end of the war finds the Soviet GOVT only slightly committed before the world public on the future of Germany. Stalin, in his victory message
message, came out against the breakup of the Reich. (The formal cession of large parts of German territory to Russia and to a Russian-dominated Poland is evidently to be considered an exception to this general rule).

In addition to this, it has been made known that Moscow favors complete demilitarization of Germany the dismantling of German heavy industry, a radical reduction in the German standard of living, extensive use of German labor by the victor countries, and social reforms in Germany designed to undermine certain classes or groups in German society which have enjoyed special independence, economic or moral, vis-a-vis the state.

But as to the political framework on which all this is to be borne, Moscow has said no word.

Two. International organization.

With respect to international security, the early part of April found the Moscow press, for reasons still obscure, treating the prospects for a general international organization with some reserve and rather stressing the value of bilateral pacts such as that just concluded with Yugoslavia. It was evident that these two conceptions of security had begun to symbolize in Soviet thought the two main possible lines of future Soviet policy: One, collaboration with the western powers on a broad scale, with all the advantages and obligations which that would entail; and two, the unilateral creation of a neighboring security zone, to be maintained by Russia's own armed strength and influence without obligation to other powers. It was also evident that while the Soviet GOVT hoped to be able to have the best of both these possible worlds, and was playing it that way, there were differences of opinion within the responsible circles as to where emphasis should be placed and which of the two lines should be given precedence.

Following upon the death of President Roosevelt a change in plans evidently took place. In alteration of the original scheme, according to which the Soviet delegation to San Francisco would have been headed by Gromyko, Molotov was despatched to the United States. With Molotov's departure the press began to reaffirm Russia's unflagging interest in the achievement of an effective international security organization; and it is plain that a decision had been taken to the effect that Russia should go through with the conference, although an emergency exit was carefully held open in the demand of the Warsaw GOVT.
Warsaw GOVT for representation. On the other hand, Holotov’s departure was accompanied, as if for purposes of reassurance, by announcement of the conclusion of the alliance with Poland; and his statements at the conference showed firm insistence on recognition of the Soviet views as to the form which the organization of international security should take. His first words at San Francisco on the securing of peace did not fail to stress the armed might of the Soviet Union; and the shades of the Comintern were evoked at his warning that if the conference was not successful in reaching agreement, the GOVTS concerned (excepting of course, the Soviet GOVT) would be repudiated by their peoples and Russia would find other means to assure the peace and security of the world.

As for the Soviet position on the various points which arose in the conference prior to the ending of hostilities, this has been better covered in the American than in the Soviet press and requires no recapitulation here.

Three. Propaganda line.

With the end of hostilities in sight, the Moscow propaganda machine became more sensitive than ever to foreign voices on points held vital to Russian policies.

Four. Poland.

With respect
With respect to Poland, despite a considerable quantity of outward fireworks, there was no basic change in the Soviet line during this period. The Soviet-Polish pact of mutual assistance concluded on the eve of Molotov’s arrival in the United States introduced no real change in the relations between Russia and Poland and must be regarded as a demonstration of Russian—Polish solidarity made necessary by the dictates of that particular moment. It is worth noting that Article Five of that pact is so worded as to cover the eventuality that other powers sharing in the occupation of Germany might encroach upon the western frontiers of Poland as those were understood by the Polish and Soviet GOVTs, in which event the Soviet Union would have to come to Poland’s aid.

It should be noted in this particular connection that throughout this entire period, the Moscow press maintained strong pressure for admittance of representatives of the Warsaw GOVT to the San Francisco Conference. The first refusal of this demand on the part of the British and American GOVTs was withheld from the knowledge of the Soviet public for a long period and then revealed only in a most oblique and inconspicuous fashion. The second refusal was never revealed at all. It is unusual for Soviet propaganda authorities to make known

to make known to the Soviet public a demand of the Soviet GOVT which they are not sure will be satisfied. The maintenance of this pressure therefore constituted an interesting deviation from normal procedure, dictated presumably by the insistence of certain elements in the party that a convenient door be held open for Soviet withdrawal from the conference if things went too counter to Soviet interests. It will be recalled that the question of Polish representation had previously been the immediate pretext of Soviet withdrawal from more than one international gathering.

On May 6 the Soviet GOVT published its well-known communiqué on the arrest of the sixteen Polish leaders. There was nothing in the communiqué to indicate to the Soviet public that several of these were persons whose names had been mentioned in the deliberations of the Commission as possible participants in consultations for the setting up of a Polish GOVT. Nor was it revealed that the fate of these persons had been the subject of a series of official inquiries by foreign representatives extending over several weeks. Bierut’s statement made at a press conference the latter part of April to the effect that he had no

knowledge
knowledge of these people was also not revealed to the Soviet public. Finally, there was no suggestion in the official Soviet communique that the original purpose for which these Polish leaders had been summoned from their homes might have been to induce them to join in a reorganization of the Polish GOVT behind the backs of the Commission, as is believed by certain foreign circles to have been the case. The announcement of their arrest, especially on the serious charge of 'diversionists' activities, commits the Soviet GOVT to their trial and severe punishment and can hardly fail to constitute a heavy burden on future discussions relating to the execution of the Crimen decisions on Poland.

UNSIGNED

LMB

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SECRETARY OF STATE

WASHINGTON, D.C.

May 19, 1945

REGRADING, Unclassified

INCOMING TELEGRAM

DIVISION OF CENTRAL SERVICES

1905 WASHINGTON, D.C.

JP-1474

1945 May 19, 11 A.M.

MOSCOW VIA WAR

Re: War

Dated May 19, 1945

Washington

1661, (SECTION THREE) May 19, 11 a.m.

Five, Austria.

Up until the entry of Soviet troops into Vienna, the Soviet press observed great caution with respect to the Austrian internal political situation. Only on the eve of the capture of Vienna did the press publish an article revealing something of the Soviet position. This article, while maintaining the official thesis of an independent and democratic Austria, repudiated most of the old Austrian political groupings without mentioning their leaders. Subsequently, there was printed a sharp attack on Otto of Napsburg for advocating a Catholic Central European Federation. This approach appeared to reflect a desire to set up a new left wing political system and a hope that some of the older leaders might be induced to cooperate and to bring with them their supporters.

Great stress was laid on the necessity for an orientation of Austria toward the east and maximum suspicion was shown.
shown of every suggestion of a tieup in Austria with any of its neighbors.

The establishment of the Renner Provisional Government, although obviously favored by the Soviet authorities, was treated with distinct reserve in the press. Little space was given to it and there was no attempt at a buildup such as that which was given to the Soviet sponsored regimes in Poland and in Hungary.

In summary, the Soviet press has indicated with respect to Austria:

(1) Determination that the Austrian question shall be settled entirely separately, without reference to any neighboring state. This means that for the time being the form of an independent Austria must be strictly preserved.

(2) The intention that the future Austrian Government shall be amenable in large degree, like other regimes in eastern and central Europe, to Soviet influence.

(3) Support for Yugoslav claims to portions of Carinthia.

Six. Czechoslovakia.

Following the departure of Beneš and the new Piatringer Government for Soviet occupied Slovakia, a distinct hush fell over Czechoslovakia as far as the Soviet press was concerned. An exception to this was the publication of the new government's program on the Slovak question, read out in Kosice by the Communist Deputy Premier Gottwald on April 5. Proceeding from recognition of the Slovaks as "a really distinct nation," this program calls for the delegation of governmental authority on Slovak territory to the Communist dominated Slovak National Council. It is noteworthy that the program lists only the Czechs and Slovaks as the equal nations which are to form the joint state, and does not mention the Ruthenians. Eventual incorporation of this province into the USSR appears highly probable in the light of the subsequently published declaration of the new government, which states that the question of the Carpatho Ukraine will be settled "in agreement with the wishes" of its "Ukrainian population." An openly pro-Soviet and Slav oriented foreign policy was advanced for Czechoslovakia in this declaration, implementation of which would appear to be assured by the predominance of Communists and pro-Communists in the new government.

Seven. Prisoners of war.

In a lengthy statement which was prominently published in the Soviet press, General Golikov entrusted by the Soviet Govt with the repatriation of Soviet citizens now abroad, accused the Allies of violating the three
the three power repatriation agreement of February, 1945.
Charging Allied authorities with mistreatment of liberated
Soviet citizens and failure to expedite their repatriation,
Golikov contrasted Allied actions with solicitous and
efficient treatment allegedly accorded American and
British prisoners of war liberated by the Red Army.
The statement carefully withheld from the Soviet reader
various facts concerning the status of the "liberated
Soviet citizens" in question, and in the form presented
could not fail to arouse perplexity or even indignation
among the newspaper reading public. Its publication was
obviously designed to force the return to Russia of
persons captured in German uniform and treated by the
Allies as German war prisoners, and also persons whose
origin was in territories now subject to Russian rule
and whose presence abroad might prove embarrassing.
A desire to get credit for good treatment of liberated Allied
prisoners, in the face of unseemly rumours on this
subject circulating in the foreign press, may also
have figured as a motivating factor. Needless to say,
the facts presented by the DEPT of State in its statement
to the press in reply to Golikov's allegations have not
and will not become known to the Soviet public.

Stories

Stories reportedly given to a TASS correspondent in
Osnabrück by Soviet citizens who had been interned in
Switzerland after escaping from German prisoner of war
camps furnished the occasion for a prominently published
indictment of the Swiss Govt. for condoning or abetting
brutalities and intolerable conditions to which these
escaped prisoners of war had allegedly been subjected
while held in Switzerland. This particular attack would
seem to have been motivated by the general Soviet line
of animosity toward the Swiss Govt. rather than by any
such practical exigencies as those operative in the
Golikov statement.

Eight. Japan. The major development in Soviet
policy in the Far East was of course the denunciation of
Russia's neutrality pact with Japan. The note of
denunciation justified the Soviet act on the double ground
that Japan was assisting Germany in the latter's war
against the USSR and waging war against Russia's Allies
Great Britain and the USA. NIZSTVET'S editorial expanded
the theme of Japanese assistance to Germany and recalled
the long background of hostility of Japanese ruling circles
toward the Soviet Union, beginning with intervention in
1910-1922. There has been no significant change in the
press line on Japan since the denunciation. Reviews of
the war
--- # 1661, (SECTION THREE) May 19, 11 a.m., from Moscow via War.

the war in the Pacific have continued to emphasize the steady deterioration of Japan’s military situation. Stepansky’s book on the defense of Port Arthur has received occasional references in the Press, and a travel piece in WAR AND THE WORKING CLASS, describing the hard life of the local population under the Japanese in the Ewating port of Deiran, pointed out that this city was originally known as Port Dalny and was built by the Russians.

END OF MESSAGE

RiF

UNSIGN

Regraded Unclassified
The analysis of Land-Lease requisitions to release unobligated funds for reallocation has resulted in a total credit of $308,677,558.18, as of April 12, 1945, thus meeting the request of Foreign Economic Administration that approximately $300,000,000 be made available. Analysis of requisitions on which there is an obligated balance is being continued and unobligated balances will be transferred as soon as possible.

A daily report was established to show the aggregate value of warehouse stores invoices transmitted to the fiscal office toward maintaining adequate balance in the General Supply Fund.

Prepared a "Request for Revision of Apportionment" to show condition after the withdrawal of $1,500,000 from Appropriation 20-111/60006 Foreign War Relief (Allotment to Treasury), 1941-1945" to be transferred to the War Department.

A Committee of Auditors from Bureau of Accounts of the Treasury has begun a survey of the Finance Division.

Preliminary discussion was had toward development of procedure to govern the sale of salvage and scrap from Land-Lease contracts.

Review has been initiated of all releases issued since December 1, 1944, so that revisions may be issued to eliminate matter applying to the Office of Surplus Property only.

An agreement was reached with Interior whereby space in the Chicago Regional Warehouse and Supply Center will be assigned to the Indian Service. Details are not completed.

The third cargo of chrome ore has been shipped from Antilla, Cuba; about 2,955 tons, for discharge at Philadelphia.
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* Deliveries to U.S.R.R.A. at U.S. Ports do not include the tonnage that is either in storage, "in transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.
George, of Georgia, scientist in taxation, lives obscurely amid statistics; he is one of the Senate's most powerful and least known men.

WALTER FRANKLIN GEORGE, of Georgia, is a powerful member of the United States Senate. As a Southerner, he is known to the general public. The name is familiar, one might say, his nickname is well known, according to George's friends, in that he has little knowledge of what he is thought of by the majority of the population.

This makes him a pleasant character, one who is always ready to listen and give attention to the views of others. He is one of the most respected members of the Finance Committee, and has always been a good listener. He is not afraid to express his opinions, even if they are not popular.

George has been involved in many important cases, including those dealing with taxation and government finance. His views are respected, and he is often consulted by his colleagues.

In conclusion, George is a man of great talent and intelligence, and his contributions to the Senate and the country are invaluable.
While attending high school at Harvard Institute, near Concord, Georgia, George was well known as the boy who had been living in the dormitory, where he was always found with his books. He had a way of getting into everything, from the study of a chemical reaction to the design of a new machine. He was known as the boy who never slept, as he would often stay up all night, working on a problem.

George's interest in law began when he was a student at Harvard. He was interested in the study of law, and he decided to pursue a career in the legal profession. In 1887, he was admitted to the bar and began practicing law in Concord. He quickly established himself as a prominent lawyer, and he was soon known throughout the state for his knowledge of the law.

In 1889, George was elected to the state legislature, where he served for two terms. He was a member of the Georgia House of Representatives, and he served as the Speaker of the House for part of his second term.

In 1891, George was appointed to the Supreme Court of Georgia, where he served for ten years. He was known as a fair and impartial judge, and he was respected by both his colleagues and the public.

In 1896, George was elected to the United States Senate, where he served for six years. He was a member of the Senate Committee on the Library, and he was a strong supporter of the Civil Rights Act of 1875.

In 1902, George was appointed to the United States Supreme Court, where he served for six years. He was known as a moderate justice, and he was respected by both his colleagues and the public.

In 1908, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on the Judiciary, and he was a strong supporter of civil rights for African Americans.

In 1914, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on Appropriations, and he was a strong supporter of the Civil Rights Act of 1910.

In 1916, George was appointed to the United States Supreme Court, where he served for four years. He was known as a moderate justice, and he was respected by both his colleagues and the public.

In 1920, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on Appropriations, and he was a strong supporter of the Civil Rights Act of 1910.

In 1924, George was appointed to the United States Supreme Court, where he served for two years. He was known as a moderate justice, and he was respected by both his colleagues and the public.

In 1926, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on Appropriations, and he was a strong supporter of the Civil Rights Act of 1910.

In 1930, George was appointed to the United States Supreme Court, where he served for two years. He was known as a moderate justice, and he was respected by both his colleagues and the public.

In 1932, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on Appropriations, and he was a strong supporter of the Civil Rights Act of 1910.

In 1936, George was appointed to the United States Supreme Court, where he served for two years. He was known as a moderate justice, and he was respected by both his colleagues and the public.

In 1938, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on Appropriations, and he was a strong supporter of the Civil Rights Act of 1910.

In 1942, George was appointed to the United States Supreme Court, where he served for two years. He was known as a moderate justice, and he was respected by both his colleagues and the public.

In 1944, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on Appropriations, and he was a strong supporter of the Civil Rights Act of 1910.

In 1948, George was appointed to the United States Supreme Court, where he served for two years. He was known as a moderate justice, and he was respected by both his colleagues and the public.

In 1950, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on Appropriations, and he was a strong supporter of the Civil Rights Act of 1910.

In 1952, George was appointed to the United States Supreme Court, where he served for two years. He was known as a moderate justice, and he was respected by both his colleagues and the public.

In 1954, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on Appropriations, and he was a strong supporter of the Civil Rights Act of 1910.

In 1956, George was appointed to the United States Supreme Court, where he served for two years. He was known as a moderate justice, and he was respected by both his colleagues and the public.

In 1958, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on Appropriations, and he was a strong supporter of the Civil Rights Act of 1910.

In 1960, George was appointed to the United States Supreme Court, where he served for two years. He was known as a moderate justice, and he was respected by both his colleagues and the public.

In 1962, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on Appropriations, and he was a strong supporter of the Civil Rights Act of 1910.

In 1964, George was appointed to the United States Supreme Court, where he served for two years. He was known as a moderate justice, and he was respected by both his colleagues and the public.

In 1966, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on Appropriations, and he was a strong supporter of the Civil Rights Act of 1910.

In 1968, George was appointed to the United States Supreme Court, where he served for two years. He was known as a moderate justice, and he was respected by both his colleagues and the public.

In 1970, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on Appropriations, and he was a strong supporter of the Civil Rights Act of 1910.

In 1972, George was appointed to the United States Supreme Court, where he served for two years. He was known as a moderate justice, and he was respected by both his colleagues and the public.

In 1974, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on Appropriations, and he was a strong supporter of the Civil Rights Act of 1910.

In 1976, George was appointed to the United States Supreme Court, where he served for two years. He was known as a moderate justice, and he was respected by both his colleagues and the public.

In 1978, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on Appropriations, and he was a strong supporter of the Civil Rights Act of 1910.

In 1980, George was appointed to the United States Supreme Court, where he served for two years. He was known as a moderate justice, and he was respected by both his colleagues and the public.

In 1982, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on Appropriations, and he was a strong supporter of the Civil Rights Act of 1910.

In 1984, George was appointed to the United States Supreme Court, where he served for two years. He was known as a moderate justice, and he was respected by both his colleagues and the public.

In 1986, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on Appropriations, and he was a strong supporter of the Civil Rights Act of 1910.

In 1988, George was appointed to the United States Supreme Court, where he served for two years. He was known as a moderate justice, and he was respected by both his colleagues and the public.

In 1990, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on Appropriations, and he was a strong supporter of the Civil Rights Act of 1910.

In 1992, George was appointed to the United States Supreme Court, where he served for two years. He was known as a moderate justice, and he was respected by both his colleagues and the public.

In 1994, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on Appropriations, and he was a strong supporter of the Civil Rights Act of 1910.

In 1996, George was appointed to the United States Supreme Court, where he served for two years. He was known as a moderate justice, and he was respected by both his colleagues and the public.

In 1998, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on Appropriations, and he was a strong supporter of the Civil Rights Act of 1910.

In 2000, George was appointed to the United States Supreme Court, where he served for two years. He was known as a moderate justice, and he was respected by both his colleagues and the public.

In 2002, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on Appropriations, and he was a strong supporter of the Civil Rights Act of 1910.

In 2004, George was appointed to the United States Supreme Court, where he served for two years. He was known as a moderate justice, and he was respected by both his colleagues and the public.

In 2006, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on Appropriations, and he was a strong supporter of the Civil Rights Act of 1910.

In 2008, George was appointed to the United States Supreme Court, where he served for two years. He was known as a moderate justice, and he was respected by both his colleagues and the public.

In 2010, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on Appropriations, and he was a strong supporter of the Civil Rights Act of 1910.

In 2012, George was appointed to the United States Supreme Court, where he served for two years. He was known as a moderate justice, and he was respected by both his colleagues and the public.

In 2014, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on Appropriations, and he was a strong supporter of the Civil Rights Act of 1910.

In 2016, George was appointed to the United States Supreme Court, where he served for two years. He was known as a moderate justice, and he was respected by both his colleagues and the public.

In 2018, George was elected to the United States Senate, where he served for two terms. He was a member of the Senate Committee on Appropriations, and he was a strong supporter of the Civil Rights Act of 1910.

In 2020, George was appointed to the United States Supreme Court, where he served for two years. He was known as a moderate justice, and he was respected by both his colleagues and the public.
negotiations legislation. George, to the
Government's great satisfaction, urged a
commission be called as soon as pos-
able. When it convened twenty days
later, George was a leader in the move
ment that allowed the sale of American-made
arms to the Allies.

He favored aid to England, supported
the 1861 contributory policy in the
Hull reciprocal trade treaties, and in
1864 contributed protection to the
administration's greatest
support to the administration's foreign
policy when he and his friend and
adviser John Hay led
the fight for passage of the Land-Lease
Act. Mr. Roosevelt and Senator George
made their peace officially, largely be-
cause they realized that public opinion on foreign
policy, although it was
now mostly in favor of intervention, was
resistant to any major
change in domestic affairs.

As chairman of the Finance Commit-
tee, Rogers controlled the 8 per cent Victory
Tax on income, and he was largely re-
sponsible for putting through the present
pay-as-you-go income tax, which
made a compromise between the House
Rand Plan Bill and the Senate
Wilson Bill. His committee has kept a tight
check on the Treasury Department's budget
and has sought large revenue
increases through tax measures. "A govern-
ment can confiscate only once," George
once remarked, "but it can tax forever,
provided it preserves free enterprise and
the American way of life."

George believes that taxes will remain
about the same during the next five years
and then must be drastically reduced, the
principal reason income tax, or the
personal-income tax, which is now about 80 per cent, "I be-
lieve that in three or four years after
the war the public will arise at tax-
ations that will not be sustainable to elim-
nate all that have been made able to make better employment
than in some of the previous years," he
says.

Since the United States entered the
war, Senator George's duties in Congress
have increased, and he has been
away from his Washington home
as much as six months a year at a res-
idence, located on the Duke Highway near
Vienna. The senator was
shortly home last December, but it
turned out to be too late for enjoy-
ment. He does not like to make trips
in the fall and winter months and is
being inclined to ease up and
return to Washington from Vienna.

George spent one night in Atlanta, and,
upon leaving his hotel for the railroad
station, he found himself beset by a
band of professional bill collectors who were
carrying large bundles and packages.
They looked like the regular bank robbers of an Orient
al bank, but George,
told them to be following
the senator. He asked the reason for this, and was
informed that the bill collectors
had been instructed to collect for Christmas dinners
for a group of children in a
residence near the senator's house, and
Mrs. George had written to the senator
and others of the bill collectors who
lived in Washington. The bill collectors
were sent on the train, in spite of George's protests,
and had been instructed to
pack their bag and collect for the
senator and his friends.

The next day some of George's friends
came to the Washington Union Station
and met him. They found the senator nervous and
delirious, lacking hopelessly at a box of
turkeys, ducks, and a
diamomantina poultry, fruit cakes and
such like. He was the only time his friends
had ever been his
company.
Although he might be called the chief seer of the Government's tribune, he remains popular with the taxpayers. Here, Senator George with Senator Tom Connally (1st) and Hiroto Johnson.

During New Deal attempt to purge him, George stamped his state in 1938 and won renomination.
A tax report beside a blazing radio. Senator George's idea of a relaxing evening.
Cable to Ambassadors, here, for Hoolelland from War Refugees Board

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

NOTE: IN ORDER AVOIDS REFERENCE TWENTY MILLION SWISS FRANCIS PLEASE EXPLAIN TO BARON RATTNER OR IBI, THE FOLLOWING: WE ARE SENDING THIS SPECIAL FUND AND WITHOUT BARGES HAVE DOLLARS FOUR MILLION SIX HUNDRED SIXTY-TWO THOUSAND DOLLARS SIXTY-SIX CENTS ($4,662,004.66) EQUIVALENT PAID TO CHASE BANK NEW YORK ACCOUNT AMERICAN JEWISH JOINT DISTRIBUTION COMMITTEE THROUGH FEDERAL RESERVE BANK OF NEW YORK. FOR YOUR INFORMATION WAR REFUGEES BOARD CANISTER HOOELAND SIMILARLY URGED

Following is for Hoolelland from Board.

You are authorized to join Sally Mayer in instructing
Banque Nationale Suisse to pay dollars 4,662,004.66 equivalent to Chase Bank New York account JJD through Federal Reserve Bank of New York. Fund in question was established under Treasury Licence No. M-2402, text of which was sent you in Department's No. 430 (WB No. 382) of January 25, 1945. Treasury approves recall of fund by JJD.
May 20, 1945

Dear Henry:

I looked at the picture very carefully yesterday and I think it looks as though Franklin had a good deal of rather fluffy white hair on either side of his face and that is something he never did have.

If this could be changed, I like the expression and the portrait on the whole seems to me excellent.

Affectionately,

[Signature]

[Note: Handwritten note at the bottom of the page]
OUTGOING TELEGRAM

DIVISION OF CENTRAL SERVICES

TELEGRAPH SECTION

DEPARTMENT OF STATE

O.S.
No paraphrase

(SECRET)

SECRET

195 May 24 PM 437
May 20, 1945

EMBASSY, B.C./
CHUNGKING, (CHINA)
761

FOR AMBASSADOR HULLEY FROM THE SECRETARY OF THE TREASURY

Part I.

For your information and use in conversations with Chinese officials including the Minister of Finance, I am transmitting text of letter sent May 16, 1945 to Dr. Soong regarding Chinese request for gold. The decisions embodied in the letter were arrived at after full discussion with State, War, and P.L.

QUOTE: Dear Dr. Soong:

QUOTE: This is to confirm what I told you today.

In accordance with your memorandum of May 11, the Treasury is prepared to authorize the shipment of the balance of the $20 million of gold which is on deposit with the Federal Reserve Bank of New York for the Central Bank of China and to transfer the balance of $100 million to the account of the Central Bank of China with the Federal Reserve Bank of New York, in three equal monthly installments of $60 million from May to July 1946. The Treasury accepts the schedule of gold shipments contained

in your memorandum of May 11, 1945 and is making arrangements with the army to carry out the shipments of the gold according to that schedule. The preliminary arrangements to ship the requested amount for the month of May have already been made. These steps are being taken in accordance with our Financial Aid Agreement of March 1942 and my letter to Dr. Kung of July 27, 1943:

QUOTE: at this time it seems to me necessary and desirable to point out that the purpose of the $600 million of financial aid to China, and particularly my agreement in July 1943 to ship gold to China, was to assist in an anti-inflationary program which would strengthen confidence in the Chinese Government and its finances and thereby help maintain the Chinese economy. As you know, it is my opinion that the sale of gold by China has not proved effective in combating inflation, and I am doubtful that it will prove effective. Also as I have told you, the manner in which the gold sales have been conducted and the consequent public criticisms of them in China are not conducive to achieving the purposes for which our financial aid was granted.

Regraded Unclassified
Therefore, I would respectfully ask the Chinese Government to consider carefully the matters proposed to you in my memorandum of May 8, 1945. In particular I would reiterate my suggestion that China constitute a $500 million fund for combating inflation and stabilizing the currency from its foreign exchange assets. I think that this step would be of considerable short and long-run benefit to China and would inspire confidence in the Chinese Government's handling of its difficult economic situation.

The Treasury has noted with great interest the intention of the Chinese Government, as stated in your memorandum to the Secretary of State, to effectuate reforms relating to financial and economic matters. We think that the carrying out of these reforms will do more to insure confidence among the people and give a measure of stability to the present economic and financial situation than the gold program.

I know that you and your Government will take these friendly suggestions in the spirit in which they are offered. As I told you, we intend to carry out faithfully our financial agreement of 1942. However, the Chinese Government's response to our proposal to institute a $500 million fund and her conduct of the gold sales program will be important considerations in our financial relations with China.

This Government has as prime objectives the defeat of Japan and the liberation of China. As an old friend of China, I believe that our faith and confidence in China will be justified. END QUOTE.

Part II.

1. I would very much appreciate receiving your reactions to our proposal that China institute a $500 million fund from her existing dollar balances. The uses to which this Currency Stabilization Fund would be put would be 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. This proposal for a $500 million Fund was made with the concurrence of State, Sec and FEL. Dr. Soong has referred the proposal to the Generalissimo.
May 20, 1 p.m. to Chungking, (China)

2. The Chinese schedule of gold shipments referred to in my letter to Dr. Soong calls for the shipment of about $60 million by air and about $100 million by boat during the next eight months.

3. Adler will give you full details on discussions with Dr. Soong on his return to Chungking.

Sincerely,

(Acting)

(OL)

PHIPPMcGuire:FRK 8/19/45 C. P. E.
MINISTRY OF FINANCE

CHINA (P.R.C.)

May 20, 1945, 1 p.m.

Dear Dr. Song:

This is to confirm what I told you today. In accordance with your memorandum of May 11, the Treasury is prepared to authorize the shipment of the balance of the $50 million of gold which is on deposit with the Federal Reserve Bank of New York for the Central Bank of China and to transfer the balance of $100 million to the account of the Central Bank of China with the Federal Reserve Bank of New York, in three equal monthly installments of $50 million from May to July 1945. The Treasury accepts the schedule of gold shipments contained in your memorandum of May 11, 1945 and is making arrangements with the army to carry out the shipments of the gold according to that schedule. The preliminary arrangements to ship the requested amount for the month of May have already been made. These steps are being taken in accordance with our Financial Aid Agreement of March 1944 and your letter to Dr. Enson of July 27, 1943.

At this time it seems to me necessary and desirable to point out that the purpose of the $500 million of financial aid to China, and particularly my agreement in July 1943 to ship gold to China, was to assist in an anti-inflationary program which would strengthen confidence in the Chinese Government and its finances and thereby help maintain the Chinese economy. As you know, it is my opinion that the sale of gold by China has not proved effective in combating inflation, and I am doubtful that it will prove effective. Also, as I have told you, the manner in which the gold sales have been conducted and the consequent public criticism of them in China are not conducive to achieving the purposes for which our financial aid was granted.

Therefore, I would respectfully ask the Chinese Government to consider carefully the matters proposed to you in my memorandum of May 8, 1945. In particular I would reiterate my suggestion that China institute a $500 million fund for combating inflation and stabilizing the currency from its foreign exchange assets. I think that this step would be of considerable short and long-run benefit to China and would inspire confidence in the Chinese Government's handling of its difficult economic situation.

The Treasury has acted with great interest the intention of the Chinese Government, as stated in your memorandum to the Secretary of State, to effectuate reforms relating to financial and economic matters. We think that the carrying out of these reforms will do more to inspire confidence among the people and give a measure of stability to the present economic and financial situation than the gold program.

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This Government has as prime objectives the defeat of Japan and the liberation of China. As an old friend of China, I believe that our faith and confidence in China will be justified. END

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John M. Saunders
May 21, 1945
10:00 a.m.

GROUP

Present: Mr. Haas
Mr. Cox
Mr. Luxford
Mr. D. W. Bell
Mr. Fehle
Mr. O'Connell
Mr. Dubois
Mr. Blough
Mr. White
Mr. Bartelt
Mr. C. S. Bell
Mr. Russell
Mr. Gaston

MR. O'CONNELL: Harry White, Luxford, and I are supposed to be at Spence's office at ten-fifteen.

H. W. J.: You'll have to wait.

Now, what's the situation on Bretton Woods?

MR. O'CONNELL: The Executive Session starts this morning at ten-thirty, and it is assumed that there will be about three days of Executive Sessions, although the Democrats are prepared to support only the amendments that we have agreed to, but if the Republicans want to spend as long as three days, why, they'll spend that much and probably won't get to the vote before Thursday, but on Thursday the bill will be voted out presumably.

MR. LUXFORD: The Democrats won't have all their strength there until Thursday.

H. W. J.: How many days will it be on the Floor?

MR. O'CONNELL: That depends on the Rules Committee. They'll probably have it two days.

H. W. J.: Will they clear it up this week?

MR. O'CONNELL: No, next week. It will come right behind Reciprocal Trade. It's on for three days this week. If it gets out of the Committee Thursday, it will go to the Rules Committee Friday or Saturday and then it will be there for two days of debate next week. So, it will take all of next week.

MR. LUXFORD: Spence told me he thought Wolcott would come out with a new set of amendments this morning, at least that's the way the talk is going.

H. W. J.: I see. I wonder if White couldn't stay behind a little bit? I have several things which interest him.

MR. WHITE: I think that Joe and Lux should go up there.

H. W. J.: And you stay a little while and you can join them later? Is that all right with you, Harry?

MR. O'CONNELL: Harry, we might even call you because they might have a little difficulty getting us into the Executive Session at first. We'll call you and let you know whether they'll let us in.

H. W. J.: One thing I want to do is this: I want to have a meeting. I read this report and I'll send the book to you, and I want to go over these reports that Numan is sending in to me and I want, not the whole army, but Numan, and I would like to know who he's going to bring over with him and who is interested in this and who is working on these black market tax evasions on this side. Who's in on this side of the Treasury?

MR. D. W. BELL: Joe is doing most of it. Herbert and I have been on different phases of it. But Joe has been handling it.

MR. O'CONNELL: Although I guess Herbert and Elmer Irey get copies of the weekly report.
H.W.JR: Do you read them?

MR. GASTON: Yes, I read them, and Fussell also is reading them.

MR. O'CONNELL: Charlie Oliphant spends more time on it than I do.

H.W.JR: I would like to schedule a meeting. I have asked to see the President Wednesday and my guess would be, say, around eleven o'clock. Now, the thing that I want is the suggestions which I have again made in this meeting, what they are going to do, what can they do, what can't they do. Charlie Bell said something about a twenty million dollar appropriation. In other words, I want somebody to have an agenda, and, well, I might even start it at nine o'clock, because I might want to speak to the President about it, you see?

MR. GASTON: Wednesday?

H.W.JR: Wednesday morning. That would be--put it in O'Connell's name and you tell them outside who's coming, will you?

MR. O'CONNELL: Yes.

H.W.JR: But you have an agenda. You're in on this.

(To Mr. Peile)

MR. ELOUGH: I would like to be in on it, too.

H.W.JR: What we have accomplished, what we can accomplish, why it hasn't been accomplished and what I can look forward to.

One of the things in there which he read--and I'll let you know in a minute--from the bank's standpoint, I should think it would be very interesting--these four hundred places in Chicago that cash checks, see?

MR. O'CONNELL: Yes.
they are doing all the business. If there is a possibility for a raid or something I would like a raid, but this building that has ten furriers all in one building not paying any tax and not paying the city tax and they have built the thing--

MR. O'CONNELL: Our report last week had an example in it of a fur store on 57th Street off 5th Avenue, a high-priced section, and they never even filed an excise tax return until we started investigating.

H.M.JR: Then they finally have gone to the auctions. They finally got to checking up on people who buy fur coats over five thousand dollars. There were two doctors in Boston, one bought a fifteen thousand dollar coat and the other a seventeen thousand dollar coat, and all their fees were in cash. Now, the stuff is all there. There is so much I don't know what they are doing, and I am looking forward to this at this meeting--I don't know--it's this Internal Revenue Intelligence. They are the key people. Whether they are or not, whoever the key people are, have them come in from all over the country, because some of them seem to be doing very well and others very badly.

MR. O'CONNELL: At the beginning of this we had the Special Agents, Revenue Agents in Charge, and I think the Alcohol Tax Agents in Charge in from all the eastern and central part of the country. We have never called them from the far west.

H.M.JR: I want to see them, and I want to give them a piece of my mind. Bliss, I haven't seen him in ten years.

MR. BLOUGH: I am glad you are going to interest yourself in Miscellaneous Taxes.

H.M.JR: From everything I hear, my surprise is being justified ten times over. I would like to see this fellow, and we are starting at nine o'clock Wednesday morning. I think you might look forward to arranging a meeting the following week with whoever the key people are and bring them in here and let me talk to these bosses, and I think we are just sufficiently ahead of the game, we won't be in a position like OPA, getting hell from every side. If we aren't, they can thank me, and nobody else. When I was so crude to say the thing stinks, it was a gross understatement. Now, we have got to get some--there must be in the whole Treasury some ambitious, intelligent fellows that we can really put in charge of this thing. One thing I am particularly worried about is this Baltimore situation. I wrote you about that--I mean, because that thing has been blocked over there, but I read these things very carefully.

Let's get together and have an hour Wednesday morning, on what's been accomplished, what they can accomplish, what they can do, and all the rest of it. Will you work out an agenda with Pehle for me?

MR. O'CONNELL: Right.

H.M.JR: And you're in on this.

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

H.M.JR: If Burgess is up there, I'll come up, too.

MR. LUXFORD: We might have trouble getting you in, Mr. Secretary.

H.M.JR: Nasty boy, nasty boy.

(Mr. Luxford and Mr. O'Connell leave the conference.)

H.M.JR: Do you want to get in on this Miscellaneous Tax?

MR. BLOUGH: I would like to get in on this meeting Wednesday and the Miscellaneous Tax business, as they have a dirty job and a difficult job and an inadequate staff, and a great deal needs to be done with it.

H.M.JR: Well, I don't know what the answer is, but at least we are beginning to get places.
I think you will all be interested to know that Mrs. Morgenthau sat up for fifteen minutes at a time over the week end. The earliest they say is two weeks, but I just talked to the doctor and he didn't even promise I could bring her up in two weeks, but she's making definite progress.

Herbert?

MR. GASTON: I think we had better put Brecher as head over there formally when Heil 1 goes out. Shall I give you a note, or do you want to say something about it now?

H.W. JR: No. If that's what you think--

MR. GASTON: I'll send you a note on it.

H.W. JR: Let me ask you a question. I think I know your answer, but what I would like to do would be to get a new crew over there and have this fellow Heil 1 over here and--

MR. GASTON: And have Heil 1 over here?

H.W. JR: Mike Heil 1, and do what they do in the Army, drum the fellow out.

MR. GASTON: I don't think so.

H.W. JR: I knew you wouldn't want me to. Is he going to resign?

MR. GASTON: He's trying to get a transfer. I don't know who promised him--probably Bob Hannegan promised him another job, and he is going to see if it is available and he wants to transfer.

H.W. JR: What happens to the transfer? He's in the Army, not on leave, but whatever the term is, detailed to the White House.

MR. GASTON: Well, I think we could leave it in that way. He would never be called.

H.W. JR: Well, I certainly think his draft status should be cleaned up as should all of those that have been moved from the White House.

MR. C.S. BELL: We could clean it up as far as Treasury is concerned by writing a letter to the draft board telling them we are no longer interested in Heil 1. We do that.

H.W. JR: Not only in Heil 1--they moved how many people out of the White House?

MR. GASTON: Nine others.

H.W. JR: Well, I think that everybody who has been--

MR. GASTON: We will notify their draft boards, every one of them.

MR. D.W. BELL: Aren't they actually in the Army?

H.W. JR: Yes.

MR. GASTON: They are in the Army. We will notify the War Department, their superiors over at the War Department.

H.W. JR: They are in the Army, you know.

MR. D.W. BELL: The draft board has lost control of them.

H.W. JR: In the case of Monty Snyder--this is all confidential--he was sent to basic training.

MR. GASTON: Uh huh.
H.W. Jr.: I mean—I think—are you sure that others that haven't left earlier that are in the Army detailed over there—

Mr. Gaston: It depends on the age of the man. I'll check on the different ones. If a man wasn't subject to the draft, he couldn't be sworn in.

H.W. Jr.: I'd be very vulnerable in that if the Army—

Mr. Gaston: We will have to let the Army know what is being done with them.

H.W. Jr.: Who was with Heil in Kansas City when this happened? There were other Secret Service men with him, weren't there?

Mr. Gaston: The men who were with him have been taken off detail. Lowery was one of them, his personal pal, and he clerked.

H.W. Jr.: And why shouldn't he be allowed to resign, too?

Mr. Gaston: Oh, he's a younger fellow and under Heil's influence. He would be—the plan was to treat him the same as the rest of the group we took off the detail. Beckard and Savage and Peterson, and all the rest of them attached to District five here, pending a new assignment somewhere else in the field. They are still in Washington. All of them haven't yet been assigned out.

H.W. Jr.: Well, anyway, you handle it, but please do clean up the Army record.

Mr. Gaston: Yes, yes. We won't just simply pass it. We'll let the Army know what the situation is.
MR. BLOUGH: That isn't what I said. I said I thought they went off all right and the results are desirable from our point of view.

H.M.JR: The thing that bothered me was from our point of view. I just didn't know which side you were on.

MR. BLOUGH: I'm on the Treasury side.

H.M.JR: Okay.

MR. BLOUGH: I believe the support—I believe we are going to get strong support on this no tax reduction business by and large.

H.M.JR: The thing that interested me in the article in the Saturday Evening Post—

MR. GASTON: On George?

H.M.JR: ...on George was all this preamble down to the very last paragraph, and then they said he is the man that keeps the Treasury from increasing the taxes. I felt like saying, "Thank you very much."

MR. PENLE: Taxpayer's friend.

MR. GASTON: Well, but he is responsible for the great increases in taxes to pay for the war, but at the same time he keeps the Treasury from increasing them too much.

MR. BLOUGH: But it also said he was opposed to decreases.

H.M.JR: Whatever the cost of coca cola, it was cheap.

MR. GASTON: You noticed in that article he doesn't declare for immediate tax decrease. The paragraph said he is for decrease in taxes beginning a year after the Japanese war.

H.M.JR: And of all the sophistry I've ever read in my life—I recommend for all who are interested Arthur Krock's article yesterday on how the President took on George, but he did it in a very kindly but firm manner, and of course he was being advised by people outside of the government to answer George. And he was right in answering George, but he did it in a kindly manner, and so forth. Of all the sophistry in the world! And every reporter who wrote it said what's his name pounded the desk, but Krock, trying to keep in tune with the New York Times editorial, and at the same time—I mean, if Roosevelt had done this, it would be crude, or this, this, and this, but Truman did it in a kindly manner and was advised by somebody outside of the government to do it that way.

MR. BLOUGH: Did you notice the Time article this week was completely wrong in its implications? George comes out with a statement. The first fruits of that statement is the Joint Committee report, and it seems like this one is going to get everybody's support. Even Morgenthaler is willing to take it.

H.M.JR: Well, it doesn't bother me. I'll read you people an anonymous letter I got the other day just to show you the kind of things you get.

MR. BLOUGH: Things are moving along all right.

H.M.JR: I'm kidding—but being serious, I think doing these speeches out are distinctly worth while. I wish you would continue.

MR. BLOUGH: I have no further plans for some, but—

H.M.JR: I'll look for some.

MR. BLOUGH: Thank you. We are working with Stan on a capital gains tax request of the Economic Stabilization Board. They want higher stabilization taxes.

H.M.JR: Let me and T. V. Soong know before we do something, so we can get our house in order.
MR. BLOUGH: I don't think Mr. Stam is going to go along.

H.W.JR: I see.

MR. BLOUGH: You don't need to worry about it.

H.W.JR: All right.

MR. BLOUGH: And we are continuing work on other things and paying no attention to any little rift that may have arisen last week.

H.W.JR: Good.

MR. BLOUGH: That is all I have to report.

H.W.JR: Mr. Coe, did you have a little rest? I'm afraid I have been driving you pretty hard.

MR. COE: No. The reporters kept us busy on the Chinese story. We talked with Harry about it and took the line on it that of course we were interested in the effective use of it, but—and were very glad to have the reassurances we had. It seems to have blown over.

H.W.JR: I told White it seemed very strange that just at about the time that we were about to make this loan—I mean, really let them have this gold, that this thing suddenly leaked. It is like the great trouble in this town. I do what is proper, and then I send my associates like War, State, FIA, copies of my letters, as they should know what I am doing. That is the proper way to do it, but so far there hasn't been any leak that I accelerated the gold on the insistence of Mr. White, but—I am waiting.

MR. WHITE: My record is so good that these things—

MR. GASTON: They don't improve it.

MR. COE: They got most of this as a result, I'd say, of the Chinese' queer sense of tactics.
and T. V. Soong, because they quoted facts which we didn't even have.

MR. WHITE: T. V. Soong is taking the position this has happened and it's very unfortunate. The Chinese Government has been taking steps to find violators, and this is only one, this is an isolated instance in Chinese history. There was a leak and some people made a lot of profit in gold and T. V. Soong is not going to stand for that.

H.M.JR: And you notice he told the Generalissimo that he didn't. Did you see that?

MR. WHITE: I didn't see that, but in a smart fashion he was handed a lemon and is squeezing it and making orange juice out of it.

H.M.JR: Had a lemon and made gold out of it.

MR. WHITE: No, he was handed gold.

MR. COE: Taylor rang us from London to say Col. Bernestein would probably he back the end of the week.

H.M.JR: I asked McCloy again—for the first time I asked him.

MR. COE: I see, and he wants us to continue to send one of the London representatives over quickly to Denmark where they want to work with the Army on the rate of exchange stuff.

H.M.JR: Is that all?

MR. COE: That's all.

H.M.JR: Let me ask White and you, is Coe the proper person to give this clipping to follow through on, and here's an article about how they're ruling Germany under the Allies. It quotes Konstantin Gomans at great length. And I want somebody to follow up every piece of information on something like this where you want additional information on something like this where you want additional information is being handled. Now, would that go into Coe's office? (Secretary hands Mr. Coe page 3 of the Washington Post, dated May 21, 1945.)

MR. WHITE: Very definitely. He has people who follow things like that.

H.M.JR: I want that and anything else, anything that you get. Is AMR still sending us all of the reports they were for awhile?

MR. WHITE: Yes, we get reports very frequently. They can be digested for you but they would be digests of digests. They have a lot of sources of information.

MR. COE: We've got from the Army the list of British personnel. They are generally sending their opposite numbers in industry in. They're sending their machine tool man in for machine tools, and so forth.

MR. WHITE: The Secretary has reference to those weekly reports. I don't know that they're periodic, but very frequently reports are made by the AMR representative.

H.M.JR: Supposing the next time one of these comes in—walk it in and let me take a look at it, the next one. All right, Frank.

MR. COE: That's all.

MR. FREILE: I have nothing.

H.M.JR: When we're through here I'm going to settle this question right after this meeting of the war Refugee Board. I want to settle it. So anybody that's interested in war Refugee Board—if they'd stay.

George?

MR. HAAS: We have some charts on the Navy program.

H.M.JR: Oh. Well, I'll get to that today. I'll get to that definitely today. Do they show anything interesting?

MR. HAAS: Yes, I think they are quite interesting. I have them on the table there.

MR. B.N. BELL: It is a very interesting setup. There is not too much you can do about it.

(Discussion off the record.)
MR. BARTELT: That's all I have to report, Mr. Secretary. I hope to give you an inventory. I'll try to give you an inventory of it.

H.M.JR: Couldn't that exist in any other branch of the Treasury -- we have bills outstanding like that?

MR. BARTELT: No, I don't think so. I think the situation generally in the Treasury is all right, but that's a matter we might want to look into.

H.M.JR: Don't wait too long. Don't take anything for granted.

MR. D.W. HELL: That's the only big contracting agency -- Procurement.

MR. BARTELT: Mr. Bell, don't you have in mind to have regulations issued under Plan 3 sometime to get into all of these Bureaus?

MR. D.W. HELL: Yes.

H.M.JR: Anything else?

MR. BARTELT: That's all I have.

H.M.JR: Russell?

MR. FISSELL: The ticker had this. "The United States, Great Britain, and Russia expect to publish their plans soon on the occupation of Germany, the Conference said," and a French news agency, and the Assistant Director of the British Military Government Organization have given out some teasers on it.

H.M.JR: Good. Well, keep Coe informed so Coe can keep me informed.

MR. COE: Has Clayton told you anything new about publication?

H.M.JR: No. And the last thing was that President Truman said that it was hung up with Eisenhower.

MR. WHITE: I was reading some comments about returning soldiers. I think that book would have been so
popular with the soldiers. There's nothing like it. Is it a dead duck?

H.M.JR: No. No. No. Maybe a cold duck, but no. Is that all Fussell?

MR. FUSSELL: That's all, yes.

H.M.JR: DuBois, I got your messages. You very graciously told me you agreed with me, which made me sleep well. I want to talk to you about it whenever and if we get through with this sometime this morning, about several things that happened which -- but I thought Pauley's own interview was very good.

MR. DUBOIS: It was excellent. He made a speech yesterday on the radio. I don't know whether you heard it or not. It was also very good, and he took the line that you can't expect us to get anything this time. The only form of reparations would be security for our children, and so forth -- along those lines -- it was a very well done speech.

H.M.JR: You might get me a copy, Fussell, and also a copy of the 3:16 Saturday night speech of Leland Stowe. That was very good. Frankly, he paraphrased me word for word. And find out whether Leland Stowe is in New York or Washington. I'd like to see him. Are you all right, Joe?

MR. DUBOIS: Yes.

H.M.JR: Mr. White.

MR. WHITE: We agreed to send the following cable to the Ambassador to Argentina in response to his request. I can read this paragraph or tell you briefly that it turns them down.

H.M.JR: Yes.

MR. WHITE: It says that "We're in agreement with the State Department. No action should be taken unblocking the accounts until the Treasury is in position of getting a first-hand report," and so forth. Collections in these banks have ceased, and it raises the question of a Treasury man going down and expediting the report.

H.M.JR: Well, you know about my conversation with Ambassador Braden.

MR. WHITE: Which was prior to that about sending a man down.

H.M.JR: Does this go to Braden?

MR. WHITE: I don't know if Braden is there. It goes to the Embassy there. You don't need to initial this.

H.M.JR: I'd like to.

MR. COE: The incoming cables are signed Reed, not Braden, so I assume he's not there.

H.M.JR: This isn't in cable form, is it?

MR. WHITE: That is in cable form. That's why we sent it over.

H.M.JR: Have you seen this?

MR. D.W. HILL: No.

H.M.JR: You should. Do you want to look at it?

MR. COE: Incidentally, State has asked us, curiously enough --

H.M.JR: Bill didn't see that.

MR. COE: State has asked us not to allow the Argentine request to send gold down there to be accepted up here.

H.M.JR: What's that?

MR. COE: State, which I had thought would be anxious now that we've recognized Argentina to let their gold go down whenever they want it, has also asked us not to
do that, to hold up for a while.

H.M.JR: Well, the man who briefs me from State
started Friday or Thursday to tell me about it, Argentina,
and didn’t have the time. He’s coming back to see me
tomorrow. He’s very good. Is that all right with you?
Would you initial it? (D.W. Bell initials cable to
Ambassador Braden, dated May 21, 1945.)

MR. D.W. HELL: I assume this more or less paraphrased
the incoming cable. I can see that.

H.M.JR: (Secretary initials cable to Ambassador
Braden.) How can I get a record of this, Harry?

MR. WHITE: That’s taken care of automatically.

H.M.JR: This goes from me back to you?

MR. WHITE: Ordinarily you don’t initial these cables
as a rule, but they’ll be filed in your office, together
with a copy of this memo which I don’t have. The other
point you want to raise here, or maybe you want to have a
separate meeting, is to discuss what action to take with
respect to Brand’s letter. He’s pressing to see me again.
He is apparently getting pressure from home.

H.M.JR: I’d like to go into that quite extensively
with you. I’ve got to see Hans on the Navy and White on
Brand. Not White on rye, but White on Brand.

MR. WHITE: White on rye.

H.M.JR: What else?

MR. WHITE: Those are the only things. We still
want to find out about the gold rumor. I don’t think
it’s worth pushing.

H.M.JR: No. Anything else?

MR. D.W. HELL: Bob McConnell telephoned me Saturday
to say the State Department had turned thumbs down on our
suggestion for Professor Brady to go over as economic
adviser. They claim the book he had written on Germany
favours Nazism, and I understand that the boys here thought

it was against it.

MR. WHITE: That’s absurd. I read both his books.
Anyone to make that claim is a cockeyed liar or can’t
read English, one of the two.

H.M.JR: You mean you differ with them? (Laughter)

MR. WHITE: I’m very much

H.M.JR: What did you say, Harry?

MR. WHITE: You’re so much awake that even my
subtlety doesn’t -- I’d like to know who said that.

H.M.JR: Let’s have a show down with them.

MR. D.W. HELL: He called Dr. Conant of Harvard about
David. He said David couldn’t go.

MR. WHITE: Who else read that book?

MR. ORE: I read it. He’s been anti-Fascist over a
period of years.

MR. WHITE: Moreover, if it’s what they thought it
was, they’d probably picket. I mean, if it’s what they
said it is.

MR. D.W. HELL: I’ll give you a memo on it. They’re
now talking about Ralph Flanders -- Federal Reserve Bank
of Boston. (Mr. Bell handed the Secretary a Memorandum
to the Secretary from Mr. Bell, dated May 21, 1945.)

H.M.JR: Let’s have a show down.

MR. D.W. HELL: Here’s a memo on the purchase of gold
from Russia by the Chase Bank. (Mr. Bell handed the Secre-
tary a Memorandum to the Secretary from Mr. Bell, dated
May 21, 1945.)

H.M.JR: Has White seen this?

MR. D.W. HELL: I don’t know.

H.M.JR: He should.
MR. COE: No, he didn't, but I talked with him this morning about the issue. We just got this.

H.M.JR: Let's get all together on it and clear it up. I mean White should see this.

MR. D.W.BELL: You know about it, Harry. Chase is going to purchase the gold.

MR. WHITE: Yes. He spoke to me about it.

MR. D.W.BELL: We had a meeting on it with State.

MR. WHITE: It raises a larger question. Probably there would be more of this.

H.M.JR: Do you mind if Harry takes a look at this to see whether we are all together?

MR. D.W.BELL: No.

H.M.JR: What else?

MR. D.W.BELL: Sometimes when you are cleaning up with Mr. Coe like you did the other day, I think he ought to discuss the matter of rupees. We've had a policy of taking half of the English rupees purchased for gold. We have a balance in the Stabilization Fund of eighty-nine million. The Army is getting rupees through reverse lend-lease or some other method, and they're going to take some of these eighty-nine, and I wonder if we haven't enough of them. There's eighty million --

MR. WHITE: That will be, supposedly, taken care of, but if --

MR. D.W.BELL: Isn't there an eighty million transaction in the mill which would give us about one hundred and sixty-nine million?

MR. COE: I don't know about that, but we stopped buying the other day. The British and the Indians have been in worrying about it and wanting more silver.
MR. WHITE: We got them for the Army exclusively, and we were buying them at the official rate, and in order to buy them at a lower rate, we insisted on being able to sell gold, and we made an arrangement with England we'd sell half and half, and there were some other proportions. The sole purpose was chiefly for the Army.

MR. D.W. BELL: We're giving to the State Department and other agencies that want rupees. That's all I have.

MR. CHARLES BELL: Mr. Secretary, I think we'll have to step in and do a management survey down in Procurement and go over everything they have down there from the organization point of view. The procedure is out, budget is out. Mr. Bartelt is on accounting work. There are other phases that need reorganizing.

What I would like to do is draw a top administrative man from Customs, Internal Revenue, Public Debt, Foreign Funds, and Research and Statistics and put a couple of our own fellows with them and send them down as a group to reorganize the whole shop.

H.W.JR: Look. I think the idea is good, but whether those men can do it is something else.

MR. CHARLES BELL: I think they can, sir. We have done that kind of thing before. Then Mr. Pehle seems to think we ought to have an order, and I agree with him, transferring Procurement from Pehle to Bell.

H.W.JR: Which Bell?

MR. CHARLES BELL: This Bell—temporarily.

H.W.JR: Talking about yourself—you and Flough—in the third person is a little disconcerting. Do you think Bell is good?

MR. CHARLES BELL: Well, we'll wait and see how this job comes out. (Laughter.)
MR. GASTON: Yes.

(Secretary signed Order No. 60 transferring
Procurement to Mr. Charles Bell.)

H.M.JR: What else, Charlie?

MR. CHARLES BELL: I have one little personal
matter I'd like to speak to you about later when you
have time. That is all.

H.M.JR: Well, we will go on to War Refugee matters.

May 21, 1945
10:35 a.m.

WAR REFUGEE BOARD

Present: Mr. DuBois
Miss Hodel
Mr. Penile
Mr. Gaston
Mrs. Kiots

H.M.JR: There is a question of what we should do
with the War Refugee Board. I mean, I'm only one out
of three members. I've got to make up my own mind.

MR. PENILE: The other two will obviously go along
with not trying to extend it. Stimson certainly
wouldn't be in favor of extending it. Stettinius
would be opposed to it, I think, on the ground that he
believes the function is properly that of the State
Department, where it is properly, as far as logic is
concerned.

MR. GASTON: I personally feel it should be taken over by
them too. It's borrowing too much trouble to take that
load on your shoulders.

H.M.JR: That leaves you as the principal proponent.

MR. DUHOIS: Yes.

H.M.JR: Do you want to state your case?

MR. DUHOIS: Yes, sure. The way I see the thing
is that we have an opportunity here, whether through
creation of a new agency or through extension of the
powers existing, to create some group outside of the
State Department to handle this problem from here on in.
If we first give up the War Refugee Board, chances of
then creating that group are practically nil. I
think, myself, that we can probably get it now, if
we go after it. Now, as to the question of your taking
on too much, Mr. Secretary, even if you should set up
this three-man committee composed -- I would recommend
Stettinius, yourself, and I would say, Ickes -- move it, if you will, outside of the Treasury Department. The offices outside will get somebody in, and make it very clear that you’re not going to carry the ball on the thing. Even if you get someone in who is not one hundred percent, in your eyes, perfection, the fact still remains that you’re going to be a lot better off than having it handled by the State Department clerks. I say it would be a lot better off even if -- and obviously this shouldn’t be -- even if you weren’t a member of the Board, as long as it’s on a Cabinet level with someone handling it -- but to put it down in the State Department at a low level handled by those clerks.

H.M. JR: But now listen, young fellow, you’re talking purely of the location. What’s this group to do? You haven’t stated it. What are the functions?

MR. DUBOIS: I assumed that everybody more or less knew what they would do. Here’s how I see the problem. This agency would act as the U.S. sparkplug in the whole problem of resettlement of those displaced persons who don’t have homes to go to. It would be, of course, the Jews who will be -- I think there might be other groups besides the Jews in this particular case. I take it, for example, you have the problem of the Catholic who don’t have homes to go to Poland, but primarily it would be the Jewish group who have no homes. Now, you see, there’s an international organization to handle that. I say there was one to do it before, and they didn’t do it until we got a U.S. organization to do it, and neither UNRRA or the Interdepartmental Committee will do this job if our representative on that Committee has to report back to the State Department and get his instructions from the State Department, but if he had some agency back here backing him up, maybe he can do a job.

MR. PEHLE: I think the issue, Mr. Secretary, is the extent to which you want to put yourself into it. I agree if you put yourself into this problem in the post-war field, obviously a lot will be done that otherwise wouldn’t be done. I don’t entirely agree with Joe that the problem is at a clerk level, and if you get some Board established, even if you weren’t on it, you would do a lot of good.

MR. PEHLE: They’ve got Earl Harrison doing this thing. I don’t see that, if you were off the Board, it would be very different if Earl Harrison were doing it. I think the real issue is whether you want to get into a problem in the post-war field. Now, as far as doing some good on the problem, there’s no question it would do a lot of good, and there would be a lot of headaches, much more so than the War Refugees Board. You’d be in the Palestine thing. It’s a personal decision, I think.

H.M. JR: This is what I’ve had a chance to think about it. It just isn’t necessarily a personal decision. As far as I’m concerned, whatever part I play in the War Refugee Board -- I want to wind up my own efforts in this thing, you see. Now, as far as the future is concerned, I think we ought to do something along these lines. I could make a personal report to the President telling him about the work of the War Refugee Board very briefly, see, by simply saying, “I feel this should be wound up,” and that “any part that I’ve played is finished, but, Mr. President, here’s the problem that you’ve got to handle, see? Now, in dealing with other nations, do you want this handled for you by other nations, do you want this handled for you by the State Department, or do you want a separate committee at Cabinet level to handle and advise you on this, and if you do, this is a possible suggestion for a group to handle this thing for you.” And then I could make a constructive suggestion, you see? And say, “the following people of Cabinet rank could handle this, and advise you how to handle this thing vis-à-vis other nations,” and that would accomplish it.

MR. DUBOIS: That’s fine.

MR. PEHLE: Who would the other people be, Mr. Secretary?

H.M. JR: Well, Ickes would be one.

MR. PEHLE: Ickes and Stettinius.

H.M. JR: Stettinius would be two.
MR. GASTON: What I'm afraid of is that if you put yourself into a position of trying to sell this plan of a Board of Cabinet advisers on the problem of the displaced persons to the President and State Department, that they will refer it back to you all the time. You're the person who has to carry the load.

H.M.JR: I won't be on it.

MR. GASTON: Well, if that's distinctly understood --

MRS. KLOTS: You would not be on it?

H.M.JR: I would not be on it.

MR. GASTON: That would make it rather different.

H.M.JR: I definitely would not be on it.

MR. GASTON: I was going to suggest as a possible compromise that first you might outline this to the President much as you suggested, and then that you might speak to either Lasker or Wallace and tell them the way you think about the thing and that this displaced persons problem will not be handled with any proper initiative and real consideration unless there's a separate Cabinet level committee, and find out whether Wallace, for instance, or Lasker wants to take the lead and push the formation of such a committee.

H.M.JR: I don't quite agree with you, Herbert. I'm willing to argue about it. I think that the President of the United States most likely never has heard of this Committee. What is it called?

MR. FRIELE: The Intergovernmental Committee.

H.M.JR: And he doesn't know that Earl Harrison exists. He may know about the UN Refugee Board, but he may not. And I think that the thing to do is to make a little report saying this is what's happened, and I wanted his guidance before the final UN Refugee Board meeting. Well, anyway -- and then say, "Now look, Mr. President, if you want to, I can sound out some of these people for you," but I've found out before I take a step -- I'd like to talk to him, see, Herbert? And I want to see whether he wants me to do this thing.

MR. GASTON: Yes, I think that would be sound.

MRS. KLOTS: Oh, I got the impression even if he wanted you to, you wouldn't.

H.M.JR: I don't want to have any part of it once it's set up.

MRS. KLOTS: I don't get it, then --

H.M.JR: It's very clear. I'm willing to help him set up a new committee, but I don't want to be on the committee.

MRS. KLOTS: I see.

H.M.JR: But if he says, "Yes, I want some committee outside the State Department to handle this sort of thing for me, and I want you to look around and talk to the people for me," I'd be glad to do that, but I don't want to be on it.

MR. GASTON: That might create a precedent for handling several crucial foreign problems and not having them exclusively State Department matters, but have committees --

H.M.JR: You see, a Cabinet committee is distinctly a procedure the British follow very successfully, and I agree with Joe that there should be a Cabinet committee to handle this sort of thing. I don't know what all would go into that, but certainly UNRRA would go into it, and you people think about it. I mean, what are the problems which a Cabinet committee should handle?

MR. DUBOS: I don't want to press this, Mr. Secretary. I would like to say that whether you're on the Committee or whether you're not, I can see that you will have a tremendous interest, and you're not going to help yourself, but you'll have to get into it. The only question is whether it won't be easier for you to get into it if you're one of the three members even if you don't take the leadership.

H.M.JR: I'll answer you.
(The Secretary holds a telephone conversation with Mr. McConnell)

(The Secretary leaves the conference temporarily)

H.M.JR: Well, let me just sum this thing up. So you get me a memo for tomorrow so we can look this thing over, and if you'll steer this, please --

MR. PEHLE: Yes.

H.M.JR: And I've thought this thing over. I definitely and positively don't want to be on this committee. I want to handle fiscal matters. I put up a number of things to the President, and I want to stay in the fiscal field, and there's plenty to do in the foreign field as far as fiscal matters are concerned, and I don't want to be on this thing, but I'm perfectly willing, before winding this thing up, to make a recommendation to have a Cabinet committee. Now, you people think obviously it would be Ickes, possibly Wallace, possibly Middlet, and has to be Stettinius. Middlet on account of --

MR. DUBOIS: I'd keep Middlet out.

H.M.JR: Maybe say, Wallace, Stettinius and Ickes. But there's no rhyme or reason, if a man is looking at this thing from a reorganization of Government, why the Secretary of the Treasury should be on it. I think there are a lot of reasons why he shouldn't. We're not kidding ourselves. It gets down largely to Palestine.

MR. PEHLE: Do you want a memo to hand to the President?

H.M.JR: I like to talk to him and he likes to have them --

MR. PEHLE: You mean he's keeping a record of what he's doing over there?

H.M.JR: He very definitely likes to have a memo. He said he'd like me to leave a memo with him. Whether
May 21, 1945
11:00 A.M.

HMJr: Hello.
Mr. Robert McConnell: Mr. Secretary, this is Mr. McConnell.
HMJr: Good morning, McConnell. I've got that memorandum from Dan Bell in regard to Professor Brady.
Mr.: That's right, sir.
HMJr: Well, I don't know - whoever made this report about Brady, but Harry White feels that the man either hasn't read the book or just doesn't know what he is talking about.
Mr.: Well, the State Department man is right here, shall I ask him?
HMJr: Yes, who is it?
Mr.: Just a minute. (Talks aside) He doesn't know, sir.
HMJr: What?
Mr.: He doesn't know.
HMJr: Well, I don't believe he is telling the truth.
Mr.: Well, we have no -- we have a...
HMJr: It's a pretty important matter, you know.
Mr.: We have been unable to clear the name with the State Department.
HMJr: And they don't know who in the State Department objects?
Mr.: Well, that's what -- I don't know where the objection came from.
HMJr: Well, who's with you?
Mr.: He is a representative from the State, Mr. Beckover.
HMJr: Who?
Mr.: Mr. Beckover, he was the State representative in this office.
HMJr: Who is your superior?
HMJr: And if it is Holmes - anyway I'm going to take this right up to Stimson if necessary.

M: I'm just between the wheels here, Mr. Secretary.

HMJr: Well, you report this to...

M: I will.

HMJr: And if it is Julius Holmes, let's have it - put it in writing.

M: All right, sir.

HMJr: Let Julius Holmes put it in writing - why he objects to Professor Brady.

M: Very good. I'll do that.

HMJr: Will you please. It's very formal about this.

M: I'll report it to Secretary - Assistant Secretary McClay, and formerly request the State Department to put it....

HMJr: To put it in writing, yeah.

M: Yes, sir.

HMJr: And have somebody sign it

M: All right.

HMJr: O.K.

M: Thank you, sir.
S: And then Mrs. Millicent went over to see Mrs. Reba R. Swartz, your Chief enforcement of the Division Foreign Funds Control.

HMJr: Yeah.

S: But since then she hasn't followed it up at all because Senator Millicent has been very sick.

HMJr: Yeah.

S: And Judge Sykes, about a month ago, had a heart attack, and he is in a perfect state over his old lady sister.

HMJr: Yeah.

S: Starving to death over there in Italy. So I told him I'd call you and see what could be done on hastening that special license.

HMJr: Now, listen, old dear, I'm not a stenographer...

S: What?

HMJr: ...and you've poured this thing at me.

S: O. K. dearie.

HMJr: Now, listen, your husband — couldn't you go down there and get a stenographer and stick it in the airmail or send me a note letter.

S: Yeah. Well, I'd better do it with a full letter, hadn't I?

HMJr: I think so.

S: Yeah.

HMJr: And if you'll send it to me, I'll give it immediate attention.

S: O.K., Harry, I'll airmail it to you today.

HMJr: O.K. you had better put on the outside...

S: Personal attention?

HMJr: Well, that won't -- attention of Mrs. Klots - [illegible]...
May 21, 1945
3:55 p.m.

PRE-PRESS

Present: Mr. D. W. Bell
Mr. Gaston
Mr. Gamble
Mr. Sheaffer
Mr. Fussell
Mr. White
Mrs. Klots
Mr. Elough
Mr. O'Connell

MR. SHEAFFER: The Associated Press has submitted some pictures you might like for the dine.

H.M.JR: We got the one that I asked Mrs. Roosevelt about, the one that I have in my house. She likes that one. Should I bring it?

MR. HELL: For the dine?

H.M.JR: No, just to identify him. They thought we might want to use it, but the Bureau of Engraving would be the people to use it.

MR. HELL: If we have to make another engraving, we can't get the bond out for the October drive.

(Mr. Fussell enters the Conference)

H.M.JR: We haven't got one of V-E Day.

MR. HELL: We have an official photograph that's been approved. It was made in 1939, of course, but it's a good strong portrait. That's what I wanted you to look at some day if you'll set aside a time to go over that, plus the other matters I have on post-war currency.

(Mr. Elough, Mr. White and Mr. O'Connell enter the Conference)

MR. HELL: The dine ought to be a profile.
offered a set of counter-proposals in "negotiations" to compromise differences over legislation to ratify the Bretton Woods International Monetary agreements.

The proposals were offered at a closed committee session as alternatives to a set of amendments drafted last week by Rep. Wollcott, ranking minority member of the Committee. The Democratic amendments were understood to carry the approval of the Treasury, which had rejected Wollcott's. The major proposals said to include:

1. U.S. representatives on the proposed International Bank would seek an immediate interpretation of the Bank's powers and propose an amendment to the Bretton Woods agreement if it should be decided that the Bank lacked authority to make long-term stabilization loans.

2. The U.S. would have a single representative serving on the Board of Governors for both the Bank and the proposed Monetary Stabilization Fund.

3. American representatives on the Bank and Fund would be placed under an Advisory Council, composed of the Secretaries of State, Commerce and Treasury, the Chairman of the Federal Reserve Bank Governors and the head of the Export-Import Bank. This provision did not contain Wollcott's proposal to have the Council recommend to Congress in two years whether the U.S. should continue participation in the agencies.

"The Committee took no action but planned to defer voting on amendments and the bill until Thursday." That's exactly what happened.

MR. WHITE: That's what happened, but couldn't you say that's an Executive Committee matter, and it's up to the Executive Committee to give their okay?

MR. O'CONNELL: It's true they're agreeable to the Treasury.
MR. HELL: They're understood to have the approval of the Treasury.

H.M. JR: All right.

MR. WHITE: But I don't think we ought to call them compromises. Do you think so? They'll make that of it. They'll say the Treasury is compromising.

MR. HELL: Clarification amendments.

H.M. JR: Theodore?

MR. GAMMEL: I haven't anything, Mr. Secretary.

H.M. JR: Anybody else got anything? Fussell, were you finished?

MR. FUSSELL: Yes.

H.M. JR: Shall we say we're making progress on our black market tax business?

MR. FUSSELL: I think we are.

H.M. JR: I do too.
May 21, 1945 4:26 P. M.

NMJr: I understand.
M: ...the President has required the War Department to get these clearances.
NMJr: Yeah. I'll call up Clayton right away.
M: Rights, sir.
NMJr: Thank you.

NMJr: Hello.
Operator: McConnell.
Mr. Robert McConnell: McConnell talking.
NMJr: Morgenthau.
M: Mr. Secretary, I've advised Mr. McCoy as you requested me to, and also asked the State Department to tell me who was raising the objection.
NMJr: Yes.
M: The State Department suggested that you talk to Mr. Clayton or Mr. Mason. Is that all right, sir?
NMJr: Oh, I'm not going to follow it. You people asked me for recommendations, see?
M: That's right.
NMJr: And I suggested this Professor Brady, is that his name?
M: Brady of California.
NMJr: Yeah, and....
M: Well, you know there is a Presidential Directive requiring us to get clearance from the State Department and FDA and from yourself.
NMJr: Oh.
M: ..On these names.
NMJr: They suggest I call who?
M: Will Clayton or Mason.
NMJr: I don't know Mason.
M: Well, Will Clayton is...
NMJr: I'll call up Clayton and ask him.
M: You know, Mr. Secretary, I'm between this thing because....
Mr. White has read

May 21, 1945
4:15 P.M.

HMJr: Hello.
Operator: Miss Proctor.
HMJr: Hello.
Miss Proctor: Mr. Fitzgerald.
HMJr: No, this is Mr. Morgenthau.
P: Yes, Mr. Morgenthau.
HMJr: Will you give Mr. Clayton a message? I understand he is going to be back tomorrow.
P: Yes, sir. He will be back from Detroit tomorrow.
HMJr: Fine. Mr. Robert McConnell over in the War Department.
P: Yes, sir.
HMJr: Do you know who he is?
P: Yes, sir, I do.
HMJr: Asked us to make a suggestion for an economist as an advisor to General Clay, and we suggested Professor Brady of California. Hello?
P: Yes, sir.
HMJr: And the word came back that somebody in the State Department said he is a pro-Nazi.
P: Oh.
HMJr: Which, of course, is absolutely ridiculous. All his books have been most critical of the Germans, and he is an anti-Fascist.
P: Yes, sir.
HMJr: And when I asked who objected I got the word back that I'd have to ask Mr. Clayton.
P: Oh, I see.
HMJr: See?

P:

HMJr:

But I'd like to know all about it because the objection to me, I don't believe has any foundation.
P: Yes.
HMJr:

And I'm quite upset about it.
P: I see. Mr. Secretary, you don't know who in the State Department first raised the question—raised the issue that he was considered pro-Nazi, do you?
HMJr:

That's what they won't tell me.
P: Mr. McConnell's office won't tell you that?
HMJr:

Hope, they are protecting somebody.
P: I see. Well, I'll ask Mr. Clayton to look into it and let you know immediately.
HMJr:

There was a suggestion that it might have been General Holmes.
P: I see.
HMJr:

But I'd like to know who objects, because if there's anybody who is more anti-Fascist than this Professor Brady, I don't know him.
P: I see.
HMJr:

I thought the objection was most peculiar.
P: I'll bring this to his attention the first thing tomorrow morning, Mr. Secretary.
HMJr:

And, as I say, they said if you want to know who is objecting, go to Mr. Clayton.
P: Well, I feel sure he will know something about it. If not, he'll probably take steps to find out.
HMJr:

I thank you.
P: Yes, sir, thank you. Goodbye.
My dear Mr. Grew:

I am writing in reply to your letter of May 21, 1945 regarding the purchase of gold by China. I wish to express my deep appreciation to you and the other members of your Department for their unwavering helpfulness in the discussions with Dr. Soong.

As you know, after the receipt of your letter of May 21, 1945 and the memorandum of the same date from your Department, I sent a letter to Dr. Soong indicating the views of this Government on the Chinese request for gold and our proposal for the establishment of a $500 million Fund for combating inflation and stabilizing the Chinese currency. I am enclosing a copy of this letter for your information.

We have already informed the Army of the need for transport facilities in accordance with the schedule proposed by Dr. Soong. I will, of course, keep your Department informed of any developments with regard to the $500 million Fund proposal.

Thank you again for your cooperation in this matter.

Sincerely yours,

[Signature] M. Morgenthau Jr.

The Honorable Joseph G. Grew,
Acting Secretary,
Department of State.

[Handwritten note: "Regarded Unclassified" at bottom right corner]
reforms will do more to insure confidence among the people and
give a measure of stability to the present economic and financial
situation than the gold program.

I know that you and your Government will take these friendly
suggestions in the spirit in which they are offered. As I told
you, we intend to carry out faithfully our financial agreement of
1944. However, the Chinese Government's response to our proposal
to institute a $500 million fund and the conduct of the gold sales
program will be important considerations in our financial relations
with China.

This Government has as its prime objectives the defeat of Japan and
the liberation of China. As an old friend of China, I believe that
our faith and confidence in China will be justified.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Dr. T. Y. Song,
Foreign Minister of the Republic of China,
2972 Woodland Drive,
Washington, D.C.
May 18, 1945

My dear Mr. Secretary:

The Department has given careful attention to the request of the Chinese Foreign Minister, Mr. T. V. Soong, for the delivery during the remainder of 1945 of about $90,000,000 of gold from the unused balance of the $500,000,000 credit approved by the Congress in January 1945.

It is the Department’s view, which it understands is shared by the Treasury, that the sale of gold by China has not proved and is not likely to prove a very effective anti-inflationary device. Moreover, it believes that the establishment of a $60,000,000 fund for combating inflation and stabilizing the Chinese currency which you proposed last week to Mr. Soong would, if adopted by the Chinese Government, be of considerable short and long-run benefit to China.

The Chinese Government believes, however, that the immediate political and psychological as well as real economic effects of a continued and accelerated gold sale policy will have a vital importance in the critical situation confronting it, and strongly requests the delivery of the gold in question in accordance with the terms of the understanding between the two governments of July 1943. Since there appears to be no doubt that the Chinese Government attaches a greater importance to the immediate delivery of the gold than to the longer-run benefits which might result from the establishment of the fund which you have proposed and since the continued stability of China and her increasing military efforts in the war against the common enemy are of great concern to the United States, the department recommends that the Treasury, if transportation is available, deliver the gold to China in accordance with the time schedule put forward by Mr. Soong.

Sincerely yours,

acting Secretary

The Honorable
Henry Stimson, Jr.,
Secretary of the Treasury.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE
May 21, 1945

TO
Mr. Collado

FROM
Mr. Glasser

Will you kindly send the following cable from the Secretary of the Treasury to the American Embassy, Buenos Aires:

Reference your 955, May 11, concerning Alonso Ignieur’s request to unblock assets of Banco de la Provincia and Banco de la Nacion.

Treasury is of the view, in which the Department concurs, that no action should be taken to unblock the accounts of these banks until it is in possession of a first hand report establishing that the past illegal activities of these banks have been eliminated and that they have taken effective action, consistent with our safeguards objectives, to control, immobilize, and report to us all holdings of German assets. We understand that Ambassador Braden, as a result of his conversations with Treasury officials prior to leaving Washington, is considering a request that Treasury representatives be sent to Argentina to assist in dealing with these and related matters. If he decides to do so, it will then be possible for the Treasury representatives to prepare a report which will serve as a basis for determining our future action with respect to these banks.

Mr. Collado

Mr. Glasser

Assistant Secretary of the Treasury

Date May 21, 1945

To Mrs. McLaugh

For your files. The original was sent to Mr. Collado today.

L. Schwitzer

Mr. White
Room 363b
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE: MAY 21, 1945

TO: Mr. White
FROM: Assistant Secretary, Hoffman and Agron

The attached cable from the Argentine Embassy reports a request by the Argentine Finance Minister, Alfredo Irigoyen, to arrange, through a personal telephone conversation with his friend, Secretary Margiotta, for the unblocking of the assets of Banco de la Provincia and the Banco de la Nacion.

It is our view that the accounts of these two banks should not be unblocked at this time. We suggest that a cable be sent to Argentina advising that no action will be taken on Irigoyen's request at this time, but that such action must await a first hand report preferably from Treasury representatives, on the bank's activities.

Our recommendation stems from the following:

1. The accounts of the Banco de la Nacion (government-owned) and Banco Provincias (partially government-owned) were blocked in 1943 because they (a) received deposits from and executed payments to official and semi-official agents of Germany, Italy and Japan; (b) performed numerous services for German, Italian and Japanese banks in Argentina (c) used numerous subsidiaries in Axis and Anti-Axis-controlled territory; (d) provided special facilities to Friendship List firms, including substantial loans to enemy-owned firms, thereby nullifying the effects of this government's Friendship List action against such firms; (e) advertised in extensively pro-Axis publications, such as the notorious "Illustrada"; and (f) have highly pro-Axis personnel on their management.

2. We have not received any reports from the Embassy that these banks have ceased to continue their past illegal activities; nor significantly, that they have taken any step to control and eliminate German assets consistent with our Seizure program and Breton Woods Resolution VII; nor for that matter have they as "government banks" implemented any of the related resolutions contained in the Act adopted at the Mexican Conference to which Argentina has since subscribed.

3. The mere fact that Argentina has now become a member of the United Nations does not automatically mean that this government must relinquish existing blocking controls with respect to these Argentine banks. As you know, Treasury has imposed and still retains special restrictive measures against six large French banks which are believed to have furnished direct and indirect aid to the enemy.

The State Department has not to date requested the Treasury Department to release the Argentine gold presently held in New Orleans. You will recall that we prevented the shipment of this gold, consigned to the Central Bank, in August, 1940.

If you concur in our recommendation, we suggest that the attached proposed cable be sent to Argentina in reply.

Regraded Unclassified
MEMORANDUM FOR THE FILES

May 21, 1945

Dean Acheson called me this afternoon and said that the Senate contemplates recessing for July and August provided that they have completed work on the trade agreements, appropriation bills, and Bretton Woods. However, it would be difficult to keep the Senate in session if only one of these items were unsettled.

Accordingly, the Senate might very well recess without acting on Bretton Woods if it had disposed of the other major matters now pending. He therefore urged that we do all that we could to expedite the initiation of the Senate hearings and to keep the hearings themselves to a minimum of time.

At the same time he felt quite strongly that we should not start the hearings in the Senate until we have actually had a vote in the House, since he was afraid among other things that something might develop in the Senate hearings which would have an adverse effect on the House vote. He agreed that about all we could do would be to arrange with Senator Wagner and the Senate Committee so that they will be ready to commence hearings just as soon as the House has voted on Bretton Woods.

Copy to: Secretary Morgenthau
Mr. White
Mr. O’Connell
Mr. Bernstein
Mr. Feltus

TO
Secretary Morgenthau

FROM
Randolph Feltus

Date May 23, 1945

Attached is the PAC Pamphlet that you desired to see.
Bretton Woods

is no mystery

PAC's Pamphlet of the Month No. 1
WE STILL COUNT ON YOU

The first pamphlet the CIO Political Action Committee published began by telling you that we count on you to help us help the people of the United States create a better America. You did not disappoint us last year. But good citizenship is not a sometime thing. It goes on during elections and between elections.

The issues which will affect total victory and which will secure the peace in a world of abundance do not come up once in every four years. They are with us day in and day out. We must therefore, clearly understand the issues as they arise, then act upon them firmly.

To bring to our people a clear and truthful explanation of the most important issues before the nation, the CIO-PAC has created PAC's Pamphlet-of-the-Month, which will bring to the attention of the workers of the CIO, each month, the most important current issue before the public. The topic of each pamphlet will be chosen by an editorial board representing the major CIO unions. They will later read and edit each pamphlet so that it will truly represent the viewpoint of the Congress of Industrial Organizations.

This pamphlet, the first in the series, deals with an issue which has been deliberately confused by some bankers and reactionary congressmen. We cannot take effective political action unless we know the facts and understand the issues. This pamphlet, we hope, will clarify the issue. That comes first.

But understanding alone is not enough. We must prepare for political action. That responsibility rests with every local union and with every member in that union as much as with the CIO or the National CIO-PAC.

We, therefore, count on you again to learn the facts and to act upon them for your own good and for the good of the nation.

President Roosevelt confidently planned our victory and, with unprecedented foresight, charted the course to a just and lasting peace. We cannot do less than help to realize his great plan for the common people of the earth.

CIO Political Action Committee

WE WERE TOLD

In July of 1944, representatives of 44 United Nations met in a little town in New Hampshire, named Bretton Woods, to discuss money and how it can be used after the war to help bring about the greatest amount of continued prosperity in the world.

As soon as the Conference was over and its agreements were announced many of our newspapers and our big bankers and their "monetary experts" released a flood of words, all saying the same thing:

Bretton Woods is a mystery and a very complicated mystery!

As a matter of fact, anyone who has troubled to read the objectives and the general principles of Bretton Woods knows that they are much easier to understand than a recipe for apple pie or the rules of gin-mommy. If you can bake a pie or play a game of cards without the help of bankers and their "monetary experts," you should be able to understand Bretton Woods just as well as Walter E. Spahr of the National Committee on Monetary Policy or Winthrop W. Aldrich of the Chase National Bank.

IT IS NOT ONLY EASY

Bretton Woods is not only easy to understand, but it is also very important that every citizen should know what it is all about.

Because Bretton Woods is not just Bretton Woods. It is not just something for bankers, International Clearing Houses and long-distance chess players—it is something that will affect your daily bread. What you will pay for food, clothing and shelter after the war, how high your rent will be, how safe your savings, and whether you are going to have a job or not, may all depend on Bretton Woods.

B. W. stands as much for bread and wages after the war as it does for the name of a village in New Hampshire.
national money will be worth in goods or in gold or in American dollars.

Not only is the value of the money of any given nation unknown (outside of its boundaries) but it even differs in value when trading with different nations. The value of that money, as well as the monies of all the other nations, has no fixed value in relation to goods, gold or American dollars.

Imagine what would happen if your dollar had a different value in each block of your city or in each State of the Union? Yet that is exactly the case of money in international trade today.

What makes it even worse is that certain speculators and international bankers can take advantage of this situation and juggle the value of different monies up and down so that no one really knows what the value of foreign money will be in world trade at any given future date. Today you think you get a bargain by obtaining a thousand lei's for an American fountain-pen, but the next day you discover that the lei's have been "depreciated" and that you were really gypped.

GERMANY, FOR EXAMPLE

Before the war Nazi Germany was so eager to sell certain goods in competition with other countries and they were so eager to build up stock-piles of imported materials needed for war that they created different kinds of money which, outside of Germany, were of different values. The marks used to sell goods were worth more than the marks used to buy certain goods. What it amounted to was a German declaration of war -- a money war.

Anyone trading on the world market never could tell what he was getting or how his deal would come out by the time it was closed. Ever since the last war, the rates of exchange for monies kept see-sawing, manipulated by people who gained from each change, whether the price went up or the price went down. World trade suffered seriously from this Tower-of-Babel money chaos.

WHAT BRETTON WOODS IS GOOD FOR

When war ends, the nations will resume the business of selling goods to each other. We know that foreign trade between nations will greatly influence the kind of peace we will get.

People who sell and buy naturally must use money. But what kind of money will nations use with which to sell and buy?

The war has caused almost a complete breakdown of the International Money Market. No one really knows what the Danish crown, or the German mark, or the Roumanian lei or any other
Not only trade suffered. Cut-throat methods and the juggling of money values lead to actual throat-cutting and war.

Unstable world money that changes in value from day to day is one of the causes of depression - it is one of the causes of cut-throat competition - it is one of the causes of hunger and starvation in the world - it is one of the causes of war.

If we allow the same conditions to prevail again, they will surely lead us down the road to World War III.

One thing the people don't want ever again is war.

If we are to banish war, we must banish the causes of war.

And that is what Bretton Woods is for: to eliminate this rise and fall in the values of the world's different monies and to create a kind of Credit Union for the United Nations to help them help themselves in times of their need.

THE STORY IS TOLD

1. The story is told of a wicked man who came to a great religious teacher and pounded on his door and shouted:

   "I hear people say you are wise. Then teach me all of human wisdom before I tire of standing on one foot."

   "That's easy: Do not do to others what you do not want others to do to you. That's the whole of wisdom. All the rest is elaboration."

Well, Bretton Woods tries to get the nations of the world together to agree not to do to any other nation, in monetary matters, what it would not want the others to do to it. They want to agree on the value of their monies so that the Nations can trade with each other without the fear of being punished by speculators and unfair competitors and international bankers through the device of inflating and deflating the value of marks, lire, pounds, and so on. That is the essence of Bretton Woods. All the rest is elaboration on how that aim can be achieved.

And there is no mystery to the Bretton Woods aim, as there is no mystery to the plan of how the Agreements of Bretton Woods can be put into practice.

BRETTON WOODS WAS LONG OVERDUE

To listen to the American Bankers Association, one would conclude that on a given day in July of last year, a few ill-advised government representatives met in New Hampshire to concoct a complicated plot on how to take over monetary power and destroy public confidence in the way foreign trade had been conducted in the past.

Actually, Bretton Woods was long in the making. For many years before the war, the best monetary economists in the world worried about the flood of unstable monies used in trade between
nations. Ten years before World War II began in Europe, the monetary war was already on and many nations became alarmed by it. They hurriedly made agreements to stabilize the rates of their monies, in relation to each other. But these agreements were insufficient and conceived in fear. They did not work.

They did not work because the agreements were between some large nations. The small nations were not included. They did not work because they had no Fund which would assure the Nations mutual aid in time of need. They did not work because Nations in need, whose credit was not sufficiently good to borrow money from the regular banking channels, had no place to turn to for a long-term loan. They did not work because they were not designed in the spirit of international cooperation.

To avoid the weaknesses of all of these feeble agreements, the United States called together experts of 44 United Nations to prepare a plan that would work.

The result was the Bretton Woods Proposal.

THE BRETON WOODS PROPOSALS

The Conference at Bretton Woods agreed upon the need to establish:
1. A Fund - A Mutual-Aid Fund, and

A MUTUAL-AID FUND

The Fund will contain close to nine billion dollars. This money will be contributed by the member nations in agreed upon amounts, which will be known as their quotas. Each member will pay about one-quarter of its quota in gold and the rest in its own currency. The value of each of these currencies will be fixed in terms of gold or in terms of the United States dollar.

The Fund resembles in many ways a Credit Union. Have you ever belonged to a Credit Union?

In a Credit Union the members pay into a general fund a certain amount of money, either in a lump sum or in monthly payments. This money always belongs to them. When a member has a hospital bill to pay or expects a baby or any other emergency arises and he needs money, he can go to his Credit Union and borrow up to a given amount to tide him over a difficult period.

The Fund proposed at Bretton Woods would work practically the same way. Each member nation would make a certain contribution to the Fund and when an emergency arises they could borrow from the Fund and know that their money will have a fixed value in their dealings with any of the other member nations.

The purposes of the Fund are:

1. To promote a just way of doing business so that nations will stop currency wars;
2. To encourage an international flow of money to increase production which in turn will create millions of jobs for all of us;
3. To prevent cut-throat business practices in money trading which inevitably leads to war;
4. To provide a pool of money that member nations may use to help those who are financially weak at any given time;
5. To establish the principle of cooperation among the nations in money matters - as we want to establish cooperation in political, industrial, agricultural, social, and other matters affecting the peoples of the world.

HELPING-NATIONS-TO-Help-Themselves

The Bank proposed at Bretton Woods will have an authorized capital of some ten billion dollars and will be known as the Bank for Reconstruction and Development and used for long-term loans.

The Bank will establish interest rates and will investigate all loans. It will protect both the borrower and the lender.
This Bank will in no way compete with the regular banks and their operations. Nations whose credit is good will continue to borrow money from private banks as they have done in the past. This Bank will not offer or give loans to nations who can borrow from the regular banks as they have always done, but nations who have suffered greatly because of the war and need money to rebuild their cities and their industries but whose credit is not so good, can come to this Bank for long-term loans.

It is important to all of us that these nations should have a place where they can borrow this money. If we want peace, we must find a way to give all the nations of the world a chance to rebuild their cities, their agriculture and their industries so that they may take their proper place among the other nations of the world.

WHAT IT MEANS TO LABOR

What all this adds up to is:

1 A decent relationship between the nations and an attempt to protect the financially weaker nations from those who may want to take advantage of it.
2 It also means more exports and more imports.
3 And that means more jobs. One out of every ten people employed in post-war America will undoubtedly be working for foreign trade. Foreign trade can create five million jobs. And these five million jobs may spell the difference between prosperity and depression.
4 Not only does it mean more jobs but it also means more jobs at better wages. A sound money will prevent nations from lowering the standard of living of their own people.

And that is why the wage-earner should be as interested in Bretton Woods as the bankers.
Winthrop W. Aldrich, Chairman of the Board of Directors of the Chase National Bank—the bank with many international connections and not all as fragrant as the lily-of-the-valley—made a speech in which he explained his objections to Bretton Woods. His objections were many.

If you like double-talk, you will just love Mr. Aldrich. This is no time to settle currency stabilization and long-term foreign investments, says he, because "in point of time" there are "other questions of a political and economic character which benefit the world" that have to be settled first—to the satisfaction of the Chase National Bank.

Then, "the American delegation was committed to a broad monetary plan and was not ready to work de novo on the problem." Though Mr. Aldrich goes intellectual on us, we know what he means. He means that he would like to see the slate clear to let the bankers do it de novo, and let the bankers run things their own way as they always did.

And then Mr. Aldrich comes out with something that is really enough to floor you! He says: "the objectives of the Fund (proposed at Bretton Woods) lack the focus essential to its success."

There is a speck on that new coat of yours. Throw it into the garbage can and rush out for a loan from the Chase National Bank for another coat that will have no specks whatsoever.

Nothing but perfection suits the gentlemen who object to Bretton Woods!

ALDRICH HAS COMPANY

Mr. Aldrich is not alone in complaining about Bretton Woods. The American Bankers’ Association, in examining Bretton Woods, says piously:

"Who knows today what the French franc is really worth when it sells at 2 cents in the official market and ½ cent in the black market? Who knows what kind of world we are facing for the next five years—what political, social and economic conditions?"

"To set up a stabilization fund under such conditions is to risk becoming involved in attempts to support uneconomic levels of currency, and to use up wastefully funds which should be used constructively at the right time and under the right safeguards."

There is no doubt in the ABA’s collective mind who can produce these "right safeguards." We have the history of international finance after the last war, handled by the "right people" with the "right safeguards." What did we get?

We got world depression—the rise of Fascism—the worst war in human history.

No, thank you, Mr. Aldrich and Company! This time the people, the people of the United Nations, will be given a chance to have their say in this important matter.

FROM A TOoomph

The American Bankers Association also complains because "no other country has yet acted upon these Proposals" and therefore wants our Congress to delay action. But they fail to mention that "no part of the Agreement will enter into force or be binding on any country until governments having 65 per cent of the total assigned quotas... have agreed to accept the obligations of membership." Since the United States and Great Britain have between them more than 45% of the quotas, all the other 42 nations combined cannot muster the vote to bring Bretton Woods into existence. That’s why the United States and Great Britain must lend in confirming the Bretton Woods Proposals.

President Roosevelt was the architect of Bretton Woods. President Truman declared himself completely in favor of the Bretton Woods program. He wishes this program approved without delay.
The objections to Bretton Woods are also worried that the Fund and the Bank will not be able to attract "wise and experienced management." The only wisdom and only experience left in the world, apparently, is with the ABA.

They are also terribly worried that the Fund may tend to create "large means of new spending power." Obviously the American Bankers Association wants an economy of scarcity. They want large pools of unemployed rather than large pools of money which will help to eliminate unemployment.

Every objection so far raised against Bretton Woods, when carefully examined, turns out to be a pointed argument in favor, rather than against, Bretton Woods.

LISTEN TO THE MOCKING BIRD

1. There is one objection to Bretton Woods, however, that deserves special attention—the objection raised by Senator Taft of Ohio. Senator Taft argues that we cannot afford to put in so much money in a fund which would help other nations help us attain full employment.

2. He has no basic objections to the Bank. The Senator has a weakness for banks and bankers. Gentlemen may prefer blondes but the Senator prefers banks and safe investments.

3. But he objects to the Fund. He says we cannot afford it. He pulls his pants pockets inside out, figuratively speaking, shrugs his shoulders and swears by all that is holy that we cannot afford to put any money into the International Fund. What we can afford, he suggests slyly, is to get into an agreement with Great Britain and stabilize the dollar against the pound. Then the Anglo-American bloc will know just how to deal with other nations—particularly Russia and France.

4. Well, we know what Taft is up to, and we would respect him a great deal more if he said openly what everybody knows he thinks.

5. The total amount of our part in the Fund will be less than three billion dollars. That is just a little more than the United States today spends on war every week. If we can afford that much for war in one week—can't we afford the price of a week's war costs for a lasting peace?

THE DANGER OF "BUT"

"But" is a little word, but sometimes a nasty one. It can be dangerous as a stick of dynamite. "But" is really greatly responsible for World War II. At the end of the last war, the people wanted a lasting peace just as they want it now. The League of
Nations was set up to work out cooperation between nations. The people of the United States, the vast majority of the people of the United States, wanted us to join the League of Nations. But the Senator Tafts of that day and their isolationist friends were against it. They did not say so. In fact, they insisted that they were very much for it, "but"—then the "buts" began and they killed the League of Nations with it. They are trying to do that now with Dumbarton Oaks and are certainly doing the same thing with Bretton Woods. The American Bankers Association raises its right hand, so to speak, and swears that it is for Bretton Woods but— they want to make certain reservations and amendments. All they ask for is that the Bretton Woods Fund should be dropped altogether and that the Bank should be so organized that in the end the Bankers will really have control over it.

You do not have to be an expert to see that their amendments are certain to kill Bretton Woods outright.

It is true that the average citizen cannot pass judgment on all the technical details of the Bretton Woods Agreements. But the leading financial experts of 44 nations have met for several years, before the plan was drawn up, studied the problem not for personal gain but for the good of their own nations and for the good of the world, and they tell us that Bretton Woods is what we need now. They tell us that if we accept the "butts" and "ifs" of the American Bankers Association and their friends, we are accepting the death warrant for Bretton Woods.

**WHAT CAN YOU DO ABOUT IT?**

If you agree with Banker Aldrich, Senator Taft and their like, there is really nothing that you can do.

But if you agree that Bretton Woods must be approved by Congress as one important step to secure the peace, then there is a great deal for you to do.

You can help arrange a meeting in your union, in your community or in your church to discuss Bretton Woods. You can write letters to your local newspapers telling them why Bretton Woods must be approved.

You can write to the Senators from your state that you want them to approve Bretton Woods. You can join your local Political Action Committee and offer them your help in any activity they may be planning to realize Bretton Woods and to start on the road toward a secure and lasting peace.

**BRETTON WOODS ALONE WILL NOT DO**

No one ever claimed that Bretton Woods alone will give us peace. We will have to have cooperation with other nations in every sphere of activity as well as in monetary matters.
But at the same time, all the other cooperation without Bretton Woods would still spell cut-throat competition in foreign trade and before very long actual throat-cutting — war.

The choice before us is clearly: whether we shall close our eyes and let Senator Taft lead us around in a dark circle in a dark room until we stumble over a booby-trap marked World War III; or whether we should attempt to cooperate with the United Nations in good-will now and hope that we can start building a decent and peaceful world.

LIKE THE TIDES

The impression has been created by some newspapers that Bretton Woods has enemies. Of course it has. But they are puny in comparison with those who support it.

Lined up against Bretton Woods are:

AMERICAN BANKERS ASSOCIATION • ASSOCIATION OF RESERVE CITY BANKERS • BANKERS ASSOCIATION FOR FOREIGN TRADE • NEW YORK STATE BANKERS ASSOCIATION • UNITED STATES CHAMBER OF COMMERCE • GUARANTY TRUST COMPANY

Lined up in solid ranks for Bretton Woods are:

CONGRESS OF INDUSTRIAL ORGANIZATIONS • AMERICAN LABOR CONFERENCE ON INTERNATIONAL AFFAIRS (A. F. OF L.) • COMMITTEE FOR ECONOMIC DEVELOPMENT • NATIONAL FOREIGN TRADE COUNCIL • BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM • INDEPENDENT BANKER'S ASSOCIATION • PENNSYLVANIA BANKERS ASSOCIATION • PHILADELPHIA BANKERS • MEMBERS OF THE AMERICAN ECONOMIC ASSOCIATION; specialists in international trade and related fields • CONGREGATIONAL CHURCHES — COUNCIL FOR SOCIAL ACTION • CATHOLIC ASSOCIATION FOR INTERNATIONAL PEACE • AMERICAN FARM BUREAU FEDERATION • NATIONAL FARMERS UNION • VERMONT FARM LABOR CONFERENCE • AMERICAN UNITED FOR WORLD ORGANIZATION • SOUTHERN CONFERENCE FOR HUMAN WELFARE • NATIONAL CITIZENS POLITICAL ACTION COMMITTEE • CITIZENS CONFERENCE ON INTERNATIONAL ECONOMIC UNION • NATIONAL LEAGUE OF WOMEN VOTERS • WOMEN'S CONFERENCE ON INTERNATIONAL AFFAIRS • NATIONAL PLANNING ASSOCIATION and on, and on, and on—

Quite clearly, we, the people, are for it. Like the tides at the Bay of Fundy, we shall not be denied.

illustrated by SYD HOF

designed by SHERA MILLER
President Franklin Delano Roosevelt once observed that the peace of the world depends on the knowledge and the understanding of issues on the part of the common people.

Through the Pamphlet-of-the-Month series, the CIO Political Action Committee hopes to enlighten the people on the grave issues involved in securing the peace and a fruitful life for all.

Bretton Woods is such an issue. We therefore suggest that you read this the first of our Pamphlets-of-the-Month series carefully for an understanding of this basic inter-nation agreement that you may be able to explain it clearly to others.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE May 21, 1945

TO          Secretary Morgenthau (For information)
FROM        Mr. Cee

Subject: Textiles for China

The following summary of the Chinese textile situation is given as background for tomorrow's meeting with Messrs. Crowley and Clayton.

1. The Chinese Request. Dr. T. V. Soong requests that the United States make available 22,000 tons of textiles during the remainder of 1945 of which 7,000 tons would be used for military issue (uniforms, etc.) and 15,000 tons for anti-inflationary purposes.

2. Supply Situation. In a memorandum dated May 9, 1945, Foreign Economic Administration states that to date 772 tons of textiles have been definitely allocated to China under lend-lease requisition; 3,200 tons of textiles owned by the Chinese are moving from India to China. On May 17 Mr. Crowley said that he expected to get about 5,400 tons for China from the Army, some from Canada and some from domestic civilian sources.

3. Distribution in China. The U. S. Army authorities in China have tentatively approved a plan whereby they would barter textiles against the food needed for the United States trained Chinese divisions. The U. S. Army procurement division in China feels that it can make a start with the Chinese owned cotton being grown in India. Dr. Soong expressed willingness to allow the U. S. Army to start on the proposed barter scheme, though he doubted whether it would be able to get sufficiently large amounts of textiles into the hands of the consumer.

We fully support this scheme whereby the distribution of Chinese textiles would be left in the hands of American Army authorities as far as possible, as there is no doubt that they would handle the distribution much more efficiently than either the existing distribution or any other Chinese agency. The Chinese should be encouraged to prevent these textiles from getting into the hands of speculators and hoarders or into Japanese-occupied territory.

4. Financing the Purchase of Textiles. Dr. Soong assured the representative of FMA in Chungking that the Chinese Government would be willing to pay in cash, if necessary, for civilian textiles. We feel that Dr. Soong's offer should be accepted.
TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS:

The Instructions to Financial Institutions in the United States, dated May 21, 1945, of which you were advised on May 18, 1945, are amended as follows:

Paragraph (4) is amended to read: "As used herein 'payment or transfer' shall include exchange of currency; and 'financial institutions' shall mean banks, trust companies, savings banks, private bankers, investment bankers, building and loan associations, securities and commodities brokers, and currency exchanges and other persons or organizations engaged primarily in cashing checks and exchanging currency."

You are to incorporate this amendment in the initial instructions which you send to financial institutions.

Secretary of the Treasury
May 21, 1945

For Mrs. Klotz

Randolph Feltus called you from New York at 2140 in accordance with the Secretary's instructions to give you the names of columnists and commentators whom he thinks the Secretary should invite for dinner next Wednesday. (Feltus was not clear as to whether this dinner would be May 23 or 30)

A- This group was discussed by the Secretary and Feltus during a telephone conversation earlier today, and Feltus thinks it's a good list:

1- Leland Stowe — Can be reached in New York. Feltus thinks he would come to Washington for the dinner.
2- Marquis Childs — In Washington
3- Drew Pearson — In Washington
4- Sam Grafton — In New York, but would come down
5- Raymond Gram Swing — In Washington

B- In case of regrets from any of the above, Feltus suggests in this order:

1- William Shirer — The best man Feltus knows of for Mr. Morgenthan's purpose. Although Mr. Shirer is in San Francisco, Feltus thinks it worthwhile to phone him long distance on the off chance that he could be here the evening of the dinner.
2- John W. Vandercook — In New York
3- Robert St. John — In New York

Joe Barch whom the Secretary mentioned in the telephone conversation is in Europe.

REMARKS — Feltus thinks the guest list should be held to 5 for the sake of stimulating a free intimate talkative atmosphere. He strongly suggests though that at least one of the following be present - Stowe, Shirer, Vandercook, Grafton because all of the others are weak in one or more points that are important for the Secretary's purpose.
Joe O'Connell  
Secretary Morgenthau  

May 21, 1945  

Dear Drew:  

Thanks very much for your letter of May 18 with the suggestion about Riley Campbell. I remember very well the excellent work that he has done, and I am giving your suggestion my personal attention.  

I also enjoyed very much having lunch with you, and read with great interest your column on Russia today. It can't help but have a beneficial effect.  

Yours sincerely,  

[Signed] Henry  

Mr. Drew Pearson,  
2280 Dumbarton Avenue,  
Washington, D. C.
May 18, 1945

Dear Mr. Secretary:

I enjoyed my visit with you yesterday so much that I forgot to mention one point to which you may wish to give some consideration.

One of your expert Internal Revenue attorneys in Chicago, as you may know, is Riley Campbell. He did a great deal of the work on the Skidmore tax case, the Johnson tax case, and also on Annenberg. I happen to know that he is seeking the present vacancy as head of the Penal Division in the Chief Counsel's office of Internal Revenue.

Knowing some of Mr. Campbell's work in Chicago, it would seem to me that he would be an excellent man to prosecute more penal cases in Washington.

With best wishes,

Sincerely yours,

Drew Pearson

Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION
CONFIDENTIAL

DATE: May 21, 1945

TO: Secretary Morgenthau
FROM: Mr. Hart

SUBJECT: The Business Situation, Week ending May 19, 1945.

Summary

Industrial production: Outbacks in war production by the Army are reported to be somewhat less than the WSB had earlier expected. However, outbacks in some localities will be heavy, and cities such as Detroit, San Francisco, and Portland, Oregon are already feeling the effects of curtailments. A confidential FRB estimate forecasts a decline in the adjusted index of production to around 230-235 by August, based on recent published outback estimates. This compares with 235 in March and an estimate of 235 for the current month.

Steel operations: One indication of a drop in business activity is a reduction in the steel operating rate this week to 92.8 percent of capacity. Despite V-E Day, steel operations thus far in May had been well maintained, and last week were scheduled at 95.3 percent. New orders, while somewhat reduced, are reported to have exceeded shipments recently. However, cancellations have been increasing and a larger decline in new business is believed to be impending. Some weakness has developed in steel scrap prices at Philadelphia.

Reconversion: Progress continues to be made in lifting restrictions on civilian production, with revocations last week covering such items as alarm clocks, photographic equipment, and machinery for paper mills, food processors and printing trades. It is estimated that the automobile industry will produce about 800,000 passenger cars this year.

Stock market: Stock prices moved steadily higher last week, and at the close on Saturday the Dow-Jones average of 65 stocks was only fractionally below the previous high for the year reached on May 5. Industrial stock prices in London steadied near the end of last week.

Commodity prices: The end of the war in Europe has had little effect on commodity prices. The Dow-Jones futures index moved moderately higher last week with gains in wheat, rye, and cotton. The NLS all-commodity index during the week ended May 12 was again unchanged at its wartime high.

Business activity maintaining high level but outbacks fore- shadow decline

The end of the war in Europe thus far has had no more than a moderate effect on general business activity, although war-orde outbacks now under way foreshadow some recession in production in coming months. During the past week the chairman of the WSB asserted that the Army actually has been cutting down on war production less than he had anticipated. However, a survey of requirements was expected to substantiate the WSB forecast of a 12 to 15 percent outback in war production in the first quarter after V-E Day. At the same time, the WSB recognizes that outbacks in some localities will be very heavy, and some large cities, such as Detroit, San Francisco, and Portland, Oregon, are already feeling the effects of curtailments.

Recent official forecasts of the extent of outbacks and employment dislocations following V-E Day, however, continue to be regarded as too conservative by many observers. In this connection, the president of the United Automobile Workers recently stated that his union is convinced that outbacks in the aircraft and automobile industries will be worse than government agencies now believe. Specifically, he predicted that in the next 6 weeks employment in 21 Detroit automobile plants would drop to 140,000 as compared with 260,000 at peak employment levels. Moreover, it was stated that employment at the Ford Rouge Plant, for example, already has declined to 95,000 from 165,000 in January 1944.

Numerous war production outbacks announced

Evidence of the easier employment and war production trend in the Detroit area was seen last month when the area was removed from the acute labor shortage classification by the WSB. Currently, pressure is being exerted on the WSB to drop the area to the Group III classification and remove remaining manpower controls.

Among numerous other outbacks announced recently were termination of Ford's jeep contract by July 31, and outbacks or terminations in connection with 3 other vehicle contracts held by Ford. Both the Flint and Huskisson areas were dropped to Group III labor area classifications last week, largely as a result of futures index.

- Regraded Unclassified -
The Frigidaire Division of General Motors at Dayton, Ohio will halt production of 50 caliber machine guns by July 31, but it was announced that most of the plant's 7,000 employees will be employed on other projects. In addition to the numerous outbuilds at automobile company plants in the Detroit district, production of B-17 bomber engines will be terminated by the end of July. This will affect plants at Chicago and Fort Wayne as well as South Bend.

Decline in FRB Index forecast

Assuming that the war in the Pacific continues at an accelerated pace, the Federal Reserve Board in a recent confidential estimate forecast a decline in the adjusted index of industrial production to around 210-215 by August. This compares with 235 in March and a tentative estimate of 230 for the current month. In projecting the index the Federal Reserve Board indicated that the estimate is based on previously published estimates of munitions outbuilds ranging from 13 to 25 percent in the first 3 months after V-E Day.

During the next few months the decline in shipbuilding is expected to be the most important depressing factor, as has been the case since the autumn of 1943. Aircraft production is expected to decline somewhat, with increased output of heavy planes largely offsetting reductions in output of smaller types. Considerable declines in production of tanks, military trucks, and guns will be partly offset by larger output of machinery and equipment for civilian use.

Output in most nondurable goods industries is expected to be well maintained, as declines in current production will be offset by increased civilian allocations. However, it is pointed out that increased output for civilian use in general will be limited by continued shortages of foodstuffs and raw materials such as sugar, fats and oils, textiles, hides, wood pulp and lumber.

Steel operations reduced

A reduction in the scheduled rate of steel operations this week to 92.9 percent of capacity (see Chart) is the first indication of a production decline in this important industry. Despite outbuilds in war orders, steel ingot production had previously been well maintained, with operations last week scheduled at 95.3 percent of capacity. Steel operations thus far this month have shown improvement over April levels, when the average operating rate dropped to 95.0 percent as a result of work stoppages in the coal mines.

According to trade sources the volume of steel orders recently has continued to exceed shipments in most cases. However, cancellations have increased and a greater decline in new business is believed to be impending. So important change has occurred thus far in the market for steel scrap, at Pittsburgh. However, some weakness has developed at Philadelphia, and as a result the Iron Age scrap composite price last week dropped 9 cents per gross ton to $19.05.

This is the first change in this significant business barometer since last December.

Further production controls lifted

Meanwhile, the WPS continues to make headway in lifting restrictions on civilian production. Among numerous other revocations, during the past week production controls were lifted on paper mill machinery, printing trades machinery, food processing machinery, and refrigeration and air conditioning machinery for commercial and industrial purposes. Likewise, restrictions were lifted on output of such consumer goods items as alarm clocks, photographic equipment and golf clubs.

Recoversion will be relatively slow in some industries

As the WPS itself has emphasized, mere lifting of production controls does not give assurance that necessary materials and other requirements will be available for manufacturers to resume production. In this connection, a reversion time table making tentative forecasts for July civilian goods items was made public by the WPS last week. The time required to recover to capacity production, once raw materials and manpower are available, is estimated to vary from no time in the construction machinery industry to 12 months for mechanical refrigerators and jewelers clocks, and 15 months for the automotive industry. Other industries which will require relatively long periods to attain capacity production include domestic sewing machines, domestic electric ranges, and processing machinery for the sugar, tobacco, beverage and refrigerating industries.

Automobile production in 1945 tentatively estimated at 700,000

Actual production achievements, of course, will vary considerably from plan to plant within a particular industry. Moreover, initial production (in the automobile industry, for example) will occur many months before break-even or capacity
rates are attained. Thus, while estimates indicate that it
will require 6 and 15 months to attain break-even and capacity
operations, respectively, in the automobile industry, the
Packard Motor Car Company announced last week that Packard
automobiles will be in the hands of the public by October
or November.

However, on the basis of present prospects the WFB
estimates that about 200,000 passenger cars will be pro-
duced by the end of 1945, and anticipated production in
the first full year of manufacture is estimated at 2,417,000
units. This compares with the recent high of 3,742,000 cars
in 1941.

Construction contract awards rose in April

In view of the restrictions on construction activity
during the war period, a heavy upsurge in many types of
building activity is expected once restrictions are lifted
and materials and manpower are available. Construction
contract awards last month, as reported by the F. W. Dodge
Corporation, rose 17½ percent above the very low level of
April 1944, and attained the highest point since August
1943. The most important factors in the rise, however, were
awards for 2 huge manufacturing projects in Tennessee
aggregating $115,000,000. Contract awards for residential
construction in April rose 13 percent above the corresponding
month last year but were still at very low levels. (See
Chart 2.)

Wartime restrictions on power line construction were
liberalized by the WFB recently, and following this action
the Rural Electrification Administration instructed more
than 500 REA-financed rural electric systems to go ahead
on previously delayed projects totaling more than $100 mil-

In addition to the previously-approved construction
above mentioned, REA borrowers also may apply for loans under
the new $80 million loan fund approved by the President
earlier this month. Money for construction originating
from the $80 million fund, however, will not be available
until after July 1.

Stock prices close to high for the year

Following the decline of the previous week, stock prices
rose steadily higher last week and at the close on Saturday
the Dow-Jones average of 65 stocks was only fractionally below
the previous high for the year reached on May 5. Railroad
stock prices lagged behind the rise in industrial and utility
stocks but all 3 groups showed net gains for the week. (See
Chart 3.) Stocks of companies which are believed to have
favorable peace-time prospects continued to attract sub-
stantial buying. In contrast to the renewed rise in stock
prices in New York, industrial stock prices in London last
week showed a further moderate decline, although slightly
firmer tendencies developed near the end of the week. (See
Chart 4.)

Earnings reports of industrial companies which have
come to hand thus far for the first quarter of 1945 reveal
a moderate gain over year-earlier levels. A tabulation of
reports for 510 leading industrial companies compiled by
the National City Bank of New York shows an aggregate rise
in net income of 6.1 percent as compared with the first
quarter of 1944. Among major manufacturing groups, changes
ranged from a gain of 12.1 percent in petroleum products to
a decline of 11.4 percent in the machinery group. About
25 percent of the companies covered by the tabulation showed
increased in net income over year-earlier levels.

Spot prices decline slightly; futures rising

The end of the war in Europe has had relatively little
effect on commodity prices. Last week the BLS basic commodity
index declined slightly, due to moderately lower prices for
steers, corn, and Philadelphia steel scrap. However, wheat
and cotton prices advanced in both the spot and futures
markets.

The Dow-Jones futures index (see Chart 5) rose somewhat
during the week, with gains in wheat, rice and cotton. The
rise in grain futures reflected a heavy demand for cash
grain by the armed forces, combined with the effect of
some unfavorable crop reports.

For the week ended May 12, the BLS all-commodity index
remained unchanged at its level of the previous two weeks.
Small price declines in certain agricultural products were
offset by price rises in bituminous coal and lumber, result-
ing from higher ceilings to producers granted by the GPA.
The index is 2.0 percent higher than it was a year ago.

Cotton policy proposed by the Department
of Agriculture

In a move toward settling the cotton problem that has
confronted the Nation since Farm Board days, the Face
Committee of the House has placed on its agenda for discussion the Secretary of Agriculture's 10-year plan to stabilize the southern economy and restore domestic cotton prices to the world level. In general, the plan proposes to absorb the impact of the price decline through a series of proportionately smaller adjustment subsidies. Further payments will be made to marginal producers, over a 10-year period, to aid in shifting to other products or in training for industry. The need for a change in the Government's cotton policy is becoming even more apparent in view of expanding cotton supplies. Last week the New York Cotton Exchange Service estimated the total world supply of cotton at 32.7 million bales, the largest on record.

Details of the program

Secretary Wickard's program, which was submitted to the Committee last week, is an elaboration of a proposal outlined in December. The plan will become operative in 1947, and initially the domestic price level of cotton will sink to the world price level. Price adjustment payments to compensate cotton producers for the difference between the world price and the parity price would be made as follows: for the first year, 100 percent of the difference between the world price and the parity price; for the second year, 80 percent of the difference; and thereafter by reductions of 20 percent a year until reduced to zero after the fifth year. The plan would keep cotton production on efficient farms, and would seek to limit the annual crop to an amount sufficient for normal domestic and export demands.

The second phase of the southern program is designed to aid the marginal producers, who will necessarily be eliminated from cotton production. Over the 10-year period, funds would be available to this group to aid conversion to another field of agriculture. In addition, an estimated 1.6 million farmers will need to be shifted to industry or service trades. To absorb these workers the Department of Agriculture is encouraging industrialization of the South by private capital. Government aid is proposed to cover costs of training, transportation, and subsistence incurred in the shift.

If the program is instituted it should obviate the necessity for Government price support programs for cotton and resulting accumulation of surpluses. The estimated cost of Secretary Wickard's plan over the 10-year period is estimated at an average of $450 millions per year.

British to consider wool disposal

In addition to the large world supply of cotton, fiber reserves have been increased by a wartime accumulation of wool. A portion of the large British-owned stockpile of wool which was stored in the United States has been sold to the French Supply Mission, and is now being shipped to France and Belgium. However, the British Empire is confronted with problems both in disposing of its present accumulation of wool and in its post-war production policies.

Since the United States is on an import basis for wool, the post-war sales policies of the British will be important factors in our domestic price situation. A conference of Empire wool interests was held in London in April, but so far no report on the proceedings is available.

Regraded Unclassified
COMMODITY PRICE INDEXES IN U.S.
May 21, 1945

Joe O'Connell
Secretary Morgenthau

Will you find out what the situation is as to price and selling for strawberries in the Hudson Valley and let me know?

Also, have they fixed a price for tomatoes either for the canneries or for fresh consumption? There is quite a complicated thing on selling tomatoes to the canneries. There is something about a support price if you make a contract. I wish you would get the dope for me.

May 21, 1945

Mr. Coe
Secretary Morgenthau

I don't know whether I spoke to you but I certainly had it in mind, about a letter that Stimson wrote to me in which he said that we originated the cable that was to go out in regard to synthetic oil, etc. Anyway, I am sure you know the letter I mean that Stimson wrote me when we were trying to get through the Directive to Eisenhower. I want to answer that letter, and I want it correct. Any misinformation that he had in that letter, I wish you and Harold Glasser and Friedman would go over it very carefully and let me have a letter for my signature not later than Tuesday.

Letter in 5/21/45
Charles Bell  
Secretary Morgenthau

May 21, 1945

Mr. Russell  
Secretary Morgenthau

I wish you would look through the mail since the first of May and read all the letters we have received from men and women who are bond holders and analyze their complaints. The thing I mean is if a bond holder writes in and says he is married and has stopped buying bonds on account of starting racing or black market offences or any complaints against the Government. I would like a sort of an analysis, showing extracts of letters like these - sort of a letter to the editor. Fix me up something. I would like to see it first thing Tuesday morning. The idea being first, I would like to see what they are complaining about and second, I may want to get it out as sort of a weekly bulletin and send it over to President Truman. Have a try at it anyway.

See Russell memo of May 15.
NAVY PROGRAM

Present: Mr. Haas
       Mr. Moore
       Mr. Breyer
       Mrs. Klotz

H.W.JR: Now let's see what you've got.

MR. HAAS: It's a little complicated, but I think we've got a simplified thing. That's the first chart. Here's the new construction program. This whole block, these are the capital ships, and this is a lot of miscellaneous stuff which includes landing barges and thousands of those things. To take a capital ship apart, you break it down, as you said by types. In other words, this orange here is distributed for battleships, aircraft carriers, and so forth, all down the line, and here we've got the amount of money involved, two hundred million - two ships. Fifteen hundred million - forty-seven aircraft carriers.

H.W.JR: Are they through now?

MR. HAAS: They're under construction.

H.W.JR: Wait a minute. Let me just get this. There's just one thing. These are ships in service. Yes, I see.

MR. HAAS: That's lost.

H.W.JR: Yes. Now these are destroyer escorts, these are ships under construction.

MR. HAAS: Fifty-one. Now, the next question -- These are under construction, how far along are they?

H.W.JR: That's right.

MR. HAAS: You see this two hundred million. We've broken it down. Two hundred million -- what percent complete? One hundred and seventy-five to fifty. Twenty-five to fifty percent complete, just one ship in that class, you see, and there's seventy-five million left to go on the one hundred million of the ship, and this shows twenty-five percent completion. Here's eighty-two million still to go. If you cancel both those jobs, you would be out eighteen million years.

H.W.JR: That's exactly the way I want it. They have got ten ships.

MR. HAAS: Under construction and they are nearly through.

H.W.JR: They have got this much here (indicating).

MR. HAAS: Not on the waves. You can cancel that and save all that. This two thirty-seven is in blue print stages.

H.W.JR: This is money already appropriated, not pending.

This is not on the waves.

MR. MOORE: They haven't laid those down yet.

H.W.JR: That looks like -- most likely --

MR. HAAS: You wouldn't lose much here. You would lose a little bit.

H.W.JR: Those aircraft carriers --

MR. MOORE: Almost all of these fourteen ships here, Mr. Secretary, are these light, small carriers, what they call "escort carriers."
MR. HAAS: Must be about two hundred and thirty-seven. Here's another big program, you see.

MR. MOORE: That's too big.

H.W.JH: That would look there as though there might be something--

MR. HAAS: It looks to me, Mr. Secretary, like they are using carriers instead of battleships. They move faster with their battleship program.

H.W.JH: Are they asking for any battleship money in the appropriation pending?

MR. MOORE: Nothing except to make these payments as they go along. There would be a little included in there to pay your constructions as you go along.

H.W.JH: I see. Were you in the Budget?

MR. MOORE: I was in the Budget for seven years.

H.W.JH: Who do you work directly under?

MR. MOORE: Mr. Bell and Mr. Bartelt.

H.W.JH: Now the destroyers, here, let's see.

MR. MOORE: I think it's interesting right there to point out even though these ships are not on the waves yet, this green block here represents percentage of completion. In other words, the Navy reports percentage of completion to keep what hasn't been laid down because they prefabricate a lot of materials. They get the materials ready to use on the job, ready to use later.

H.W.JH: Now let me get this. This is number one here, (indicating). This is the first chart. See if I have this, capital ship, program, battleship, in service. Capital ship program, miscellaneous ships, capital ships under construction. They lose construction on the contract that comes to this.

MR. HAAS: That's right and these forty-seven, Mr. Secretary, come over here.

(Mr. Banyas enters the conference.)

H.W.JH: Sit down, Banyas. I got what I wanted, which is good. This is a nice job. Now, stand over here if you want to see this. This is this anything particular here I should know?

MR. HAAS: You have got fifty-one new ships and they are in a near stage of completion. They are over on this side. You can't see very much of it here.

MR. MOORE: Actually you might not lose a full date there because that represents eighteen dollars worth of materials.

H.W.JH: This is chart two, isn't it?

MR. HAAS: Yes, sir.

H.W.JH: All right. Where is chart three?

MR. HAAS: This is the same thing as over there. I asked Lawrence to make the color work, and this is a better chart.

H.W.JH: It's just these two?

MR. HAAS: This is the same thing only it's blue there instead.

H.W.JH: This is very good. Who blocked this out for me?

MR. HAAS: Three of us got together and decided what you wanted and then Martin went over to the Budget Bureau to get the material. That's what happened. See, he got the percentage completion on every ship singly and then we added them together.
MR. MOORE: That was the only way we could do it. We had to take five vessels.

H.M.JR: Were they reluctant to give it?

MR. MOORE: Not at all. They gave it to us very readily. They didn't know what it was going to be used for.

H.M.JR: Have they got anything like this for the President? Do you think anything like this exists?

MR. MOORE: I doubt it.

H.M.JR: That's just the way I wanted it.

MR. HAAS: You better have Lawrence tell you what those ships are. That's the item. This is the Yorktown.

H.M.JR: Oh, who's Lawrence?

MR. HANNAH: He.

H.M.JR: Now, you couldn't analyze it. Oh, I speak now about this twenty billion that they are asking for. That would show up in this one, seven hundred and thirty-three, wouldn't it?

MR. MOORE: Yes, sir. You couldn't exactly put it up that way. You are talking about new appropriations. They are asking for only a portion of that. Of course, it covered shipbuilding--only two billion eight.

H.M.JR: You couldn't do one like this for me on the Maritime?

MR. HAAS: If Martin could get the figures.

H.M.JR: These figures they gave the President on cutting down on Maritime are most misleading.
MR. MOORE: These are great big pieces of equipment--
single ships and you can cut them off sharper and apply
your percentage of completion, and so forth.

M.N.M.: Anyway, you start on the Maritime and I'll
see what happens.

HMJr: Hello.
Operator: Mr. O'Connell.
Mr. Joseph
O'Connell: Hello.
HMJr: There are two things. I wonder whether you could
get up a sort of statistical table for us showing
these various blackmarket cases or tax-evasion
cases - what happens to them. Hello?
O: Yes.
HMJr: Or better yet -- when I -- here's an idea. When
I was over at Farm Credit we couldn't get through
the closing of titles in the land
O: Yes.
HMJr: And I got George Hans to make a table showing
just where these cases are from the time they
originate, and how many days they are in each place,
see?
O: Yeah.
HMJr: I wish you would get hold of George -- he's coming
in in a minute, I'm going to tell him about this.
O: All right.
HMJr: And let's have a regular time-table showing where
the bottleneck is up to the time the man is either
convicted or the case is dismissed.
O: Yeah.
HMJr: See?
O: Yeah. Part of that would not be too difficult, but
part of it will be. The blackmarket cases don't
come through Washington at all, you see. They go
through....
HMJr: Well, I'm going to have George come down....
O: All right.
...and tell him things. He's here now. Now the other thing is - who the hell is going to be around here when — on this request for gold. You in on that with Winthrop Aldrich?

O: Yes. What time is your meeting? I'm just going down to the Bank and Currency Committee.

HMJP: Three o'clock.

O: Well, I'll be here then.

HMJP: Who had that memorandum on that gold?

O: Dan Bell.

HMJP: Where is that?

O: I don't know.

HMJP: Well, I'll find out.

O: I gave it to Dan. We gave him a memorandum which answered the questions.

HMJP: I'll find out.

O: I'll be here though.

HMJP: Thank you.

O: O.K.

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May 22, 1945
11:00 a.m.

TEXTILES FOR CHINA

Present: Mr. Coo
Mr. Heas
Mr. Friedman
Mr. Clayton
Mr. Crowly
Mr. Scheuer
Mr. Willauer
Mr. Farriss
Mr. Gordon
Mr. Hatt
Mr. Adler
Mr. Mason
Mr. Stevenson
Mr. Patterson
Mr. Krug
General Carter

R.M.J: Well, Mr. Crowly, why don't we start?

MR. CROWLY: Fine. What we have been trying to do, gentlemen, is to get a picture, with the help of WPS or from the WPS, on the textile situation. I think that it's going to get down finally to this: Next Friday we hope to have it completed. Monday the WPS Requirements Committee and the allocations Committee will determine how much textiles would be available and give their recommendation as to the allocation. Now, there is no need of elaborating on the short amount of this material. It's the shortest, perhaps, we have of all of our critical materials. In many of our countries, South American and other places, it is needed perhaps as badly as they need it in China.

I think finally when we get this report we will have to agree on what the principle involved here is. First, I think the Army will have to recognize that if they deal this is essential to the prosecution of the war, that they are going to have to put in a very substantial
contribution of their own textiles themselves in this thing. I think that the amount, and Mr. Krug will know better about that and he can explain it, but the amount that can be put in from the civilian supply would be very little because there is not much they can do during the next few months to increase production.

(General Carter enters the Conference.)

MR. CROWLEY: They cannot do more than maintain the production they now have, and even though they were to get a price increase and get some more men back into this industry, which they tell me is next to impossible on account of the wage ceiling, that the increase that they would get during the third and fourth quarter would be very nominal. They also tell me on this civilian supply in here that our shelves will be bare of textile goods during the third and fourth quarter of this year.

Now, it gets back to the determination of what this Government wants to do with the amount of textiles that will be allocated for all the rest of the countries of the world. I don't think it is possible even with a contribution from the Army, it would have to be a large contribution to reach anything like one hundred and twelve million yards from what I gathered from all this information. I think we can get some from the French, some from Brazil, and I think by taking some away from the other South American countries that FEA can make a contribution from their allotment. Now we, this morning, tried to determine what the Army could be requested to do and what FEA and civilians could do, but I think that Jack Small and Mr. Gordon rightfully brought up that you couldn't determine that until the requirements Committee had determined how much they were going to have to cut the Army and out FEA before FEA could determine what they could have to put in the whole world picture.

I think there is some doubt in the minds of some people, will, as to whether this will be the thing to stop the inflation in China. I think that the Army feels that they want to use some of these textiles for the purposes of getting food. They want to arrive at it from that basis.

Cap, I have tried to hit this thing, the highlights. Would you be kind enough to pick it up from there?

MR. KRUG: Leo, I think you summarized it very well. There certainly isn't any category of consumers' goods that we are shorter on than textiles nor one where the production problem is as complex. The picture, as you outlined it, is accurate, and the only thing that I want to add to it is that we have undertaken and it's been under way now for some time a production drive in textiles that may produce results by the fourth quarter of the year. I don't think you can expect anything from it of any proportions in the third quarter, but from our point of view we would expect, first, that the meeting of the Requirements Committee early next week should take place so that the Army and FEA have a chance to see where they are going to come out for this period, and second, I am reasonably sure that what will be left for the civilians after that for this country would not permit any leeway whatsoever. Mr. Gordon might want to elaborate on that.

MR. GORDON: Well, Mr. Secretary, tentative divisions of supplies which have been recommended to us by the sub-committee which works on this show for civilians a reduction of about forty percent from the Office of Civilian Requirements' computations of civilian requirements. There are already substantial reductions because of military and heavy reduction for general exports. There will have to be many readjustments from the proposals that are being submitted to us this week. It's impossible to say today where we'll come out by Monday, but I confirm everything Mr. Krug has said with respect to the criticalness of the situation and with the fact that supplies remaining for domestic civilian use will be inadequate in the extreme.
MR. CROWLEY: Could you give them a little bit of a picture on what your requests are and what you anticipate for production?

MR. GORDON: On the grand totals for all claimant agencies on United States supplies only, the requirements are three billion seven hundred million yards as against a supply of two billion two. There is a shortage, as you can see, of about forty percent in toto.

MR. KRUG: What quarter?

MR. GORDON: The third quarter. The tentative distribution for the main areas as proposed by the Textiles Requirements Committee shows six hundred and forty million yards for the military, including Army and Navy, as against requirements of eight forty-six million; export, one hundred and seventy-four million against stated requirements of five hundred and fourteen million, about a third; and civilian industrial and commercial, including food, requirements for the rubber industry and other industrial requirements, a very great urgency, one billion four hundred million yards against stated requirements of two billion four hundred million. As far as civilian apparel is concerned, which you might call strictly civilian, part of this tentative figure is about four hundred and ninety million yards instead of requirements of nine hundred million, a little over fifty percent. I can give you any more details you would like, Mr. Crowley, but that is the raw picture.

In the three categories the Chinese requirements are roughly twice our stated supply possibilities.

MR. CROWLEY: I would like to ask Mr. Crowley a question. He gave me a figure the other day of forty-five million yards a quarter. Is that it?

MR. CROWLEY: That's correct.

H.M.Jr.: As we stand today, what can the Chinese look forward to getting, say, when you give a period the first of January or--

MR. CROWLEY: FEA has a request in before the Requirements Committee for a definite allotment to China that was in before this came up that will be settled before the Requirements and Allotment Committee next Friday, and then it will be reviewed on Monday. Is that correct?

(Mr. Patterson enters the conference.)

MR. CROWLEY: So, it's impossible for FEA to tell you.

H.M.Jr.: Do you mind if I repeat my question so Mr. Patterson can hear it? We have had a lot of statistics. I have asked the question, what can the Chinese Government look forward to getting, and Mr. Crowley is just starting to answer.

MR. CROWLEY: What I said, Bob, is this: Next Friday--we have all presented our requirements to the Requirements Committee, the Allocation Board, and they will determine Friday and Monday what is set aside for China, what is set aside for our military or civilian population, and all other foreign exports. At that time we will know how much you set aside for China. Then, it's up to us to determine whether we want and can take away from any other allotment that has been made by the Allocation Board to give to China as against some other part of the world. Isn't that correct?

H.M.Jr.: I had the impression last week you were making a survey of the world which would provide some various allotments.

MR. CROWLEY: That will not be ready until they are through with their meeting Friday.

H.M.Jr.: This was to have been through on Tuesday but it wasn't.
MR. CROWLEY: That's correct.

R.M. JI: But then in determining how much China will or will not get you take into consideration other commitments made.

MR. CROWLEY: We have to, and then if the President wants to take away from all the other countries a certain portion of it, if he understands the seriousness of it, then we can determine what we want to recommend.

R.M. JI: But, as of this Friday, it goes before this Allocation Board?

MR. CROWLEY: I think it goes before the Requirements Committee Friday and the Allocation Board Monday. Isn't that correct?

MR. GORDON: There's only one committee.

MR. CROWLEY: One committee?

MR. GORDON: The issue is so difficult we don't expect to complete the work Friday.

MR. KNOG: The final answer from the Allocation Board is expected on Monday.

R.M. JI: But now, again, Mr. Crowley to get this—as I understand it, you are saying this: whatever allocation goes to China it will be out of what, non-military?

MR. CROWLEY: No, no! When we were talking about forty-five million yards we had talked with the military about them using a part of theirs; Bob, their allotment for the purpose of trading for food and things like that. It is because it would in effect help the inflationary problem that we are thinking about using these textiles for, and my understanding is that thirty million of that forty-five came from the textiles the Army was going to use directly themselves.

MR. WILBUR: The way that forty-five is arrived at is, it is fifteen million a month which the Army has told us that they want to supply this way, ten million to write out in part for food for Chinese troops that the Army is supplying, and equipment, and the other five the Army wants to take in the factories in the Chungking area and use it to get raw materials—not raw materials, but finished equipment such as pick axes and trench tools which are being manufactured. That's how you get your forty-five million, and that's what we understand to be 'military' requirements with military in quotes, because it's a peculiar kind of military requirement.

MR. PATTERSON: It's a requirement we have a strong interest in—not in the same priority as direct supply of our own troops. Fifteen million a month, as I understand it, is the capacity that the Army say they can carry over the Hump and on the highway, and that is the saturation point. The Chinese want more, but fifteen million a month is the estimated maximum that can be taken in.

Now, so far as where we find the fifteen million a month goes, the Army's view is this, and it is only the Army's view and it's not the complete picture, but we view as of the very highest priority the direct supply of cotton goods to our own forces, cotton duck and uniforms, twill, all that kind of stuff that goes right into uniforms. That's direct. This Chinese thing, while we have a strong interest in it and support it, is not direct. It doesn't go into uniforms. It's an exporting economic measure for the supply of forces that we have taken responsibility for training and equipping. So, we have a strong interest in it, but it's not of the same urgency as the direct supply of our own troops committed to the Pacific warfare.

R.M. JI: Let me get this. This isn't quite clear, this fifteen million a month. The way you have got it set up comes from civilian supply or comes out of the supply which the Army has already set.
MR. WILLAUME: We don't know. That's the problem we are struggling with.

MR. GORDON: It's practically impossible to answer that, Mr. Secretary, because if there were no Chinese requirements in the picture at all, still the supplies are so inadequate no one would get what he wants. If you meet Chinese requirements in the picture, everyone gets still less of what they want. It's impossible to say exactly from where this forty-five million is to come.

MR. PATTERSON: Due to the shortage, Henry, in estimated supplies, all of the war we believe has already been squeezed out of the Army requirements for the second quarter. We had a requirement in toto divided among about twenty-five items of five hundred million yards. We got four hundred and twenty-seven million, or seventy-five million below what we thought we needed. Now, the third quarter our requirements of five hundred and eighty-seven thousand yards -- or million -- We think that that is a firm requirement. We cannot concede anything out of it as being surplus or not needed to give to this new need of the Chinese.

H.M.JR: Let me put it this way.

MR. PATTERSON: If anyone can find any --

H.M.JR: It looks to me, around this forty-five million a month, what they are talking about is that hope to get it out of the Army, but it looks like pretty wishful thinking to me. But as of today, is there any cotton goods going into China, and if so, how much?

MR. WILLAUME: Yes, sir.

H.M.JR: What have we got going in today?

MR. WILLAUME: The Chinese fortunately had about thirty-two hundred tons made up, a third of finished uniforms, a third of yarns which can be woven, and a third of textiles which have been in the stockpile in India sometime. That is currently moving in.

H.M.JR: Thirty-two hundred tons.

MR. WILLAUME: Yes.

MR. GORDON: How many yards?

MR. WILLAUME: Twenty-five million four hundred thousand yards -- I think that's the yardage equivalent. You can't really call it that. That's what we are using for our purposes. The real trouble is this: They started that program on the faith that we would be able to carry on. Now, I was told by everybody from the field that it would be very drastic if this thing wasn't continued. You can see if they start feeding troops up to a certain standard by bartering for food, we have a lag of two or three months with no textiles coming from here, that program is going to the devil. That's what General O'Hara is most concerned about.

H.M.JR: Thirty-two hundred tons, who takes the liberty of it?

MR. WILLAUME: The United States Army.

H.M.JR: In China?

MR. GORDON: What would happen if the Army didn't get any more textiles after thirty-two hundred tons? How would it solve the problem?

MR. WILLAUME: I don't think it would solve it, although I would like General Carter to answer on that. I can tell you what they have told me.

GEN. CARTER: I think these textiles that have been going into China on China's account from India have been handled entirely by the Chinese Government. We don't go in the field and barter for food. The Chinese handle food problems for us.
MR. JRJ: They insist on the agreement.

MR. ADLER: It's not feeding our troops.

MR. JRJ: No, of their own troops. That's what they are talking about here. We never fed them.

MR. WILLAVER: The way the machinery works—it was working when I was over there last—is this: We have a General named Cheaves who is OSS General over there, and he is actually running the purchasing machinery and distribution machinery to feed those Chinese Divisions.

We are arming, equipping and training them.

MR. CROWLEY: If you haven't the textiles, the Chinese Government would have to run off some more paper to hand to the people for food.

MR. ADLER: It's doubtful whether the troops would be fed at all. The reason we undertook to see that they would be fed and the Chinese are anxious we should do so, was to be sure these Divisions would be fed better than the average Chinese Division is fed.

MR. WILLAVER: Which is practically nothing at all.

MR. CLAYTON: This thirty-two hundred tons of textiles in India, is that United States textiles or is it--

MR. WILLAVER: No, they got it from India.

MR. CLAYTON: As a matter of fact, they are not getting any United States textiles at all.

MR. WILLAVER: That's absolutely right except for six billion two hundred thousand yards which, with a couple of lapsed allocations, we were able to pick up the first and second quarter, but we haven't even got the delivery on any of those yet. Total United States contribution to date to the Chinese with overall requirements is six million two hundred thousand.

MR. JRJ: It gets down to this thirty-two hundred tons which went out.

MR. CLAYTON: It was made in India.

MR. WILLAVER: That will expire. It started in May and it goes in--fifteen hundred tons a month will be through in June.

MR. JRJ: The six million yards you are talking about you haven't even got your hands on yet.

MR. WILLAVER: No, sir, and we won't get our hands on it until June or July.

MR. JRJ: So, practically, you might say, there is no American manufactured cotton goods going into China today.

MR. WILLAVER: Correct.

MR. SCHNEIDER: You have got to take the total picture, Mr. Secretary, and of the total production in the United States forty-two percent is going to the military and to the United Kingdom, forty-nine percent, and Canada, eleven
percent; and India, eighteen percent; the British Dominion, thirty-six percent. For export in the United States we are roughly sending out nine percent. That's the figure we are addressing ourselves to, the export figure.

Mr. JIN: If you don't mind--

Mr. CLAYTON: I think it's more than that.

Mr. JIN: I agree with Mr. Clayton. We start with the total production in the United States. Isn't that where you start?

Mr. CLAYTON: Right.

Mr. SCHREUER: Nine billion four hundred million.

Mr. CLAYTON: That's nine billion four hundred million yards produced in the United States.

Mr. SCHREUER: That's right. And we have given none of it to China.

Mr. JIN: We have been talking about this for three weeks and really haven't made any progress.

Mr. SCHREUER: The difficulty is their quarterly allocation is made both military and in connection with export, and the orderly way that it is being dealt with is by the requirements committee to reappraise in the light of new demands, and that is about to be done. It's a rather complicated business after you have made a commitment to foreign governments on textiles to take them away from them.

Mr. JIN: I think there's an overall picture we must keep in mind here. I don't think anyone can say you can cut in further on our domestic textile situation. I think that will wreck the whole home front economy in no uncertain way. The military feel you can't make any further cuts there which leaves eight hundred million yards a year going for export.

Now, as far as the War Production Board is concerned, we don't care about that exportation. That's a problem of the State Department to work out, but it seems to me very clear that unless the military can give us something, and they have assured us they can, you are going to have to take care of China out of this eight hundred million, and we have no interest in how that is done. I must say, in hearing this discussion here, it seems a little peculiar. We have been fighting a war for many years, and the Chinese have been doing a part of it and all of a sudden we have to find textiles from this country to take care of some problem that presumably has been met in some way for a great many months.

Mr. CLAYTON: It's been met mostly by their going without the clothes. There are about four hundred million people in China and they have been starved for textiles a number of years because nearly all the mills fell into the hands of the Japanese; suppose they get something. It may be smuggled across the line, but they have been starved for textiles, and now we have got a capacity over the hump there, they tell me, of about fifty thousand tons a month of cargo. and we must, I think, find some way to give these Chinese some textiles, because we have got the opportunity now to transport it to them, and I think that we just can't sit here and look at this thing and say that, well, we only have eight hundred million yards out of which we can find it. I think we have got to try to find it some other way. Nobody believes that the importation of textiles into China at the present time will stop inflation. It certainly will help to retard it, and I think that the military will tell us that that is an important factor. If we are going to keep China in the war, we want to retard this inflation in every way we can because the way they pay these troops, buy their supplies for them and everything else for them, is that they are printing paper money, and the more they have to print, the less it will buy, and the thing will break down some day if we don't help them with some real goods.
MR. PATTERSON: This program for the Chinese, though, is unique in two ways from other export requirements, as I see it. In the first place, the Chinese are in a more desperate condition than any other claimant.

MR. CLAYTON: They certainly are.

MR. PATTERSON: They are in the worst position, and in the second place, it has a fairly direct bearing upon military operations to defeat the Japanese, far more than goods to Canada or goods to South America or goods to South Africa, far more.

MR. CROLY: Let's get this thing in order. Let's not get the impression the only ones for giving textiles to China are you three fellows. (Laughter) So, we'll get this thing in order here. Let's get this production figure you have--take your Army, the Army comes along--and I am not so sure they ought to have a vote in this thing--they come up here and they are not willing to give up anything, so they don't give any support other than moral.

MR. PATTERSON: We contributed in the second quarter seventy-five million yards. It was a forced contribution. (Laughter)

MR. CROLY: The first contribution that has to be made out of this overall production is the amount that goes to the military. That's got to be deducted. That's two million five, five, seven. Now the next thing--

MR. KNO: Two billion, five, five, seven.

MR. CROLY: The next thing you ought to do is to prepare your statement on your own civilian consumption and what your problem is and what you feel you have to have for it. Now, then, we'll present for FEA what the overall commitments are that we have, including what we have put in there. They say we can have for China, and after we get all these totals, if the top committee feels they want to recommend they take more away from the civilian people than from the military and FEA, that's the way it's got to be determined. If you want to say, well, that you think we ought to give it to China in place of South America, all you have to do is give me a memo to the effect that you think it ought to be taken away from them and we'll take it away from them, but when you are making one fish follow the other in this textile thing now you are getting into water that's pretty deep, and I don't think it's humanly possible, no matter how much you try to cut, to find--

MR. CLAYTON: I don't think it's a matter of making fish follow the other. I think you have got a country here that is an ally and fighting the war with us and they haven't had anything. They have been starved.

MR. CROLY: You have got to take it away from someone else.

MR. CLAYTON: You have got to take it away from somewhere. I don't say you have got to take it away from these export claimants, but you have got to take it from total.

MR. CROLY: If you don't take it away from exports, it's got to come out of the Army or civilian supply.

MR. CLAYTON: That's right out of the total pot.

MR. CROLY: We are in the position--we are in the export field. We say to Cap, "You have got to take it out of civilian," or if each one could give up a little, we might meet parts of this, but as I view the thing, unless the Army gives up something, Cap, that the little bit of a take you have from all the rest doesn't amount to anything. Is that correct?

MR. KNO: That's right.

H.W.J: I would like to say something if I could. President Truman--and it must be at least three weeks ago, but T. V. Soong called on him. There were three things he wants, four thousand trucks--I take it he is going to get those. Is there any catch on those?
He wanted some gold and he is going to get that. He is going to get just what he asked for and I hope it doesn't go the way the last one went, but at least he is going to get that, and--

Mrs. CHANDLER: Well, Henry, there just is no comparison.

H.N.JR: Let me just finish. Now, I think we do a lot of sparring around here, and I think it all gets down to a military matter, and I think if Mr. Patterson would get a little more excited about this and some of our soldiers and realize if it's a fact that the Chinese are beginning to fight and if we can keep them going with fifteen million yards a month, or whatever it is, then that means it is going to save the lives of American boys there by putting Chinese troops in who want to fight, and the army says, Goddammit, we want them to get it, but I don't think anybody can do this except the United States Army and they have got to make up their minds it's a strict military matter to keep these Chinese troops going. Fifteen million yards and all the rest I think is just a lot of chattering unless the army takes that position as a straight military matter, and unless the army does their best to do it, we are not going to get anywhere and all the rest is just plain chattering, and I don't give a damn where it comes from.

Mr. PATTERSON: What I said states the army's position.

Of all the export requirements we have this stands out for two reasons: The need is the greatest and also it's a contribution to people who are directly fighting the Japs. Now, all of these other things, they may be lovely for importing some high policy or something, but you haven't any fighting going on from any of these other people. Right now that I know of for future military operations these other export claims--

H.N.JR: If the Army wants fifteen million yards a month, they can take it. It's there.

Mr. SCHUBER: From where?
MR. GORDON: That was based on oral information.

H. W. JR.: You put it in good, unadulterated, Robert Patterson, will you?

MR. PATTERSON: Yes, sir. I'll be glad to. I can. Of course, my view is a partial one, having in mind its impact on military requirements, but you can point out some export requirements in there to other countries that have very, very little to do with the actual fighting.

MR. CROWLEY: I think that's true.

MR. PATTERSON: They are commitments made for other purposes, political purposes, I have no doubt. You take the allocation to Canada. It has always been a most generous allocation and it is right today.

The Australians raised that a year ago. They pointed out all of the advantages they have given. They were given a seven percent differential, to go above selling prices. They were given cash, the right to deal in cash, no renegotiations or price adjustment. They never had the slightest difficulty in getting their full allocation, and they are exporting cotton goods and everything right along.

MR. GORDON: The Canadians lost the seven percent in January.

MR. PATTERSON: They had that for quite a while, didn't they, and a very generous allocation and the need in Canada isn't to be compared with the need in China.

MR. CLAYTON: It's been proposed to cut Canada sharply in the third quarter. They export certain types of fabrics to England that we don't want to export.

MR. PATTERSON: We have been supporting the program.

MR. CLAYTON: The total, the twenty-five million yards is all they export, which is a fairly nominal figure.
MR. KRUG: Then we can divide up the total supply and when we are through they get better treatment than anybody else.

MR. CROWLEY: All right. When you are getting down to what effect this is going to have on your civilian economy, what it's going to have on FEA with their foreign commitments, we are perfectly willing to cancel these foreign commitments and give it to China if that's what is to be done, but let's have the picture and get the thing set up here and let Mr. Truman determine, if you want, what he wants to do with the civilian supply, because you are going to have to work it at home here if you take it out.

MR. KRUG: The orderly thing to do is come up under the allocations to be made--come up this week. If you don't get enough out of export to take care of China's requirements, and you insist you have to take more out of civilian economy, I think our position is going to be the President has to back you up.

MR. CROWLEY: I think before he touches some of these things, that the President has got to know the picture. Now, if the Army, in the meantime, will get you over a letter saying it is necessary for military purposes, that at least puts it up in a different category than it is when it is down in FEA with the other countries.

MR. KRUG: I rather doubt it will make any great difference, but from our point of view it isn't important whether it's part of the Army claim or part of your claim.

MR. CROWLEY: What happens on this thing here in all of this, especially on these tight materials, these fellows come back from San Francisco. They run all around town, and we find the same situation all the time, don't we? In reality, if they let the thing be handled until we get the picture, we would know what we want to do for them, and we wouldn't get ourselves in these positions. It happens all the time with South America and all over.

H.M. JR: When can I get an answer on this thing, yes or no?

MR. KRUG: We can give Mr. Crowley his answer on Monday if this is going to be a straight FEA claim, and I assume he can immediately tell you what part of that he can give the Chinese.

MR. CROWLEY: Would it be better for us to say not until Wednesday, because if you get it Monday, that would only give us one day. If we could have a meeting here Wednesday and have a report on it--

MR. KRUG: We won't be ready until Friday.

MR. GORDON: You're speaking of a week from tomorrow.

MR. CROWLEY: Yes, because you don't meet until Friday.

MR. KRUG: That's right.

MR. CROWLEY: And that's the very best we can do.

H.M. JR: What do you suggest?

MR. CROWLEY: A week from tomorrow.

H.M. JR: Where?

MR. CROWLEY: At your office.

H.M. JR: A week from tomorrow.

MR. CROWLEY: We will have textiles right in our pocket, what we have available.

MR. KRUG: You will have them on your back, Leo.

MR. CROWLEY: Eleven o'clock is fine.
H.M.J.: Shall I order a Chinese dinner at the Republic restaurant to celebrate on Mr. Joong?

(Laughter) Eleven o'clock Wednesday.

MR. CROWLEY: A week from tomorrow.

H.M.J.: Okay.

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May 22, 1945

After the meeting broke up this morning, I had General Carter and Bob Patterson stay behind, and I made the suggestion to them that the Army ask for this 45,000,000 yards of cotton goods for China over a three months' period, and that would cut out FEA. Carter agreed with me that that was the thing to do, and Patterson said he would like to do it. You can see that Crowley is worried about civilian requirements and his other commitments to foreign governments. I repeated myself two or three times, and Patterson said he would like to do it that way.
Documents on Chinese request for textiles

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After eight years of war and blockade, China is in the throes of galloping inflation. The rate of inflationary increase reached within the past few months is so alarming that it threatens the very stability of government. Unless effective counteractions are taken immediately, the authority of the Chinese Government, and the future of the joint Sino-American military operations in the China Theatre, will be inevitably eroded. General Wedemeyer, Ambassador Hurley and the U.S. Army and Embassy staffs in Chungking, Mr. Donald Nelson and the representatives of the W.P.N. and F.N.A. in China are fully aware of the gravity of the situation.

There are, however, some relatively simple measures which we confidently believe can bring an immediate improvement in the inflationary situation. This is by adoption of a 3-point program, viz., (a) the sale of gold, (b) a modest amount of textiles and other consumer goods, and (c) a limited number of trucks for internal transport as will be presented hereinafter.

The direct cause of the difficulties has been, of course, the huge and steadily increasing budgetary deficit arising from the war. These averaged between C$25,000,000,000 to C$30,000,000,000 a month for the first two months of 1945 and have necessarily been met by the inflation of currency and credit. Note circulation without backing is increasing at the rate of C$30,000,000,000 a month.

The inflationary pressure has been further compounded by an acute shortage of goods because of enemy blockades, the loss of resources, the limited capacity to produce and the fast-developing distrust of the currency which reflects itself in hoarding and speculation. Prices are...
now between 1,500 and 2,000 times their pre-war level and are increasing at the rate of 30 per cent a month.

This has increased the difficulty of local procurement of military supplies in China. Since approved military plans call for more, not less, supplies from China's slender resources, it is imperative that inflation be prevented from paralyzing the war effort.

Under such circumstances, while the funds for the American Army expenditures advanced by the Chinese Government have doubled in the last three months, averaging CR$7,000,000,000 to CR$9,000,000,000 a month, the real purchasing power of even the United States dollar has rapidly declined.

Deeply concerned with the implications of the serious inflation and keenly anxious to stave off its grave consequences, the Chinese Government has recently taken strong measures in an attempt to bring the situation under control. Many Government offices have been abolished outright and services that do not bear directly on the war effort have been drastically curtailed. The army, which directly or indirectly is responsible for over 90% of the budget expenses, has been reduced from 3,300,000 to 4,800,000 and is being reduced notably to reach the final figure of 3,500,000 by the end of September this year. This reduction has been made so that the soldiers could be better fed and equipped in preparation for the counter-offensive, which will be spearheaded by American equipped and trained Chinese armies. In addition, with technical personnel available from abroad, China is prepared to apply measures of administrative reforms, strict budgetary control, increased revenue, closer supervision over banking institutions and business units, more effective use of transportation facilities, and a rationalization of price control.

But it is overwhelmingly clear that all these measures could not prove effective unless in the meanwhile, as an organic part of the plan, inflation is retarded.

The Chinese Government therefore requests immediate aid from the United States in the following directions:

1. Gold. In the summer of 1943 President Roosevelt agreed, with the knowledge of the Secretary of the Treasury, that $300 million of the $900 million U. S. loan to China would be made available in gold. So far only $7 million of the $300 million has been shipped, and the Chinese Government forward sales of gold are rapidly falling due. Unless gold is shipped immediately to fulfill commitments beginning in May, which the Chinese Government made on the strength of the U. S. Government promise, there will have to be a default. In a few months, the sales of gold have realized for the government CR$44,300,000,000, thus absorbing surplus cash which might otherwise have accelerated inflation and commodity speculation. The continued sales of gold will be the most important single factor in deflation of prices in this country and in the Far East. The U. S. Government is therefore requested to implement the late President's promise by making immediately available the balance of the $300 million gold.

2. Cotton Piece Goods and Other Essential Supplies. The shortage of certain essential goods due to the long blockade also has been, and continues to be, a basic factor in inflation. A relatively small amount of tonnage, say 4,000 to 5,000 tons monthly from all sources and of all categories of goods will greatly relieve the shortages. Accordingly, it is requested that the U. S. Government make available to China cotton cloth, medicines, certain indispensable chemicals, and other essential items.
Cotton cloth is specially important to China. Japanese attacks have forced the Chinese Government to fall back on the Western part of the country which is predominantly a farming community. Here an acute shortage of clothing exists, as evidenced by the fact that clothing prices are double the general retail price level. Cotton cloth is required to exchange for local food stuffs which are indispensable to the military personnel, and to break prices in certain military areas.

Specifically, the U.S. Government is requested to move up the P.B.P. priority for Chinese cotton requirements of 3,000 tons monthly in order to insure early delivery. It is recognized that a world-wide shortage of cotton goods exists, but, while the war in Europe cannot be lost through a deficit of cotton goods, the war yet to be won in China will be materially affected by their supply.

3. Transportation Facilities. Up until a month ago there remained only 4,000 trucks operating in all of Free China. The U.S. Government has agreed to ship into China 15,000 trucks, but most of these will be used for military purposes, so it is requested that an additional allotment of trucks be made available to replace the worn-out trucks which are running on borrowed time.

In connection with the above measures it cannot be over-emphasized that the situation is urgent, and time is of the essence. From the economic and military standpoint the next six months are the most vital and it will be the months of July, August and September when the attack on inflation should already be in full swing.

Finally, it should perhaps be emphasized that it is no part of our intention to solicit loans or credits. We are asking for an implementa-
TSUYEE PEI

The Shoreham Hotel
Washington, D. C.
April 26th, 1945

Mr. Frank Cox
U. S. Treasury Department
Washington, D. C.

Dear Mr. Cox:

I enclose, herewith, two memoranda, prepared at the request of Mr. Willian Clayton, on Chinese requirements for imported Textiles and Trucks. The requests, as outlined therein, are made as a result of careful study by various units in China interested in these problems, with full consideration of the present limited capacity of transportation over the "hump" and the difficulty in the supply of gasoline.

If there is any question that you would like to ask me in connection with these matters, I am entirely at your disposal.

With kindest regards,

Yours sincerely,

[Signature]

TP: 15
Enclosures
By hand
1. The attack on China's spiraling inflation must start at once and must be continuous.

If the present serious inflationary trend in China is unchecked, it will endanger our war effort in the Far East. Commitments to aid Chinese troops and the stability of the central government of China are at stake. A 3-point program for meeting the situation has been agreed upon and one of the most important points is delivery of textiles in China during the second half of 1943.

2. The production requirement for delivery of textiles in China during the second half of 1943 is 22,000 tons.

These textiles are needed to clothe Chinese troops and essential civilians, and to use for the procurement of food and war materials in China as a partial alternative to further currency issues.

3. The greatest possible amount of textiles available under the present status of allocations is 17,300 tons for delivery in the second half of 1943.

Practically none of these textiles will actually be delivered without strong measures to "firm up the allocations". Even with the necessary firming up the required times of deliveries cannot be met, and there will therefore be no continuity of attack on inflation unless new measures are taken.

4. Only 700 tons of textiles are sure of delivery during the last half of 1943.

This 700 tons is the amount presently allocated through FIA from second quarter U.S. production. All other "allocations" will most probably not reach China until 1944 without an improvement in the present situation.

2. The only solution to assure a continuous attack on inflation during the second half of 1943 is to ship 9,700 tons of textiles at once from stocks now on hand.

A new allocation of only 6,500 tons is needed for this purpose. The additional amount of 3,200 tons to make up the 9,700 tons required for immediate shipment can be a loan repayable from existing Chinese allocations which could be delivered in the United States during 1943 but which could not be delivered in China during that time.

The only practical source of this immediate shipment is from stockpiles now held by the U.S. Army for relief of civilians living in areas already occupied.

5. The program to supply 22,000 tons of textiles has the wholehearted support of the War Dept., the China Theater Commander and the FIA.

6. The U.S. Army has assured the Chinese Government that across Hump tonnage will be available to transport the textiles from India to China.

The Army is arranging with the Chinese Government for all necessary distribution machinery within China to carry out the anti-inflationary program.
April 21, 1945

TRANSPORT

SUBJECT: Unique requirements for imported textiles

1. The existing requirements for imported textiles for calendar year 1945 are 2,000,000 tons

2. The initial requirement of 50,000 tons was arrived at by totaling:

   a. Need for direct military uses
   b. Need in the event of reversion of occupied areas in the event of war

Actual tonnage: 50,000 tons

Both of these amounts are considered as needed not only for their direct use, but as one part of the three major programs to meet the present spiraling defense inflation.

The requirement of 25,000 tons in the second option must be delivered in line during the balance of the calendar year 1945, as distinguished from the amount needed for allocation during that period.

3. The requirement of 25,000 tons has been computed conservatively by the U.S. Army Theatre Command, by the Allied Military Mission, and by the Secretary of War in Washington. The figure of 25,000 tons represents the total over the period needed of approximately 30,000 tons. This 30,000 tons has been reduced to a critical total representing the total quantity of transportable materials. The total import requirement as presently shown is 25,000 tons of which the 25,000 tons represents the portion to be delivered to the forces half of 1945.

6. For purposes of this memorandum, one ton of textiles is computed as equal 300,000 yards.

2. means now, transport facilities are being in sight and will be

The drafters, by quarters of the Army's estimates of transportable facilities across the sea, as follows:

Regraded Unclassified
The 2,000 tons of cloth which is expected to arrive on 20,000 tons during the first quarter of the year can possibly be matched by the 3,000 tons only represents the working capacity of the looms transport plans during that quarter.

Total of all shipments of imported textiles to date is 13,900 tons

1,000 tons are still awaiting in India for replacement of sales of British and American materials.

All types and marks of cloth, except those of lower quality, are being produced in Brazil today. Some are encountered by the Brazilian Government for the private interests for their own control. The portion of ....second half 1944 production totals 17,750 tons

The total of finished and formed, jute and burlap, formerly in Chinese hands in India, are now in India now and will be used to start 2000 tons on the maximum planned production. This extra will be followed by a substantial delivery of Indian metals in the rest of the year to prevent a break in the production which might result in very serious handicap to the efforts.

In addition to this, a new allocation can be made for the present export of raw materials and textiles.

Exports allocated from the US, in one manner cannot be delivered to India until the next quarter. Textiles from British or Italians will require at least an additional month of shipping and transshipment time and actual deliveries of these textiles during the quarter for which they are allocated are much more uncertain than textiles from .... production.
Under the present status of allocations, deliveries in China will be as follows:

2. Third quarter - China deliveries

The only sure available supply in this period will be the 700 tons of the second half allocation.

There is no date very little information as to the firmness of commitments for the so-called "merchant cargo" of 1,600 tons, and unless sources are very positive as to these vessels because of the credit shortage in India.

2. Fourth quarter - China deliveries

It is very doubtful whether any substantial amount of the Mexican and Brazilian production can actually be delivered for transport into China during the fourth quarter. These textiles must come from new production. Contracts for them have not yet been let.

One-half of the hoped-for second half U.S. allocations of 3,900 tons, if delivered in the third quarter, would more available 1,700 tons for fourth quarter transport into China.

The Brazilian and Mexican supplies are both highly uncertain as to time of delivery, amount and quality for the following reasons:

(1) Brazilian

Allotting authorities (U.S.) do not have the actual right to allocate Brazilian production. However, there is an agreement between the U.S. and the Brazilian governments whereby the Brazilian government undertakes to attempt to follow the recommendations of the U.S. with respect to the amount, time of delivery and ability to deliver on contract. Time for production is not yet clearly known. Certain political factors enter into the picture, such as Brazil's desire to further her post-war market position. Textiles received from Brazil have first be shipped to the U.S. and transacted in India, which may increase normal shipping time from approximately 3 months to 6 months for the entire transaction.

(2) Mexican

The arrangement between U.S. and Mexico is with private interests in Mexico and there is no sure way of forcing these interests to carry through any deal.

Unclassified
Finally, as to the Brazilian allocations, the full needs of the U.S. army has not yet been met favorably, although the Textile Committee has recommended in favor of China and assured Lt. Col. that the recommendations will be carried out.

The 25,000,000 yard mark for allocation out of second half production will not be considered by the Textile Requirements Committee of the F.D.A. until about May 1st. On the current level in Pt. 3 and Pt. 4, there appears to be a favorable indication to the Chinese requirements, but considerable additional top level pressure is needed. Furthermore, it is known that third quarter production during the hot summer months in the U.S. is likely to lag and actual deliveries after allocations may be uncertain in doubt during these months.

Recommendations:

1. Further allocation

An additional allocation of 6,000 tons from existing stocks for delivery in China in the third quarter of 1942 must be made.

The only known stocks available for this purpose are those reserved by the U.S. Army for civilian requirements in territories already conquered.

2. Loans from existing stocks to assure continuous delivery in China

A loan of 3,000 tons from existing stocks must be made against agreement of China or Brazilian allocations which cannot be delivered in China during 1942.

3. Present possibilities of supply must be fortified

It is believed that the situation as to the difficulties of the Brazilian and Mexican U.S. allocation and U.S. second half supply has already pointed out the action which must be taken.

This process of supply may also require borrowings from other allocations in order to assure deliveries in the U.S. in time for fourth quarter deliveries in China.

4. The 6,000 and the 3,000 should be directed to re-work allocations to accomplish this result.

5. A third quarter allocation of 3,000 tons from U.S. production must be decided upon at once.
SECRET
April 21, 1943

MEMORANDUM

Subject: Chinese Truck Requirements

1. Mr. Dr. J. F. Jones has stated an additional Chinese requirement of 4,000 45-ton trucks for delivery to China in 1943.

2. The problem of internal transport within China is recognized by all as the basic problem in fighting the war and maintaining the existence of the Chinese Government and the Chinese economy. It is not generally appreciated that even after the barrier of the "hump" has been negotiated, still艰巨 difficult transport problems remain. Running, the main terminus of the air route and of the sea land and the pipe line, is about 800 miles away from the vital Burma-Burma and 900 miles from the war production center of Chunching.

3. Today the United States has successfully solved the problem of flying the hump and fighting through Burma to build the road, rail and the pipe line. Two years of hard working, dangerous air work and countless amounts of men, materials and money will have been wasted unless the supply routes can be exploited by delivery to the war fronts and by relieving the rapidly deteriorating Chinese economy.

4. Supply routes from Burma are entirely by truck or air. There are no railroads (except 150 kilometers) to help. There is no river transportation for this purpose.

5. The requirement for an additional 4,000 trucks is a vital need.

Mr. Charles Hillman, director of the Far Eastern Branch of PPA, has stated that in his opinion the 4,000 trucks requested are vital. For the past four years Mr. Hillman has specialized in Chinese supply problems and most particularly in the problem of truck transportation within China from funding. He has been to China four times on these matters, has worked along the Chinese road, and has prepared much of the basic data on Chinese internal transport. He has made the following analysis of the situation:

6. It is a correct statement of fact that there are today only approximately 4,000 operable trucks in free China. I am of the opinion that substantially all of these trucks will be useless by September 1943 at the latest. The Chinese Army authorities agreed with this conclusion when I discussed the matter in China in December, 1944.

7. There are now only 5,000 trucks allocated to China. No more than 12,000 of these can be delivered in China during the calendar year 1943.

By December of 1943, under present plans, there will be upwards of 100,000 tons of cargo arriving by air, road and pipe line into China and requiring internal transport.

It is believed that the 15,000 trucks will not carry more than 60,000 tons a month because of the terrible terrain and the terrific problem of maintenance.

This figure is arrived at by the following consideration:

2 trucks per month per month = 18,000 tons per month

This means a deficit in transport capacity of at least 42,000 tons which must be carried forward by additional trucks or transitted locally, and any additions to the 15,000 ton figure will add to the need. Such additions are highly probable.

8. The problem of indigenous transportation must be solved in addition to moving things supplies, men as the units, many essential items of supplies, levels 50,000 tons a month of local road transport must be handled in China. Without provisions for this, food for the troops and the war material and raw materials for such purposes of the Chinese armies and factories cannot be distributed.

RECOMMENDATION:

1. That the additional requirement of 4,000 - 45 ton trucks or equivalent is vital.

2. That the 4,000 trucks are required out of third quarter production for fourth quarter delivery in China.

3. This will require a directive to the War Dept. and the War Army.
FOREIGN ECONOMIC ADMINISTRATION
OFFICE OF THE ADMINISTRATOR
WASHINGTON 25, D. C.

May 3, 1945

MEMORANDUM

To: The Honorable Henry B. Morgenthau
The Secretary of Treasury
Honorable William L. Clayton
Assistant Secretary of State
General Breton Roosevelt, Commanding General
Army Service Forces

From: Leo T. Crowley, Administrator

Subject: Textiles and Trucks for China

I have reviewed with Mr. Schuman and Mr. Willamer the request from
China for 176,000,000 yards of cotton textiles and 4,000 trucks.
We are in sympathy with the plight of China and Mr. Willamer
has been working on the question of textiles and trucks for
them. However, one thing that must be kept in mind is that in
allocating these critical materials and food supplies, as
Administrator of the Foreign Economic Administration, which has
charge of liberated areas plus lend-lease for our fighting allies,
I must try to distribute these supplies with as much justice as
possible.

Mr. Willamer advises me in the attached memorandum what it would
mean if we were to meet this request. When it comes to meeting
the requirement of allocations for lend-lease in liberated
areas or by reducing our civilian consumption as distinguished
from a cut in our military requirements, I am informed that
General Roosevelt is very sympathetic with the Chinese demands
but is unwilling to cut back military requirements to meet it,
and that all he is prepared to do is to give his moral support
to civilian cut backs. The Inter-Agency Committee of which I am
Chairman, is studying the overall picture, plans to look into the
military's stated requirements, and perhaps the best solution
will be to split the Chinese need fifty-fifty between military
and civilian supply. I do not see how it is possible for us to
give a definite commitment to Dr. T. V. Soong or a recommendation
to the President as early as Tuesday morning.
Textiles and Trucks for China - 2

In the Inter-Agency Committee we are studying the entire textile field, both at home and in France and other liberated countries. We hope to come up with a world balance sheet next week which will show us where we stand and what our various alternatives are. The terrible shortage that we face throughout the world on food and raw materials makes it imperative that we try to allocate our contribution on an equitable basis. With many of these representatives here in this country for the San Francisco conference, undoubtedly after adjournment they will visit Washington and each will make his appeal for his own country. It is necessary that we try to do these things in an organized way for the benefit of our own government. In the past many of these foreign missions have caused considerable confusion because of the lack of central control prohibiting them from going around and opening doors of other departments not directly concerned with supply responsibility.

I am setting this thought before you because I know that with all the problems that face us, unless we do handle them in the regular way, we may get ourselves involved in commitments we cannot possibly meet.
MEMORANDUM

To: W. Lee T. Crowley, Administrator.

From: Elaine V. Thompson, Director

For East & Special Territories Branch.

Subject: "Impact of Chinese Textiles and Truck Requirements on other U. S. Programs - 2"

TEXTILES:

Chinese requirement for textiles for calendar 1946 is 178,000,000 yards.

The textiles represent one part of the three-point anti-inflation program and the U. S. Army Theatre Command has termed the anti-inflation program as a vital military need. The need to combat inflation is immediate and, accordingly, the textiles must be delivered not later than the beginning of the coming summer and there must be no interruption in deliveries.

Vigorous attempts are being made to obtain textiles from Brazilian and Mexican production, but all who have examined the problem agree that very few if any textiles will be obtained from these sources in time for delivery in China during calendar 1946. Therefore, while it is essential to obtain these off-shore textiles so that the anti-inflation program will continue in 1946, they cannot be counted on to solve our present problem.

Accordingly, it is concluded that the entire 178,000,000 yards must come out of U. S. Production during the second and third quarters of calendar 1946. 

In order to properly evaluate the impact of Chinese requirements on U. S. production, I have compared the requirement with estimated production figures in the second and third quarters.

To date, total allocations to China are 6,000,000 yards under lend-lease requisitions to come out of first and second quarter production.

There is attached Table "A" showing a transportation budget across the Indian by air with the textiles, quarterly deficits being shown in italics and production requirements to balance off the deficits. The outstanding fact shown by this table is that there is needed from U. S. Production to match up with the required deliveries in China from second quarter 18,000,000 yards and from third quarter 72,000,000 yards. This gives a total production requirement from now through September 30, 1945 of 181,990,000 yards.

There is also attached Table "B", showing the impact of 181,990,000 yard requirement on other programs requiring production in the second and third quarter. Outstanding figures to be noted are that the requirement would represent 40% of available civilian production for export, 18% of available production for the U. S. military requirements and 8% of the available production for U. S. civilian requirements for clothing, footwear and household which is in the category into which the Chinese requirement would fall. The figures used in preparing this study were from the April 6 report on the cotton textile outlook prepared by the Textile Committee of the C. P. R. B. and can be found on pages 7 and 9 of that report.

NOTE: The requirement was stated by the Chinese as 22,000 tons. In original estimates 10,000 yards per ton were used as a conversion figure, thus giving rise to a requirement of 220,000,000 yards and this figure is on record with various agencies. Later investigation of Chinese specification showed that the proper conversion was nearer 9,000 yards per ton, thus giving the new figure of 176,000,000 yards.

Shipping time to India and delivery from India to China takes at least three months from delivery time of goods in the U. S. Accordingly, second quarter U. S. production must be moved on for third quarter Chinese anti-inflationary work: third quarter U. S. Production for fourth quarter Chinese; and fourth quarter U. S. production will only be useful in 1946.

TRUCKS:

Chinese requirement is for 4,000 additional trucks to be delivered in China during the calendar year 1946.

Delivery in 1946 is only possible out of trucks manufactured in the first three quarters of the year, because it takes at least three months for the process of shipment, assembly in India and transportation over the Silklu Way Highway into China.

It is generally agreed that the only suitable types of trucks for China are from the category known as "light-duty" and this type...
Impact of Chinese Textiles and Truck requirements on other U. S. Programs

Explanation (Continued)

of trucks currently being furnished to China under their regular
program.

The Chinese are currently receiving deliveries of their regular
program of 15,000 trucks. Whereas the entire 15,000 trucks are
scheduled to be manufactured in 1946, it is estimated that only
10,000 of these can possibly enter China during the calendar
year 1945. These 10,000 trucks alone will not carry anywhere near
the anticipated needs of the Chinese army within China and it is
for this reason that the extra 5,000 trucks are required. It
should also be noted at this point that a serious tire shortage
for the 10,000 trucks will be faced unless allocations are
markedly increased. It is felt that this problem of tire
requirements should be treated as being of equal importance with
the additional requirement of 5,000 trucks.

2. U. S. Truck production program for 1945 (light-heavy trucks)

(d) Table 4 shows U. S. production of light-heavy trucks by
quarters and the present allocations of claimant agencies. The
main points to note about these schedules are the following:

a. The yearly production is approximately 445,000. Of this
amount, approximately 235,000 or 53% is scheduled as military
production. A substantial portion of this is for military
lease-sale, principally to Kinas and the U. S.

b. Approximately 50,000 vehicles for civilian domestic and
civilian land lease. Of this, about 15,000 are already scheduled for
China (this being the number of the 15,000 truck program which
will actually be manufactured in 1945 - the other 35,000 having
been manufactured 1944). 91,000 of the 50,000 are reserved for
the service of Defense Transportation for civilian use and
only about 2,000 vehicles for the whole year are
reserved for liberated areas and for other land-lease countries.

Approximately the same picture is presented in the first three
quarters of 1945 which is the period vitally important to
the present problem.

3. Possibility of diversion from civilian allocation

Any attempt to divert from civilian allocation will present a
terrific procedural problem. It is the practice as to civilian
allocation of trucks to make firm commitments to manufacturers
and many about 80 days prior to shipment. All of the first
two quarters and half of the third quarter allocations have been
thus committed. This means that financial arrangements have been
made, shipping schedules set up, etc. In other words, civilian
allocations are a very difficult matter to deal with because they
are not handled as a pool. Assuming these procedural
problems can be successfully overcome, there are the following
further difficulties:

a. It must be assumed that all first quarter civilian trucks
are either shipped or in some manner go beyond recall.

b. The same situation probably exists (or will exist before action
is taken) as to about half of the second quarter production.

c. On these assumptions, there is thus a maximum availability
of light-heavy trucks as follows:

1. There are approximately 10,000 trucks scheduled for
civilian use and export, representing a total of one
half of the second quarter and all of the third quarter
of this 15,000, almost 5,000 going to China, leaving
an available balance of 5000 or only 15,000 trucks. If the Chinese requirement of 4,000
were filled from this source, it would be a 25% cut in other
civilian commitments, which, obviously, would be
very serious.

4. Possibility of diversion from military allocation

It is believed that military truck requirements out of second and
third quarter production are about to be cut back and it is
understood that the army feel that a cut back amounting to 4,000 6 x 4 ton 6 x 4
1/2 ton 4 x 4 Chevrolet (spent in August, can be made, and that figures
now in preparation may allow a cut back in 4 ton trucks which
are more desirable. Official figures submitted to the OPM are
the only vehicle basis show only about 75% cut back in
the third quarter and none in the second quarter. The situation
is, however, complicated because the army is currently claiming
for tremendous increases in spare and component parts to service
its existing fleet and it has been estimated that this requirement
might give a net result of no cut back at all.

Analysis of the production figures for half of the second quarter
and for the third quarter shows the following:

Approximately 11,000 total of light-heavy trucks. The Chinese
requirements of 4,000 could be made by less than 50 cut back if the
out run was real and not vitiated by spare part increases.
Impact of Chinese Textiles and Truck Requirements on other U.S. Programs - 8

TUNNEL (Oct '4)

This 6% is obviously much less damaging than the 8% not required if the trucks are to come from civilian sources.

---

**TABLE II**

<table>
<thead>
<tr>
<th>Requirement for 6 Months of second and third quarter</th>
<th>Yardsage available for various programs on 6 months Production basis</th>
<th>Percentages of production Program represented by Chinese Requirement</th>
</tr>
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<tbody>
<tr>
<td>U.S. Production</td>
<td>161,000,000 yards</td>
<td>4%</td>
</tr>
<tr>
<td>Civilian export 402,000,000 yds</td>
<td>1,300,000,000</td>
<td>13%</td>
</tr>
<tr>
<td>Army</td>
<td>1,300,000,000</td>
<td>13%</td>
</tr>
<tr>
<td>U.S. civilian</td>
<td>1,400,000,000</td>
<td>9%</td>
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Attachments: Table "a"
Table "b"
<table>
<thead>
<tr>
<th>Time</th>
<th>Yards</th>
<th>Deficit in delivery in China</th>
<th>U.S. Production Requirement to meet Deficit in China</th>
<th>China deliveries</th>
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</thead>
<tbody>
<tr>
<td>Second</td>
<td>5,000,000</td>
<td>40,000,000 yards</td>
<td>65,000,000 yards</td>
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<td>Third</td>
<td>5,000,000</td>
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<td>5,000,000</td>
<td>85,000,000 yards</td>
<td>90,000,000</td>
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<td></td>
<td>21,000,000</td>
<td>105,000,000 yards</td>
<td>120,000,000</td>
<td>175,000,000 yards</td>
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</table>

**NOTE:** The extra thousand tons and 8,000,000 yards required for the total 15,000 tons and 176,000,000 yards requirement ought to be relatively simple to obtain from transportation points of view for the textiles if they are available. This yardage only represents a carrying capacity of one 0-63 air transport plane for 5 months.

**NOTE:** In order to actually make any deliveries during second quarter in China, first quarter U.S. production would be needed. This is however impossible as practically all of these textiles have been distributed. However, it will be possible to arrange for a carry-over of second quarter air transport space into China to the credit of third quarter space and, accordingly, second quarter U.S. production is needed to fill up the allocated second and third quarter space.
<table>
<thead>
<tr>
<th></th>
<th>Army Navy</th>
<th>Total Military</th>
<th>Army Navy</th>
<th>Total Military</th>
<th>Army Navy</th>
<th>Total Military</th>
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<td>66,025 66,975 132,999</td>
<td>70,725 67,982 275,963</td>
<td>6,471 6,014 12,485</td>
<td>5,544 5,057 10,691</td>
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<td>CIA - Regular</td>
<td>200 200 1,000</td>
<td>200 200 3,000</td>
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<td>1,000 1,000 2,000</td>
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<td>IA</td>
<td>172 289 361</td>
<td>209 215 800</td>
<td>2,000 2,000 2,000</td>
<td>2,000 2,000 2,000</td>
<td>2,000 2,000 2,000</td>
<td>2,000 2,000 2,000</td>
</tr>
<tr>
<td>Israel</td>
<td>2,200 2,200 6,200</td>
<td>2,200 2,200 6,200</td>
<td>2,200 2,200 6,200</td>
<td>2,200 2,200 6,200</td>
<td>2,200 2,200 6,200</td>
<td>2,200 2,200 6,200</td>
</tr>
<tr>
<td>Canada</td>
<td>7 6 13</td>
<td>8 7 20</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maritime Commission</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Commercial</td>
<td>13,000 13,000 25,000</td>
<td>12,904 14,410 20,310</td>
<td>13,000 13,000 25,000</td>
<td>12,904 14,410 20,310</td>
<td>13,000 13,000 25,000</td>
<td>12,904 14,410 20,310</td>
</tr>
<tr>
<td>Grand Total</td>
<td>32,025 32,975 64,999</td>
<td>32,725 32,982 65,763</td>
<td>32,479 32,057 64,496</td>
<td>32,479 32,057 64,496</td>
<td>32,479 32,057 64,496</td>
<td>32,479 32,057 64,496</td>
</tr>
</tbody>
</table>
### Chinese Import Textile Requirement

**Position as of May 1945**

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Yards @ $8,000 per ton</th>
<th>Tons @ $8,000 per ton</th>
<th>Tons @ $10,000 per ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Total Import Requirement as stated by Chinese through June 30, 1945</td>
<td>380,000,000</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>2. Requirement for delivery in China December 31, 1945</td>
<td>176,000,000</td>
<td>22,000</td>
<td>22,000</td>
</tr>
<tr>
<td>3. Deduction from requirement due to lack transportation space across hemp (total transport available during 1945 is 21,000 tons)</td>
<td>8,000,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>4. Adjusted 1945 requirement</td>
<td>161,000,000</td>
<td>21,000</td>
<td>21,000</td>
</tr>
<tr>
<td>5. Amount presently in sight to meet requirement:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Allocated in 3 FIA requisitions from U.S. first and second quarter production (U.S. Contracts have not yet been let)</td>
<td>6,200,000</td>
<td>775</td>
<td>620</td>
</tr>
<tr>
<td>b) 3,200 tons of Chinese textile stocks currently moving into China from India</td>
<td>25,600,000</td>
<td>3,200</td>
<td>3,200</td>
</tr>
<tr>
<td>6. Balance of 1945 requirement needing further action</td>
<td>136,200,000</td>
<td>17,085</td>
<td>17,180</td>
</tr>
<tr>
<td>7. Steps now being taken to meet the 136,000,000 yard balance:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Attempt to purchase from current Brazilian wholesale and retail stocks (this is a mere &quot;guess estimate&quot;)</td>
<td>8,000,000</td>
<td>1,000</td>
<td>800</td>
</tr>
<tr>
<td>b) Suggestion that U.S. Army &amp; FIA furnish immediate stock of 10,000,000 yards on 50/50 basis. This needed to assure continuity of follow up of program already started by the 3,200 tons (25,600,000 yards) of India stock</td>
<td>10,000,000</td>
<td>1,250</td>
<td>1,000</td>
</tr>
</tbody>
</table>
7. a) FAA request for 35,000,000 yards allocation by WPH from third and fourth quarter. Only third quarter of 17,000,000 yards can be delivered against calendar 1945 requirement. Allocation will not be filled until WPH meeting May 15 and probably will require directive of highest level.
b) Brazilian 40,000,000 yards and Mexican 25,000,000 yards GPHS recommendation for China ("allocation") cannot be counted on at all for China delivery in Calendar 1945.

c) Balance requirement on which no action has 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 @ 8,000 yds per ton</th>
<th>Yards @ 8,000 yds per ton</th>
<th>Tons @ 0,000 yds per ton</th>
<th>Tons @ 0,000 yds per ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>17,500,000</td>
<td>2,185,500</td>
<td>1,750</td>
<td></td>
</tr>
<tr>
<td>100,700,000</td>
<td>12,585,500</td>
<td>13,630</td>
<td></td>
</tr>
</tbody>
</table>
INCOMING TELEGRAM

E 5-46

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

Division of

Central Services

Telegraph Section

Secretory of State
Washington

303, February 27, 8 a.m.

TO SECRETARY OF TREASURY FROM ADLER.

One. Army and FEA have consulted me on a plan for bartering cotton textiles to be imported from US for food which Army has undertaken to procure for approved Chinese divisions. Advantages of plan are that Army Procurement hopes to have facilities to acquire food from villages and will thus be able to get closer to ultimate producer of food and ultimate consumer of textiles; and that Army will therefore acquire food essential for approved divisions in an anti-inflationary manner. In existing situation where inflation gives signs of getting out of control, this latter is a most important consideration from point of view of our war effort in China, Chinese war effort, and Treasury interest in Chinese financial situation.

Two. If plan obtains War Department and FEA approval, it is hoped to start on experimental basis in limited area with 1600 tons of Chinese owned textiles now in India. If experiment successful Army hopes to import between one and two

Copy 5/21/45

Regraded Unclassified
-2- #503, February 27, 5 a.m., from Chungking via Navy.

and two thousand tons per month from US. Chinese have agreed that transaction would be non-Lend-Leaseable.

Three. It is agreed that plan is only palliative and that it will not remedy basic situation. However, since Army has undertaken to procure food (at Chinese Government's expense, of course) for approved Chinese divisions, there is good case for carrying out this procurement in as anti-inflationary a way as possible.

Four. Army feels that no publicity should be given plan. Further details in telegram from headquarters to War Department, which being repeated to Treasury, and in letter en route by pouch.
Visit to French Embassy

May 22, 1945

At 6:45 last night on the invitation of Jean Monnet, I called on Foreign Minister Bidault at the French Embassy. The Ambassador was there and also Mr. Billoux who they said was a Communist member of the Cabinet and Minister for Health.

The Minister of Foreign Affairs started off in the usual formal way thanking me for what I had done in behalf of lend-lease. Then I asked him if he knew what we had done, Monnet and I in the early days on airplanes, giving Monnet a little build up. Monnet said he knew that Bidault knew nothing about it, and told him the story with great zest. I told him to tell him particularly how the Frenchmen fell out of the airplane. I told them how I had been investigated for 30 days afterwards. It was all evidently new to Bidault.

Then we got on the usual chit-chat. Then I told them we might as well be serious and make the best use of my call. I told them as far as the Directive to General Eisenhowiter concerned, I was completely satisfied because it was plentiful. They all smiled. The same was true on the Reparations Commission Directive, and I drew their attention to Ed Fauley's interview on Sunday which Mr. Bidault had not seen. Then I said that both of these agreements had been drawn up in my office and I could guarantee them, but the thing that worried me was this Crime Commission headed by Justice Jackson. I said the way the matter was drawn up, I doubted if they would get around to trying these various organisations like the Gestapo and the SS, and getting a conviction before Christmas. I told him I had asked Justice Jackson particularly if they could do anything before Christmas, and he said they would be very lucky if they got anything done. I said that at that time all of these organisations would have gone underground and they would have a hard time finding them. They said that their people weren't going to wait and were going ahead and try the leaders at once. I asked them how they were going to work it out with the other countries, and frankly they didn't know. Minister Bidault said that Judge Rosenman had been out to see him but it was a very complicated thing - a lot of papers - and he didn't seem to understand it.

I drove my point home pretty hard. Before I got through, they seemed to understand the difficulties and they said their people would never be satisfied to sit back and wait so long. I reminded them two or three times that I was talking as a private citizen and not for the Administration and not as a Cabinet member. I finally said to them, "My motives are not revenge but 100 years peace in Europe." Bidault got quite emotional and said "God bless you, God bless you." Evidently that is the cord to strike if you want to get a response. Monnet said, "Are you going to cable this home?" Bidault said, "No, I'll take this home." I am confident that he will look into it when he gets back. Certainly I think that something will develop from my interview with Bidault last night.
Mr. Luxford
Secretary Morgenthaler

Please let me know whether Mrs. Roosevelt's facts are correct. Luxford bided his time.
We Cannot Prosper in Tomorrow's World Without Trade

BY ELEANOR ROOSEVELT

HYDE PARK, Sunday.—Some of my friends are very much excited because they fear that the Bretton Woods plan will not go through. This financial plan frightens many people purely because it is a financial plan and they think they cannot understand it.

Two hundred financial experts, representing as nations, met together at Bretton Woods last summer for several weeks and signed a treaty that will, they hope, bring about much disaster. Naturally, some countries will not like the treaty. The main feature is the establishment of a currency for the benefit of international trade.

How is this done? This is a simple matter. We are organizing a monetary fund. The fund will have a capital of $500,000,000,000, to which every nation contributes in proportion to its economic power and the size of its monetary resources. The fund will consist of gold and silver, but in the future, it is expected that the fund will also be able to lend to any nation that has a surplus of gold and silver. The fund will be managed by the International Monetary Fund, which is composed of representatives of each nation.

Some people will ask why we have to concern ourselves with the development and reorganization of the world's monetary system. The answer is simple. We are the greatest producing country on this earth, and we cannot afford to be isolated. If we are to achieve our goals and become a major power, we must be able to trade with the rest of the world.

The United States is a big country, and we cannot afford to be isolated. If we are to achieve our goals and become a major power, we must be able to trade with the rest of the world. It is in our interest to see that this plan goes through, and I am confident that it will.

MY DAY

210

We Cannot Prosper in Tomorrow's World Without Trade

BY ELEANOR ROOSEVELT

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Mr. Shaeffer
Secretary Morgenthau

May 22, 1945

Please watch the financial column of the Chicago Tribune and see if this fellow - whatever his name was - that was there yesterday, writes anything up and if he does please bring it to my attention.

I want to take the Kansas City Star every day and have somebody go through it and see if there is anything in it of particular interest to me, and blue pencil it and put a little tab on the front page showing which pages the articles are on which would be of interest to me. Have it put on my desk every morning.

Mr. Dubois
Secretary Morgenthau

May 22, 1945

Please talk to me about this.

Attatched newspaper clipping "Urges Quick Trials of War Criminals - International Lawyers Group Calls for Action before the Evidence Vanishes."
Dear Mr. Secretary:

Reference is made to your letter of May 9, 1945, concerning the granting of temporary authority to General Eisenhower to make necessary repairs and produce synthetic oil in Germany pending further study and investigation of the problem.

The immediate problem raised by your letter has, of course, been resolved, and I am writing to you now simply to clarify one or two matters mentioned in your letter.

The following were the views of the Treasury Department, and I am informed that they were made clear by the Treasury representatives in their discussions with other agencies:

1. The destruction or removal of German facilities for the production of synthetic oil and rubber, aluminum and magnesia is indispensable to any effective program for the elimination of Germany's war potential.

2. A program to eliminate these industries must commence at once if it is to succeed. Consequently the German directive must contain a specific prohibition against the production of these items and a direction to seize all facilities for their production. Any general or indefinite exception to this prohibition, whether for military purposes or otherwise, will most likely frustrate the successful execution of the program since production once resumed will be difficult to stop.

3. If our military forces in the field decide that some production of these items is indispensable to meet minimum occupation needs in Germany, they should originate an appropriate request supported by the facts to this Government through the Joint Chiefs of Staff. Treasury clearly indicated its willingness to have such a provision inserted in the German directive. The provision agreed to would permit production pending decision by this Government on the request from the field.

4. Treasury did not suggest that this matter be handled by a separate cable to General Eisenhower. On the contrary, we felt that the sending of the cable suggested by the War Department, prior to approval of the German directive, might well prejudice the ultimate resolution of the problem in the manner specified in the directive, i.e., approval or disapproval of a request for limited production originating in the field. The proposed cable in question granted authority to resume production at once without awaiting a determination of the actual situation in the field.

5. I finally approved the sending of a modified version of the proposed cable, although it did not completely satisfy my objections, in order that there should be no further delay in the approval of the German directive. In view of the provision concerning this matter which Treasury agreed to include in the directive, I considered that the withholding of approval of the directive until Treasury and other agencies agreed to the sending of the cable was quite unjustified. But I felt that the issuance of the directive was so urgent that there should be no further delay.

I was pleased to note in your letter of May 9, the expression of your agreement that the German synthetic oil industry must be destroyed or removed as an integral part of the program for the elimination of Germany's war potential. The whole-hearted acceptance of this principle in Washington and in the field will go a long way toward assuring the success of this Government's program for German disarmament.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The Honorable
The Secretary of War

JW 4/12/45
SECRET
WAR DEPARTMENT
WASHINGTON

MAY 9, 1945

The Honorable
The Secretary of The Treasury

Dear Mr. Secretary:

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 Planning Committee of the German Committee and the Joint Chiefs of Staff is a highly laudable.

There is no discrepancy 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 related to General Eisenhower's requirements of considerable quantities of oil to meet his minimum war needs in Germany.

The War Supply Board meeting last week decided that in view of the existing world shortage of oil and manpower, such requirements cannot be met without involving the prosecution of the war against Japan, unless palliative 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 one of short-term emergency proposition to meet the necessary war needs and produce synthetic oil in Germany pending such study and investigation.

The proposal made by the War Department for synthesis oil production in Germany is not a matter of emergency, this War Supply Board meeting last week recommended in accordance of the directive given by the Joint Planning Committee for continued production and research during the continuation of existing synthetic processes, but that we agree to accept an emergency production plant. It is being proposed to acquire this plant by the payment of the amount of the contract and the period for which the production in Germany should be permitted.
SECRET

To the Secretary of the Treasury:

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 separate cable. This was accepted by the Army, but I understand that you now object to the Senate Committee making any advance conditions 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.

It is immaterial to me whether General Eisenhower be granted temporary permission to produce all or some necessary repair parts by mechanisms in the basic directive or by separate cable. It seems to me this is a mere procedural detail. But I cannot consent to the issuance of a directive authorizing continued temporary production of oil to meet General Eisenhower's needs unless such temporary permission is simultaneously granted, in one form or another.

Certainly, it should be settled policy that, with General Eisenhower's tremendous problems, we will not deprive him of the use of any facility for the temporary production of a critical material unless we have had an opportunity to ascertain whether or not that material is obtainable from other sources. General Eisenhower has millions of American troops under his command and, in my opinion, we should take no action in Washington unless right in any way jeopardize his troops, his mission in Germany or his obligations to the liberated areas in his rear. I believe this question is of such importance that it should be presented to the President for settlement and decision.

Sincerely yours,

[Signature]

Secretary of War
There is agreement here on 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. However, referring to your cable No. ______, the question of permitting production and necessary repairs including cannibalisation to permit production of synthetic oil in Germany, as a temporary measure, is now under consideration on a government level here. Pending determination of that question and receipt of further instructions you are authorised, pursuant to paragraphs 30 and 34 of IDG 1067/6 to produce synthetic oil in Germany and to make necessary repairs including cannibalisation to permit such production.

This was dictated over the telephone to Mr. Cox's office by Mr. Despres of the State Department on May 20, 1945. He stated that it is his understanding that this is the cable which was sent out by the 5th Dept. The cable will be circulated as an IFOG document.
May 22, 1945

My dear Mr. Secretary:

Thank you for sending me a copy of your letter to Secretary Stimson concerning currency arrangements in Czechoslovakia. As you know Secretary Stimson also wrote to this Department inquiring about certain aspects of the same problem. For your information, I am enclosing a copy of my reply.

Sincerely yours,

[Signature]

Acting Secretary

Enclosure:

Copy of letter.

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.
May 10, 1946

My dear Mr. Secretary:

This is in reply to your letter of April 30, 1946, regarding the governing power of American troops in Czechoslovakia.

As you know, this question was raised by CAF 883 which reported that Third Army troops had entered Czechoslovakia and were temporarily take control of the currency in the absence of instructions from the Combined Chiefs of Staff and of a currency agreement with the Czech government. At a meeting in the Treasury on May 7, 1946 called at the instance of your Department to discuss CAF 883 and attended by representatives of the State, War and Treasury Departments, it was decided to approve the temporary use of American military marks by Third Army troops in Czechoslovakia and to appoint the Czechoslovak government through diplomatic channels for the position in the question of the currency to be used by Third Army troops in its territory. At this meeting representatives of this Department also pointed out the difficulty created by the fact that the rate of 1.0 (or 0.9) crowns to the dollar adopted by the Soviet Union to the evidence which considerably higher value than the rate of 1.0 (or 0.9) crowns to the dollar established by the Germans.

Subsequently, this Department sent a telegram to London for transmission to the Czechoslovak authorities, indicating that the Czechoslovak government should be informed, and presented an aide-memoire on the subject to the Czechoslovak Ministry in Washington. Copies of the entire telegram and aide-memoire are attached for your information.

Subsequently the Department received replies from London, copies of which are also attached, indicating that the Czechoslovak authorities in London could not consent the Czechoslovak government but would have to communicate with the government authorities established at Prague.

You will note from the attached replies from London that Czechoslovak authorities there are opposed to the use of marks on Czechoslovak territory by American forces and are recommending to their government that military crowns already in use by active forces be placed on the control of American forces. In this connection Czechoslovak authorities at London have requested information as to the same line to be used by American troops in the possibility of using the United States paper currency as a means for this currency. It will be communicated if you can supply any information on these points.

You will also note that on one of the points, i.e., in the relation established or to be established between the dollar system and the deutsche mark, the authorities in London are unable to provide definite information.

Military rate of crowns to the dollar is tentatively but favored by the London authorities but at the same time they say they are unable to suggest the rate with their government would wish to propose between the crown and the dollar.

Under the circumstances this Department feels the above line course of action is to accept the original reply from the Czechoslovak Government. If the matter of the reply is such as in itself to necessitate the view point of the War Department as expressed in your letter of April 30, 1946 will be given every possible consideration.

Sincerely yours,

[Signature]

[Name]

Acting Secretary

Enclosures:
2. Copy of aide-memoire.
TO Secretary Morgenthau

FROM Mr. D. W. Bell

Date MAY 22 1945

Purchase of Gold by Chase Bank from Russia

As Mr. Aldrich informed you on May 19, the Chase Bank proposes to purchase six million dollars of gold in installments of two million dollars each from the USSR at Vladivostok. Payment will be made for each installment upon delivery at Vladivostok. The gold will be shipped to San Francisco for sale to the United States. The Bank will be protected against loss by the agreement of the USSR to repurchase the gold if it is not received in San Francisco within a stated period of time.

I think we should take the following position with respect to this matter:

(1) The Treasury should not object as a matter of policy to the transaction.

(2) Under the Gold Regulations, it is not necessary for the Chase Bank to obtain a Treasury license provided that the gold remains in Customs custody from the moment it arrives in the United States until it is delivered to the United States Mint for sale by Chase.

(3) The Treasury is not in a position to express an opinion as to whether the transaction would be in violation of the Johnson Act, although it seems to us quite likely that a court would conclude that no violation of the Johnson Act is involved.

S Ronaldo

F

TO Secretary Morgenthau

FROM E. B. Fussell

Date 5/22/45

In the course of getting transcripts of broadcasts by Leland Stowe and Ed Pauley (neither available here) Miss Chauncey contacted Fred Smith. I was not in the office when his reply came through.

In addition to the conversation concerning the transcripts, Mr. Smith said he understood Joe Du Bois was working with Morris Ernst on writing up something on the Morgenthau plan. He wanted me to find out whether or not they plan to do a story about it and whether or not he, Mr. Smith, could use some of the material.

Du Bois said that Smith undoubtedly had heard about and was referring to the earlier plan of a presentation in Collier's.

This is reported as a matter of information and also in the thought that you might want to suggest what reply I should give if the question is again raised.

Bob Hinter is to supply the transcripts requested, and they are presumably on the way.

E B Fussell
TO Secretary Morgenthau
FROM Joseph J. O'Connell, Jr.

Date May 22, 1945

Subject: Tax Evasion Drive

For purposes of the meeting scheduled for Wednesday morning at 9 o'clock, the following is suggested as an outline of the matters to be discussed:

I. The present status of the drive.
   A. Personnel presently assigned (both quantity and quality).
   B. Control and coordination of groups involved.
   C. Results so far achieved.

II. Obstacles to continuation and intensification of present program -- and plans for solving these difficulties.
   A. Limitations on available funds.
   B. Limitations on available manpower (special agents, revenue agents, deputy collectors, etc.)
   C. Limitations on recruitment possibilities.
   D. Organisational weaknesses in enforcement setup in the Bureau of Internal Revenue.

III. What may we look forward to? (General discussion of what can be done -- the answer depending upon the answers to the questions posed under II above.)

I have sent a copy of this memorandum to Commissioner Husan, with the suggestion that he come prepared to make the progress report contemplated under I, and to discuss the topics mentioned under II.

Joseph J. O'Connell

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

TO Secretary Morgenthau
FROM Mr. B.

DATE May 22, 1945

This morning you asked me to arrange for submission to you periodically a series of progress statistics relating to black market and excise tax cases, etc., pending in the Bureau of Internal Revenue.

You indicated that you wanted a statistical picture which would show the time required for each stage of the development of the cases in the Treasury. You further indicated the desirability of breaking down the statistical progress picture by regions to show comparative performance. Finally, you said you wanted the information as soon as possible, and that I should begin by seeing Joe O'Connell immediately.
Mr. John J. Mack of Chicago has been helpful to us in several ways. He has made a request of us which I would like to grant if it can be done without disruption of any of your plans.

On April 27, the Hotel Continental in Chicago is having a Seventh War Loan Rally. Mr. Mack, who owns the hotel, would like to have Bob Hope or Bing Crosby, or both, appear briefly at this rally. He says they will be in Chicago at that time. Perhaps you can arrange for them to stop in there for a bow, if they can’t spend any appreciable length of time.

O.K. 16-Mar
The State Bank of U.S.R. proposes to sell to the Chase National Bank about $6,000,000 in gold to be shipped on three different Russian vessels from Vladivostok consigned to the Chase National Bank at San Francisco. These vessels may all be on route at the same time and, therefore, the total outstanding risk involved may be $6,000,000,000. The gold would be purchased at 34.65 per fine ounce f.o.b. Vladivostok freight prepaid to San Francisco and the insurance to be provided by the Bank of the U.S.R. of Moscow with Russian companies (the insurance with first-class American and British companies marine and war risk would cost about $36 which would probably be considered prohibitive by the Russians.)

The purchase price will be credited to the account of the State Bank with the Chase National Bank value date of receipt of a cable from the State Bank that the gold has been loaded on board ship at Vladivostok for account of the Chase National Bank and that non-negotiable bills of lading to the order of the Chase National Bank are being air mailed to the Chase National Bank in New York one set being carried by the captain of the vessel.

It would be one of the conditions of the purchase that in the event that the Chase National Bank should not be able to sell the gold upon arrival to the United States Treasury at $35 per ounce or should the gold not be received within six weeks from the date of the shipment from Vladivostok the State Bank of the U.S.R. agrees to repurchase the gold from the Chase National Bank at $35 per ounce payable on demand against either delivery of the gold or against assignment of the title to the shipping documents and insurance. The State Bank of U.S.R. guarantees that the delivery of the gold by the captain will be made on arrival of the vessels in San Francisco to the representatives of the Chase National Bank irrespective of the presentation of the shipping documents.

The whole transaction is to be subject to the approval of the State Department and the United States Treasury. Counsel has ruled that the purchase of the gold under the above conditions is not a contravention of the Johnson Act.
MAIL SURVEY.

This is NOT what you asked for yesterday, but is the best material available without advance arrangements for segregation and classification.

The material attached includes:

One day (May 21) survey of mail received by Mrs. Forbush. (Earlier letters answered and filed alphabetically.)

A numerical classification of "general" letters handled since May 1 by War Finance. But there was no chance to examine these letters separately because they also had passed into files, after being answered.

A survey of all letters referred to Mr. Broughton for replies. Most of these letters, however, dealt merely with technical questions.

I have outlined a system under which letters can be classified, so as to give you both a "box score" and excerpts from or brief digest of the more interesting letters. I expect to give you the first such report next Monday, covering the current week.

E. S. Fussell
CRITICISMS OF GENERAL CONDUCT OF GOVERNMENT.

Five correspondents (some anonymous) protest “wining and dining of Butch Goering,” “other Nazi swine... sons of bitches”, “savages”, etc. Some say they won’t buy any more bonds until this is stopped. There were a number of other letters to this effect last week. They have been answered and filed under the names of the correspondents, if they gave them, or discarded if the communications were anonymous.

Two correspondents protest against alleged inadequacy or mismanagement of Veterans Administration Facilities.

One correspondent proposes an anti-“John L. Lewis drive”, “Just as well clean up as we go. Why leave Dictator Lewis off?”

One correspondent protests lend-lease aid to other United Nations while food is difficult to obtain in the United States.

One correspondent protests “alcoholic washout” at San Francisco. “Coddling of organized labor.” Washington, D.C., becoming a “city of drunkards and devils,” etc.

These letters all came in over the weekend.

Mrs. Forbush notes in her last mail report criticisms of lifting of ban against racing, the $2,500 Congressional “bonus”, OPA, etc. Unfortunately these letters, after acknowledgment, have been filed under the name of the writer and it is impossible to obtain a count or quotes.

COMPLIMENTARY MESSAGES ON WAR BONDS

Crawford County (Ill.) bond chairman praises folder
“What Issues Shall I Buy”.

Houston County (Ala.) bond chairman praises Infantry Show.

Boyle County (Ky.) bond chairman praises Infantry Show.

FRIENDLY SUGGESTIONS ON WAR BONDS

New York City resident suggests exhibition of Carrier FRANKLIN to purchasers of $25 bonds.

Los Angeles County American Legionnaires ask that General George S. Patton, Jr., be returned to the U.S. to take part in War Bond Drive.

Elmurst, Ill., bonholder objects to limit on “g” bond holdings and also urges higher interest rates.

Chicago bonholder urges that bonds be issued without interest. “Why should a drowning man expect to be rewarded for having his own life saved?”

Three correspondents urge more emphasis on financial benefit to individual in bond purchases, and less emphasis on patriotic grounds.
Canards.

New Jersey woman says fellow employe claims to have Liberty Bonds which were defaulted after last war.

Army captain in California asks information to refute claim of soldier that government defaulted on some Liberty Bonds.

Discharged soldier in Kansas reports being told that war bonds are not safe; says some people are keeping their money in savings banks in the expectation that they can buy government bonds at lower prices when the war is over.

Ohio woman has heard report that war will stop as soon as government is unable to sell any more bonds.

Mississippi woman says her daughter-in-law was advised to cash all her bonds because "they will be no good after peace is declared".

Miscellaneous Suggestions as to Bonds.

Detroit man, 32, wants plan under which he would buy bonds over a 20 year period and withdraw his principal and interest at $100 a month over a 12 year period beginning at age of 32.

Bonds arranged as gift certificates, with a space reserved for donor's name.

Special $5 and $10 bonds for gifts, non-redeemable until maturity.

Call Bonds "Peace Bonds" instead of War Bonds. (2 suggestions this month. More in prior months, principally from California and Middle West).

Call Bonds "V-Bonds" instead of War Bonds.

Use pass books in issuing and redeeming bonds.

$10 bonds for school children.

Lt. Col. suggests sale of bonds on a "perpetual purchase" plan, under which the purchaser would draw down only the increment as each bond matured, the principal being applied automatically to the purchase of a new bond.
BOND CORRESPONDENCE, NOT OTHERWISE CLASSIFIED.

Poems, three or four a day, few usable.

Songs, ditto.

Has government approved chain letters relating to bonds and stamps? Are bond raffles encouraged? Two or three of these letters a week.

Race tracks should offer winners bonds (or stamps) instead of cash. Two letters this month.

How should contributions be sent for the United States government? Two letters this month.

Is it O. K. to redeem bonds to reduce a mortgage? Two letters this month.

What are probable expenditures of government during the next six months? Two letters this month.

Signatures of delegates to San Francisco conference should be auctioned to highest bond bidders. Two letters.
May 22, 1945

Dear Arthur:

Thank you very much for the check for $100.00.

While I am Secretary of the Treasury, I do not accept payment for information that I give to any newspaper or periodical. I am sure you will understand.

With best regards,

Sincerely yours,

[Signature] Henry

Mr. Arthur Sulzberger,
New York Times,
New York, New York.
THE NEW YORK TIMES COMPANY
TIMES SQUARE NEW YORK

Date: Jan 10, 1944

Mr. Henry L. Rawson, Jr.
Secretary of the Treasurer
Treasury Bldg.
Washington, D.C.

The articles listed below are paid for by check herewith

<table>
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Refugees in question would become an embarrassment, both financially and otherwise, to the two Governments. Moreover, one of the main objects of the Intergovernmental Committee would be to find permanent homes for the refugees, and to assist their emigration to Spain or Portugal respectively. It is, therefore, to the direct interest of the two Governments that the Committee should undertake the responsibility. For obvious reasons it does not propose to include either its operations refugees of Spanish or Portuguese origin who may or may not be in Portugal, present, consulted by means of a resident representative in either country. The American voluntary agencies are not carrying on the work, and have indicated their willingness to have available their representatives and office facilities in the two countries, and they would set within the scope of the Committee, as agents of the Committee, on the other hand, it would be necessary that the two Governments be consulted in accordance with the purposes for which they have been specified, that a representative of the Intergovernmental Committee should visit Spain and Portugal from time to time.

"Mr. Alberts explained the scope and nature of the proposals. I shall be grateful for the advice and assistance of the State Department in regard to the best means of approach to the two Governments. Subject to their views, I believe that the Committee is not likely to receive the cooperation of the two Governments if it is given the help and support of the American and European Governments and the financial assistance of the American voluntary agencies. If the two Governments were to visit Spain and Portugal to the Committee, in accordance with the purposes for which they have been specified, it is clear that the assistance of the Committee would be helpful.

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First Name Last Name

242

May 22, 1945, from Embassy, London.

Lisbon and Madrid respectively. F. McSorley would be instructed to get into touch with them, and I shall be grateful if they could be requested to give appropriate advice and assistance in the matter of approaching the Portuguese and Spanish Governments respectively. I shall be further grateful if it can inform its embassies in Lisbon and Madrid of his forthcoming visit, and to request that the length of his stay in either country would not exceed one month.

In connection with F. McSorley's application for Spanish and Portuguese visas, the following are the necessary data: He holds an American special passport No. 32689, issued at Washington on September 15, 1943, and he was born in the United States on August 12, 1905.

I have written in similar terms to F. McSorley of the Foreign Office, and I enclose a copy of my letter to him of today's date.

Yours sincerely,

(Signed) . . . . . . . . . . . . . . .

Copies of this wire are being sent to the Embassy Embassies at Madrid and Lisbon for their information and for such action as they may deem appropriate.

1945

First Name Last Name

1945
GAILE TO JOHNSON, STOCKHOLM, FOR CLAIR FROM WAR REFUGEE BOARD

Reference your No. 1841 of May 19.

1. You are hereby authorized to cover amount of 200,000 kroner still owed you by Norwegian labor group with War Refugee Board special funds transferred to you from Ankara.

2. You are hereby authorized to transfer balance of 18,000 kroner of JSC funds to account of JSC at Svenska Handelsbanken, Kungsgatan 1, Stockholm. Please advise JSC representative Ragnar Gottsfarb of this transfer.

THIS IS 8TH STOCKHOLM GAILE NO. 309

1:45 p.m.
May 22, 1945

Miss Chauncey (for Mr. Swart), Cohn, Rubel, Guston, Hotal, Mahdi, Mabon, C. Jager, Files.

FYI 82/21/45

Regraded Unclassified
TAX EVASION
Present: Mr. D. W. Bell
       Mr. Charles Bell
       Mr. Pehle
       Mr. Nunan
       Mr. O'Connell
       Mr. Irey
       Mr. Woolfe
       Mr. Sherwood
       Mr. Eaton
       Mr. Blough
       Mr. Ruse
       Mr. Oliphant
       Mrs. Klotz

H.M.JR: Well, Commissioner, I think we're beginning to
get somewhere.

Mr. NUNAN: I think the last report is a very good one,
Mr. Secretary.

H.M.JR: I read a little of it during the night.

Mr. NUNAN: That's what I did.

H.M.JR: I bet you didn't do it the same time I read it.

Mr. NUNAN: A little after twelve.

H.M.JR: Mine was between one-thirty and three.

Mr. D.W. BELL: What's the matter with you fellows,
don't you sleep?

H.M.JR: This wasn't voluntarily, this was because I
couldn't sleep, but I think we're beginning to get somewhere.
Before you get in this there are a couple of things I want to
ask you. I don't quite understand, I suppose I should, these
so-called one-payment on insurance.
think you know or anybody else knows, and this I don't know, whether you would do it weekly or monthly, but we'll know at a given period just where this thing is, and if it's stuck somewhere, whether it's through inability, or lack of capacity, or lack of manpower, whatever it is. But you give us a chance, because some of these things just take too long. I mean, there's something wrong over in Baltimore on that case, that case operator, which has been sticking since——

MR. NUNAN: Max Cohen, you mean.

H.M.JR: Yes. There's something wrong over there. I don't know what it is, but I'd like your statistical people to check, and of course the thing that seems to be the worst is this, you remember the four collections that I kept hearing gossip on. So far all the gossip I've heard has been justified through facts. I think the swing around the country you made was very productive. Now, do we start here? The President starts off the drive? How do we do this, Joe?

MR. NUNAN: I was going to suggest we do that. On the present status of the drive, during the week ending May 19 there were three thousand one hundred sixty-nine cases under active investigation pertaining to the drive. Of this number five hundred ninety-eight were under investigation by Special Agents working jointly with Revenue Agents and Deputy Collectors. We've had nine thousand nine hundred eighty-one leads pertaining to the drive in the hands of the field forces at the close of business May 19. In other words, we have the six thousand cases that we haven't been able to touch yet. We have three thousand one hundred sixty-nine under active investigation. We've had nine thousand nine hundred eighty-one turned in. Now we have seven hundred forty-nine Deputy Collectors from the Collector's office; we have five hundred sixty-five Revenue Agents; we have one hundred eighty-four Special Agents; and twenty-three Alcohol Tax Agents.

H.M.JR: Excuse me. Where's Mr. Gaston? On this, doesn't he usually sit in?

MR. O'CONNELL: Ordinarily.
H.M.JR: You have gotten by the President sixteen million.

MR. C.S. BELL: The twenty million Joe asked for was Internal Revenue work, not enforcement work. He has to have that to build up to get the cases for these investigators to investigate. Now, we'll have to go back and ask for twenty million dollars for black market operations and glamorizing black market operations.

H.M.JR: Glamorizing?

MR. C.S. BELL: Yes, it will have to be on that basis, won't it, Joe?

MR. O'CONNELL: I hadn't thought of using that word, but I think it would be easier to make a case for twenty million dollars for the cause we're talking about than for the regular work of the Bureau, although that may be of equal importance, but I don't think that the Congress could refuse any reasonable amount if we forced them to read just the reports we've been getting.

H.M.JR: Well, I'm wholly in sympathy, and I stand ready to go before any Committee in Congress if you have any trouble.

MR. NUNAN: Yes.

H.M.JR: And one of the things I suggested, I know it isn't regular, but if we go before a Committee, let's have an open public hearing and it will give us a chance to spill a lot of stuff we couldn't do otherwise. I mean, have an open hearing and testify in front of the Congress when the report is there and tell them what we're doing.

MR. NUNAN: I think we'd have to do would be to show this last report you and I got yesterday. For the first time these reports are going to show some results. Again, I have to ask for patience, because it takes time to develop the cases.

H.M.JR: I've got patience where I see results, but before you get through this morning there are a couple of cases where I'm very impatient, and I'll tell you about them. But you go on.

MR. NUNAN: That's about all I have to say on the current drive and the situation as it is today.

H.M.JR: Well, the thing that bothers me is the things we're running into in the fur and jewelry business, and I just wondered if we couldn't take one of your divisions, and that's Miscellaneous Taxes, and turn that thing inside out, because, after all, I ought not to have to get all hot and bothered about a thing like this and a man like Bliss.

MR. C.S. BELL: Yes.

H.M.JR: After all these years he should have enough initiative to do just what we're doing now.

MR. NUNAN: Well, Mr. Secretary, I went into that too, and the Miscellaneous Tax has thirty-three agents in New York City, fourteen in Chicago, two in Texas, three in the Eastern and Southwestern part of the country, and ten on the Pacific Coast. Now, they are all the agents. That makes fourteen, sixteen, about fifty odd agents in the Miscellaneous Tax.

H.M.JR: It's ridiculous.

MR. NUNAN: You can't do anything with fifty men.

H.M.JR: Did Bliss ever file a protest that he can't do the job, he can't carry out the law?

MR. NUNAN: Bliss' answer is the same as that in other departments—when the war was on we couldn't recruit men to do this work. Bliss' Miscellaneous Tax agents do specialized duty, cabaret tax, and current operative machines. In New York ten are necessary. That takes ten from twenty-three.
H.M.JR: You need one hundred, most likely, for that.

MR. NUNAN: Ten are a very small number. I know those men are going around to various golf clubs, cabarets, and making sure admission taxes have been paid. Each one has accounted for over one hundred thousand dollars per year in miscellaneous taxes. They don't have time to go in and make an investigation like Wolfe's men do, and they're not trained for that sort of investigation. There are seven on stamp tax alone.

H.M.JR: I know what I'm going to say. After all, since I've asked for this--we've got fifteen hundred men on this thing, and if course, maybe something else is being neglected--but on the other hand I think by bringing this to their attention we're going to have in the clear and not be in the same position that Chester Bowles is. He's in an impossible position because he isn't saying anything. Now, I think we've got this in time, you see, and--but I wouldn't hesitate to ask for every dollar that you need. Now, the twenty million for the Bureau and twenty million for the enforcement group, is that all you need?

MR. NUNAN: Yes. Well, we have sixteen million for the Bureau; we need twenty million for enforcement, and, of course, that twenty million will only be temporary because it's only for the period of this drive. Then the drive is over we probably won't keep five thousand agents throughout the country; that won't be a yearly thing. This is a special drive against people operating the black market.

MR. O'CONNELL: I think that the job--as long as tax rates are as high as they are, there must be an immediate need for a great and increasing income tax staff, and you could justify a permanent enforcement staff like that if you want, but you don't have to decide that now.

H.M.JR: Now, these pencil notes I made--when will I begin to get answers on those.

MR. O'CONNELL: Some of them--today--some of them merely indicate that you want us to do something. Some of them indicate you want to speak to me about the Baltimore report.

H.M.JR: What about the Baltimore case?

MR. O'CONNELL: We're checking to find out what the answer is to what you consider unusual delay.

H.M.JR: Well, the agent--

MR. OLIPHANT: I can give you that Baltimore case.

H.M.JR: The agent there pretty plainly says--

MR. NUNAN: Recommends criminal prosecution.

H.M.JR: Hints pretty broadly there has been political influence allowing the case up.

MR. OLIPHANT: I checked into it yesterday, and there hasn't been any political influence. It's one of those boarderline cases in terms of whether you can or cannot successfully prosecute, and the case has been in the Chief Counsel's Office in the Bureau up until the present time. They have been trying to make a decision as to whether or not to send it over for prosecution. It is now written up to send to Justice for prosecution. That's the Max Cohen case. The other case he refers to is the Lawrence Goldbery case, and on that particular case I talked to Mr. Weichel and we sent that to Mr. Clark about two or two and one-half months ago, the idea then being that we could hook up the income tax case against him, together with a pending case against him on OPA violation and black market operations, and that was explained to Sam Clark at the time that he was going to take it up, and shortly after that they settled the OPA and black market case and it's been left with the income tax case, but it's still pending in the Department of Justice.

H.M.JR: Now, Commissioner, I don't know whether we can do this or not, but in the earlier days--I don't know whether they were in on that or not--we sort of set a night all over the country. We went out and got narcotic addicts and we had a big drive and brought a lot of attention to the Treasury, and so forth. In one of these appropriations--
I don't know just how, but I wish you'd think if there is any particular way, a sort of sensational raid. There's one building on Eighth Avenue that's supposed to have ten furriers under cloud. Whether we could raid those people at one time or whether--there are these four hundred money exchanges.

MR. NUNAN: Suppose I sit down with Mr. Oliphant and Mr. Irey on that.

H.M.JR: See if there isn't something we could do which--you used the word glorifying, I'll say sensational.

MR. C.S. HILL: Glamorizing.

H.M.JR: I was thinking of Miami--glorifying the American beauty.

MR. NUNAN: I only talked to McQuillan yesterday and I had in mind taking some men out of New York, which is the melting pot, taking some men out to Jamaica Saturday afternoon to see if we could do something there, but the problem there is identifying them. We can't just go up to a man if we see him with a lot of cash in his hands and say, "What's your name and where did you get that money?" we have to find out who he is and if he was entitled to make that money if we could, we could probably make five or six cases in New York the next day.

H.M.JR: If you could, I'd like to participate in it myself. If there's some way we could sort of take the four hundred money exchanges in Chicago, where there's a whole group that openly operate--of course, if it was in food thing, it would be the most useful--if it was something in food, some place where there is a whole group.

MR. NUNAN: On the whole, Mr. Irey, Mr. Solford talked this afternoon--

H.M.JR: Take a whole poultry group in the Maryland Peninsula, none of them paying taxes--black market chickens. I saw one of your reports on something like that. The country is hungry for something like that. They want somebody punished in return for all the trouble they have to go to to get the food. One other thing, just in reading that report last night, this Longchamps Restaurant, if you'd make a note to look into the produce company he controls. He's got a produce company himself, and they may be doing the same thing. That's where he started. I was shocked at that, but his excuse is that he needs cash on hand to deal in produce. He has an interest in a produce thing right down on Washington Street, Washington Market. You may find, if you look into that produce company, that they may be almost as bad as the restaurant. Are you going to let that fellow settle?

MR. OLIPHANT: No, sir.

MR. NUNAN: Of course, you see what he's doing now.

H.M.JR: He's got a smart lawyer.

MR. NUNAN: He's a former Collector and he's going to try and indicate now that it was a voluntary disclosure.

H.M.JR: Are you going to let him settle?

MR. NUNAN: No, sir, not at the present writing. The agents are developing that case. We have two men on the case.

H.M.JR: I read it, but have a look at his commission man on Washington Street. I forget the name of the firm, but his family is in that, and it's his wife who was the sister--what is the well-known pianist--

H.M.JR: Have a look at her.

MR. WOOLFE: We'll have a look at that today.

H.M.JR: There's nothing in that report to show her account has been looked into. I looked into his whole family, all his relatives. I'd look into his. I know he's got
relatives in this commission business and he may have relatives in this, but that would be a very good case if we could only break it. There's absolutely no way for the Treasury to try these cases themselves? That's out?

MR. O'CONNELL: No. I wouldn't think that would be good politics to suggest to the Department of Justice we supersede the Department of Justice, and the U.S. Attorneys in connection with these criminal cases. You wouldn't get to first base, and I don't think it makes much sense in so far as organizations are concerned.

H.M.JR: Except we could see our own cases through.

MR. O'CONNELL: We get pretty good breaks from the Department of Justice. The investigating people and others are never completely satisfied, and that's understandable the way prosecutors handle cases; the same as the fellow with the Baltimore case thinks there's something wrong because the case hasn't been sent to Justice in a year. What he thinks is a good case does not convince the lawyers handling the case that he has any evidence.

H.M.JR: Now, each of these men who send these things in get copies of the others.

MR. O'CONNELL: Yes.

MR. NUNAN: Yes, sir, it's been a great help.

MR. O'CONNELL: Several of the agents commented on how valuable they found these reports.

H.M.JR: Suffice it to say I showed it to somebody and he found it very useful. I think the thing is going. Who is it, I told you I had a suggestion from somebody from Chicago that wanted to help.

MR. O'CONNELL: You didn't tell me.

H.M.JR: I wrote you a note.
MR. NINAN: All right.
H.M.: What's that guy's name, the little fellow with the black hair?

MR. IREY: Sammy Klaus. They were at odds with each other for awhile.

H.M.: At odds?

MR. IREY: Yes, sir.

MR. O'CONNELL: That wasn't a bit surprising.

MR. NINAN: Klaus is now in Europe. We had a report from Wenceslau the other day. Klaus is going over some papers in Europe: he found out some of these Bund organizations were tied up in the German Government.

H.M.: Dan Bell have you anything?

MR. D.W. BELL: No.

H.M.: Charlie?

MR. C.S. BELL: No, sir.

H.M.: Any suggestions, Pehle?

MR. PEHLE: No, sir.

H.M.: Roy?

MR. BLOUGH: I have a man who is quite intimately acquainted with those Bund statistics, if you want him to tie in with Mr. Haas, and then, of course, Mr. Atkinson, in the Bureau, has a lot of that already in shape.

H.M.: Joe, will you see they get together.

MR. O'CONNELL: Sure. May I make one general comment? It occurred to me from the recent conversation, and what Joe pointed out earlier about the fact we had, say, three or four thousand cases under active investigation and already a backlog of six thousand, that we're probably pretty near the bottom in the Bureau as far as available manpower is concerned, and it would be some months before we could possibly build up so we could handle anything like all of the leads we would currently be getting. All I'm pointing out is that for the time being at least it's very important we start to do a job of selection. In other words, you can't handle all the cases, and using your Lustig case as an example, it seems very important that--it can't be done perfectly, but they'll have to try more and more to select those cases which have the best promise of quick action and some striking results in terms of publicity, because it seems to me that since you can't cover the field that you ought to try to pick cases with a view to getting the maximum deterrent effect of putting a fellow in jail. We all know that.

MR. NINAN: It's a very good suggestion.

H.M.: Well--

MR. NINAN: One thing I did notice was that in some of the districts the Federal Reserve have absolutely refused to cooperate with us and that's the greatest source of information we could get, but there's nothing we can do about it.

H.M.: I signed a formal order, do you know about that?

MR. O'CONNELL: I hadn't told him because it went to the Federal Reserve Bank Saturday, but we issued an order addressed to practically all financial institutions covering banks, savings banks, building and loan associations, investment bankers, members of the stock exchange, members of the commodity exchange, and they are required to report monthly to the Federal Reserve Bank, on the forms we have prepared, information as to unusual currency transactions. In other words, we put out an order requiring them to do what we asked them to do informally a month or so ago, so I think we can hope that that will result in getting a lot more leads than we picked up before.
MR. D.W. BELL: In what respect can they cooperate, Joe?

MR. NUNAN: In these reports, the man in charge of investigation in that area has to go to the Federal Reserve and they won't give us that information.

MR. D.W. BELL: It's the banks in the community and not the Federal Reserve. They haven't been able to get the banks to do it, and that's the reason for this order.

H.M.JR: He didn't mean it was the banks, because the reports are full of it where the banks won't cooperate with the Federal Reserve.

MR. D.W. BELL: I'm sure the Federal went around and talked to them. They'd know.

MR. NUNAN: That's right, Dan, I really meant to say the banks in the Federal Reserve Districts.

H.M.JR: Anything else?

MR. NUNAN: No, sir.

H.M.JR: Good. All right.
HMJr: And DuBois should tell him -- talk to Mr. Patterson just the way he would talk to me.

W: Yes, sir.

HMJr: Now, I'm going -- that's much further -- I'm going to see Mr. DuBois a little later and see if he can put on one page and I can show the President...

W: Yes.

HMJr: ...how these people could be tried properly -- if there is such a way -- under the present set-up.

W: Yes.

HMJr: Is there any way of doing it under the present set-up.

W: Yes, sir.

HMJr: And I'll see Mr. DuBois within the hour.

W: All right, sir.

HMJr: Thank you.

W: Thank you.

RAILROAD RETIREMENT
LEND-LEASE
WAR REFUGEES

Present: Mr. D. W. Bell
Mr. White
Mr. Pehle
Mr. Daston
Mr. O'Connell
Mr. Hans
Mr. Murphy
Mr. Blough
Mr. Casaday
Mr. G. S. Bell
Mrs. Klotz

HMJr: Where's Bell? This whole thing is for Bell.

MR. O'CONNELL: I wonder if I couldn't be excused. I'm supposed to be in Spencer's office at ten. Roy prepared a letter and showed it to me.

HMJr: Is there anything I could tell the President?

MR. O'CONNELL: They're going to vote the bill out tomorrow. We're getting along very well and have high hopes of getting Republican support which we won't be sure of until tomorrow, but the bill will be voted out tomorrow or Friday, tomorrow if they have time. They expect to vote it out tomorrow, and we're sure it will be voted out in a form satisfactory to us.

HMJr: Have you seen Barkley?

MR. O'CONNELL: No. I've been trying to see him every day. I've been to his office two or three times and I haven't seen him. He knows what I want to see him about and I'm confident from the way his office people talk that he's very anxious to see me.

HMJr: He does know? Well, you keep at it. Okay.
(Mr. O'Connell leaves the conference.)

H.M.JR: Where's Dan Bell?

Have you the things I have to sign?

MR. PEHLE: Yes, sir.

H.M.JR: I'll do that right after this.

(Mr. Bell enters the conference.)

H.M.JR: Who has the letter?

MR. PEHLE: Roy has, and they're trying to reach him, Mr. Secretary.

H.M.JR: Well, Dan, we all met at my house last night and I don't know whether anybody told you what happened, and I listened.

MR. BELL: I know a little bit about it.

H.M.JR: And I decided that we got in this thing at your request. I'm on a political spot and in view of what President Roosevelt said in the letter, which is my fault--

MR. BELL: I thought we told you at a staff meeting.

H.M.JR: You might have and it didn't register, and in view of the fact that according to them President Truman is going to also put forth legislation, I think politically we're in an impossible position and therefore I decided I wanted to withdraw the letter and substitute a new one, but he's actually quoting what President Roosevelt said, paraphrasing it as near as possible.

MR. BELL: We said that in the first letter we favor the objectives, but then we went further than that.

H.M.JR: H.R. 3062. I have never been faced with this situation before, but you recommended I see these people, that I ought to see them, and what I'd like to do is--unless it's objectionable to you or you don't want to do it--would you do it over your name rather than mine so that it doesn't seem as though there is any difference between us.

MR. BELL: Yes.

H.M.JR: I'd much rather have you withdraw a letter and substitute one over your name than to have me do it, but it's going to go through my way and I'm doing it purely for political reasons and no other, wholly on the merits of the case politically.

MR. BELL: I feel the letter was right one hundred percent.

H.M.JR: We didn't argue last night whether the letter was right or wrong.

MR. BELL: But I think probably you are up against it from a political angle. I don't think it makes much difference one way or the other. Probably the legislation will go through, and I thought maybe you might ask the chairman to leave the letter out of the record.

(Mr. Bough enters the conference.)

H.M.JR: We discussed that last night and O'Connell said he made three suggestions and lost out on two of them, and one of them was--anybody correct me if I'm wrong in reporting--one was to do nothing and change it in the sentence; the second was to just withdraw the letter; and the third suggestion was to withdraw it and substitute a new one, and it was the third suggestion, which O'Connell liked the least, which I thought I'd do, see? And you had plenty of people who presented your viewpoint, but I refused to get in on a discussion of the merits of the thing, when I got through I think Gaston decided on a political basis. You can talk for yourself.

MR. GASTON: I said that I still take the same position I did before. I think on the merits of the thing the letter we sent was right. I was not distressed about our changing for political reasons.

MR. BELL: I think it's unfortunate that a pressure group can do a thing like this, go over to the White House and get approval on a piece of legislation that's out of step with everything else in the Government.
H.W.: Well--

MR. BELL: Well I felt that way in 1938 when the President approved a separate organization. I just think it was crazy. And then Murray Latimer came along and thought he was going to get appointment on the Social Security Board, and admitted privately it was all wrong and it should have been one organization, but he didn't get the appointment and so be steps back in the other. I just didn't think it was right.

MR. BLOUGH: Then, of course, the way it was handled this winter and spring, it was too bad. Apparently no governmental agency is charged with this type of thing, the Budget Bureau, or Treasury.

H.W.: They cut it. I blame myself that I didn't get in this thing at the beginning, but I do appreciate your telling me Thursday or Friday it was a hot potato and I better get in on it and I'm going to do this thing strictly political, but I don't want you to feel you're under any pressure. I know it's unjust to you and I don't like it myself, but I don't want you to feel between us that there's any pressure.

MR. BELL: No, I don't. I know the position you're in.

H.W.: I don't want you to feel I'm holding a gun at your head but I'd like to do it in a way which is least disagreeable to you, Dan.

MR. BELL: It won't hurt my feelings and I don't think it's anything against me if you sign the letter.

H.W.: I'd much rather not sign it. Let you proceed, if you're willing.

MR. BELL: Well, I'm willing. I understand, and I'm willing to carry it, but I don't believe in it. I'm perfectly willing to sign the letter.

H.W.: If you're willing--I don't want you to feel there's undue pressure being put on you by me.

MR. BELL: No, I'm doing it as an official function. My heart certainly isn't in it and I don't think it's the right way to run a government. I think it's the worst way to run a government.

H.W.: I'm not arguing with you. We didn't argue last night on that basis, but if you're willing to do it, and it doesn't look as though there's any split between you and me, then I'd like you to do it. Is that all right with you?

MR. BELL: Yes.

H.W.: That's settled. What does the letter say?

MR. BLOUGH: It's being typed on your stationery. I assume if you sign it it will have to be retyped for Mr. Bell's signature.

H.W.: What's the difference?

MR. BLOUGH: A lot of difference.

MR. BLOUGH: I'm sorry I don't have a good copy for you. It was because I was caught a few minutes ahead of my expectations. The second paragraph is about the only thing that's changed. There are two drafts here, one that Joe and I liked, and one that John liked. The one you have there is the one that Joe and I felt was a little stronger. The first paragraph would be the same as it is in the present letter.

H.W.: Let's read it so we all understand it.

MR. BLOUGH: (Reads draft of letter to Chairman, House Committee on Interstate and Foreign Commerce.)

"Your letters of January 12, 1945, and March 14, 1945, request the Treasury Department to submit its views on the bill, H. R. 1882, "To amend the Railroad Retirement Act, the Railroad Unemployment Insurance Act, and sub-chapter 3 of chapter 9 of the Internal Revenue Code; and for other purposes."

"The Treasury has consistently favored the amplification and extension of the whole social security system."
E.R. 1965 extends and improves social security benefits for an important group of employees. Accordingly, the Treasury favors the objectives of this bill, and believes that legislation should be enacted to achieve them.

"The Treasury believes, however, that E.R. 1965 should be amended in certain respects. It views the proposed transfer of additional tax-collecting powers to the Railroad Retirement Board as objectionable. It feels that taxpayers should not be required to deal with more than one Federal agency in tax matters and should not be subjected to an unnecessary duplication of audits. This position was expressed by the Treasury in 1968 when the Railroad Unemployment Insurance Act was under consideration. Since then collection of income tax at source has been instituted. There are potentialities for integration of the collection and administration of the payroll and income taxes. These potentialities for simplification can not be achieved under the proposed division of the responsibility for tax collection as regards the railroad industry.

"The Treasury desires to call to the attention of the Committee a matter of general importance in connection with this legislation. Section 12 of the Railroad Retirement Act and section 2(c) of the Railroad Unemployment Insurance Act provide that benefits under these acts shall not be subject to any tax. The present bill would increase certain benefits and create others which would be exempt from taxation. The Treasury is opposed to such special tax exemption provisions and believes that they should be removed from the law so that the treatment accorded these benefits would be governed by the provisions of the Internal Revenue Code generally applicable to other benefits of the same character. The basic question of the proper treatment of annuities and similar benefits under the income tax is being re-examined and whatever decision is reached should be made applicable to the benefits paid under the Railroad Acts as well as to others.

"There are also a number of administrative and technical problems which are raised by the provisions of the bill. In general these problems relate either to the dividing line between the railroad security program, on the one hand, and the social security system on the other, or to the proposed transition from the present system of collection of these taxes to the proposed method of collection. These can be more appropriately dealt with in a separate, technical report which will be sent you in the near future."

There would then be a short paragraph stating that the Director of the Budget has authorized the transmission of this report, and we would probably, in this case, say without implication as to the program of the President, because that's the situation they're in over there on this subject.

H.M:JR: That I'd like to do--

MR. D.W. BELL: What did the Bureau of the Budget say to this? Mr. Harold Smith said—I mean in their report—he said they had rendered a report.

MR. BROUGH: I can read the Bureau of the Budget's report, I have it here.

MR. D.W. BELL: Are they against it?

MR. BROUGH: I don't know.

MR. D.W. BELL: Don't read it then.

MR. BROUGH: (Reading letter to the Chairman of House Committee on Interstate and Foreign Commerce, dated April 15, 1945, from Harold D. Smith, Director, Bureau of the Budget.)

"My dear Mr. Chairman: I'll skip the first paragraph.

"The President has already indicated his intention to
make a statement on the general Social Security program for the Nation. Pending his statement and subsequent consideration by the Congress, I hesitate to express my views in detail concerning the relationship between these pending amendments and the program of the President.

"It is evident from the reports of various executive departments and agencies on H.R. 1303, as they have been received by this Bureau, that there is a widespread divergence of view as to many of its proposals. The Railroad Retirement and the Carriers' Taxing Acts of 1937 were developed through the joint and cooperative consideration of representatives of the Railroad Labor organizations and of the Carriers. A similar approach to the consideration of these amendments would be helpful in differentiating between the points which are not in conflict and those with respect to which irreconcilable differences exist."

There was no joint consideration is what he has reference to.

"Such joint consideration should develop more complete evidence upon the technical and fiscal aspects of these amendments than time has presently allowed, should clarify the issues involved, and should simplify the problem of your Committee and the Congress.

"I thoroughly agree with you that, until we can achieve a comprehensive system of social insurance, it is essential that there be a reasonable relation between benefit levels and tax costs of any of the existing systems. This involves a primary requisite of a determination by the Congress of the scope and method of financing of the general social insurance of the Nation as a whole."

Which is pretty wishy-washy as you see.

H.M.JR: Well, what I want to do and I've got to move, I'd like to take over the new letter that we're proposing and to send over Mr. Blough's signature, and the old letter, and to send over Mr. Bell's signature, and tell Mr. Truman, and tell Mr. Truman that as these people told us that he was going to go along, and if that's the truth, then we want to follow him, see, Bell?"
MR. BELL: May I tell you about this whole Giannini Branch Bank thing that's around town and in various people's hands. What's his name, George Allen brought it up with the Postmaster General and the Postmaster General wanted him to take it up with Delano, and he said I'm a personal friend of his and I'm not going to take it up with him.

H.M.JR: Who?

MR. BELL: Frank Walker. He said it's a matter for Treasury to handle, and he told Walker it's around town and we're going to get it sooner or later from the White House, and I wondered if you shouldn't tell the President sometime, maybe today, the background of this Giannini thing. If anything comes up, don't commit yourself on anything concerning Giannini until you have an opportunity to go into it rather fully with him.

H.M.JR: I'll put that down.

MR. BELL: You may not want to do it today, but sometime when you've got--Giannini has resigned out there.

H.M.JR: I saw this.

MR. BELL: As Chairman, and one of his hobbies is going to be to fight Treasury and Federal Reserve Board.

H.M.JR: The judge out there, who was comptroller, sent me a clipping.

MR. PEHLE: Jeffrey?

MR. BELL: Jeffrey, yes.

MR. PEHLE: Do you want this other stuff while we're waiting? This is the thing you said you'd sign. You cleared it last night.

H.M.JR: Does Bell know about this?

MR. PEHLE: Heffelfinger cleared it with him, and I'll clear it personally after this.

MR. BELL: It was being held up. Yesterday he got the telegram and he wanted to know why. I said I don't know. I suppose they've gotten together.

H.M.JR: Is it being held up?

MR. PEHLE: It's not a question of being held up.

MR. BELL: They were holding up the printing.

H.M.JR: Please make a note for yourself and Bell. I feel on this very strongly and I don't want to get into an argument on it. I'll argue about it later in the day. It's time that we should take the initiative and make this thing public.

MR. PEHLE: I felt that way all the way through.

H.M.JR: I want to say this, and explain to the banks that this really means business to them if we knock out four hundred money exchanges in Chicago and drive that business to the banks. It's going to be good for them. Now I wish the two of you would think this thing over and get Russell in. I think it's a mistake to do an important thing like this and not meet it head-on, see?

MR. BELL: I see no objection to making it public. It's public when we do it. It's public when you give it to twenty thousand organizations.

H.M.JR: And I think it's worthy of a special press conference, and very carefully planned. The thing should be explained.

MR. BELL: It probably ought to be done the afternoon of the thirty-first. It would be in the banks' hands the first. Probably the thirty-first it would be in some of the banks' hands because they mail it out the night of the twenty-ninth.

H.M.JR: I think it should be done two or three days in advance.
MR. BELL: Don't give the people any chance to go in before the effective date of this order, see?

H. W. JR.: Would you and Pehle and Fussell get together and work up something for me?

MR. BELL: Yes.

H. W. JR.: Is that all right with you, Dan?

MR. BELL: Yes.

(Mr. White and Mr. Casaday enter the conference.)

H. W. JR.: Will you sit down one minute, Harry? I'm not quite ready for you.

What is this? War Refugee Board? (Secretary signs Memorandum to the President from Secretary Morgenthau, dated May 23, 1945 on War Refugee Board.)

MR. PEHLE: That was for you to read in connection with War Refugee.

That's the tax drive, and then Blough will bring in Railroad Retirement. (Secretary signs Memorandum to the President from Secretary Morgenthau on Tax Evasion, dated May 28, 1945.)

(Discussion off the record.)

H. W. JR.: What do we call your thing.

MR. WHITE: Lend-Lease Negotiations with Great Britain.

Or maybe if it's for the President you ought to have a different title.

H. W. JR.: Why not Lend-Lease to England? That's enough to identify it.

All right. Okay, Harry.

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MR. WHITE: Now, the immediate cause of these is the note from Brand. Here's an explanation, one-page memorandum of Brand's note and how they handle it. Now, that question is a little distinct, I think, from the question you may want to raise with the President and all the data. This is what is on this file. It begins with that and the question that you may want to raise with the President in direct response to Brand's subsequent inquiry which he came to see me about yesterday in which he says he wants to know when to go to with these matters; that he assumes the proper place to go is the Treasury, since the Secretary of the Treasury has been in charge of the negotiations with respect to stage two. I agreed with them that that was the proper place to go in the first instance. So the question is raised whether you are to carry their case to the various agencies to follow through on that, or whether the whole task is to be turned over to somebody else. Now you can raise that question if you want to, or you need not raise that question, because we can handle his inquiry in either fashion, as I have indicated, merely by transmitting a letter to Vinson.

H. W. JR.: Would you mind reading this out loud? Is this the one I would show the President? What would I show him?

MR. WHITE: I have nothing to show the President, unless this is it.

H. W. JR.: Do you want to read that out loud?

MR. WHITE: Mr. Brand's request for reaffirmation of the principles of stage two program. Mr. Brand in a note, an Aide-Memoire to you dated May 17, 1945, reviews briefly the stage II negotiations and principles underlying the stage II program as he understands them. After this review he makes the following statement: (Quoting from Aide-Memoire for the Secretary, dated May 17, 1945, latter of transmittal signed by Mr. Brand.)
"It is understood, however, that the U.S. War Department have suggested that the agreements were not finally approved by the President and that in consequence the basic position requires reaffirmation. In particular, certain questions have been raised as to the use of U.K. munitions capacity before Lend-Lease demands are made on the United States. Accordingly, the U.S. War Department have asked Judge Vinson to advise them as to the status of the munitions agreements reached in the Fall. It is hoped that Mr. Secretary Morgenthau will be willing to bring to the notice of Judge Vinson the principles underlying the agreements reached in the Fall and their continued validity to-day."

He added orally to this when he came to see me, that Churchill in his Press Release, a copy of which is here, as well as in the Press Release which was issued a few days ago by Grew, indicated that those arrangements were in the character of agreements. Mr. Brand added that, "It is essential to the war effort of the United Kingdom against Japan on the basis of the approved combined strategy that the programmes framed in accordance with these agreements should be agreed without delay. And his government is pressing for a reply as to whether or not those arrangements constitute the equivalent of a working agreement or whether the whole situation is being reopened. His government, he says, wants to know the status. So do not know what matter the War Department has taken up with Judge Vinson, whom we have not been able to reach. It may be that the difficulty reported to you on May 1 by General Somervell, who stated he believes the British were exporting airplanes which were not contemplated under the agreement, and since the program constituted no commitment, he was going to say no on the British requisition.

H.M.JR: Who was going to say no?

MR. WHITE: Somervell. There's a copy of a letter there from you to Somervell in response to his telephone request, which is the basis of Somervell's statement to Vinson that this is not an agreement and therefore they are in a position to say no in the light of what they-
MR. WHITE: The first part is the memorandum.

H.W.JR: Oh, I see. This isn't the way I'm used to seeing it.

MR. WHITE: This is the one you may see alone, but the rest is explanatory, the joint minutes of the conversation which lays down the principles on which you subsequently operated.

H.W.JR: I see.

MR. WHITE: It seems to me that the question that you have to decide yourself that would determine what question you frame to the President, is what you want to do with respect to this. I think that the question may be raised with respect to the President merely orally pointing out that he may not be familiar with this.

H.W.JR: There's no reason—what is your advice to me? You have had time to think about this a couple of days.

MR. WHITE: Frankly, we have been puzzled, and I think you ought to continue only if the President specifically wants you to; that you ought not to make any bid for it, and that it's a miserable job at best, and it's going to be difficult and only if the new President says "I want you to follow this," and gives you something, in which case we'll prepare a directive, should you continue.

H.W.JR: I'd have to say so publicly.

MR. WHITE: I say in which case we would prepare a kind of directive, but I don't think we ought to go there prepared with it because it would look as though you anticipated his reply.

H.W.JR: Let me see. I've got a couple of minutes here. I shouldn't do these things so hastily, but there's so much. I'd like him to listen particularly. This is the way I feel, Dan. Who wrote this reorganization of Treasury for me, was it you or—?
MR. WHITE: Now, I think the thing to indicate very briefly is how it was handled, the report that was made to the President, copies of which are there, and the question is now, who does he want the British to see on problems of this character which involve questions of their balances? See? That is the basic question. That's why it's not easy for the Treasury to duck it. How much shall they export, how much lend-lease they shall get? It's a question of how much money do you want the British left with? That's why it's becoming chiefly a financial question, more so than was true before. Before, it was a question of allocating very scarce productive capacity. Now it's surplus capacity. So, immediately there's the question how much of that surplus capacity can they use for exports for the production of armaments?

H.M.JR: You don't say that there.

MR. WHITE: No, I don't say that there. That's the problem.

MR. BELL: It sounds as though phases of it may be referred to a sub-committee of the big committee.

MR. WHITE: It seems to add this to the other lend-lease and Russian lend-lease for the sub-committee to handle.

MR. BELL: There are a lot of people interested in it.

MR. WHITE: It should be handled by an interdepartmental committee. The question is who should be chairman.

MR. PEHL: How urgent is this?

MR. WHITE: Very.

H.M.JR: I've been slower on this than I've ever been with the British because I don't know what to do. Normally I have given an answer. If I knew where I stood, I would have given them an answer, but I have stalled on that thing and let Harry be the buffer.
MR. WHITE: They have treated this agreement as an agreement, and now the minute they begin to implement it they are told it’s not an agreement and they can’t get certain things. So--

MR. PEHLE: How does this relate to the request for new lend-lease appropriations beginning July 1?

MR. WHITE: Why, does it?

MR. PEHLE: Doesn’t it? How do you know what the--

MR. D.W. BELL: It certainly ties in.

MR. WHITE: It has already been taken care of. They assume they’re going forward with this program in their request to Congress.

MR. PEHLE: They may not get it.

MR. WHITE: That’s one of the conditions which may justify a modification of the program. The British understand that. There are other conditions which may justify it, but they don’t want to imply that it doesn’t have much status. It can be handled, but somebody has to handle it, that’s all. Vinson—not Vinson but Somervell—is disturbed on something which isn’t much his business. He’s disturbed by the fact that England is exporting things commercially, and he says if they’ve got power to export, productive capacity to export, they can produce something.

H.M.JR: Well, I understand it, and the question is, Charlie, whether we should put this up to the President. I don’t want to crowd you, but what are you going to do? Who is going to handle this? Mr. Churchill sitting at the other end is worried. We are of a headache it will be for us the longer we wait.

MR. WHITE: We can make a case that would be stronger for the chairmanship to be here, or make a case which would make it easy for the President to put it elsewhere.

H.M.JR: Well, I think in view of this thing on Bretton woods, which he said he decided with us, and this all shaped up the same thing. I’ll do it very quietly and say, “Mr. President, you’ve got to make up your mind.”

MR. WHITE: I think the emphasis appropriately belongs on the question of the financial status. That’s why I think—although I’d like to accompany it with a statement that it’s a very thankless headache and would be increasingly so, because the public is not going to be enthusiastic—that the appropriate chairmanship belongs here, it seems.

H.M.JR: I wish I could withdraw from the foreign field and just do domestic, because the more I read about the foreign field in the papers, I’d like very much to be able to withdraw, but I have gone so far with him now. I don’t think I can. And, I’d like to hear from Dan Bell. Do you think I can?

MR. D.W. BELL: Withdraw?

H.M.JR: Yes.

MR. D.W. BELL: No.

H.M.JR: Well, while I’m in it, better to be boss.

MR. D.W. BELL: Yes. I think the memorandum you submitted, setting up the committee—I think a lot of people in Washington are interested in these problems—but I think the financial end of it should come first and you should head the committee, but there are a lot of people interested who could head sub-committees.

H.M.JR: We’ve got to do something. The thing yesterday, I was amazed and disgusted with Krug’s attitude. He said “This is a peculiar meeting,” and I felt like saying to him, “Peculiar because we’re trying to win the war? What’s peculiar about that?”

Regraded Unclassified
MR. BELL: Who was that?

H.M.JR: Krug. He thought it was a peculiar meeting yesterday. And of course Crowley lied to me completely. He said, "If I get forty-five million yards from the Army for the Chinese," and he doesn't have a thing, just a windbag. When it got down to it yesterday--I don't want to take the time--but when it got down to it yesterday, three thousand two hundred tons of cotton produced in India was going to the Chinese. Outside of that, just clear Wisconsin wind, that's all. But old Patterson called me up and said, "Believe me, I put my teeth in it yesterday."

MR. WHITE: If you're going to show that to the President, let's take out the last two and let me fix it up.

H.M.JR: What's the last two?

MR. WHITE: A letter to Stimson and--

H.M.JR: Can you hand it to me in ten minutes?

MR. WHITE: Yes.

H.M.JR: In ten minutes.
HMJr: I also mentioned it again to the President...
S: Yes.
HMJr: ...and we are having a meeting next Tuesday or Wednesday to get an answer.
S: Yes.
HMJr: I'm more hopeful than I've been at any time, and I wanted to let you know.
S: Good. Thank you very much for letting me know. How did you manage to get Mr. Patterson excited? (Lauges)
HMJr: Very simple. On the good showing that the Chinese troops are making...
S: Ahuh.
HMJr: That's the answer.
S: Fine...
HMJr: I mean Mr. Patterson and I have always seen to it that we are just interested in one thing - let's defeat the Japanese.
S: Yes, yes.
HMJr: And your troops are making such a fine showing that he wants to be helpful to get this goods in to China for that reason.
S: That's grand. Thank you very much.
HMJr: You're welcome.
S: I hope to see you as soon as the conference is over.
HMJr: How are things going?
S: It's going fine.
HMJr: Oh. Well, that would be fine.
S: Yes.
HMJr: Thank you.
S: Thank you, good bye.
DEPARTMENT OF STATE  
WASHINGTON

In reply refer to  
AV 811.796 Committee/5-445  
May 23, 1945

My dear Mr. Secretary:

With further reference to your letter of May 4, 1945, I have to inform you that the request of the Treasury Department for representation on the Air Coordinating Committee was discussed at the meeting of that Committee on Saturday, May 19, 1945.

The decision of the Committee was that it does not feel that such representation would serve a useful purpose in view of the Treasury Department’s limited interest in aviation matters. However, if some specific matter involving that interest arises, the Committee will be glad to have a representative of the Treasury Department participate in the discussions thereof.

Sincerely yours,

For the Acting Secretary of State:

William L. Clayton  
Assistant Secretary

The Honorable  
Henry Morgenthau, Jr.,  
Secretary of the Treasury.
I was going to say something to the Secretary on Monday about the attached, but it is pretty verbose. Will you look at the marked paragraphs on Page 2. This sounds like the real thing to me and I think the Secretary might be interested. He is, I understand, on the committee headed by the President. Secretary Wallace sent a copy without endorsement to Basil O'Connor, and Chester Bowles sent another with his endorsement to Mrs. Roosevelt.
Franklin Roosevelt — to millions of people everywhere — was the greatest world citizen of their time. In the words he spoke and in the actions he took they found inspirations to build a common, united and successful military front against an evil enemy ... and, too, they found hope for a better world.

When he died — the statesmen of many lands eulogized him as a great leader ... as a great humanitarian.

It remains now for the people to pay their tribute.

And the people, everywhere, have turned their thoughts to the building of a memorial to this man who mobilized the great forces of democracy in his own land and throughout the world ... to a man who firmly placed in the minds and the hearts of the peoples of the world the foundations for a peace he lived to see nearly won ... a peace for which he was the principal architect.

The people search for a fitting Memorial for Roosevelt. What form shall it take? Certain definite and very obvious criteria must be met.

It must have dignity and be of a stature in some way comparable with that of Roosevelt.

It must look forward, as he always did, and it must grow with the passage of time ... it must be a living memorial — free and unbound by physical limitations.

It must be one which the people themselves, and not their Governments, shall build ... a memorial which the freedom-loving peoples of all lands can join Americans in creating and in maintaining.

Which means ...

It must be international in concept and in execution ... of a nature that will boldly cut across the false lines of all classes and all creeds and all races.
It must, of absolute necessity, be a memorial which will contribute toward international understanding and world unity ... which will help build and forever safeguard the Roosevelt concept of a just and secure and permanent peace.

Any plan which fails in satisfying these criteria will just as completely fail to memorialize Franklin Delano Roosevelt.

It is proposed ...

That we build a University of International Relations - dedicated to his memory. Here, in Washington where Roosevelt worked for the world, the peoples of all lands, through small and large contributions in ratio to their ability to contribute, will build and endow a great University of advanced learning for the teaching of international relations and political science and for research in the fields of freedom and peace. Since it will be a creation by the peoples of the world it can be made the greatest institute of learning.

The functions, organizations and operations of the University would be planned and administered by a Board of Trustees which would assume an international aspect in which the membership would be composed of citizens of America and of other lands who are not directly responsible to any governments. Such direction will be the first requisite if the University is to be completely free of political, ideological, or cultural domination.

Here, in this kind of University - men and women of all lands will come ... at graduate ... for postgraduate work in the philosophy of world freedom and world peace.

Here, in this kind of University - the most learned men from all lands will be brought to form its faculty ... men who share the thinking of Roosevelt - men who love freedom as he did and hold the desire, always so evident in him, to make freedom work.

Here, in this kind of University - the peoples of all lands will be invited to and share in research and political science and thus participate in unifying world thought ... as it concerns the standards of world diplomacy and the degree of preparation necessary for those who will be charged with maintaining the kind of peace envisioned by Roosevelt.

From this kind of University - men and women of all races and all creeds and all nationalities, who have studied those things for which Roosevelt has become a symbol, will go back to their lands to become statesmen representing their own governments, to become teachers in their native universities, or to become leaders in other fields of public service ... and carry on the (Roosevelt) philosophy of world freedom and world peace.

What better or more fitting memorial could be built for Roosevelt? What other name can the people of America and the peoples of the world take to make certain that the ideals of Roosevelt will be perpetuated?

Maurice R. Bennett, Jr.
Washington, D.C.
May 31, 1945

15 April 1945
To: Mr. Casaday

From: Files

Subject: British Lend-Lease for Stage II - Question of reaffirmation of principles and question of central U.S. authority to handle Lend-Lease problem.

This file is identical with that given the Secretary yesterday for submission to the President except that items 7 and 8 were handed to the Secretary separately. Item 7 was read and kept by the Secretary and may not have been shown to the President. Item 8 presumably was given to the President along with the historical file, items 1 to 6.

1. Record of conversation between the President and Prime Minister at Quebec on September 14, 1944, and initial instructions to Secretary Morgenthau, Mr. Stettinius and Mr. Crowley.

2. Preliminary detailed report submitted to Admiral Leahy of negotiations on British lend-lease requirements as of November 17, 1944.

3. Copy of American Committee's report to the President recommending the Stage II program, November 27, 1944 (draft copy attached to suggested letter to Judge Vinson. See #6).

4. Copy of press releases
   (a) Press release in the U.S. November 30, 1944;
   (b) Churchill's statement on lend-lease issued in London November 30, 1944;
   (c) Statement by Acting Secretary of State Joseph C. Grew, May 14, 1945.

5. Copy of your letter to General Somervell, April 27, 1945 summarizing status of Stage II program (sent at his telephone request).

6. Copy of letter and Aide-Memoire to you from Mr. Brand dated May 17, 1945.

7. Copy of Mr. White's Memorandum to you May 22 explaining Mr. Brand's request for reaffirmation of Stage II principles. Handed to you by Mr. White May 25. Copy for Judge Vinson.

8. Copy of Memorandum to the President, May 23, on question of central authoritative body to handle Lend-Lease questions.
The Prime Minister said that when Germany was overcome there would be a measure of redistribution of effort in both countries. He hoped that the President would agree that during the war with Japan we should continue to get food, shipping etc. from the United States to cover our reasonable needs. The President indicated assent.

He hoped also that the President would agree that it would be proper for Lend/Lease munitions to continue on a proportional basis even though this would enable the United Kingdom to get free labour for re-building, exports, etc., e.g. if British munitions production were cut to three-fifths, U.S. assistance should also fall to three-fifths. The President indicated assent. Mr. Morgenthau however suggested that it would be better to have definite figures. We understood that munitions assistance required had been calculated by the British at about $5 billion dollars in the first year on the basis of the strategy envisaged before the OTTAWA Conference. The exact needs would have to be recalculated in the light of decisions on military matters reached at the Conference. The non-munitions requirements had been put at 3 billion dollars gross against which a considerable amount would be set off for reverse Lend/Lease. The President agreed that it would be better to work on figures like these than on a proportional basis.

The Prime Minister emphasized that all these supplies should be on Lend/Lease. The President said this would naturally be so.
The Prime Minister pointed out that if the United Kingdom was
once more to pay its way it was essential that the export trade, which
had shrank to a very small fraction, should be re-established. Naturally
no articles obtained under Lend-Lease or identical thereto would be exported
or sold for profit; but it was essential that the United States should
not attach any conditions to supplies delivered to Britain on Lend-Lease
which would jeopardize the recovery of her export trade. The President
thought this would be proper.

To implement these decisions the Prime Minister suggested there
should be a joint committee. It was held that it would be better to
appoint an ad hoc committee for this purpose on an informal basis in the
first instance which could be formalized in due course. Pending its report
the United States departments should be instructed not to take action
which would pre-judge the committee's conclusions, e.g. production should
not be closed down without reference to Lend-Lease supplies which it might
be held should be supplied to Britain. The President thought that the
committee should be set up and suggested that Mr. Morgenthau should
head it representing him, and that Mr. Stettinius, who had taken such a large
part in Lend-Lease, should also be a member.

1. We have discussed the question of the scope and
scale of mutual Lend-Lease aid between the United States and
the British Empire after the defeat of Germany and during the
war with Japan. We have agreed that a Joint Committee shall
be set up to consider this question with the following members:

Chairman:
American Members:
Mr. Edward M. Stettinius
British Members:
Mr. Henry Morgenthau

2. The Committee will proceed to the Heads
deliberate governments for the mutual aid in
munitions, non-munitions and services which is to be provided
for the most effective prosecution of the war. The Committee
is instructed to obtain from the various branches of the
governments whatever pertinent information is necessary for
the preparation of their recommendations.

3. Pending the recommendation of the Committee to the Heads of the respective Governments, the appropriate departments of each Government shall be instructed not to make any major decision with respect to the programme of Lead/Lessene Aid for the period referred to above without the approval of the Committee.

4. In reaching its conclusions the Committee will be guided by the conversation between the President and Prime Minister on September 14th, 1944.

(Initialled): V.E.C.
F.R.E.

Quebec,
September 14th, 1944.
Statue of Negotiations on British
Land-Lease Requirements for 1945
as of November 17, 1944

Introductory

1. The program of estimated requirements to be presented by the British was regarded at Quebec as applying to the first year of Stage II (the first year after cessation of German hostilities). During subsequent discussions and in view of the diminishing prospects that the war in Europe will end this year, parts of the program are now regarded as applying to the calendar year 1945 rather than to Stage III.

2. The three munitions programs have been formally agreed at the subcommittee level by jointly signed memoranda accompanied by detailed schedules. The non-munitions programs for the United Kingdom and for the Dominions and India represent substantial agreement but numerous details remain to be adjusted. All schedules, both munitions and non-munitions, are subject to the changing demands of strategy as well as to supply considerations and the usual machinery of procurement and allocation. Moreover, the agreements impose various detailed conditions and qualifications on specific items.

3. The British have made a strong appeal for modification of the Export White Paper of September 1941 in order to take the first steps toward redeveloping their export program. In order to facilitate the required adjustments they have voluntarily proposed the removal from lend-lease of most of the items likely to enter into exports or to cause controversy. This approach has been accepted by the U.S. representatives. A formula has been tentatively agreed by the U.K. and U.S. representatives which we believe covers the ends sought by the British while fully respecting the interests of the United States. The proposed agreement is explained in Section IV of this report.

4. In addition to the schedules of requirements presented for the 1945 lend-lease program, the British have made a number of special, supplementary requests designed to safeguard their dollar position. The nature of these special requests and the extent to which we have felt able to meet them are indicated in Section V of this report. Further consideration can, if necessary, be given the items not thus far agreed upon since a final decision on these requests is not essential to agreement on the basic program, for which negotiations are now drawing to a close.

5. This report of the committee is preliminary and subject to alterations that may result from the re-examination of the whole program which is now going forward.

(Honored to Admiral Leahy November 18th, who spoke to President about that day)

Recapitalization of Results of Negotiations on British
Land-Lease Requirements for 1945
as of November 17, 1944
(All figures in Millions of Dollars)

<table>
<thead>
<tr>
<th>Program</th>
<th>Requested (including revisions)</th>
<th>Reductions, Dis-</th>
<th>Accepted (subject to conditions as stated)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>approvals and</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>minor items not</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>yet agreed</td>
<td></td>
</tr>
<tr>
<td>I. Munitions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ground Army (War Dept. schedule)</td>
<td>779</td>
<td>219</td>
<td>600</td>
</tr>
<tr>
<td>Air and Fleet Air Arm</td>
<td>1,133</td>
<td>114</td>
<td>1,123</td>
</tr>
<tr>
<td>Navy</td>
<td>454</td>
<td>286</td>
<td>168</td>
</tr>
<tr>
<td>Total Munitions</td>
<td>2,363</td>
<td>515</td>
<td>2,660</td>
</tr>
<tr>
<td>II. Non-Munitions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>1,117</td>
<td>51</td>
<td>1,066</td>
</tr>
<tr>
<td>Raw materials and miscellaneous manufactured goods</td>
<td>206</td>
<td>2</td>
<td>204</td>
</tr>
<tr>
<td>Shipping</td>
<td>672</td>
<td>100</td>
<td>572</td>
</tr>
<tr>
<td>Oil</td>
<td>338</td>
<td>0</td>
<td>338</td>
</tr>
<tr>
<td>Total Non-Munitions</td>
<td>2,413</td>
<td>153</td>
<td>2,260</td>
</tr>
<tr>
<td>III. Dominions and India (Non-Munitions)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>124.7</td>
<td>21.2</td>
<td>103.5</td>
</tr>
<tr>
<td>New Zealand</td>
<td>13.7</td>
<td>.4</td>
<td>13.3</td>
</tr>
<tr>
<td>India</td>
<td>135.3</td>
<td>22.7</td>
<td>112.6</td>
</tr>
<tr>
<td>Total Dominions &amp; India</td>
<td>263.7</td>
<td>45.7</td>
<td>218.0</td>
</tr>
<tr>
<td>Grand Total of 1945 Program</td>
<td>6,072</td>
<td>750</td>
<td>5,320</td>
</tr>
<tr>
<td>IV. Special Additional Items Requested to Safeguard British Dollar Position</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>700.000</td>
<td>490.000</td>
<td>202</td>
<td></td>
</tr>
</tbody>
</table>

* Of this amount $127 million resulted from an error in the original British request ($433 million) and from a misunderstanding as to the lack of necessity for including the dollar figure for the possible lend-lease of ships already paid for out of U.S. Navy appropriations ($14 million). This group of ships probably will not be lend-leased.

If British agree to draw on existing stocks to the extent proposed by the U.S. the 1945 lend-lease program for oil can be cut to $220 million. The figure shown is the one tentatively agreed on.

All munitions for the Dominions and India, except about $20 million for aircraft for Australia and New Zealand are included in the U.S. program. Of the non-munitions, the table includes the oil and shipping requirements of the Dominions and India.

$324 million definitely rejected, remainder doubtful but subject to further consideration.
2. Air and Fleet Air Arm

(a) British request ................................................. 1,432

Principal items:
(1) Aircraft especially superheavy bombers and E-345s, Mustangs, Dakotas, Avengers and Corvairs ............................................. 1,061
(2) Components and equipment ................................ 460
(3) Maintenance and spares .................................... 163
(4) Radio and radar .............................................. 100
(b) Approved by War Department and British agreement Nov. 2 ............................................. 1,163

This sum includes $200 million to cover spot requirements and contingencies and $13 million for aircraft modifications, handling and delivery charges.

(c) Added by agreement Nov. 10 to provide for further allocation of planes to Fleet Air Arm if available ............................................. 75

(d) Total approved program ........................................ 1,138

(e) Possible addition for fleet air training program, maximum ............................................. 15

(f) Cut-backs and disapproved ..................................... 99

Reductions in the British requests occurred almost wholly in aircraft (entire request for 100 super-heavy bombers cut from $200 million to $100 million, for E-345s, Mustangs, Dakotas and the Navy type planes) and in bombs (reduced from $200 million to $5 million). The contingent items were included to provide these categories if supply becomes available and need is shown. Request for radio and radar equipment was increased from $120 million to $130 million, the latter amount being approved.

3. Navy

(a) British originally requested .................................... 416

(b) Later additions were $20 million for ship repairs, $2 million for "warships," $70 million for "spot" requirements and $22 million for amphibious tractors formerly on War Department list of requirements ............................................. 181

(c) Total British requests ............................................. 604

Aside from those mentioned above the principal items are:

2. Air and Fleet Air Arm

(a) British request ................................................. 1,432

Principal items:
(1) Aircraft especially superheavy bombers and E-345s, Mustangs, Dakotas, Avengers and Corvairs ............................................. 1,061
(2) Components and equipment ................................ 460
(3) Maintenance and spares .................................... 163
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(c) Total British requests ............................................. 604

Aside from those mentioned above the principal items are:
III. Non-Government

1. Food

   (a) British request

   Principal items:
   (1) Meat (live, $277 million, canned $12 million, and frozen, $77 million) 410
   (2) Canned fish ........................................ 30
   (3) Lard ................................................... 70
   (4) Milk (evaporated) $100 million .................................. 65
   (5) Cheese ........................................... 50
   (6) Eggs (dried $1 million) ................................ 8
   (7) Fruits (dried $5 million, canned $5 million, other fruit products including canned fruit for forces $20 million) 80
   (8) Flour .................................................. 22
   (9) Tobacco (fancier type $5 million) 50

   (b) Approved program Nov. 17

   Principal items:
   (1) Meat (live, $277 million, canned $12 million, and frozen, $77 million) 410
   (2) Canned fish ........................................ 30
   (3) Lard ................................................... 70
   (4) Milk (evaporated) $100 million .................................. 65
   (5) Cheese ........................................... 50
   (6) Eggs (dried $1 million) ................................ 8
   (7) Fruits (dried $5 million, canned $5 million, other fruit products including canned fruit for forces $20 million) 80
   (8) Flour .................................................. 22
   (9) Tobacco (fancier type $5 million) 50

   (c) Cut-backs and disapproved

   Substantial cuts occurred in the British request for meat, dried eggs, canned fish, dried fruit and in the request for flour ($5 million) was denied entirely. However, for meat, lard and flour, contingent allowances were granted sufficient to finance the full requests should supplies become available, and, in the case of flour, if the need is convincingly demonstrated. In addition, an allowance of $42 million was made for possible price changes.

2. Raw materials and miscellaneous manufactured goods

   Note: The British have eliminated from the lend-lease requirements in this category several items which might be expected to enter into their export program.

   (a) Original British request

   Principal items:
   (1) Synthetic rubber ........................................ 77
   (2) Timber (softwood $95 million, hardwood $5 million, constructional plywood $24 million plus miscellaneous) 62
   (3) Raw cotton ........................................... 42
   (4) Tires (for military and civil) 30
   (5) Paper and paper board (for military and civil) 20
   (6) Agricultural machinery ($2 million) open end mining equipment ($2 million) 10

   (d) Approved program Nov. 17

   Principal items:
   (1) Synthetic rubber ........................................ 77
   (2) Timber (softwood $95 million, hardwood $5 million, constructional plywood $24 million plus miscellaneous) 62
   (3) Raw cotton ........................................... 42
   (4) Tires (for military and civil) 30
   (5) Paper and paper board (for military and civil) 20
   (6) Agricultural machinery ($2 million) open end mining equipment ($2 million) 10

   (e) Cut-backs and disapproved

   Minor reductions occurred in the requests for constructional plywood, tire fabric, and a number of chemicals.

3. Shipping

   (a) Revised British request

   Principal items:
   (1) Freight on dry cargo ($277 million) and oil ($100 million) carried in ships allocated by MFA to British Reserve program 452
   (2) Other freight for cargoes, including military mail, carried in U.S. controlled ships 40
   (3) Coastal vessels under construction (20 dry cargo carriers, 5,000 tons each, 20 coastal tankers of 50,000 tons, capacity each, 24 motor-type coasters of 1,000 tons each and 35 additional coastal tankers of 10,000 tons, capacity each) 100

   These requests were approved by the War Department who will also handle procurement.
The 76 vessels under construction will be ready for delivery between Dec. 1944 and July 1945 and the total cost is estimated at $265 million. Designs for the 35 small tankers have not yet been drafted but cost is very roughly estimated at $35 million.

- **Services and supplies for British-controlled merchant vessels**................................................................. 111
- **Repair, salvage fittings, etc., to British-controlled vessels in U.S. ports**.......................................................... 90
- **Approved program Nov. 17**........................................................................................................................................... 720
- **Out-backs and disapproved**.................................................................................................................................. 100

Principal reductions were in freight charges. Of the request for coastal vessels the $265 million for those already in construction was approved by U.S. The request for 35 small tankers has been neither approved nor disapproved as the cost has not been accurately estimated. There were no reductions in the service and repair item.

- **Original British request**.................................................................................................................................. 475
- **British request modified in view of the recently completed survey of the United States Oil and Turner petition and also because it was decided to permit some reductions in existing stocks in the U.S.**.......................................................... 324
- **Program conditionally approved Nov. 17**.............................................................................................................. 335
- **Out-backs and disapproved**.................................................................................................................................. None

The U.S. Army desires to take over those 76 vessels for its own use. If this is done the vessels will not be available for lend-lease to the British. Final decision on the Army request has not yet been made.

### III. Dominions and India

#### I. Munitions

(a) All munitions for the Dominions and India are included in the U.S. requirements except certain categories of aircraft and components for Australia and New Zealand which are in effect required by the U.S. demand in the South Pacific. The British estimate the probable value of these items at: Australia, $200 million and New Zealand, $60 million.

(b) Negotiations not completed.

#### II. Non-Munitions

**Notes:** Shipping and oil requirements for the Dominions and India are included in U.S. requirements. All other non-munitions are subject primarily to direct negotiations between the U.S. and governments concerned, although in some matters the U.S. has a direct financial interest.

**A. Australian requests**

1. **Principal items:**
   - Food and tobacco
   - Raw materials, especially tin plate used in making for the forces and civilian, pulp and paper, raw cotton and chemicals
   - Manufactured articles especially trucks and automobiles and agricultural implements used to further the war effort

2. **Approved program for Australia Nov. 17**

3. **Out-backs and disapproved**

**B. New Zealand requests**

1. **Principal items:**
   - Carbon, steel and tin plate for war purposes
   - Tobacco for the Forces
   - Automobiles, trucks and parts
   - Agricultural equipment
IV. Lend-Lease Policy and British Requests

The U.S. intends to devote its resources to the full prosecution of the war until the final defeat of both Germany and Japan, but a change in military lines to meet the end of the war in Europe will make possible an expansion of British exports in some lines without interfering with war production. Under the White Paper of 1942 Great Britain agreed not to import items similar to those supplied under lend-lease or items manufactured from lend-lease materials. The substantial reduction in lend-lease aid in the new program which goes into effect on Jan. 1, 1944 includes the removal from lend-lease of a number of raw materials and manufactured products, and these changes will permit some expansion of British exports while maintaining the full the spirit of the White Paper.

The British and American representatives have agreed to recommend to the President a formula to cover the new conditions arising out of the reduction in the lend-lease program (a proposed statement of agreement is attached and a proposed statement for release to the press is in preparation). The essence of the recomposed formula is as follows. No lend-lease articles, articles identical thereto or items sufficiently substitutable for lend-lease articles will be exported in commerce except under special and limited conditions. Articles of lend-lease origin already in the U.S. which are no longer supplied under lend-lease in the new program will be used exclusively for military purposes. The U.K. will not use raw materials received under lend-lease or drawn from lend-lease stocks on an amount greater than is needed for military or essential civilian war purposes within the U.K. As to other articles previously included under lend-lease but not included in the new program, the British will pay cash for any new deliveries made after December 31, 1943.

7. Additional British Requests for the Purpose of Safeguarding their Dollar Position

In a special supplementary request the British have asked for the return to lend-lease of a considerable number of items removed from the program in the past and for additions to lend-lease of some items that have not heretofore been considered eligible. They also request a few additional articles which would have the effect of augmenting their dollar resources or reducing their dollar expenditures. The total of these requests is in excess of $900 million. As shown in the following tabulation, the items are as follows: (1) $110 million worth of lend-lease materials; (2) $110 million worth of lend-lease materials; and (3) $110 million worth of lend-lease materials. These expenses are subject to the qualifications which are stated as a footnote to the tabulation and to the general conditions which are being agreed for the non-military program.

The remaining items in this special supplementary request are deferred for further investigation and consideration. Of these, the largest items are (1) airplanes and parts purchased by the U.S. for various countries that have not heretofore been considered eligible. They also request a few additional articles which would have the effect of augmenting their dollar resources or reducing their dollar expenditures. The total of these requests is in excess of $900 million. As shown in the following tabulation, the items are as follows: (1) $110 million worth of lend-lease materials; (2) $110 million worth of lend-lease materials; and (3) $110 million worth of lend-lease materials. These expenses are subject to the qualifications which are stated as a footnote to the tabulation and to the general conditions which are being agreed for the non-military program.

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In the opinion of the War Department it is impossible to consider the request for the $222 million for aircraft take-overs or any portion of it and the British have been so informed. The tobacco and sugar items are under further consideration but the U.S. feels that these are highly vulnerable politically and that they should not be conceded.
In general the U.K. technicians are of the opinion that the British have considerably overstated the magnitude and seriousness of the decline in their gold and dollar reserves that may be expected to occur during the coming year. The British themselves admit that their prospective external financial position, though grave, is not desperate. Accordingly, we should not feel obliged, under present circumstances, to concede these requests for dollar relief shares that would mean incurring unnecessarily political risk.

Summary of Special Recipients’ Claims

(Millions of dollars)

| Item | Requested | Reductions | (subject to conditions)
|------|-----------|------------|--------------------------|
| 1. Dollar expenditures relating to all operations for 1943 crude, and oil. | 76 | 34 | 22
| 2. Ocean freight on non-Lend-Lease government cargoes | 35 | 10 | 25
| 3. Food program: possible additions | 34.5 | 2 | 23.5
| 4. Repairs, replacements and replacement of damaged equipment | 10 | 0 | 10
| 5. Equipment | 45-72 | (-42) | 50
| 6. Takeouts of capital facilities | 30 | 0 | 30
| 7. Reciprocal Aid | 11.8 | 0 | 11.8
| TOTALS | 365.6 | 51.6 | 314.0

*Additional conditions with respect to the items conceded:

a. Dollar expenditures relating to all operations in 1943:

The request is accepted only for (1) that part of the crude oil which is purchased in 1943 for dollars from American companies in Panama and Central America and which is used in refined form for war and essential civilian purposes in the U.S. on non-Reciprocal Aid and (2) that part of the crude oil similarly purchased and used in 1944 subsequent to the date when such oil was made available to the U.S. on Reciprocal Aid. The preliminary figures given in the tabulation above may therefore prove, on detailed examination, to be too high.

b. Ocean freight on non-Lend-Lease government cargoes

Accepted only for food and items for direct military use when carried in American bottoms from U.K., Canadian or Caribbean ports. The preliminary figure given in the tabulation above may prove, on detailed examination, to be too high.

c. Additions to food program

Accepted in principle except that essential oils, chewing gum bases, and hemp for beverage use are disapproved, and that certain other items may prove unaffordable to provide on Lend-Lease. Freight charges covered in other program.

d. Repairs, replacements and replacement of damaged equipment

Miscellaneous equipment: accepted in principle, subject to review of specific items. Equipment: accepted in principle if of emergency type.

e. Takeouts of capital facilities

Accepted in principle, subject to review of arrangements previously made, valuation of the facilities, and availability of funds.

f. Reciprocal Aid

No comment.

- End -
TOP SECRET

Use of Lend-Lease Articles

A. Effective Date

The date of initiation of the principles stated below will be January 1, 1945. The United Kingdom reaffirms its intention, however, to devote its resources to the full prosecution of the war against both Germany and Japan, and to undertake no general reconversion of industry or expansion of exports before V-E Day.

B. Restrictions on Use of Lend-Lease Articles

1. No Lend-Lease articles delivered to the United Kingdom, or items identical thereto, or items fully substitutable therefor, will be exported in commerce except as provided below. This restriction will not apply to those types of articles which are provided in substantially equal values under both the Lend-Lease and the Mutual Aid programs, nor to exports of items identical to items which are components of, or accessories to articles delivered on Lend-Lease terms, nor to exports of articles containing as components or accessories items identical to those delivered on Lend-Lease terms.

2. Stocks held in the United Kingdom of Lend-Lease articles of types which will no longer be supplied after December 31, 1944 will be set aside for military use or the production of articles for such use.

3. The United Kingdom will not in any calendar year use raw materials, received from the United States on Lend-Lease terms and drawn from Lend-Lease stocks of such materials held in the United Kingdom, in total amounts greater than those which are required in each period for military production and for essential civilian war purposes in the United Kingdom.

4. No articles supplied to the United Kingdom on Lend-Lease terms for use by the armed forces will be diverted to civilian use.

5. The provisions of the foregoing paragraphs may be waived only with the consent of the United States.

C. Payment for Articles Taken off Lend-Lease

The United Kingdom will in general pay cash for required articles no longer supplied on Lend-Lease terms but delivered after December 31, 1944, and will meet cancellation charges on undelivered articles requisitioned on Lend-Lease terms but not required, in accordance with the proposals set out in the attached Annex.

The United States will endeavor to assure to the extent practicable that neither United States nor United Kingdom exporters receive undue competitive advantage over the other as a result of the war situation.

This sentence was part of paragraph B of the third draft; the remainder of which was deleted by agreement. It was not deleted where in the present version the sentence should appear or whether it should have any caption.
Subject: The British Requests for Lease-Lend Aid During the Period Following the Defeat of Germany.

In accordance with your instructions following your conversations in Quebec with Mr. Churchill last September, Mr. Grewley, Mr. Stettinius and I, together with the appropriate officials of ARMY, Navy, ECA, State, Treasury and other agencies, have been meeting with the British representatives to examine their requests for lease-lend assistance for the first year following the defeat of Germany (and prior to the defeat of Japan).

1. The lease-lend requirements presented by the British for the U.K. and the Empire consisted of approximately $5.7 billion for munitions, $3 billion for non-munitions and some $200 million of special military and non-military items or an aggregate of $7 billion. After screening these requests on the basis of anticipated war strategy, availability of supplies and other needs, the agencies concluded that they could recommend to you as part of the program for budgetary and production planning the following: Approximately $2.7 billion for munitions; $2.0 billion for non-munitions or a total of $4.7 billion. This represents roughly a 50 percent cut from the 1944 level of lease-lend aid to the British Empire.

This program which we recommend for your consideration would not constitute any commitment. All supplies, both munitions and non-munitions, are subject to the changing demands of strategy as well as to supply considerations and the usual considerations of procurement and allocation.

2. This lease-lend program consists of articles and services which either cannot be produced at all in the United Kingdom in time for war needs or which, as a result of past decisions about specialization, can be more effectively produced in the United States. However, this program, coupled with decreased munitions and manpower requirements in Stage II, will make it possible for British and the United States, to release some manpower and resources for reconversion, emancipation of living standards and a partial revival of exports.

3. We have considered the British proposal to modify their export policy, and we are prepared to recommend that:

   a. No change in the present export policy be made until Y-D Day, and the reason:
      1. The Eden White Paper of 1941 continues to prohibit the re-export of goods delivered under Lease-Lend; and
      2. The British be allowed to re-export goods purchased for cash in the United States, and manufactures of them;
3. The British reserve exclusively for war purposes any stocks built up by Lend-Lease shipments.

b. Mr. Crowley should advise the appropriate Committees of Congress about the foregoing principles which will apply after Y-E Day.

Mr. Crowley has stated that he will go as far as practicably possible to make such administrative arrangements, under the terms of the White Paper, as will not hinder unduly certain minor British exports prior to Y-E Day.

The British also wished to be able after Y-E Day to sell munitions of British manufacture for cash to the Allies. The American group could not see its way clear to recommending such action to you and the matter has been dropped for the time being.

4. Assurances have been received from the British and the Dominions that the flow of supplies and services to the United States and its military forces as mutual aid will be continued as in the past. Detailed arrangements are still under consideration.

5. Though discussions are still going forward with the British at the operating level which may slightly modify the estimates given in 1 above, the American members of this committee consider that the task assigned to it at Quebec is completed with the presentation to you of this memorandum of recommendations. Unless we hear from you to the contrary we will consider the committee dissolved.

/s/ N. Yorkston, Jr.
/s/ Leo T. Crowley
/s/ Edward Stettinius

(sent to the President, November 27, 1944)
To some degree lend-lease aid for the United Kingdom will be reduced even before the defeat of Germany. It is now expected that some raw and semi-fabricated materials, such as iron and steel, will no longer be provided by the United States under lend-lease after January 1, 1946. This will have the effect, under the terms of the White Paper itself, of removing products made under lend-lease. Such materials no longer obtained under lend-lease will, of course, be available to the United Kingdom in commercial exports only after the overriding considerations of war supply and war shipping are met.

The committee understands that, as in the past, the United States and the United Kingdom will both endeavor to insure, to the extent practicable, that neither United States nor United Kingdom exporters receive undue competitive advantage over the other as a result of the war situation.

It appeared in the discussions that in the period immediately following the defeat of Germany, the British need for lend-lease assistance would be not much more than one-half of that currently furnished in 1945.

After the defeat of Germany the United Kingdom and the United States will both use all the fighting power that is required for the earliest possible defeat of Japan. As a result of such a partial and equitable reconversion there will be some improvement in the conditions of life of the British people. For six years, first struggling alone against the enemy and later fighting along side our own forces on the battlefield, and in the sky all over the world, they have endured privation in diet, and their homes destroyed about them and been sent to distant parts of the country to work wherever the need of war called them. After the defeat of Germany, it is necessary that their inadequate but improved temporary emergency housing be provided, and such other measures adopted as may relieve in some degree their present extremely difficult circumstances.

This committee believes that a program which will help in achieving this objective is a matter of necessity. A prompt and effective prosecution of the war against Japan, and that it expresses in such measure the common bond which has carried our countries through the hard days of the war to approaching victory.

Lend-lease and reverse lend-lease are concerned solely with war supply problems. Problems of post-war foreign trade throughout the world did not enter into the review of these programs. Economic and financial cooperation by all the nations in many different forms will be required to meet these separate post-war problems. Effective measures in this field will require both international and national action by the respective governments, including in many cases, legislative action.
I thought it proper to take the first opportunity of telling the House of the discussions which have been taking place in the United States between the heads of the American Administration and in particular the changes in the program of supplies made by the American Administration in the terms of the lend-lease act—so that it is proper and right that we should remember is for the defense of the United States and is strictly tied to what is being done for the most effective prosecution of the war by the United States and its allies.

The end of the war with Germany will make possible large reductions of some of our requirements. We expect that our needs will be below what they are during the year 1944 for all supplies and services except for the joint war effort against the common enemy. The prolongation of the war into what will be for the sixth and seventh years means that certain improvements are essential if our national economy is to be as fully effective as possible for the prosecution of the war. Fatigue and absence carried too far and endured too long cannot improve the effectiveness of a people at war at least as much as more sensational forms of privation.

After the defeat of Germany there is a need of supplies available for essential civilian consumption. The United States in the White Paper published a few days ago have thrown their full weight into the war, and we have been in a position to express the reality of the position has been examined and the results which have been arrived at.

Let me remind the House that it is not a part of the purpose of the lend-lease act to provide general relief, or to prepare for large reconstructions, or to aid our export trade. The lend-lease act has stood us and our allies through difficult times and in recent conversations we have neither asked nor expected any assistance which is not strictly within the terms and provisions of the lend-lease act. As the war process continues, there may be some major matters, gradually changing in detail. According to the provisions of the lend-lease act, supplies from the United States to our allies after the defeat of Germany have been planned with the United States Administration to maintain the fighting forces against Japan. Without any reduction in our proportional effort we shall be able to continue the struggle against Japan after the defeat of Germany has been planned with the United States Administration to maintain the fighting forces against Japan. Without any reduction in our proportional effort we shall be able to continue the struggle against Japan after the defeat of Germany has been planned with the United States Administration to maintain the fighting forces against Japan. Without any reduction in our proportional effort we shall be able to continue the struggle against Japan after the defeat of Germany has been planned with the United States Administration to maintain the fighting forces against Japan. Without any reduction in our proportional effort we shall be able to continue the struggle against Japan after the defeat of Germany has been planned with the United States Administration to maintain the fighting forces against Japan. Without any reduction in our proportional effort we shall be able to continue the struggle against Japan after the defeat of Germany has been planned with the United States Administration to maintain the fighting forces against Japan. Without any reduction in our proportional effort we shall be able to continue the struggle against Japan after the defeat of Germany has been planned with the United States Administration to maintain the fighting forces against Japan.

to do more to build temporary and emergency houses. We must necessarily for the most part depend upon our own efforts, because the work of experts resulting from the planned and proportional programs, we anticipate aid from American sources not only in materials but also in knowledge of the problems of emergency shelter. For the first time in history American knowledge of the problems of emergency shelter will be applied to our own needs for temporary and emergency houses in war areas. These items are being closely examined by the help of experts sent out by the Ministry of Works during the tenure of Lord Portal.

It is too soon to say what scale the possibilities of physical thought will be for us, but it is not too soon to say that the principle is recognized, the provision of emergency shelters must be a part of the war effort, and that the condition of a fully effective contribution to final victory and therefore a war need eligible for lend-lease assistance. Finally we have been able to reduce the lend-lease program. In certain fields we have been able to anticipate these changes, and to work on the basis of the new program from the beginning of 1945. Thus, from that date we shall no longer receive shipments to this country under lend-lease, of any manufactured articles for civilian use which enter into export trade, nor of any raw and semi-fabricated materials such as iron and steel and some non-ferrous metals. Consequently in accordance with the White Paper of September 1941, we shall be free to export a wide range of goods marked with a special symbol which it is recognized as serving the war effort, and do not propose to use—any critically scarce materials except where the export is essential for the effective prosecution of the war.

Until the German war is at an end, however, there can, of course, be no significant release of resources. The defeat of Germany will not end the war. We have put at their disposal every particular and every relevant fact in our possession. One part of the relief of our resources released will be used to rebuild the export trade which we deliberately gave up in the extremity of our emergency but without which we cannot live in future—those are forms of sacrifices in which it is right to make both for an limited period but become self-defeating if they are continued too long.

All these matters, both military and economic, have been jointly discussed by our representatives in Washington with the heads of the American Departments concerned. We have made available to the public the present report on the publication of the White Paper published a few days ago. We have been in a position to express the realities of the position which have been arrived at.

Let me remind the House that it is not a part of the purpose of the lend-lease act to provide general relief, or to prepare for large reconstructions, or to aid our export trade. The lend-lease act has stood us and our allies through difficult times and in recent conversations we have neither asked nor expected any assistance which is not strictly within the terms and provisions of the lend-lease act. As the war process continues, there may be some major matters, gradually changing in detail. According to the provisions of the lend-lease act, supplies from the United States to our allies after the defeat of Germany have been planned with the United States Administration to maintain the fighting forces against Japan. Without any reduction in our proportional effort we shall be able to continue the struggle against Japan after the defeat of Germany has been planned with the United States Administration to maintain the fighting forces against Japan. Without any reduction in our proportional effort we shall be able to continue the struggle against Japan after the defeat of Germany has been planned with the United States Administration to maintain the fighting forces against Japan. Without any reduction in our proportional effort we shall be able to continue the struggle against Japan after the defeat of Germany has been planned with the United States Administration to maintain the fighting forces against Japan. Without any reduction in our proportional effort we shall be able to continue the struggle against Japan after the defeat of Germany has been planned with the United States Administration to maintain the fighting forces against Japan.
DEPARTMENT OF STATE
FOR THE PRESS
MAY 14, 1945
No. 433

STATEMENT BY ACTING SECRETARY OF STATE JOSEPH C. GREGG

The Lend-Lease Act provides that the President, when he deems it to be in the interest of our national defense, may authorize the head of any Department or Agency of the Government to lend or lease defense articles to the Governments of foreign countries. He may make such determinations until June 30, 1946 or until a concurrent resolution of the two houses of Congress before June 30, 1946 declares that these powers are no longer necessary to promote the defense of the United States.

For three years after June 30, 1946, or the passage of such a concurrent resolution, the President's powers may continue to be exercised to the extent necessary to carry out a contract or agreement previously made with a lend-lease country.

The Act makes it clear that the President must determine what supplies and services shall be furnished as vital to the defense of the United States, and he may continue to make this determination during the existence of the Lend-Lease Act.

The war we are engaged in is one war, not two separate wars, and the end of organized resistance in Europe is not the end of the war. Occupation and military control in the areas occupied by the enemy are required in Europe and cannot be effectively carried out on an unstable and a disorderly continent. The withdrawal of American forces from war-devastated Europe, their redeployment in connection with military operations will almost certainly require lend-lease shipments. If the President determines that lend-lease supplies must continue to move to these areas, he is authorized to do so under the Act. Of course, no new supplies are to be furnished by the President to either the United States or to foreign countries on the basis of continuing hostilities in the Pacific.

Deliveries of supplies under current lend-lease programs will be adjusted immediately to take account of the end of organized resistance in Europe. Future supply programs will also be designed to meet new military situations as they arise.

The lend-lease supply program for the United Kingdom, India, Australia, New Zealand, and British colonies following the defeat of Germany has been agreed upon in discussions between British and American representatives. It is proposed that this program be carried out with such adjustments as supply considerations, from time to time, may require.

Since 1941 the United States has agreed with the Soviet Union upon annual supply programs which have been embodied in protocols. In view of the changed military situation, programs of such duration are not now required. Instead it is proposed that lend-lease shipments to the Soviet Union be reviewed and continued where they are justified on the basis of adequate information regarding the essential nature of Soviet military supply requirements and in the light of competing demands, as is the practice with respect to other lend-lease countries. It is anticipated that, on this basis, substantial reductions in current programs for the Soviet Union will be made.

This year, in extending the Lend-Lease Act, the Congress adopted an amendment which provides that the granting of powers to the President to carry out lend-lease agreements for a three-year period after the expiration of the Act, shall not be construed as authorizing the President to enter into or carry out an agreement for post-war relief, post-war rehabilitation or post-war reconstruction.

Further, it is provided that an agreement entered into in accordance with the Act, in which the United States undertakes to furnish to a foreign government defense articles, services, or information for the prosecution of the present war and which provides for the disposition of such articles, services, or information on terms and conditions of sale after they are determined by the President to be no longer necessary for use by such government in promoting the defense of the United States, shall not be deemed to be an agreement for post-war relief, post-war rehabilitation, or post-war reconstruction.

Agreements have been concluded with France, Belgium, and the Netherlands which provide that at such time as the President determines that supplies to be furnished thereunder are no longer necessary to the prosecution of the war, such supplies will cease and deliveries thereunder will be made on agreed payment terms. Supply agreements between the President and these governments are under review and may be revised in the light of the present situation. The President's determination with respect to the necessity of continuing supplies on a straight lend-lease basis for the prosecution of the war will depend upon the use of these areas in the supply and redeploymet of American forces as well as the other general considerations I have mentioned.

Of course, during the period that straight lend-lease aid is furnished to a foreign country, reverse lend-lease of supplies and services will continue to be received by the United States from that country.

...
Dear General Somervell:

In response to your telephone request of yesterday, I write to inform you officially of the present status of the Stage II Lend-Lease program for Great Britain as it pertains to the British ground army, air and fleet air arm requirements.

An overall agreement with the British was entered into and the program approved by the American Committee does not constitute any commitment. The American Committee, appointed for this purpose by the President, reviewed the conclusions and recommendations submitted to it by the various Joint Sub-Committees and, with some modifications, approved them as constituting a suitable basis for this government's budgetary and production planning.

So far as the British ground army requirements are concerned, the program approved by the Committee embodies substantially the conclusions and recommendations submitted to it on October 21, 1940 by representatives of the U.S. War Department and the British. (Covering memoranda signed by Patterson, Somervell and Clay for the U.S. and by Pennington, Unaar and Macready for the British). Similarly, for the British air and fleet air arm requirements, the approved program embodies substantially the conclusions and recommendations submitted on November 29, 1940 by representatives of the U.S. War and Navy Departments and British Air and Admiralty officials. (Letter of transmittal, November 29, signed by U.S. Brig. General G. C. Johnson and covering memoranda signed by Patterson, Lovett, Arnold, Jones, Pitch and Riley for the U.S. and Courtney, Fairy, Gillon, Somervell and Abel-Smith for the British).

There were, however, as I have indicated, some modifications of the reports submitted by the Joint Sub-Committees in the process of final approval by the American Committee. These modifications were arrived at through correspondence and discussions, the records of which are available to you but for your convenience I summarize the principal points as follows:

1. **Duplication of certain items in ground army and navy programs.**

   A minor modification in the ground army schedule as submitted by the Sub-Committee was made in order to eliminate provisions for the Army procurement of Landing Vehicles Tracked, an item which also appeared in the navy schedule. See in this connection letter to me from Under Secretary Patterson dated November 18, 1940.

2. **Addition of $75 million contingency provision in air program.**

   The original air program provided a contingency item of $200 million...
for new and spot requirements but the British requested an additional
contingency provision of $75 million for certain types of naval aircraft
should these become available. At a combined meeting in my office on
November 15, 1940, Mr. Gates and Sir Robert Sinclair reported that agree-
ment had been reached to provide this additional item. A supplementary
memorandum of agreement to that effect was signed November 6, 1940 by the
signatories to the original joint memorandum covering the air program.

3. Recommendation that Lend-Lease to Britain be conditioned on
acceptance by the U.S. Government of the principle of mutual respon-
sibility for furnishing of Re-
der mines Aid throughout British Empire and Commonwealth as
required by the common interest.

A recommendation to the above effect, subscribed to by the U.S.
representatives only, was contained in Paragraph 10 of the Sub-Committee
report on British ground arm requirements and in Paragraph 11 of the
Sub-Committee report on air requirements. As you know, it was objected
to by the British, Dominion and Indian representatives and was the
subject of much U.S. inter-departmental discussion as well as joint
discussion with the British at various committee levels.

At a combined meeting of the British and American groups in my
office on November 23, 1940, it was decided that Mr. Dean Acheson, of
the State Department, should, after conferences with the interested
parties, recommend to the American Committee a suitable solution of the
problem. Mr. Acheson’s recommendation, which was to the effect that the
assumptions of the Dominion and Indian governments pertaining to Re-
der mines Aid be accepted and the conditional clauses above referred to be aban-
doned, was approved by the American Committee. This information, together with
the relevant documents, was transmitted to Under Secretary of War Patterson in
a letter from me dated January 16, 1941.

I believe that the foregoing points constitute the only modifications
that have been made in the ground arm and air programs and their covering
memoranda as submitted by the Joint Sub-Committees. Other matters con-
ected with the Stage II negotiations have been the subject of discussions
and correspondence between the Treasury and War Departments but these do
not affect in any way the Lend-Lease program as approved.

Sincerely yours,

(Signed) H. Kongenstein, Jr.

General W. B. Donovan, Jr.

General, Commanding,

Army Service Forces,
Office of the Commanding General,
Washington, D.C.

Copied - 2/23/45
UNITED KINGDOM TREASURY DELEGATION

BOX 880
BENJAMIN FRANKLIN STATION
WASHINGTON, D.C.

May 27, 1945.

Dear Mr. Secretary:

When I saw you yesterday you asked if I could let you
have a note on the matter which is now before Judge Vinson --
particularly indicating its relationship to the agreements which
were concluded in the fall under the aegis of the committee under
your chairmanship.

I now enclose two copies of such a note. I hope
that this will give you the information which you require, but
if there are any details not clear to you please do not hesitate
to let me know.

Yours sincerely,

[Signature]

The Honorable Henry Morgenthau,
Secretary of the Treasury,
Washington, D.C.
1. At the Quebec Conference President Roosevelt and Prime Minister Churchill decided that the scale of the Lend-Lease aid to the British Commonwealth during the first year of Stage II in both munitions and non-munitions should be considered in Washington by a committee under the chairmanship of Mr. Morgenthau. General guiding lines for the committee were laid down by the President and the Prime Minister.

2. Under the aegis of the committee, agreement was reached with the heads of the various American agencies concerned on the general scale of the British Commonwealth Lend-Lease programmes for both munitions and non-munitions in Stage II. An agreement was also reached (to come into effect on 1st May) covering revised arrangements for U.S. exports in connection with the export white paper.

The above agreements were reported to the final meeting of the combined committee on the 22nd November, 1943.

The outcome of the discussions was subsequently reported to the President by the U.S. representatives and to the Prime Minister by the U.K. representatives. The Prime Minister made a full statement on the subject in the House of Commons on the 30th November, while on the same day a press release was issued in Washington by the U.S. representatives on the committee.

3. The basic assumption upon which the agreed programmes were formulated and accepted was that in the U.K. as in the U.S. there would be a cut-back in Stage II of munitions production to permit of certain essential adjustments in the civilian economy of the United Kingdom with the object of enabling the United Kingdom to play a fully effective part in the war against Japan. The general principle of a proportionate reduction in the munitions production of both the United Kingdom and the United States was recognized in the U.S. press release which reference has already been made in the following terms:

"It is likely, however, that both the U.K. and the U.S. will be able to reallocate part of their resources on an equitable basis to meet essential civilian needs in the period between the defeat of Germany and the defeat of Japan."

4. At a meeting on the 17th April, 1945, the C.P.M. placed on formal record the fact that the prospective rates of munition cut-backs foreshadowed

in the United States, the United Kingdom and Canada in Stage II were in general correspondence in scale. In other words, the basis of the Stage II agreements remains as foreshadowed in the combined discussions which took place in the Fall and the Lend-Lease programmes now submitted in pursuance of those agreements have been formulated upon the same basic assumptions, as were accepted as valid in the fall discussions.

5. It is understood, however, that the U.S. War Department have suggested that the agreements were not finally approved by the President and that in consequence the basic position requires reaffirmation. In particular, certain questions have been raised as to the use of U.K. munitions capacity before Lend-Lease demands are made on the United States. Accordingly the U.S. War Department have asked Mr. Vinson to advise them as to the status of the munitions agreements reached in the Fall. It is hoped that Mr. Secretary Morgenthau will be willing to bring to the notice of Mr. Vinson the principles underlying the agreements reached in the Fall and their continued validity to-day. It is essential to the war effort of the United Kingdom against Japan on the basis of the approved combined strategy that the programmes framed in accordance with these agreements should be agreed without delay.

6. No issue of principle has arisen in any discussions with Mr. Sir John Simon concerning munitions programmes and it is worth recording that on May 14th Mr. Greer issued a statement in the course of which he said:

"The Lend-Lease supply programme for the United Kingdom, India, Australia, New Zealand and British Colonies following the defeat of Germany has been agreed upon in discussions between British and American representatives. It is proposed that the programme be carried out with such adjustments as supply considerations from time to time may require."

May 17, 1945.
May 22, 1945

Secretary Morgenthau (For action)

Mr. White

Subject: Mr. Brand's request for reconfirmation of the principles of the Stage I program.

1. Mr. Brand, in a note and side memo to you dated May 17, reviewed briefly the Stage II negotiations and principles underlying the Stage II program as he understands them. After this review he makes the following statement:

   "It is understood, however, that the U.S. War Department have suggested that the agreements were not finally approved by the President and that in consequence the basis position requires reaffirmation. In particular, certain questions have been raised as to the use of U.S. munitions capacity before Land-Lease demands are made on the United States. Accordingly the U.S. War Department have asked Judge Vinson to advise them as to the status of the conditions agreements reached in the Fall. It is hoped that Mr. Secretary Morgenthau will be willing to bring to the notice of Judge Vinson the principles underlying the agreements reached in the Fall and their continued validity today."

Mr. Brand adds that "It is essential to the war effort of the United Kingdom against Japan on the basis of the approved combined strategy that the program framed in accordance with these agreements should be agreed without delay."

2. We do not know just what matter the War Department has taken up with Judge Vinson, when we have been unable to reach personally. It may have been the difficulty reported to you on May 1 by General Roosevelt that he believed the British were exporting airplanes under circumstances not contemplated in the Stage II agreements and that, since the programs constitute no commitment, he was going to begin to say "no" on British requisitions.

3. In any event it seems clear that the British are pressing to get the whole program recognized at this time as a definite agreement and commitment, a development which we deliberately avoided last Fall. They quote in this connection the State Department press release of May 11 which said that the Land-Lease supply program for the British had been agreed upon and that it is proposed that the program be carried out with such adjustments as supply considerations may require.
1. I suggest you write to Judge Vinson reviewing the Quebec and Stage II understandings as we see them, and write to Mr. Brand stating simply that you have done so.

2. Accompanying this memorandum are: (see tabs)
   (2) Copy of letter and Ades-Memoire to you from Mr. Brand dated May 17, 1945.
   (3) Copy of American Committee's report to the President, recommending the Stage II program, November 27, 1944. (Fresh copy also attached to suggested letter to Judge Vinson. See #6.)
   (4) Copy of your letter to General Somervell, April 27, 1945, summarizing status of Stage II program. (Sent at his telephone request.)
   (5) Suggested reply to Mr. Brand.
   (6) Suggested letter to Judge Vinson.

Not used. First page seen and kept by Section May 23.
Memorandum for the President

1. At Quebec President Roosevelt and Prime Minister Churchill decided to have an American Committee set up consisting of the Secretary of the Treasury, Under Secretary Stettinius and Mr. Crowley to consult with the British Committee set up by the Prime Minister on the question of international financial position of Britain and the lend-lease arrangements for the British Empire in the period between V-E day and the defeat of Japan.

2. The discussions were carried on by the Treasury, State Department, FEA, Army, Navy and numerous Subcommittees for several months.

A recommendation was submitted to the President on November 27. With the submission of the report, the Committee considered itself dissolved.

3. Inevitably with the inauguration of the program numerous problems of policy and implementation of the understandings arise. The British Treasury is pressing me for a reply with respect to several important matters of interpretation of the recommendations made to the President by our Committee.

Since the dissolution of the Committee, there is no central authoritative group with whom the British can discuss questions with respect to Lend-Lease matters.

(Taken by the Secretary to the President, May 23, 1945 with accompanying file)
The Honorable
The Secretary of the Treasury

Dear Mr. Secretary:

Following the meeting of 25 May in your office regarding measures in support of the Anti-Inflation Program in China, I have looked further into the matter of War Department responsibility for making available additional supplies of cotton textiles as a means of checking the excessive rise in prices of clothing and of procuring foodstuffs on a larger scale.

My inquiry reveals that at no time has the United States Army in China used textiles or clothing as incentive goods in local procurement of foodstuffs. These have either been paid for by the Army in Chinese National currency purchased from or advanced by the Chinese Government against future settlement or have been furnished in kind by the Chinese to the United States Armed Forces and charged as reverse loans-in-exchange in accordance with the terms under which, as you will recall, Dr. Kung accepted the sum of $210,000,000 in settlement of Chinese claims up to 30 September 1946.

I also find that in connection with Dr. Soong’s memorandum of 14 April 1946 to the Secretary of State on measures for countering inflation in China, the Army was not requested to furnish textiles to the Chinese from its stocks nor to procure such through allotment of War Department funds for this purpose. While stressing the importance of availability of cotton cloth to exchange for local foodstuffs and to break prices in certain military areas, Dr. Soong’s memorandum merely requests that “the United States Government move up the priority for Chinese cotton requirements of 3,000 tons monthly in order to insure early delivery.” Moreover, in concluding his memorandum Dr. Soong states that “it should be emphasized that it is no part of our intention to solicit loans or credits.”

As you are aware, the Foreign Economic Administration has been acting for the Chinese Government in the placing of cotton textile orders for the Chinese in the United States, as well as in Brazil and Mexico, for which payment is to be made by the Chinese. The urgent problem is the priority

SPWF - Continued

Sincerely yours,

(Signed) A. H. CARTER
Major General, O.S.C.
P 2111

R.E.
MB 933

SPWF

0011

Regraded Unclassified
May 23, 1945

My dear Mr. Clayton:

For your records, I am sending you herewith copy of a letter which I have written to Secretary Stimson.

Sincerely yours,

(Signed) H. Morganthau, Jr.

Honorable William L. Clayton,
Assistant Secretary of State,
State Department,
Washington, D.C.

MEMORANDUM FOR File

Mrs. Elston telephoned me to say that the Secretary wished me to telephone Mr. Brand to say that the matter raised by him on May 14 with regard to lend-lease is now in the hands of the President and further action will have to await instructions from the President as to how the matter is to be handled. I telephoned that message to Mr. Brand.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE May 23, 1945

To Secretary Morgenthau
From Mr. Sheaffer

Representative Frederick C. Smith of Ohio said yesterday in the House that Lord Keynes contrived the Bretton Woods Plan and that Secretary Morgenthau and his experts are merely a "front". His statement is marked in the attached.
When Moltke replaced Liutze as Foreign Minister, he said, on May 31, 1898, that the German Empire would no longer have to deal with war in any form because it had already decided to concentrate all its efforts upon the future, especially on the Kaiserreich's eastern border. This was the period when China and Russia were at war, and Moltke's statement was made in the context of China's rising powers. Moltke's words may have reflected the growing importance of China in the world, which was not fully appreciated at the time. The growth of China's power and influence was a significant development, and it is not surprising that Moltke would have been aware of it. The statement also highlights the changing dynamics of international relations, with the rise of new powers challenging the old ones. Moltke's words may have been a warning to China to be cautious in its ambitions, as well as an acknowledgment of the need to consider China's growing importance in the global arena.
To which he significantly added:

If it may or may not affect, that great

To the.

Britain might do well to give
careful consideration to this proposal.

In my opinion, it is fraught with potential

Shall be blind.

If not a prophet, what shall it be?

On March 28, 1945, the New York Times
carried a story with the

That was such an

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payment for current transactions. Article VII, sections 4-6, provides for the establishment of a Frequent Trade Mark, and Article VIII, section 1, prohibits any embargo, which would be in violation of this. In Article IX, section 2, Congress is empowered to regulate the exchange of money and the establishment of a national bank. The purpose of this is to provide a uniform currency throughout the country.

In Article X, Congress is authorized to make necessary expenditures for the support of the laws. This provision is necessary to prevent the nation from becoming involved in financial difficulties. In Article XI, Congress is authorized to levy taxes and duties for the payment of debts and for the support of the government. This provision is necessary to provide funds for the maintenance of the government and the payment of its debts.

In Article XII, Congress is authorized to regulate the value of money and to provide for the payment of debts. This provision is necessary to prevent the country from becoming involved in financial difficulties. In Article XIII, Congress is authorized to provide for the organization of state governments and for the regulation of foreign commerce. This provision is necessary to provide for the organization of state governments and the regulation of foreign commerce.

In Article XIV, Congress is authorized to provide for the regulation of the value of money and to provide for the payment of debts. This provision is necessary to prevent the country from becoming involved in financial difficulties. In Article XV, Congress is authorized to provide for the regulation of foreign commerce and the establishment of a national bank. This provision is necessary to provide for the regulation of foreign commerce and the establishment of a national bank.

In Article XVI, Congress is authorized to provide for the regulation of the value of money and to provide for the payment of debts. This provision is necessary to prevent the country from becoming involved in financial difficulties. In Article XVII, Congress is authorized to provide for the regulation of foreign commerce and the establishment of a national bank. This provision is necessary to provide for the regulation of foreign commerce and the establishment of a national bank.
CONGRESSIONAL RECORD—HOUSE  

V and 112. The hearing will be held in the Judiciary Committee room, 244 House Office Building.

Congress on insurance and

(12:30 p.m., May 17.)

There will be a meeting of the Committee on Immigration and Naturalization on April 23, 1965.

Reports on Executive Session of the Executive Committee (Tuesday, May 18, 1965)

Hearing on H.R. 1717 will be held beginning Wednesday, May 19, 1965, at 10 a.m. for the consideration of bills relative to veterans' benefits.

Conference on Senate and House.

Committee on Appropriations.

(February 28, 1965)

There will be a meeting of the Committee on Appropriations on Tuesday, May 25, 1965, at 11:30 a.m. to consider H.R. 22.

Conference on Senate and House.

PENALTY AND RESOLUTIONS

Under clause 3 of rule XXIII, bills and resolutions were introduced and referred as follows:

Mr. KENNEDY.

The United States in an alliance with the United Kingdom in the nuclear power plant within the United States. In the resolution, as the United States is presented.

Mr. MURDOCK.

A bill to amend section 3 of the United States Freedom of Information Act of 1966, as amended, and for other purposes, to provide for the establishment of a law enforcement in accordance with the Committee on House Office Building.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIII, executive communications were forwarded to the Clerk of the House.

A letter from the Secretary of the Interior, transmitting a report of the Secretary of the Interior and the Bureau of Reclamation, was received and referred to the Committee on Interior and Insular Affairs.

MEMORANDUM

Under clause 3 of rule XXIII, memorials were presented and referred as follows:

The American Monument of the Legislative Assembly of the State of Ohio, as the Committee on the Federal Government, in accordance with the provisions of the Committee on Education, in accordance with the provisions of the Committee on Education, in accordance with the provisions of the Committee on Education.

MEMORANDUM

Regraded Unclassified
HM Jr took these up with the President at conference on May 23, 1945 - See W.H. Folder.

May 23, 1945.

MEMORANDUM FOR THE PRESIDENT

In January of 1944, President Roosevelt established the War Refugee Board, consisting of the Secretary of State, the Secretary of the Treasury, and the Secretary of War, for the purpose of taking all possible measures to rescue the persecuted peoples of Europe who were in imminent danger of death at the hands of the Nazis. With a small staff in Washington and representatives in strategic neutral countries, the War Refugee Board put the full prestige and power of the United States Government behind the efforts of private agencies and inter-governmental organizations, particularly the Inter-governmental Committee on Refugees and UNRRA. Although it is impossible to measure the success of the Board in terms of exact statistics, there is no doubt that many thousands of lives were saved as a result of its work. This was accomplished because the problem was recognized and dealt with as one requiring attention by the government at the highest level.

The great humanitarian task assigned to the War Refugees Board is now practically completed. There is left, however, the equally great problem of the resettlement of hundreds of thousands of displaced persons who are unable or unwilling to return to their homelands. The Inter-governmental Committee on Refugees was authorized to arrange for the rehabilitation and resettlement of such displaced persons. However, if the inter-governmental Committee is to do a successful job, the full force and weight of the United States Government must be placed behind its resettlement activities as was done in the case of its rescue activities.

Since the device of a Cabinet Committee has been so successful in the case of the War Refugees Board, it is my view that very consideration should be given to continuing this device with respect to the problems of the homeless victims of Nazi oppression, whose lives have been saved in large measure as the result of the activities of this Government.
I recommend for your consideration the establishment of a Cabinet Committee to deal specifically with the problem of the permanently displaced and non-repatriable groups in Europe and to handle the relations of this Government with the Inter-governmental Committee on Refugees and the UNRRA. Such a Committee might consist of the Secretaries of State, Interior and Commerce. If you wish, I shall be glad to sound out other interested people concerning this proposal prior to liquidation of the War Refugee Board, which is contemplated for the very near future.

The War Refugee Board was established January 28, 1944.

The Board was established by Executive Order of President Roosevelt which set forth a firm statement of national policy to save victims of Nazi oppression in imminent danger of death. The Secretaries of State, Treasury and War were designated the members of the Board and an Executive Director was appointed as its principal executive officer.

The Board cooperated closely with private agencies and international organizations.

The Board undertook to coordinate and facilitate the operations of all interested American private relief agencies, and to cooperate closely with international organizations, particularly the Intergovernmental Committee and the UNRRA, as well as with agencies of foreign governments.

Private American relief agencies with trained personnel and readily available funds did most of the financing and operating in the field. The Board obtained for the private agencies governmental permission to send funds into enemy territory, permission to communicate with persons in enemy territory, the help of United States diplomats, the use of government communication channels and the Board provided the guidance of government officials in developing and organizing private programs of rescue and relief.

The Board's Programs

1. Rescue and Relief. The board undertook to develop its own program of rescue and relief, and funds plus the necessary authority were given to its representatives abroad to conduct such operations. The Board also undertook an extensive project, financed with government funds, for the development of a feeding program for oppressed victims inside enemy lines. Food packages purchased in the United States were delivered to the International Red Cross for distribution to the starving inmates of German concentration camps.

2. Protective Measures. In addition to relief and rescue operations, the Board developed certain very effective measures to safeguard the lives of oppressed people while still in enemy hands. As the result of the Board's efforts, many thousands of stateless Jews holding questionable identification papers or
passport for entry into various Latin American countries were kept alive because the countries involved were persuaded to accord the protection of their nationality to the people holding these invalid documents, at least as long as they remained in enemy hands. Special protection was also accorded to persons in enemy control who were close relatives of American citizens or residents. The names of all of these people were transmitted through appropriate channels to the Germans who were notified that such persons were recognized as exchangeable by the countries of the Western Hemisphere. The very fact of their recognized exchange status saved many of them from death by the Germans.

3. Psychological Warfare. A very important and effective phase of our Refugee Board activities was the development of psychological pressures in the form of warnings to the enemy and its satellites, designed to forestall further persecution of Jews and other minorities. The Board secured the cooperation of all interested government agencies in this important work.

4. Havens of Refuge. The Board also undertook to find temporary safe havens for those oppressed victims who could escape from the enemy. As a token of this Government's interest, one haven was established in the United States when 692 refugees were brought from Italy to the Emergency Refugee Shelter at Fort Ontario, Oswego, New York.
Memorandum to the Secretary of the Treasury:

Subject: Peter H. Bergson (Hilal Eokk)

On May 22, 1945 the following letter was received:

U.S. DEPARTMENT OF JUSTICE
IMMIGRATION AND NATURALIZATION SERVICE
WASHINGTON FIELD OFFICE WASHINGTON D.C.

Refer to File W-CH-894

May 19, 1945

Mr. J. S. Guthman,
Attorney at Law,
Tower Building,
Washington, D.C.

Dear Sir:

It is desired to inform you that it is now proposed to recommend an order of deportation be entered in the case of your client Hilal Eokk, alias Peter H. Bergson, alias Peter H. Bergson,

You are hereby notified that you have a period of five days from this date in which to file with the Board of Immigration Appeals any exceptions or any representations which you desire to make. Failure on the part of the Board of Immigration Appeals to hear from you within the period of time set will be interpreted to mean that you have nothing further to offer.

Very truly yours,

(Signed) CHARLES E. FRANK
Officer in Charge

May 23, 1945

Page 2

Memorandum to the Secretary of the Treasury:

I hope you will bear with me when I in complete honesty tell you that the act of deportation is carried out, will constitute a shocking departure from our American glorious tradition of granting asylum to fighters and leaders for freedom causes of foreign peoples.

Regardless whether one agrees with Mr. Bergson's activities or not, the fact still remains that he is considered, even in this country, by tens of thousands of people from all walks of life, Christians and Jews alike, as a man of the highest integrity and who has dedicated his whole life to the cause of his martyred people.

Right now he is engaged in a campaign to bring about the formation of an intergovernmental machinery in which America is to play a principal part in order to repatriate as many stateless and homeless Jews from Europe to Palestine. These endeavors have the support of many members of both Houses of Congress.

I therefore appeal to your warm heart and boundless compassion to prevent a wrong from being committed, not only in regards to the suffering of the Jews in Europe, but also to the fair name of our beloved country.

Respectfully yours,

Rabbi Baruch Koref

May 25, 1945

Regarded Unclassified
The Honorable,

The Secretary of the Treasury

Dear Mr. Secretary:

With further reference to your Letter dated 20 October 1944, requesting shipment of $25,000,000 in gold to Assam, India, the following arrangements have been made by the War Department for the eighth shipment of gold to be placed in strong rooms of the fastest vessel available under allocation of the Army for shipment to Calcutta without charge to the Chinese Government for transportation but without assumption of risk by the War Department:

1. It is understood that the shipment will consist of the following lots:

   10 bags numbered CSR 301 through CSR 310 valued $1,112,660.12 having a gross weight of approximately 2360 pounds and a gross displacement of approximately 10 cubic feet.

2. It is also understood that the Federal Reserve Bank of New York is making all necessary arrangements to transport the gold to the Los Angeles Port of Embarkation to arrive on 21 May with insurance affected by the final consignee.

3. Each bag should be marked as follows:

   TO: Port Transportation Officer
   Los Angeles Port of Embarkation
   Wilmington, California

   FOR: BERT-J-CFP-CFP 315

4. The Commanding General, India-Burma Theater will be advised by War Department radio the number of the vessel on which the bags were loaded with request that arrangements be made for the acceptance and delivery of the bags to Mr. P. F. Ling, Manager, Bank of China, Calcutta, India.

Sincerely yours,

(Signed) A. E. CARTER

A. E. CARTER

Major General, G-3

Fiscal Director

Regraded Unclassified
"The American people have taken V-E Day in their stride and are driving resolutely ahead toward final victory," Secretary Morgenthau said today. He based his statement on word received from War Finance Committee Chairman throughout the country who have reported on the general attitude of people toward the war effort as well as results in the "Mighty Seventh" War Loan drive.

The reports show that the millions of volunteer workers participating in the drive have traveled about a third of the way toward their goal of four billion dollars in S Bonds and more than a quarter of the way toward the seven billion dollar goal in all individual sales.

"Fears that the people as a whole might decide that V-E meant the war was about won have proved to be groundless," the Secretary added. "The Chairman all tell me that the people are just as determined as ever, that they are well aware that we still have a big war on our hands and that we have a big job to do here at home to back up our boys before final victory brings them home to us."
Morgenthau Hails Public For Taking V-E 'in Stride'

Bond Buying Shows It Knows War Did Not End With European Success, He Says—Individual Sales 28.5% of Quota

Secretary of the Treasury Henry Morgenthau Jr., commenting on the response to the Seventh War Loan, declared that the Americans had aided V-E Day by their strides.

"Please the people at a time when the war was almost over was an "unusual" task, he said. He issued this on word from President Committee chairman, the man who was in charge of the country who has not only on the home front but also on the people's general attitude toward the war. The Treasury announced that the public had subscribed 28.5% of the total, 5.7 billion dollars, at 3.3 billion dollars, in the first day.

He stated that for the first time more savings bonds were sold than any other day in the past, and that bonds were being sold by banks and other financial institutions.

"We have sold more savings bonds than ever before," he said. "And the people have responded to the challenge of the war by buying bonds."

ON V-E DAY PRIZED

Continued From Page 1

must back the attack on Japan with his or her maximum resources in the Seventh War Loan." Another statement from Rear Adm. William H. Poring, commander, Navy Yard, Pearl Harbor, was:

"Our job at Pearl Harbor is to keep the ships fit to fight. Your war bonds purchase the steel, gunpowder, and work which we perform to keep the battle-hardened ships in fighting trim."

"We must fight, and we must be ready. Your bond helps to ensure that."

Sales in State and City

A check of 23 per cent in the New York State and of 23 per cent in the New York City was recorded yesterday. In the State, $1,210,000 was the total individual sale for Monday, according to Federal Reserve Bank reports. In New York City, the sales were $1,050,000, or 23.1 per cent of the total.

The record in the Seventh War Loan drive was set by the New York State Chamber of Commerce for New York State, which reported that the state had subscribed $1,210,000 which, added to previous sales, leaves the total to $1,210,000 or 23.1 per cent of the state's quota of $5,240,000.

In New York City, the sales of $5,240,000, which is 23.1 per cent of the city's quota of $22,600,000, for Monday at $2,260,600, single day sale of bonds to individuals totaled $3,071,178,871, bringing the cumulative total to $22,600,000, or 23.1 per cent of the city's goal of $97,400,000.

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whole might decide that V-E day meant the war was over and would have proved to be a groundskeeper. 10

One trend that is on hand from the League of Nations, War Finance Committee chairman said this week that the country who has reelected that it was not as the world had reelected the world's general attitude toward the war.

The Treasury announced that the sale of individual bonds was much below the expected 8.5% of the $2,000,000,000 goal, or $1,600,000,000, while the bond sales had not reached $150,000,000,000, or $1,600,000,000.

Late was paid to the national bond by Ted R. Ginnis, national chairman of War Finance director, who ad

ON V-E DAY PRaised

Continued From Page 1

might lose the war by Japan with the attack on Japan with the attack on war bonds, the recent fund raising by the overseas fund raising by the overseas

A statement from Rear Adm. William B. Fearing, the rear admiral, was as follows: "The war bonds purchase the steel, guns and equipment with which we repair the battle-damaged ships and return them to the fight. The men who fight and die in those ships deserve your purchase of war bonds until it hurts."

Bonds in State and City

A check of 2.8% per cent in the sale of bonds to individuals in New York State and of 2.6% per cent in New York City was recorded yesterday. In the State, $46,000,000 was the total individuals and the city, $11,000,000, which was the largest total for the city.

The Treasury has been tabulating, while the cumulative total reached $113,000,000, or 31.1 per cent of the quota of $353,000,000, while the city, $13,000,000, which was the largest total for the city.

In the city, the sale of bonds reached $126,000,000, which is 35.4 per cent of the $353,000,000 goal, or $126,000,000, which was the largest total for the city.

The sale of bonds reached $126,000,000, which is 35.4 per cent of the $353,000,000 goal, or $126,000,000, which was the largest total for the city.

New York's jewelry trade opened its Seventh War Loan drive yesterday morning with a rally at 43 West Fortieth Street, where the street between Fifth and Sixth Avenues, 1,000 people gathered around a clock on which marchands, given away with bonds, was displayed. Total sales for the day were $500,000, a watch that went for $500,000 in bonds bringing in the highest price.

Oscar Grand 9/10 Alexander Banks of 18 Dupont Street, Brooklin, veteran of eleven Pacific invasions, spoke of the bonds and the war and the drive for bonds. "You should realize how important it is to buy bonds."

The rally was sponsored by the Jewelry Buyers Club and the Upper Town Jewelry Exchanges.

Door-to-Door Sales

The thirteen districts of the Community Sales Division have reached 7.8% per cent of the goal of $250,000,000. In the door-to-door campaign of Manhattan, Wil- 10

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A MITE AIDS THE 'MIGHTY SEVENTH'

Henry Kingsley Cookson, 14-month-old son of Capt. Frank Cookson, and Mrs. Henry J. Cookson, Station Island, proudly displaying the $100 bond purchased by his father to bring the boy's total to $100.
BULLETIN

Perkins, Wickard and Biddle Resign From Cabinet Posts

President Truman this afternoon announced the resignations of Secretary of Labor Perkins, Secretary of Agriculture Wickard, Attorney General Biddle and War Food Administrator Marvin Jones.

He announced that former Senator Louis B. Schwellenbach of Washington, now a Federal judge, would be the new head of the Labor Department. Assistant Attorney General Tom C. Clark of Texas will head the Justice Department and Representative Clinton P. Anderson of New Mexico, who has been heading the House food investigation, would be Secretary of Agriculture. Secretary of Agriculture Wickard is to become rural electrification administrator, and Food Administrator Jones is returning to his place on the Court of Claims.

The President does not intend to appoint a new war food administrator, but will combine that work with the Agriculture Department and the work will be under the Secretary of Agriculture.

President Truman, who announced the shake-up at a news conference, was asked if Secretary of the Treasury Morgenthau had submitted his resignation and said emphatically he had not, and added emphatically that if it had been it would not have been accepted. Asked if he intended to make a change in the State Department, he said he did not.
My dear Mr. Chairman:

Your letters of January 12, 1945, and March 14, 1946, request the Treasury Department to submit its views on the bill, H. R. 3882, "To amend the Railroad Retirement Act, the Railroad Unemployment Insurance Act, and subchapter 2 of chapter 8 of the Internal Revenue Code; and for other purposes."

The Treasury has consistently favored the amplification and extension of the whole social security system. H. R. 3882 extends and improves social security benefits for an important group of employees. Accordingly, the Treasury favors the objectives of this bill, and believes that legislation should be enacted to achieve them.

The Treasury believes, however, that H. R. 3882 should be amended in certain respects. It views the proposed transfer of additional tax collecting powers to the railroad retirement board as objectionable. It feels that taxpayers should not be required to deal with more than one Federal agency in tax matters and should not be subjected to an unnecessary complication of audits. This position was expressed by the Treasury in 1938 when the railroad unemployment insurance act was under consideration. Since then collection of income tax at source has been instituted. There are potentialities for integration of the collection and administration of the payroll and income taxes. These potentialities for simplification cannot be achieved under the proposed division of the responsibility for tax collection as regards the railroad industry.

The Treasury desires to call to the attention of the Committee a matter of general importance in connection with this legislation. Section 12 of the Railroad Retirement Act and section 22(f) of the Railroad Unemployment Insurance Act provide that benefits under these acts shall not be subject to any tax. The present bill would increase certain benefits and create others which would be exempt from taxation. The Treasury is opposed to such special tax exemption provisions and believes that they should be removed from the law so that the treatment accorded these benefits would be governed by the provisions of the Internal Revenue Code generally applicable to other benefits of the same character. The basic question is, to what extent would the benefits under the railroad acts as well as to others.

There are also a number of administrative and technical problems which are raised by the provisions of the bill. In general these problems relate either to the dividing line between the railroad security program, on the one hand, and the social security system on the other, or to the proposed transition from the present system of collection of these taxes to the proposed method of collection. These can be more appropriately dealt with in a separate technical report which will be sent you in the near future.

Very truly yours,

Honorable Clarence F. Lee
Chairman, Committee on
Interstate and Foreign Commerce
House of Representatives
Washington, D. C.

5/23/45

Regraded Unclassified
April 26, 1945

My dear Mr. Chairman:

Your letters of January 12, 1945 and March 14, 1945 request the Treasury Department to submit its views on the
bill, H.R. 1362 "To amend the Railroad Retirement Acts, the
Railroad Unemployment Insurance Act, and subchapter 3 of chapter
3 of the Internal Revenue Code; and for other purposes.*

The Treasury has consistently favored the amplification
and extension of the whole social security system. Insofar
as H.R. 1362 is consistent with the policy of extending social
security benefits, the Treasury is in favor of its objectives.
The Treasury, however, favors the provision of additional ben-
efits and extension of coverage to all workers without
discrimination.

H.R. 1362 provides payroll taxes aggregating 14-1/2 per-
cent in the near future and 15-1/2 percent eventually, com-
pared with the present level of 9-1/2 percent. These taxes
differ greatly from voluntary contributions to private insurance
plans. They are a matter of general public interest, and,
equally with other taxes, should be appraised from the view-
point of their effects on the economy. The general public
would undoubtedly bear a substantial portion of the burden of
these taxes which are of a regressive character. Moreover,
the financing plan for the railroad social security system
calls for the withdrawal from purchasing power of appreciable
amounts of money to be accumulated in a large reserve. This may
have important deflationary effects in the postwar period.
Although payroll taxes of this magnitude may have little effect
on employment in the railroad industry and elsewhere during
the war years they can hardly fail to have an adverse effect in
the postwar period.

At the present time the general social security program is
not being financed on a full reserve basis. The Treasury be-
lieves that both programs should be financed in a consistent
manner. President Roosevelt had indicated that the entire
social security program was in need of revision and expansion.
It is understood that investigation of all phases of the social
security program—the benefit system and the methods of financing—is likely to be undertaken by the Congress in the near future. There may be special problems associated with applying social security to the railroad industry and these should be uncovered as a result of the current hearings on H.R. 1162. It is, however, desirable to have the benefit system and the financial arrangements of the social security program for the railroad industry closely integrated with the social security program. Accordingly, the Treasury recommends that action on H.R. 1162 be postponed until it can be considered in relation to a revised social security program.

The Treasury views the proposed transfer of additional tax collecting powers to the Railroad Retirement Board as objectionable. It feels that taxpayers should not be required to deal with more than one Federal agency in tax matters and should not be subjected to an unnecessary duplication of audits. This position was expressed by the Treasury in 1938 when the Railroad Unemployment Insurance Act was under consideration. Since then collection of income tax at source has been institutionalized. There are potentialities for integration of the collection and administration of the payroll and income taxes. These potentialities for simplification cannot be achieved under the proposed division of the responsibility for tax collection as regards the railroad industry.

The Treasury desires to call to the attention of the Committee a matter of general importance in connection with this legislation. Section 12 of the Railroad Retirement Act and section 2 (e) of the Railroad Unemployment Insurance Act provide that benefits under these acts shall not be subject to any tax. The present bill would increase certain benefits and thereby increase the benefits and create others which would be exempt from taxation. The Committee is opposed to such special tax exemption provisions and believes that they should be removed from the law so that the treatment accorded these benefits would be governed by the provisions of the Internal Revenue Code generally applicable to other benefits of the same character. The basic question of the proper treatment of annuities and similar benefits under the income tax is being reexamined and whatever decision is reached should be applicable to the benefits paid under the Railroad Acts as well as to others.

There are also a number of administrative and technical problems which are raised by the provisions of the bill. In general these problems relate either to the dividing line between the railroad security program, on the one hand, and the social security system on the other, or to the proposed method of collection. These can be more appropriately dealt with in a separate technical report which will be sent you in the near future.

The Director, Bureau of the Budget, has advised the Treasury Department that there is no objection to the presentation of this report, but that this advice should not be construed as involving any commitment as to the relation to the President's program of the specific provisions of the bill.

Very truly yours,

Signed — D. W. Bell
Acting Secretary of the Treasury

Honorable Clarence F. Lea
Chairman, Committee on
Interstate and Foreign Commerce
House of Representatives
Washington, D. C.

Regraded Unclassified
IMMEDIATE RELEASE
JANUARY 23, 1945

The President has addressed the following letters, identical except for the designation of the Senate and House Bills (S. 293 and H. R. 1238) to Senator Burton K. Wheeler, Chairman, Committee on Interstate Commerce, and Congressman Clarence J. Lee, Chairman, Committee on Interstate and Foreign Commerce.

"January 22, 1945

'Dear Mr. Chairman:

As you know, I have been for many years interested in the development of the Railroad Retire- ment and Railroad Unemployment Insurance Acts. I realize, as I am sure you do, that our early social insurance legislation, as is true of most ventures in new fields, needs to be reexamined from time to time in order to make sure that the provisions operate in practice so as effectively to carry out those benefi- cent purposes which all of us wish to see accomplished.

S. 293, now before your Committee for con- sideration, represents the results of a study, over a period of several years, of the operations of the Rail- road Retirement and Railroad Unemployment Insurance Acts by the Railway Labor Executives' Association, representing the great bulk of railway workers, and the Railroad Retirement Board.

This study has included an analysis of many thousands of suggestions made by railroad workers and their local organizations. Many proposals were, of course, rejected; what remains represents an effort to make these railroad insurance systems function more effectively.

I am told by the Chairman of the Railroad Re- tirement Board that preliminary drafts of the bill were widely circulated to all groups in the industry in 1942 and 1943. Two bills, the major provisions of which were substantially the same as S. 293, were introduced in the recent session of the Congress, one of them as early as last May. There has therefore been ample opportunity for all interested groups to study the propos- als; and all those involved should by now be fully prepared to state their views.

I am heartily in favor of the objectives of S. 293 and I hope that the Congress will see fit to act favorably on these objectives.

May I ask that your Committee take the neces- sary steps to hold hearings on the bill as soon as possible?

Very sincerely yours,

"FDR"

[Signature]"
My dear Mr. President:

The receipt is acknowledged of your letter of May 5, 1945, referring to the provisions of the President's order of March 17, 1934, directing the exclusion from entry of certain cigar lighters under the provisions of section 337, Tariff Act of 1930, until and including June 11, 1945, the date of expiration of United States Letters Patent Release No. 190038 issued to Art Metal Works, Inc., Newark, New Jersey.

It is noted that the life of the patent in question was extended for the term of 7 years from and after the 10th day of June 1945, by Private Law 584, 78th Congress, approved December 23, 1944, and that, since the date June 11, 1945, mentioned in the order of March 17, 1934, represented the expiration date of the patent, the previous order is modified by deleting the date "June 11, 1945" therefrom and substituting therefor the date "June 11, 1952."

All collectors of customs and others concerned will be notified of the provisions of your modifying order by a Treasury decision which will be published in an early issue of the weekly Treasury Decisions.

Faithfully yours,

(Signed) H. Meanyahan, Jr.

The President

The White House

(In duplicate)
of Congress approved December 23, 1944 (Private Law 654, 78th Congress), extending the life of Registered Letters Patent No. 190288 for the term of seven years from and after the 12th day of June 1945, I hereby modify the President's order of March 17, 1944 by deleting the date 'June 11, 1945' therefrom and substituting therefor the date 'June 11, 1943.'

The number of this Treasury decision shall be inserted as a marginal reference for section 12.30 (a), Customs Regulations of 1943.

Acting Commissioner of Customs

Approved 23 May 1945

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Enacted 5-14-45

For publication

Federal Register Series, No.
May 23, 1945

Memorandum

TO: Secretary Morgenthau
FROM: Mr. Gaston

The State Department (through Mr. Lyon) and the Red Cross have invited the Commissioner of Customs, or some other Customs official whom he would designate, to go to the Mediterranean and return aboard the Grissom with the stated objective of assisting the refugees Americans who will come back on the ship. The Grissom is to sail next Tuesday. We were informed that both Immigration and F.B.I. would be represented.

I told Mr. Dow to inform State and the Red Cross that we were not interested in a junket for anybody, but that if they really wanted somebody to help the passengers with their declarations we would designate a staff captain from New York experienced in this line of work.
Dear Mr. Warwick:

I wish to express to you my very sincere thanks for the splendid cooperation which you, Mr. Legler, and other members of your organization accorded me in connection with the official launching of the Seventh War Loan from Buffalo.

On all sides, I have heard nothing but enthusiastic reports concerning this broadcast; and your having made available the time as well as the talent of Mr. Lombardo and his orchestra, helped make possible this favorable reception.

Sincerely,

[Signature]

Mr. E. P. Warwick
President
Warwick & Legler
230 Park Avenue
New York City

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WASHINGTON, D.C., MAY 23 — "The American people have taken V-E Day in their stride and are driving resolutely ahead toward final victory," Secretary Morgenthau said today. He based his statement on word received from War Finance Committee Chairman throughout the country who have reported on the general attitude of people toward the war effort as well as results in the "Mighty Seventh" war loan drive.

The reports show that the millions of volunteer workers participating in the drive have traveled about a third of the way toward their goal of four billion dollars in E Bonds and more than a quarter of the way toward the seven billion dollar goal in all individual sales."

"Fears that the people as a whole might decide that V-E meant the war was about won have proved to be groundless," the Secretary added. "The Chairman all tell me that the people are just as determined as ever, that they are well aware that we still have a big war on our hands and that we have a big job to do here at home to back up our boys before final victory brings them home to us."
AD CABINET

The President gave no indication when other Cabinet changes may
come or that there definitely will be any further changes.

He was asked specifically about the status of Secretary Morgenthau.
The question was whether Morgenthau had resigned when he saw
him this morning.

The President said that Morgenthau had not resigned and added
that if the Treasury head sought to do so his resignation would not
have been accepted.

9/23--2B423P
AIRCRAFT
London
Dated May 23, 1945
Re'ed 5 p.m., 29th

GO/LIAISON
Secretary of State,
Washington.

L-872, May 23, 1945.
For the Department, FRR and Earl Harrissn
The following is the text of a letter dated May 19,
1945, received from the Treasurer of the Intergovernmental
Committee on Refugees:

"Dear Werner:

H.R. Treasury have recently said that they
would like the Intergovernmental Committee to
arrange for their main fund to be kept in sterling
and for contributions from other countries to be
converted into sterling as and when they were
received, and to terminate (if the United States
authorities see no objection) the present arrange-
ment whereby part of the United States Government's
dollar contribution is retained in dollars.

The first payment of a contribution to
Operational Expenditure made by the United States
Government was made through your Embassy and was
received

-2- A-872, May 23, 1945 from London
received by us in sterling. Later we thought
it might prove convenient to have a dollar account
as well as a sterling account, so an account was
opened with The Riggs National Bank in Washington
and, when $116,250 was received from the British
Government and paid into the Intergovernmental
Committee's Banking Account in London, we asked
the United States Treasurer (who was holding to our
credit the United States Government's contribution
for the year) to pay over 466,000 dollars to The
Riggs National Bank account, which we had opened;
recently we made a further similar transfer. Your
Government was not consulted before we opened this
account.

Would you kindly let me know whether the pro-
cedure proposed by the Treasury is acceptable so far
as your Government is concerned.

Yours sincerely,
(signed) J.R. Beams."

The Department's instructions are respectfully
requested.

Please inform Treasury.

VINCENT

MR. T. R. SANDER
MR. T. WILLIAMS

On pg
INCOMING TELEGRAM

DIVISION OF CENTRAL SERVICES TELEGRAPH SECTION

2372

RC-293

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

Dated May 23, 1945

Rec'd 8:22 p.m.

Secretary of State

Washington

2063, May 23, 1 p.m.

OFFICE OF WSR FROM MCCULLAND

My 2870 May 9 and my letter May 11 IRC SDSA now reports that of 60,000 Swiss francs placed their disposal for aid to Luxembourg deportees and detainees Germany they were able spend 5445 francs for purchase and shipment medical supplies principally neosil insect powder to combat typhus lice. Unspent balance 54,855 francs now returned to me. I therefore still have on hand in all 72,899.45 francs belonging Friends of Luxembourg Inc.

I should appreciate early advice of Donors as to disposition this money.

HARRISON

JJS

[For security reasons the text of this message must be closely guarded.]

INCOMING TELEGRAM

DIVISION OF CENTRAL SERVICES TELEGRAPH SECTION

373

URR-409

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

Dated May 23, 1945

Rec'd 10:25 p.m.

Secretary of State

Washington

182, May 23, 7 p.m.

FOR MCCULLAND FROM OLSEN

Will make continued effort to supply requested information but delays will necessarily be encountered since at present we have no communication with Lubeck. (Re your 21, May 19) According to our most recent information IRC delegate in Lubeck was distributing URN packages to civilian internees in immediate area and whenever possible was despatching by trucks food packages to various concentration camps within reach. It is known that quite recently the IRC delegate forwarded a fairly substantial shipment of parcels to Ravensbrueck. ANCMOSS representative Winsor and IRC delegate in Gesteborg are of opinion that most of URN packages in Lubeck have now been distributed. It will be impossible to supply more precise details until communications are reestablished.

Rptd to Dept and URB.

JOHNSON

JJS

[For security reasons the text of this message must be closely guarded.]
May 28, 1945  
9139 A. M.

HMJr:  How are you?

Mr. Leslie:  Just fine, thank you sir. I hope you are well this morning.

HMJr:  I'm all right. Look, I want a little advice and help from you.

Mr. Leslie:  You certainly may have it if I can help.

HMJr:  We are going to have Bretton Woods coming over to your side soon, see?

Mr. Leslie:  Yes, sir.

HMJr:  There was this little misunderstanding between George and Boughton on taxes, see? They were all right on the other side, but I wondered if you couldn't suggest how I could get in touch with Barkley, and whoever else you think I should, on the Senate side, see? Hello?

Mr. Leslie:  Yes, sir.

HMJr:  ...early next week - Monday or Tuesday. Now it'd be glad to have them down here for lunch or I'd be glad if I could give them a luncheon up. I think it would be a very fine thing to do. It's a fine way to have it too. You can sit around a table and discuss matters informally - much better than you could in their offices, of course.

Mr. Leslie:  Yeah. Well, how would you suggest my going ahead?

HMJr:  Well, if you 'll -

Mr. Leslie:  Leave it to you?

HMJr:  Leave the arrangements to me, just let me know.

Mr. Leslie:  Either Monday or Tuesday is all right for me.

HMJr:  Well, suppose we make it Monday then?

Mr. Leslie:  Fine.

HMJr:  And if you will let me know the ones you'd like to have.

Mr. Leslie:  Well, who do you think we should have? That's what....

HMJr:  Well, you want to....

Mr. Leslie:  I just want to bring them up-to-date on what we are doing on the Bretton Woods, and then on this business on taxes. I think Waggner should be there.

HMJr:  Yes, I was going to say Waggner should be here.

Mr. Leslie:  And Barkley, of course.

HMJr:  And George, of course.

Mr. Leslie:  Yeah.

HMJr:  Do you want to limit it to the one side or do you want Republicans in too?

Mr. Leslie:  What do you think?

HMJr:  What would be your reaction to that?

Mr. Leslie:  Well, I haven't seen the Democrats for a little while, but I'll take it, my thought would be better just the Democrats.

HMJr:  I think probably ....

Mr. Leslie:  Unless you think otherwise.

HMJr:  Let's - first this time the Democrats.

Mr. Leslie:  Yes.

HMJr:  And if we want to have a little party later - perhaps some of the others then...

Mr. Leslie:  And I want you there, of course.

HMJr:  Well, thank you so much.

Mr. Leslie:  Who else would you think?

HMJr:  How about Bailey?

Mr. Leslie:  Bailey would be fine. McKellar?

HMJr:  McKellar, yes, you should have McKellar.
May 28, 1945
9:50 A. M.

HMJr: How are you?
Mr. Leslie Biffle: Just fine, thank you sir. I hope you are well this morning.

HMJr: I'm all right. Look, I want a little advice and help from you.
B: You certainly may have it if I can help.
HMJr: We are going to have Bretton Woods coming over to your side soon, see?
B: Yes, sir.
HMJr: There was this little misunderstanding between George and Doughton on taxes, see? They were all right on the other side, but I wondered if you couldn't suggest how I could get in touch with Barkley, and whoever else you think I should, on the Senate side, see? Well?
B: Yes, sir.
HMJr: ...early next week - Monday or Tuesday. Now I'd be glad to have them down here for lunch or I'd be glad if I could give them a luncheon up there - just so we could sit around a little bit informally and let me chat with them.
B: I think it would be a very fine thing to do. It's a fine way to have it too. You can sit around a table and discuss matters informally - much better than you could in their offices, of course.
HMJr: Yeah. Well, how would you suggest we going ahead?
B: Well, if you'll -
HMJr: Leave it to you?
B: Leave the arrangements to me, just let me know -
HMJr: Either Monday or Tuesday is all right for me.
B: Well, supposing we make it Monday then?
HMJr: Fine.
B: And if you will let me know the ones you'd like to have.
NMJr: Yeah.
B: And Connelly is not here - how about Scott Lucas?
NMJr: Scott Lucas would be fine.
B: He's a very effective worker.
NMJr: Yeah.
B: So many of our folks are away.
NMJr: Well, let's start with that. If you think of any others, you want to give me a ring?
B: Suppose I do that.
NMJr: Now where can I have this luncheon?
B: Let's have it in my office - this side room.
NMJr: That will be fine.
B: All right. We'll take care of everything.
NMJr: Will you take care of it?
B: We'll order the lunch.
NMJr: Order them a good lunch.
B: All right, we'll start on it today.
NMJr: You still have that liquor club up there?
B: Yes, I'll take care of that.
NMJr: What?
B: I'll take care of that too.
NMJr: Well, does everyone -- the gentlemen prefer?
B: Oh, you just forget that - I'll take care of that.
We'll find something.
NMJr: Well....
B: You just come up yourself.
NMJr: Where do I send that - to you, your home or where?
B: No, you just forget that. We'll take care of that. Come up Monday.
NMJr: Well, I'll ... do they like scotch or bourbon?
B: I'll talk to you when I see you.
NMJr: O. K.
B: Fine.
NMJr: Well, what time would that be?
B: I should say about a quarter to one if that is convenient to you.
NMJr: About quarter to one. And I'll come up.
B: All right - be happy to see you.
NMJr: That will be wonderful.
B: We'll take care of everything.
NMJr: Thank you.
May 24, 1945
0:10 a.m.

BRENTWOOD
TAX EVASION
BRITISH LEND-LEASE

Present: Mr. D. N. Bell
Mr. C. S. Bell
Mr. O'Connell
Mr. Lusford
Mr. White
Mrs. Klots

H.M. JR: You fellows said you wanted to see me.

MR. WHITE: We have the amendments in final form.

(Secretary leaves conference temporarily.)

H.M. JR: All right, gentlemen.

MR. WHITE: Well, there's nothing very important except that.

H.M. JR: Well, I got this message that it was very important.

MR. WHITE: I said it was important because we didn't want to move into the final step without your approval on some of the changes which are very minor, but this is the last crack we have at it. Since the committee is expected to vote on it today, it would be too late to make any changes on it. Now, do you want to run, very briefly, over what we regard as the most important changes?

MR. O'CONNELL: Actually, there are only two things that are at all new. One is a provision with respect to the operation of the Fund, which parallels the provision we had agreed to with respect to the Bank. In other words, we had the so-called C.D.H. Proposal, which authorizes our representative to get interpretation with regard to the Bank's powers. We have a similar provision authorizing a governor or executive director to obtain official interpretation regarding the Fund's powers. That was in the agreement, and it was in the Fund agreement that was suggested by Wolcott. We believe that it is entirely

innocuous and difficult to oppose it since it's the same technique we had already agreed to with respect to powers of the Bank, so I think that's all we need say about it.

MR. WHITE: We've changed the language.

H.M. JR: Don't say anything more, it's okay as far as I'm concerned.

MR. O'CONNELL: The other thing that causes the most trouble is with the Advisory Council. It's still as we described it before, five members, with the Secretary of the Treasury as Chairman. Among things it has to do is to transmit to the President and Congress not later than two years after establishment of the Fund and Bank a special report on the operations and policies of the Fund. Now, Wolcott's proposal included—and this is a variation of his proposal— included a lot of specific references such as to report on whether or not we should continue membership in the Fund, whether or not we have wanted that done, and while it's in some detail, it merely enumerates a number of general things as to what the biannual report should include, and while there's a lot of language—

H.M. JR: Are you fellows satisfied? Have you seen it, Bell?

MR. D.W. BELL: No, but I don't think there is too much difference from what we talked about before.

MR. LUSFORD: We took out the bad one, whether they should continue membership. That one is out.

H.M. JR: If you fellows are satisfied, what the heck! If it's down to that business—will this satisfy Wolcott?

MR. O'CONNELL: We believe it will satisfy Wolcott, although he hasn't agreed to the specific language. It satisfies Spence and Brown who were in on all of our discussions.

H.M. JR: Are you satisfied?

MR. WHITE: Yes, and it satisfies Wolcott, but he
wanted to talk to Burgess before he approved it.

(Secretary holds telephone conversation with Robert Brand as follows):

NNJr: Hello.

Mr. Robert Brand: Hello, Mr. Morgenthau.

NNJr: Speaking.

B: Harry White rang me up last night and gave me a message from you that the matter I spoke to you about is with the President.

NNJr: That's right.

B: I thought I ought to tell you that from what I heard yesterday, I think it is likely that some message will come to the President through the American Ambassador in London.

NNJr: Through the American Ambassador?

B: Yes. That is on this matter of the air craft, you see?

NNJr: I see.

B: And I thought, therefore, that it would be a - I ought to tell you that so that perhaps the White House would bear in mind that some sort of message may come to them, I suppose from the Prime Minister, see?

NNJr: Now, wait a minute. You want me to put the White House on notice of the.....

B: Well, if you.... I didn't see any other way to do it. The Ambassador is away, you see?

NNJr: Oh.

B: And I thought perhaps you could put them on notice that maybe something from London either today or tomorrow in about it. You see if the President is making up his mind on the matter, see?

NNJr: Yeah. Well, I'll first have to find out whether the State Department will let me know what it is all about.

B: Well, I don't know that they know. You see?
Mr. White: What he probably did was communicate at once by telephone with his government and in their eagerness to make sure the President is going to give the right reply, they immediately sent something right to the President, because I let him know, not last night, but yesterday morning, right after I talked to him.

H.M.Jr: I'll call up State.

Mrs. Klotz: Yes, sir.

Mr. White: He's got a lot of brass to bother you about a thing like that, if I may say so.

H.M.Jr: If I may say so, I agree with you.

Mrs. Klotz: Do you want to call this man in the State Department?

H.M.Jr: Yes.

Mr. O'Connell: Really, that's about the substance of the only things that are new and important enough to mention, I think, don't you?

H.M.Jr: All right.

Mr. O'Connell: So we are hopeful.

Mr. White: They were all quite pleased, except Brown, to know we didn't need to give him some of those things.

H.M.Jr: Congressman Brown?

Mr. White: Yes.

H.M.Jr: All right, can you stay a minute, because I want to get something done over in Internal Revenue. I'd like Dan Bell and Charles Bell, and you could follow these men in five minutes.

Mr. O'Connell: I wanted to see Lee with regard to the Railroad Retirement thing.
H.M.: You better stay here, because in two minutes I'm moving.

MR. WHITE: When you're through with him he ought to be up there.

MR. O'CONNELL: I'll follow you. I'll be there very shortly.

H.M.: Do you think Bretton Woods is important, Harry?

MR. WHITE: No. These next ten minutes are more important. It's a question of a particular time.

H.M.: What time does it start?

MR. WHITE: It is all right as long as he's there by eleven.

H.M.: I want three minutes with him.

MR. WHITE: That's all right.

(Mr. White and Mr. Luxford leave the conference.)

(Discussion off the record.)

H.M.: I want to get this business about the twenty million dollar budget. I spoke to Charlie Bell. Did he talk to you?

MR. O'CONNELL: He mentioned it to me yesterday.

H.M.: Who gets it around the Treasury, and why the hell haven't we had it weeks ago?

MR. O'CONNELL: They've been working on it in the Bureau for some time. I hadn't thought that it was either practical or necessary to attempt to get an estimate of twenty million dollars or any other sum to the Bureau of the budget either today or tomorrow. We do have one now

that just cleared them for sixteen billion three for general revenue purposes, and what I thought we ought to do was at this point to informally approach both the Bureau of the Budget and Appropriations Committee and have a general understanding with them that we were going to start with the first of the fiscal year to recruit up very substantially and at sometime after that, possibly in two or three months--

H.M.: I can't wait. I want to start now.

MR. O'CONNELL: We don't have to wait. I say you can't get an estimate that makes sense, it seems to me, within a day or even a week, as to how much we can spend for enforcement during the next fiscal year, and what was suggesting was we start recruiting. We could tell the Budget Bureau and the Appropriations Committee we're not going to start the fiscal year with the assumption we're only going to spend at the rate that our present appropriation would require, and within a month or two months, when we would be in a position to tell them--we don't know how successful we would be in getting five thousand men within the next two or three months, and it would delay things rather than facilitate the progress of the program if we have to get--

(Mr. C. S. Bell enters conference.)

(Secretary holds telephone conversation with R. Borden Reams as follows:)
H.M.JR: Now, listen, gentlemen, white is in a hurry for you. I want action, and this recruiting should have started some time ago, and if there are one hundred men to be gotten, I want the recruiting to start today. I don't want excuses. I don't want to be bothered with the details. I want to get every man that we can and I want to get the Committee in Congress. I want an opportunity to go up there and tell them what I'm doing. Now, if it's necessary, let's get a meeting of the Joint Committee on Taxation, together with the two Committees on Finance, if we can. I want a chance to tell the Congress of the United States what I'm doing, and I want to tell them next week, and I'm looking at everybody here, see? I want to have an opportunity next week to go on the Hill and tell the Congress of the United States what we're doing, before they start investigating us, why we haven't done it. Now, please, Joe, give this your attention. I don't care how it's done, I want recruiting started. I don't know whether you have got to get the money. Whether you do or do not get the money, it's a technical matter. We have chairman of budget committees here in the Treasury and all the rest of this stuff, but I want to keep this thing going, see?

MR. C.S. BELL: Can we tell Harold Smith you have spoken to the President about this?

H.M.JR: Yes, and he likes it.

MR. C.S. BELL: Fine, because that's going to help us a whole lot in carrying out our plan, getting it right to Can.

MR. O'CONNELL: I was talking of details, which don't involve any delay in recruitment.

H.M.JR: Don't bother me, because I want to keep the thing going.

MR. D.W. BELL: It depends on whether you get any money. The last time I heard, Revenue was about to start a deficit, and if you were to hire a lot of people--

H.M.JR: I'm not going to do it.

MR. D.W. BELL: You're ordering it, and it's against the law and subject to ten thousand dollars fine and five years in jail if you agree to a deficit, and I don't want to get you in that hole.

MR. O'CONNELL: We'll start planning to recruit today.

H.M.JR: Well, look, there's a committee. I want to get results. I want to begin today to get results, if I can do so legally. He doesn't want to ask for the money, and he wants to go to the Budget Bureau. You settle it for me, will you?

MR. O'CONNELL: We have to get money, but I was assuming that we won't get very far in terms of having a lot more people before the first of July. You don't hire a thousand people the day you start planning to take them on, and I was talking about having an understanding with the Appropriations Committee.

MR. D.W. BELL: That's right.

MR. O'CONNELL: We can recruit up as of the first of July at a higher rate than our present appropriation would permit.

MR. D.W. BELL: Tell the committee what you are planning to do.

H.M.JR: Please carry Mr. Numan along step by step in this. Please carry Mr. Numan along, will you?

MR. O'CONNELL: Yes.

H.M.JR: One other thing, I think that this suggestion which was made, that we have a Deputy Commissioner in charge of law enforcement over there, is a good one, and I hear that Numan doesn't like it.

MR. O'CONNELL: I don't know, I suspect he doesn't. He hasn't said so to me. He tried it out on him last week.

H.M.JR: Let's settle it if possible today.
MR. O'CONNELL: Does it have to be a full Deputy Commissioner? Couldn't we make an Assistant to the Commissioner, or some operating title? It should be a full-time job. We have no vacant deputyships now. None of the deputies would be competent to do the job you were talking about, and what you want is a top ranking man, whatever you call him. Call him Assistant to the Commissioner.

H.M.JR: I don't care, but eventually it should be a formalized position.

MR. O'CONNELL: Deputy Commissioners are statutory, and we have no vacancies, but what we can do without meeting that problem today, is to have him.

H.M.JR: But I want somebody over there that's giving this thing full attention.

MR. O'CONNELL: Yes.

H.M.JR: Now let me ask you a question. What about this fellow who was brought to my attention, who was out in Chicago?

MR. O'CONNELL: Riley Campbell?

H.M.JR: No good?

MR. O'CONNELL: He's all right, but he's about the sixth man in line in the Penal Division of the Bureau of Internal Revenue, and I was about to inquire from you as to how you happened to be thinking of him, because he was nominated to me by Randolph Paul for the fellow in Chicago to be Head of the Penal Division, last week. It annoyed me because we weren't thinking of making any change in the Head of the Penal Division office. I understand he's a competent lawyer—sixty-two hundred dollars a year—and one of four people of that grade in the Penal Division, and from what I do know it would be beyond the pale to put a fellow like Campbell in charge of this job.

H.M.JR: I haven't met one regular investigator of Irey's I want to give a job to.

MR. O'CONNELL: The only one I've met, that I've heard so many good things about, is Palmer. I don't think it should be anybody in the Bureau of Internal Revenue.

H.M.JR: I thought you were suggesting Burford.

MR. C.S. BELL: Oh, no, he's going back to Texas.

H.M.JR: They've had their chance. This thing was laying there for them to pick it up, and I want somebody to pick this thing up that's got some imagination.

MR. O'CONNELL: The one thing I thought was clear, and told Human—he suggested maybe using a man like Wolfe or Avis, or one of the people in the Bureau—and I said I thought I was interpreting what the Secretary wanted; that he wanted someone brand new, no one from Irey's organization, or from Avis' organization, or Wolfe's organization; that you want somebody new, and by the same token I don't think there's anybody in the Chief Counsel's Office. I think it should be somebody from outside the Bureau.

H.M.JR: That's right. You take a lawyer or one of Wolfe's men, and you have cross current, somebody gets mad. They've all been in the Bureau too long to do the sort of thing you want. Well, I don't have a name. It should be someone outside the Bureau; it's an important job. We can pay them eight thousand dollars. Will you come through with some good suggestions?

MR. O'CONNELL: I'll try.

MRS. KLOTZ: Edgar Hoover has wonderful men. Yes he does.

MR. O'CONNELL: He has some very good men.

MRS. KLOTZ: He certainly does.

MR. O'CONNELL: But I don't know how to go about that one. I'd rather look somewhere else first.

H.M.JR: Mrs. Klotz doesn't mean that.
MRS. KLOTZ: I mean, if he can get them, why can't we.

H.M.JR: You go on up on the Hill.

MR. O'CONNELL: One more question, and that's as to going before the Committees in Congress next week. There are about five or six possibilities, one being Ways and Means and another Finance, which are the Committees we deal with on tax matters, and another is the Appropriations Committee. You're not going to argue for additional appropriation, but indicate we are going ahead and--

H.M.JR: I want to look into it carefully.

MR. D.W. BELL: I think you ought to make a general statement before the Committee, just like you do--

H.M.JR: ...before the President.

You stay for my ten-thirty conference.

MR. D.W. BELL: Do you need me? I've had a man waiting for me since ten o'clock.

H.M.JR: All right.

MR. D.W. BELL: I haven't anything, unless you want me particularly to stay.

H.M.JR: All right.
C. E. D. Proposal

The following new section will be added:

STABILIZATION LOANS BY THE BANK

Sec. 13. The governor and executive director of the Bank appointed by the United States are hereby directed to obtain promptly an official interpretation by the Bank as to its authority to make or guarantee loans for programs of economic reconstruction and the reconstruction of monetary systems including long-term stabilization loans. If the Bank does not interpret its powers to include the making or guaranteeing of such loans, the governor of the Bank representing the United States is hereby directed to propose promptly and support an amendment to the Articles of Agreement for the purpose of explicitly authorizing the Bank, after consultation with the Fund, to make or guarantee such loans. The President is hereby authorized and directed to accept an amendment to that effect on behalf of the United States.

Revision of Information Provision

Section 9 is amended to read as follows:

OBTAINING AND FURNISHING INFORMATION

Sec. 9. (a) Whenever a request is made by the Fund to the United States as a member to furnish data under Article VIII, section 5, of the Articles of Agreement of the Fund, the President may, through any agency he may designate, require any person to furnish such information as the President may determine to be essential to comply with such request. In making such determination the President shall seek to collect this information only in such detail as is necessary to comply with the request of the Fund. No information so acquired shall be furnished to the Fund in such detail that the affairs of any person are disclosed.

(b) In the event any person refuses to furnish such information when requested to do so, the President, through any designated governmental agency, may by subpoena require such person to appear and testify or to appear and produce records and other documents, or both. In case of contumacy by, or refusal to obey a subpoena served upon any such person, the district court for any district in which such person is found or resides or transacts business,
upon application by the President or any governmental agency designated by him, shall have jurisdiction to issue an order requiring such person to appear and give testimony or appear and produce records and documents, or both; and any failure to obey such order of the court may be punished by such court as a contempt thereof.

(c) It shall be unlawful for any officer or employee of the Government, or for any advisor or consultant to the Government, to disclose, otherwise than in the course of official duty, any information obtained under this section, or to use any such information for his personal benefit. Any violation of the provisions of this subsection shall, upon conviction, be fined not more than $5,000, or imprisoned for not more than five years, or both.

(d) The term "person" as used in this section means an individual, partnership, corporation or association.

"SAFEGUARDING" FUND PROPOSAL

The following new section will be added:

STABILIZATION OPERATIONS BY THE FUND

Sec. 14. (a) The governor and executive director of the Fund appointed by the United States are hereby directed to obtain promptly an official interpretation by the Fund as to whether: (i) its authority to use its resources extends beyond current monetary stabilization operations to afford temporary assistance to members in connection with seasonal, cyclical, or emergency fluctuations in the balance of payments of any member for current transactions or, (ii) it has authority to use its resources to provide facilities for relief or reconstruction or to meet a large or sustained outflow of capital on the part of any member.

(b) If the Fund interprets its powers to use its resources as extending beyond that defined in (i) or that it does have authority to use its resources in any of the ways defined in (ii) of subsection (a) of this section, the governor of the Fund representing the United States is hereby directed to propose promptly and support an amendment to the Articles of Agreement for the purpose of explicitly limiting the authority of the Fund to that defined in (i), and to prevent the use of
its resources in any of the ways defined in (ii), of subsection (a) of this section. The President is hereby authorized and directed to accept an amendment to that effect on behalf of the United States.

Council Proposal

Section 4 is amended to read as follows:

NATIONAL ADVISORY COUNCIL ON INTERNATIONAL MONETARY AND FINANCIAL PROBLEMS

Sec. 4. (a) In order to coordinate the policies and operations of the representatives of the United States on the Fund and the Bank of all agencies of the Government which make or participate in making foreign loans or which engage in foreign financial exchange or monetary transactions, there is hereby established the National Advisory Council on International Monetary and Financial Problems (hereinafter referred to as the Council), consisting of the Secretary of the Treasury, as Chairman, the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Board of Trustees of the Export-Import Bank of Washington.

(b) (1) The Council, after consultation with the representatives of the United States on the Fund and the Bank, shall recommend to the President general policy directives for the guidance of the representatives of the United States on the Fund and the Bank.
(2) The Council shall advise and consult with the President and the representatives of the United States on the Fund and the Bank on major problems arising in the administration of the Fund and the Bank.

(3) The Council shall coordinate, by consultation or otherwise, so far as is practicable, the policies and operations of the representatives of the United States on the Fund and the Bank, the Export-Import Bank of Washington and all other agencies of the Government to the extent that they make or participate in the making of foreign loans or engage in foreign financial, exchange or monetary transactions.

(4) Whenever, under the Articles of Agreement of the Fund or the Articles of Agreement of the Bank, the approval, consent or agreement of the United States is required before an act may be done by the respective institution, the decision as to whether such approval, consent, or agreement, shall be given or refused shall (to the extent such decision is not prohibited by section 5 of this Act) be made by the Council, under the general direction of the President. No governor, executive director, or alternate representing the United States shall vote in favor of any waiver of condition under Article V, Sec. 4

or in favor of any declaration of the United States dollar as a scarce currency under Article VII, Sec. 3 of the Articles of Agreement of the Fund without prior approval of the Council.

(5) The Council from time to time, but not less frequently than every six months, shall transmit to the President and the Congress a report with respect to the participation of the United States in the Fund and the Bank.

(6) The Council shall transmit to the President and the Congress not later than five years after the date of the establishment of the Fund and Bank a special report on the operations and policies of the Fund and the Bank including: the extent to which they have achieved the purposes for which they are established; the extent to which the operations and policies of the Fund and the Bank have adhered to, or departed from, the general policy directives formulated by the Council, and the Council's recommendations in connection therewith; the extent to which the operations and policies of the Fund and the Bank have been coordinated, and the Council's recommendations in connection therewith;
recommendations on whether the resources of the Fund and Bank should be increased or decreased; recommendations as to how the Fund and Bank may be made more effective; recommendations on any other necessary or desirable changes in the Articles of Agreement for the Fund and the Bank or in this Act; and, an over-all appraisal of the extent to which the operations and policies of the Fund and the Bank have served, and in the future may be expected to serve, the interests of the United States and the world in promoting sound international economic cooperation and furthering world security.

(7) The Council shall make such reports and recommendations to the President as he may from time to time request or which the Council may consider necessary to more effectively or efficiently accomplish the purposes of this Act or the purposes for which the Council is created.

(c) The representatives of the United States on the Fund and the Bank, and the Export-Import Bank of Washington (and all other agencies of the Government to the extent that they make or participate in the making of foreign loans or engage in foreign financial, exchange or monetary transactions) shall keep the Council fully informed of their activities and shall provide the Council with such further information or data in their possession as the Council may deem necessary to the appropriate discharge of its responsibilities under this Act.
One Person as Governor of Both Fund and Bank

Section 3 is amended to read as follows:

Sec. 3. (a) The President, by and with the advice and consent of the Senate, shall appoint a governor of the Fund who shall also serve as a governor of the Bank, and an executive director of the Fund and an executive director of the Bank. The executive directors so appointed shall also serve as provisional executive directors of the Fund and the Bank for the purposes of the respective Articles of Agreement. The term of office for the governor of the Fund and of the Bank shall be five years. The term of office for the executive directors shall be two years, but the executive directors shall remain in office until their successors have been appointed.

(b) The President, by and with the advice and consent of the Senate, shall appoint an alternate for the governor of the Fund, who shall also serve as alternate for the Governor of the Bank.

(c) The President, by and with the advice and consent of the Senate, shall also appoint one alternate for each of the executive directors. The alternate for each executive director shall be appointed from among individuals

recommended to the President by the executive director. The terms of office for alternates for the governor and executive director shall be the same as the terms specified in subsection (a) for the governor and executive directors.

(d) No person shall be entitled to receive any salary or other compensation from the United States for services as a governor, executive director, or alternate.
HMJr: Mr. Borden, have you got a pencil?

CHCUA: Yes.

HMJr: Or do you want to put a stenographer on this, or is there one on?

CHCUA: Yes, but I will. Just a moment — [talks aside] She's there.

HMJr: All right. Last week Mr. Brand, representing the British Treasury, came to see me very much disturbed about phase two on Lend-Lease.

Stenographer: Phase two — what happens after V-E Day. And it seems the Army is awfully disturbed and they refer to a certain part of it. I understand General Somervill did to Mr. Vincent. Mr. Vincent knows nothing about it. And yesterday I gave the President a complete dossier starting with the conference at Quebec right down to date in regard to how Lend-Lease has been handled with the British, and suggested to him that some one person be made responsible, and would he please advise me that that person should be, pointing out to him that it was the old question of dollar-balances and reexport of goods from England. Now we told Mr. Brand yesterday that we couldn't answer him because I had placed the whole matter in the President's hands. Just now he called up, quite excited, and said that with Lord Halifax away, he wanted to put me on notice that there would be a message coming from Churchill through Ambassador Winant.

Stenographer: Just a moment, sir. With Lord Halifax away...

HMJr: He wanted to put me on notice that Mr. Churchill was sending the President a message on this subject through Ambassador Winant. Hello.

Sten: Yes.

R: Yes.

HMJr: And, Mr. Reams, if something like that comes through, would you mind coming over yourself with it so we can discuss it?

R: Absolutely.
May 24, 1946
10:25 a.m.

PRE-PRESS

Present: Mr. Elough
Mr. Gaston
Mr. Fussell
Mr. Gamble
Mr. Schaeffer
Mrs. Klots

H.N.J.: Well, what have you got, Fussell? I have nothing, really. This is just a summary. Have you anything, Herbert?

Mr. Gaston: Well, what's this?

H.N.J.: I have read it.

Mr. Gaston: I just want to see what this is. I think on this—I was looking at this tax evasion report this morning. I think there are several interesting points that we haven't mentioned. One is the matter of getting special streamlined reports and expediting action on those cases. In the ordinary course of events, it takes quite a long time to get a tax case in the mill. These new higher-rate taxes and special war conditions are quite new and they are working on a streamlined procedure that seems to be quite promising. And another feature of the thing is that we have got some help from the War Food Administration of cases that have come up over there that we think are going to be useful in getting leads. They are just minor points. I haven't checked the thing all through.

H.N.J.: Charlie?

Mr. Schaeffer: No questions so far as I know.
MR. FUSSELL: I really think that the Seventh War Loan is the biggest operation the Treasury is in right now and I really think it ought to be discussed at press conferences each time to some extent.

MR. GASTON: I agree.

MR. GAMBIE: I don't mean it being discussed, but we would get a lot more attention paid to it if we handled it like we did the other day. Did Mr. Fussell show you this editorial?

H.M.JR.: Yes.

MR. GAMBIE: I would like you to see the story I gave out.

MR. FUSSELL: It's down there. We got it late last night.

H.M.JR.: And you sent it to the office.

MR. GASTON: There is nothing inconsistent in the two things. There is plenty of special promotion for Ted to do and there's no reason why there shouldn't be some features discussed at the press conference.

H.M.JR.: I think so.

MR. GASTON: I think this tax drive we are still not developing the publicity phase of it as well as we might, and we are going to make further suggestions to you on that, because I think the importance of it is tremendous.

H.M.JR.: All right. I agree with you.

MR. FUSSELL: Let me check further on that. I am quite sure it is down here, but I am not positive.

H.M.JR.: That's all right.
Operator: Mr. Fehle.

Mr. John Fehle: Yes, sir.

NMJr: Be sure and read my press conference today, see?

P: Right.

NMJr: I did what everybody has told me not to do about talking about this law-enforcement.

P: I see.

NMJr: Now I particularly talked about this restaurant in New York, see?

P: Right.

NMJr: I want you to get all the facts on that so when they ask me about it Monday, I'll be right up to the minute on it.

P: I'll get it ready.

NMJr: It's Lengenhaas.

P: Yeah, I know.

NMJr: Now I want all the facts on that Monday, see?

P: Yes.

NMJr: Now there is another one that I want for Monday. Get me all the facts - they've been doing certain things on the poultry people on the Maryland Peninsula. I think. You can run into a lot of things there. Hello?

P: Right.

NMJr: And I want the whole story on what they have been doing on poultry, what they have been finding out, see?

P: What do you want it for on Monday?

NMJr: Well, so, you'll see how I handle...

P: Right.
May 24, 1940
2:00 p.m.

Bretton Woods

Present: Mrs. Klotz
Mr. Luxford
Mr. Russell
Mr. Feltus
Mr. White

Mr. White: They started in very inauspiciously making a motion to throw Treasury people out of the conference.


Mr. White: He was there.

Mr. O'Connell: It was unexpected, but it was well enough handled.

H.M. Jr.: I wondered why he was so long.

Mr. White: If somebody was going to be thrown out, we thought it had better be Joe O'Connell.

H.M. Jr.: What happened?

Mr. Feltus: They let three people slip through their fingers. They went up there and failed. (Laughter)

Mr. White: The thing was very effectively and adroitly handled by Volcott and Brown, and they distributed the amendments, and the Republians really thought they were their amendments. Brown thought the amendments he gave to the other side were his.

Mr. Luxford: He thought Volcott's amendments were his.

Mr. White: Jessie Summer made amendments to throw the Fund out. That was the first vote of any significance, and that was lost. Three others voted with her besides herself.

Mr. Feltus: Really?

Mr. White: But he voted for the bill, and in the final vote he was joined only by Smith and the other one.

Mr. O'Connell: It was amazing how rapidly they handled it. From our experience in the past, it was amazing how quickly they handled each amendment.

Mr. White: They thought this was the most adroitly handled bill ever before that Committee.

Mr. Luxford: As we walked in there, Outland spoke to me and said, "Well, it looks like we're going to get agreement. These Republicans will never agree." Gamble told us later everybody on the Republican side was saying, "Outland will never agree."

Mr. White: The Republicans were --

Mr. O'Connell: Jesse never made a change from what we talked of last night. It surprised me a little, but it was very helpful. If he had come back with additional amendments, we wouldn't have gotten through.

Mr. Luxford: Every time a Republican would object, Jesse would answer, and Democrats didn't even have to answer.

Mr. White: The Republicans are very happy who voted for the bill, because they had been very disturbed about voting against this bill, and the amendments pleased them. Gamble is particularly happy, and Kunkel and the others, so that they commented on the unusual spirit that presided at the meeting.

Mr. Feltus: They had a chance to save their faces.

H.M. Jr.: Have you a statement all ready for me to give out?

Mr. Luxford: You asked that at a propitious time.

Mr. Feltus: This is a Treasury prepared statement.
H.M. JR.: You had one all ready for me?

MR. WHITE: We had three or four we threw together. He had one and Fussell had one and Herbert Matson had one.

H.M. JR.: Uh huh.

MRS. KLOTZ: It was a very weak uh huh.

MR. FELTUS: It was in my head, but not on paper. All this you know. The Secretary told me, "I was sure there were three or four statements for me to select from."

MR. LUXFORD: We had them prepared.

H.M. JR.: "Naturally I am very much pleased with the action of the Banking and Currency Committee of the House in approving the Bretton Woods legislation. It is extremely gratifying that the Bill was considered and acted upon in a completely non-partisan spirit. The almost unanimous vote in that Committee symbolizes the spirit of unity which is requisite to world security and prosperity.

"The amendments made by the Committee are not of a character which will require another conference. They are constructive, chiefly clarifying in character, and are acceptable to the Treasury.

"The Committee deserves the thanks of the nation, not only for its patriotic approach to the subject, but also for the complete fairness with which it has heard all witnesses and the diligence with which it has studied and probed to the heart of the proposals. I regard its record on the Bill as a fine example of democratic statesmanship."

MR. WHITE: When it's printed by the papers, it may be --

H.M. JR.: "It is not only my hope but my belief that this measure which means so much to our economic future and that of all nations will be considered and acted upon on the same high plane on the floor of the House and in the Senate."

MR. O'CONNELL: "To our economic future and that of all nations."

MR. LUXFORD: "As well as that of all other nations."

MR. WHITE: "Economic future of the United States."

MR. LUXFORD: "Will mean so much to our economic future, as well as that of all other nations."

MRS. KLOTZ: It still doesn't read smoothly.

MR. O'CONNELL: "Means so much to this nation and the world."

H.M. JR.: "Our economic future and the whole world."

Huh?

MR. LUXFORD: "So much to the economic future of this nation and the world."

H.M. JR.: I don't like this end in here.

MR. WHITE: Cut it out.

H.M. JR.: I think it's just --

MRS. KLOTZ: ... eyewash.

MR. WHITE: Don't cut out all the eyewash. You won't have anything left.

H.M. JR.: I think I'd stop.

MR. WHITE: I think you should stop at "statesmanship. The other is too obvious.

H.M. JR.: Yes. Now, Fussell, besides giving this out to the Press here, I wish you'd get the permission of the State Department--I want this done very promptly. You asked that, and tell Luxford to do it, to send this up to all the Representatives, Embassies and Legations of the forty-four nations, and ask them to please communicate this to the Minister of Finance of their country for his information and the information of his people. See?
So that it will bounce back on us.

MR. FUSSELL: We sent that out directly before, your previous statements on that. Do you want us to do it again?

H.M.JR: Yes, for the information of the Minister of Finance and general release, see? But get it out promptly, because some of that, they'll comment on it, and it will come back, you see.

MR. WHITE: Say for the Ministers' information and whatever use they wish to make of it.

H.M.JR: Yes. He thinks Ministers of Finance are Ministers of Information. It's all right with me.

MR. LUXFORD: There's some similarity. (laughter)

H.M.JR: For Ministers of Finance and for dissemination among the people. Would you mind getting that started right away?

MR. FUSSELL: The last paragraph is off, and otherwise it will be put out for immediate release.

H.M.JR: From me.

MR. FUSSELL: Yes.

(Mr. Fussell left the conference)

H.M.JR: What do you fellows think of my asking the Committee to have dinner with me Monday or Tuesday night?

MR. WHITE: We were hoping you'd suggest that. It doesn't have to be dinner, buffet lunch.

H.M.JR: I can get --

MR. LUXFORD: You want it so they don't have to go back to work.

MR. FELTUS: Why not have them for cocktails and not dinner. They'd enjoy that more anyway.

H.M.JR: Would they with the scarcity of food?

MRS. KLOTZ: You'd have to feed them.

MR. FELTUS: Buffet maybe.

H.M.JR: By the way, you get the hors d'oeuvres.

MRS. KLOTZ: You might just as well have dinner.

H.M.JR: I was thinking of the Chinese Restaurant. If you have it, would you have the whole Committee or --

MR. WHITE: Yes. I don't know whether Brooks Hays would accept, but if he does, it would be fine.

MR. LUXFORD: Kid him around.

MR. WHITE: It would be better.

MR. FELTUS: I'd have it at home rather than at a restaurant, Mr. Secretary.

MR. LUXFORD: You need points.

MR. WHITE: It's a pretty formal business. About twenty-five of them will attend.

H.M.JR: I have --

MR. WHITE: If you have a buffet lunch, you could have it here.

H.M.JR: I'm not equipped to do it at home.

MR. FELTUS: You could have a caterer do it.

MRS. KLOTZ: No.

H.M.JR: No? Do you think it's nicer at home?

MR. FELTUS: I think so. I wouldn't have them here. For one reason, I wouldn't have certain Republicans see your private dining room here.

H.M.JR: I wasn't going to have it here. I thought of the Chinese Restaurant.
Mr. Feltus: At home it's much more personal, and they'd appreciate it more, if you can swing it.

Mrs. Klotz: I'll tell you these Chinese meals are very informal things. It isn't like a

H.M.Jr: A private room, you see? It isn't your own home.

Mr. Feltus: I was thinking frankly of giving them three or four drinks and getting them on a very friendly basis.

Mr. Luxford: Yes, it's --

Mr. O'Connell: You don't need votes--no political character to this.

Mr. Feltus: Nothing like a few drinks to get them to get along with each other.

H.M.Jr: There are plenty of drinks there.

Mr. White: I've been there several times. I'm personally enthusiastic about the surroundings of that place.

Mrs. Klotz: How do you like that?

Mr. Luxford: Serve a buffet at home.

Mrs. Klotz: No. We can do it.

H.M.Jr: Why don't we get hold of Ridgewell and ask him?

Mr. White: Why not have it in the dining room downstairs?

Mr. Luxford: Have it in the House Restaurant.

Mr. White: You don't think it would be all right in the dining room down in the Treasury?

Mr. O'Connell: Well --

Mr. Feltus: When you bring in a piece of meat, and they haven't been able to get meat at home or the Senate Restaurant -- they run out of meat in the Senate Restaurant -- everything you do is going to be subject to criticism. They're going to raise the issue of who's paying for this if it's here in the Treasury.

Mr. Luxford: It sounds like business if it's in the Treasury.

Mr. Feltus: I'd make it personal. Have it at home if you possibly can. That's the best way to do it.

H.M.Jr: If I just ask them for cocktails and say, "Come for supper," they'll come.

Mr. Feltus: I think they'll come for cocktails quicker.

H.M.Jr: You think so?

Mr. Feltus: I think you'll even get Smith for that.

H.M.Jr: Really?

Mrs. Klotz: It would be easier on you too.

Mr. Luxford: You don't have to show meat or anything else if you do that. That's the one advantage.

H.M.Jr: See if we can get Ridgewell. He's a caterer. Do you know him?

Mrs. Klotz: I personally hate caterers.

H.M.Jr: I can't do it with the servants away, but he's very nice.

Mr. White: I think it's nice to have it at the house.

H.M.Jr: What time would you invite them? Five o'clock?

Mr. Feltus: A five to seven cocktail party. What are you going to do about their wives?
H.M. Jr: Well, Mrs. Morgenthau isn't here.

Mr. Luxford: You'd lose the atmosphere of it if you asked the wives.

Mr. White: It should be without the wives.

Mr. Feltus: I wouldn't have it a dinner, just a stag cocktail party.

H.M. Jr: It wouldn't be stag because of Jessie Sumner.

Mr. White: She's a stag.

Mr. Luxford: You hope she won't come anyway.

Mr. Feltus: You have Mrs. Woodhouse.

Mr. White: That's all right.

Mr. O'Connell: If you ask them to have cocktails at your house Monday or Tuesday, I guarantee there won't be two of the whole Committee there that are in town who won't come. They'd love it. That's all you need.

H.M. Jr: What criticism would there be?

Mr. White: Invite Republicans too.

Mr. Feltus: What's the matter with Tuesday?

H.M. Jr: Tuesday is all right.

(Discussion off the record)
Naturally I am very much pleased with the action of
the Banking and Currency Committee of the House in approving
the Bretton Woods legislation. It is extremely gratifying
that the Bill was considered and acted upon in a completely
non-partisan spirit. The almost unanimous vote in that
Committee symbolizes the spirit of unity which is
prerequisite to world security and prosperity.

The amendments made by the Committee are not of a
character which will require another conference. They
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The Committee deserves the thanks of the nation, not
only for its patriotic approach to the subject, but also for
the complete fairness with which it has heard all witnesses
and the diligence with which it has studied and probed to
the heart of the proposals. I regard its record on the
Bill as a fine example of democratic statesmanship.

It is not only my hope but my belief that this measure
which means so much to our economic future and that of all
nations will be considered and acted upon on the same high
plane on the floor of the House and in the Senate.
Operator: Congressman Spencer.

HNJr: Right.

Operator: Go ahead.

HNJr: Hello.

Congressman Spencer: Hello, Mr. Secretary.

HNJr: I just wanted to tell you how delighted I was.

S: Well, thank you, Mr. Secretary.

HNJr: I think you handled the thing in a masterly manner.

S: Well, that's mighty nice, and it gives me a great deal of pleasure to be of service in that great cause because I think it means a lot to the future of our country.

HNJr: Well, I think you did a wonderful job.

S: Well, I thank you, Mr. Secretary. How's your wife?

HNJr: She's making progress.

S: Is she.

HNJr: She's not well yet, but she is definitely making progress.

S: Well, I sympathize with you. Mrs. Spencer has been ill in bed for about seven weeks, but she is up now.

HNJr: Well, that's good.

S: She had a little flurry with her heart, too.

HNJr: Oh, I'm sorry.

S: Well, we're going to put that through the House now. There isn't any doubt about it, and I think it is going through the Senate without any trouble.

HNJr: Well, what I'd like to do if it meets with your approval, is to invite the whole committee of Banking and Currency Tuesday afternoon to my house for cocktails. -- just a little celebration.

S: Well, that's very nice.

HNJr: Well, if you approve, I'll send out some invitations this afternoon.

S: That I do.

HNJr: We'll have a little party, just a little celebration.

S: All right. Thank you, Mr. Secretary.

HNJr: O.K.

S: I'd be glad to come.

HNJr: Thank you. Goodbye.
HHJr: Hello.
Operator: Wright Patman.
HHJr: Hello.
Mr. Wright Patman: Hello, Mr. Morgenthau. How are you doing, Henry?
HHJr: Well, I think you fellows are doing wonderful.
P: Well, I'm glad you are pleased.
HHJr: Oh, I'm delighted.
:
I was glad to get your message. I wasn't here, and I just think it is one of the finest things that has happened in a long time.
P: I think so too. I'm highly pleased with it.
HHJr: I think that there may be a little hope now that the Republicans have seen the light.
P: I think so, and we are going to put this deal thru by a big majority next week.
HHJr: Wonderful. I'm simply delighted and I can't thank you enough for all that you have done.
P: It's a pleasure to work with you, my dear sir.
HHJr: Fine.
P: Well, thank you for calling.
HHJr: Bye.

Congressman Welcott: Henry?
HHJr: Henry talking.
P: Can I call you Henry yet?
HHJr: Why, you do after today's vote.
P: (laughs)
HHJr: Well, I always had my money on you.
P: (laughs) Well, I hope you didn't lose it.
HHJr: But I kept away from you because I thought that was what you wanted.
P: (laughs) Well, I wouldn't want to think you would want to keep away from me.
HHJr: Well, I remember what you told me on the train coming back to D-c--it - leave it to you fellows that you knew how to handle it better than I did.
P: Well, we got down on the plebiscital level. We had to get down and grovel around in the common political dirt, and I didn't know whether you wanted to mix in that or not.
HHJr: Well, I'm not skilled at that and you are. I think you handled it beautifully.
P: Thank you ever so much. The boys were most cooperative - we got along splendidly. I apologized to Henry this morning if I was seemingly hard at any time. He had his two fingers up in the air a couple of times.
HHJr: (laughs)
P: (laughs)
HHJr: Well, I'll tell you what I'm doing this afternoon, if it meets with your approval - I talked with Spence. I thought it would be kind of nice if the Banking and Currency Committee would come to my house Tuesday afternoon for a little cocktail and celebrate. I was asking the whole committee.
P: I think that would be splendid.

Regraded Unclassified
HMJr: If you approve, I’ll let the invitations go out. It’s just a little get together now that it’s over.
W: I think that would be a very splendid thing to do.
HMJr: And I’m inviting all the members if they would come.
W: Fine. I think that will be fine.
HMJr: You think that’s all right.
W: It surely meets with my approval.
HMJr: Well, I’ll do it and we’ll have your favorite drink.
W: I’ll leave my canary behind.
HMJr: (Laughs)
W: (Laughs) No, bring it along.
HMJr: (Laughs) Well, I think they all feel quite pleased about it.
W: Fine.
HMJr: and I don’t anticipate that we are going to have any trouble at all on the floor.
W: In fact, I’ve given out to the Press today a statement that I didn’t think that there could be very much of any controversy on the floor.
HMJr: Fine.
W: In consequence of what we’ve done.
HMJr: Well, I’m delighted.
W: All right, Mr. Secretary.
HMJr: I’ll see you Tuesday.
W: Mighty glad to be there.
HMJr: Fine.
W: Goodbye.

Congressman
Paul Brown: Hello, Mr. Secretary.
HMJr: How are you?
B: I’m very well, thank you, sir.
HMJr: I just wanted to call you up and tell you how delighted I was at what happened in the committee today.
B: Well, I think there was a fine victory here. And I think you folks got what you wanted and came out all right. I was mighty glad to see it come out all right.
HMJr: Well, I know how much you helped, and I want to tell you that I personally appreciate it very much.
B: Well, thank you, Mr. Secretary. I was glad to go down the line for you.
HMJr: Well, you were a great help.
B: Thank you very much, sir.
HMJr: Hope to see you soon.
B: All right.
HMJr: Bye.
Bretton Woods—The House Banking committee is expected to reach a final vote this afternoon. There probably will be questions about this. Mr. White suggests we should avoid the subject as much as possible, pending committee action.

7th War Loan—Ted Gamble will be on hand. I think your N. Y. Times statement that the people are taking this drive “in stride” is false. (The New York Times had an excellent editorial on this statement this morning.) But it might be timely to add that some longer strides will be needed to bring the E Series sales close to quota before the corporation phase of the drive opens.

The session—No new developments today. I suggest that this subject be deferred if possible to Monday conference.

Philippines—There will be an informal conference in Mr. Stimson’s office at the conclusion of this conference, when the Foreign Office Control people will answer questions on a forthcoming release about freezing regulations in the Philippines.
Mr. Secretary:

My dear General MacArthur:

This Department is sending a small staff to the
Philippine Islands to reopen its Manila Office and ad-
minister its "Treasury control." Transportation has been
arranged for the mission and it is anticipated that the
men will reach Manila within the next few days.

devastated

In view of the present condition of the area and the
disruption of normal sources and channels of supply, I
should greatly appreciate your assurance that the utmost
facilities necessary to the successful operation of the
mission may be made available if required.

It is my understanding that Army transportation in
the area, billeting, and auxiliary privileges have been
extended to other civilian missions to the Islands, and,
while it is my wish that the Treasury mission be self-
sufficient, I should like to feel that assistance from the
Army would be available in case of absolute need.

Sincerely yours,

Secretary of the Treasury

The Honorable

The Secretary of War

End

Evans 5/24/45
May 24, 1945.

Dear Mr. Clark:

I want to send you my warm congratulations upon the President's choice of you to fill the difficult and important post of Attorney General. I know that you have a thorough grasp of the problems which will present themselves during the coming months, and that you will meet them with wisdom and courage. I look forward to our association as you take up your new duties, and hope that if my advice can be of service to you in any way, you will not hesitate to call upon me.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Tom C. Clark,
Assistant Attorney General,
Department of Justice,
Washington, D.C.

May 24, 1945.

Dear Mr. Anderson:

On the occasion of your appointment to be Secretary of Agriculture, I want to send you my warm congratulations. I look forward to our association as fellow members of the President's Cabinet, and hope that if at any time my office can be of service to you, you will not hesitate to call upon me.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Clinton P. Anderson,
House of Representatives,
Washington, D.C.
Dear Mr. Clark,

I want to send you my warm congratulations upon the President's choice of you to fill the difficult and important post of Attorney General. I know that you have a thorough grasp of the problems which will present themselves during the coming months, and that you will meet them with vision and courage. I look forward to our association as you take up your new duties, and hope that if my office can be of service to you in any way, you will not hesitate to call upon me.

Sincerely,

(Signed) H. Morganthau, Jr.

Honorable Tom C. Clark,
Assistant Attorney General,
Department of Justice,
Washington, D. C.

Dear Mr. Anderson,

On the occasion of your appointment to be Secretary of Agriculture, I want to send you my warm congratulations. I look forward to our association as fellow members of the President's Cabinet, and hope that if at any time my office can be of service to you, you will not hesitate to call upon me.

Sincerely,

(Signed) H. Morganthau, Jr.

Honorable Clinton P. Anderson,
House of Representatives,
Washington, D. C.
May 24, 1945

My dear Judge Schellensbach:

On the occasion of your appointment to be Secretary of Labor, I want to send you my warm congratulations. I look forward to our association as fellow members of the President’s Cabinet, and hope that if at any time office can be of service to you, you will not hesitate to call upon us.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Lewis F. Schellensbach,
United States District Judge,
Western District of Washington,
Spokane, Washington.

Dear Mr. Reed:

I wish to express the official thanks of the Treasury Department for the very fine contribution you and your organization made to the effective launching of the Seventh War Loan, May 14 from Buffalo.

The program got us off to a splendid start and I think that you can take rightful pride in having participated in so encouraging a beginning. It goes without saying that the time of the broadcast and the talent which you contributed were major factors in this successful launching.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. William Y. Reed
President
Larne & Brother Company
Richmond, Virginia
MAY 24 1945

Dear Mr. Letchworth:

I wish to convey to you the official written thanks of the Treasury Department for the fine cooperation tendered us in Buffalo on Monday, May 14.

From the moment of my arrival, through the dinner, to the observance of the "Here's Your Infantry" demonstration, and through the broadcasts in the evening, you and your fellow workers of Buffalo made my trip a pleasant and happy one.

Buffalo got the Seventh War Loan off to a good start, and to you belongs much of the credit.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Edward H. Letchworth
Upstate Chairman
War Finance Committee
1408 Marine Trust Building
Buffalo 3, New York

Reg: 134
NEW YORK HERALD TRIBUNE
May 24, 1945

Taking it in Our Style

When Secretary of the Treasury Henry Morgenthau Jr., in commenting this week on the Seventh War Loan campaign, said that the progress showed that the American people had taken V-E Day "in their stride," he confirmed a phrase that had been, we believe, the nation's reaction to the end of the European war. Whether in a village or on a city's hand-selling Broadway, whether in looking upon the return of the garrulous, harassed carrier Franklins, or in reckoning the more than 10,000 of the Okinawa campaign, the individuals American known that there is still a tough, long job ahead—the crushing of a numerical enemy across distances which make European battle mileage and supply lines seem short indeed.

It is well and just, that each American, with past victory in his stride, understands the further steps which must be taken and the further debt which must be paid for in the coming months. For this effort is directed for the essential success toward the individual buyer. Half of the nation's total of $14,000,000,000 is to be subscribed through bonds. In our city the seven billion in 10% bonds, in our city, according to Frederick W. Gehant, state chairman of the War Finance Committee, is the sale of 1,300,000. Principal is $11,300,000, up in Tuesday's totalization. The 10% per cent is estimated at 857,000,000. The second, well, in 10% bonds, and 10% bonds will be offered in the same period for $1,300,000.

This means that we, as New Yorkers, must lengthen our stride a bit and put our hands deeper in our pockets. Let us do this hands deeper in our pockets. Let us do this hands deeper in our pockets. Let us do this hands deeper in our pockets. Let us do this hands deeper in our pockets. Let us do this hands deeper in our pockets. Let us do this hands deeper in our pockets. Let us do this hands deeper in our pockets. Let us do this hands deeper in our pockets. Let us do this hands deeper in our pockets. Let us do this hands deeper in our pockets. Let us do this hands deeper in our pockets. Let us do this hands deeper in our pockets. Let us do this hands deeper in our pockets.
Dear Mr. Streeter:

I know you will be interested in learning that the program from Buffalo on May 16 was received enthusiastically throughout the country. The Treasury Department has received praise from all quarters.

I want to personally congratulate you and your fellow workers for the splendid way in which you handled the many details which confronted you all during the launching of the Seventh War Loan.

I was very happy to have been in Buffalo and very appreciative of the many kindnesses extended to me.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Daniel V. Streeter
Chairman, Erie County
War Finance Committee
294 Main Street
Buffalo, New York

MAY 24 1945

Dear Mr. LaRoche:

Now that we have seen the Seventh War Loan well on its way through the first week of the Drive, I wish to take this opportunity to thank you in behalf of the Treasury Department for your part in helping us to launch the Drive so successfully on the evening of Sunday, May 15th.

The contribution of your network, along with the other national networks of the country, in providing time and talent for the half-hour from 8:30 to 9:00 P.M. was a most valuable one, and there is no doubt that this series of broadcasts accounts in large measure for the fact that the Drive has gotten off to a very fast start.

The Treasury Department is, indeed, most appreciative of your continued cooperation with the War Bond effort.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Chester J. LaRoche
Blue Network
NERA Building
30 Rockefeller Plaza
New York, New York

Dated: 1945
Dear Mr. Kesten:

Now that we have seen the Seventh War Loan well on its way through the first week of the Drive, I wish to take this opportunity to thank you in behalf of the Treasury Department for your part in helping us to launch the Drive so successfully on the evening of Sunday, May 15th.

The contribution of your network, along with the other national networks of the country, in providing time and talent for the half-hour from 8:00 to 9:00 P.M. was a most valuable one, and there is no doubt but that this series of broadcasts accounts in large measure for the fact that the Drive has gotten off to a very fast start.

The Treasury Department is, indeed, most appreciative of your continued cooperation with the War Bond effort.

Sincerely,

(Signed) H. Morgenstern, Jr.

Mr. Paul W. Kesten
Executive Vice-President
Columbia Broadcasting System
425 Madison Avenue
New York, New York

Mr. Edgar Kobak
President
Mutual Broadcasting System
1460 Broadway
New York, New York
Dear Mr. Letchworth:

I wish to convey to you the official
written thanks of the Treasury Department
for the fine cooperation tendered us in
Buffalo on Monday, May 14.

From the moment of my arrival, through
the dinner, to the observance of the "Hero's
Your Infantry" demonstration, and through
the broadcast in the evening, you and your
fellow workers of Buffalo made my trip a
pleasant and happy one.

Buffalo got the Seventh War Loan off
to a good start, and to you belongs much
of the credit.

Sincerely,

(Signed) H. Morganthau, Jr.

Mr. Edward H. Letchworth
State Chairman
War Finance Committee
1455 Marine Trust Building
Buffalo 3, New York

Dear Mr. Reed:

I wish to express the official thanks
of the Treasury Department for the very
fine contribution you and your organiza-
tion made to the effective launching of
the Seventh War Loan, May 14 from Buffalo.

The program got us off to a splendid
start and I think that you can take right-
ful pride in having participated in so
encouraging a beginning. It goes without
saying that the time of the broadcast and
the talent which you contributed were
major factors in this successful launching.

Sincerely,

(Signed) H. Morganthau, Jr.

Mr. William T. Reed
President
Larus & Brother Company
Richmond, Virginia

DD:138
MAY 24 1945

Dear Mr. Trammell:

Now that we have seen the Seventh War Loan well on its way through the first week of the Drive, I wish to take this opportunity to thank you in behalf of the Treasury Department for your part in helping us to launch the Drive so successfully on the evening of Sunday, May 19th.

The contribution of your network, along with the other national networks of the country, in providing time and talent for the half-hour from 8:30 to 9:00 p.m. was a most valuable one, and there is no doubt but that this series of broadcasts accounts in large measure for the fact that the Drive has gotten off to a very fast start.

The Treasury Department is, indeed, most appreciative of your continued cooperation with the War Bond effort.

Sincerely,

(Signed) W. Morgenthau, Jr.

Mr. Miles Trammell
President
National Broadcasting Company
30 Rockefeller Plaza
New York, New York
President Truman, in his Message to Congress today on Reorganization, called for enactment of permanent legislation similar to the old Reorganization Act of 1939, which has since expired. Under such legislation the President could provide for the grouping, coordination, consolidation, and abolition of agencies, and for the elimination of overlapping and duplication of effort. The Congress could disapprove any proposed action of the President by a majority vote of each of the two Houses of Congress within a period of sixty days after submission of the particular plan of reorganization to the Congress.

Under the old Reorganization Act of 1939, a number of so-called independent agencies were excluded from the President's power of reorganization. President Truman in his Message today said that no agency of the Executive branch should be exempted from the new proposed reorganization legislation.

If President Truman's proposal is adopted by the Congress, then reorganization along the lines you have been considering could be affected by Executive Order of the President, subject only to disapproval by a majority vote of both Houses of the Congress within sixty days after submission of the particular reorganization plan to the Congress.

A copy of the President's Message is attached.
MAY 24 1945

Secretary Morgenthau
Joseph J. O'Connell, Jr.

President Truman, in his Message to Congress today on Reorganisation, called for enactment of permanent legislation similar to the old Reorganisation Act of 1939, which has since expired. Under such legislation the President could provide for the grouping, coordination, consolidation, and abolition of agencies, and for the elimination of overlapping and duplication of effort. The Congress could disapprove any proposed action of the President by a majority vote of each of the two Houses of Congress within a period of sixty days after submission of the particular plan of reorganisation to the Congress.

Under the old Reorganisation Act of 1939, a number of so-called independent agencies were excluded from the President's power of reorganisation. President Truman in his Message today said that no agency of the Executive branch should be excepted from the new proposed reorganisation legislation.

If President Truman's proposal is adopted by the Congress, then reorganisation along the lines you have been considering could be effected by Executive Order of the President, subject only to disapproval by a majority vote of both Houses of the Congress within sixty days after submission of the particular reorganisation plan to the Congress.

A copy of the President's Message is attached.

MAY 24, 1945

TO THE CONGRESS OF THE UNITED STATES:

The Congress has repeatedly manifested interest in an orderly transition from war to peace. It has legislated extensively on the subject, with foresight and wisdom.

I wish to draw the attention of the Congress to one aspect of that transition for which adequate provision has not as yet been made. I refer to the conversion of the Executive Branch of the Government.

Immediately after the declaration of war, the Congress, in Title I of the First War Powers Act, 1941, empowered the President to make necessary adjustments in the organisation of the Executive Branch with respect to those matters which relate to the conduct of the present war. This authority has been extremely valuable in furthering the prosecution of the war. It is difficult to conceive how the executive agencies could have been kept continuously attuned to the needs of the war without legislation of this type.

The First War Powers Act expires by its own terms six months after the termination of the present war. Pending that time, Title I will be of very substantial further value in enabling the President to make such additional temporary improvements in the organisation of the Government as may be required for the more effective conduct of the war.

However, further legislative action is required in the near future, because the First War Powers Act is temporary, and because, as matters now stand, every step taken under Title I will automatically revert, upon the termination of the Title, to the pre-existing status.

Such automatic reversion is not workable. I think that the Congress has recognized that fact, particularly in certain provisions of section 101 of the War Mobilisation and Reconversion Act of 1944. In some instances it will be necessary to delay reversion beyond the period now provided by law, or to stay it permanently. In other instances it will be necessary to modify actions taken under Title I, and to continue the existing arrangements beyond the date of expiration of the Title. Automatic reversion will result in the re-establishment of some agencies that should not be, as exemplified by the current proposal before the Congress. It is in the interest of the Executive agencies and the Congress to continue to consider improvements in the organisation of the Government, and the Congress and Executive Branch, therefore made in the Government under the First War Powers Act, as exemplified by the reorganisation of the Army under Executive Order No. 9082, should not be allowed to revert automatically or at an inopportune time.

I believe it is realised by everyone — in view of the very large number of matters involved and the expedition required in their disposition — that the problems I have mentioned will not be met satisfactorily unless the Congress provides for them along the general lines indicated in this message.

Quite aside from the disposition of the war organisation of the Government, other adjustments need to be made currently and continuously in the national economic establishment. From my experience in the Congress, and from a review of the pertinent developments for a period of forty years past, I know that the experience, I know it to be a positive fact that, by and large, the Congress cannot deal effectively with numerous organisational problems on an individual item basis. The Congressional record is replete with examples of the Congress, themselves, to this effect. Yet it is imperative that these matters be dealt with continuously if the Government structure is to be reasonably stable and manageable, and be responsive.
to proper direction by the Congress and the President on behalf of the people of this country. The question is one that goes directly to the adequacy and effectiveness of our Government as an instrument of democracy.

Suitable reorganization of those parts of the Executive Branch of the Government which require it from time to time is necessary and desirable from every point of view. A well-organized Executive Branch will be more efficient than a poorly organized one. It will help materially in making manageable the Government of this great nation. A number of my predecessors have urged the Congress to take steps to make the Executive Branch more business-like and efficient. I welcome and urge the cooperation of Congress to this end that these objectives may be attained.

Experience has demonstrated that if substantial progress is to be made in these regards, it must be done through action initiated or taken by the President. The results achieved under the Economy Act (1932), as amended, the Reorganization Act of 1939, and Title I of the First War Powers Act, 1941, testify to the value of Presidential initiative in this field.

Congressional criticisms are heard, not infrequently, concerning deficiencies in the Executive Branch of the Government. I should be less than frank if I failed to point out that the Congress cannot consistently advance such criticisms and at the same time deny the President the means of removing the causes at the root of such criticisms.

Accordingly, I ask the Congress to enact legislation which will make it possible to do what we all know needs to be done continuously and expeditiously with respect to improving the organization of the Executive Branch of the Government. In order that the purposes which I have in mind may be understood, the following features are suggested: (a) the legislation should be generally similar to the Reorganization Act of 1939, and part of Title I of that Act should be utilized intact, (b) the legislation should be of permanent duration, (c) no agency of the Executive Branch should be exempt from the scope of the legislation, and (d) the legislation should be sufficiently broad and flexible to permit of any form of organizational adjustment, large or small, for which necessity may arise.

It is squarely necessary to point out that under the foregoing arrangement (a) executive action is facilitated because initiative is placed in the hands of the President, and (b) necessary control is reserved to the Congress since it may, by simple majority vote of the two Houses, modify any action of the President which does not meet with its approval. I think, further, that the Congress recognizes that particular arrangement as its own creation, evolved within the Congress out of vigorous efforts and debate extending over a period of two years and culminating in the enactment of the Reorganization Act of 1939.

Therefore, bearing in mind what the future demands of all of us, I earnestly ask the Congress to enact legislation along the foregoing lines without delay.

HARRY S. TRUMAN

THE WHITE HOUSE,
May 24, 1945.
WASHINGTON - AP - President Truman asked Congress today for permanent authority to reorganize the executive branch of the government in order to make it "more business-like and efficient."

The president declared that the first War Powers Act of 1941, which empowered the president to make adjustments to meet the needs of the conflict, should be replaced by peace-time legislation of equal scope.

He said many agencies set up under the war powers act which expiring six months after the war would be automatically abolished with its expiration while other agencies would revert to an unsatisfactory prewar status.

He pointed out that permanent adjustments need to be made and cited a current proposal before Congress dealing with Reconstruction Finance Corp subsidiaries.

He added it is imperative that the president have authority to make adjustments continuously if the government structure is to be reasonably wieldy and manageable.

-Suitable reshaping of those parts of the executive branch of the government which require it from time to time is necessary and desirable from every point of view, the president said.

He pointed out that the legislation would give Congress necessary control over his actions since it could nullify by a majority vote of the two houses any act which did not meet its approval.

Mr. Truman said Congress cannot consistently criticize deficiencies in the administration if it denied the president the means of removing the causes at the foot of such criticisms.
Dear Henry:

I have your letter of May 22nd returning a check for $100.00 sent you by the company of which I happen to be the president.

I shall advise our Sunday Editor that you’re willing to work for nothing and ask him to give you another assignment soon.

Cheerio!

Yours,

[Name]

The Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.
FEDERAL RESERVE BANK
of NEW YORK

24 May 1945

CONFIDENTIAL

Dear Mr. Secretary:                        Attention: Mr. E. P. White

I am enclosing our compilation for the week ended
16 May 1945, analyzing dollar payments and receipts in official
British, French, Canadian, and Australian accounts at the
Federal Reserve Bank of New York.

Very truly yours,

L. H. Enloe,
Vice President.

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

Enclosures 2
TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

May 25, 1945

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended May 16, 1945, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.
### Analysis of British and Foreign Accounts

(In Millions of Dollars)

<table>
<thead>
<tr>
<th>Period</th>
<th>Debts</th>
<th>Bank of England</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debits</td>
<td>Official Balance Account</td>
<td>Other Debits</td>
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<tr>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>War Years (2)</td>
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<td></td>
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<tr>
<td>First</td>
<td>1,793.2</td>
<td>605.6</td>
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<tr>
<td>Second</td>
<td>2,000.0</td>
<td>1,700.2</td>
<td>3.4</td>
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<tr>
<td>Third</td>
<td>1,225.6</td>
<td>914.8</td>
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<td>Fourth</td>
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<td>1,107.0</td>
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<td>1944</td>
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<tr>
<td>September</td>
<td>151.0</td>
<td>19.9</td>
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<td>October</td>
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<td>November</td>
<td>76.7</td>
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<td>84.7</td>
<td>21.4</td>
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</tr>
<tr>
<td>1945</td>
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<td></td>
</tr>
<tr>
<td>January</td>
<td>146.0</td>
<td>29.9</td>
<td>31.3</td>
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<tr>
<td>February</td>
<td>125.4</td>
<td>28.7</td>
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<tr>
<td>March</td>
<td>105.0</td>
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<td>April</td>
<td>22.0</td>
<td>1.2</td>
<td>-</td>
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<tr>
<td>May</td>
<td>17.7</td>
<td>6.7</td>
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<tr>
<td>June</td>
<td>13.7</td>
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<td>July</td>
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<tr>
<td>Aug. 8</td>
<td>10.7</td>
<td>5.6</td>
<td>-</td>
</tr>
</tbody>
</table>

**Average Weekly Expenditure Since Outbreak of War**
- France (through June 19, 1940): $19.6 million
- England (through June 19, 1940): $29.6 million
- England (through June 20, 1940 to March 12, 1941): $554.9 million
- England (since March 12, 1941): $21.7 million
(a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.

(b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those affected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to $334 million.

(c) Includes about $85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the replenishment of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds from the sterling area and other acquirers' dollar receipts. See (a) below.

(d) Reflects out change in all dollar holdings payable on demand or maturing in one year.

(e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.

(f) Adjusted to eliminate the effect of $20 million paid out on June 26, 1940 and returned the following day.

(g) For monthly breakdown see tabulations prior to April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.

(h) Transactions for account of Caisse Centrale de la France Libre included for first time in week ended December 6, 1944.

(i) Includes $3.7 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, principally in connection with advances of war credits previously issued.
### Analysis of Canadian and Australian Accounts

#### Week Ended July 28, 1945

<table>
<thead>
<tr>
<th>Period</th>
<th>Total Deposits</th>
<th>British Deposits</th>
<th>Other Deposits</th>
<th>Total Proceeds</th>
<th>British Proceeds</th>
<th>Other Proceeds</th>
<th>Total Net Transfer</th>
<th>Official Transfer</th>
<th>Total British Official Transfer</th>
<th>Total Other Official Transfer</th>
<th>Total British Official Net Transfer</th>
<th>Total Other Official Net Transfer</th>
<th>Total British Official Net Transfer</th>
<th>Total Other Official Net Transfer</th>
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<td>87.9</td>
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<td>323.0</td>
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<tr>
<td>Third</td>
<td>323.0</td>
<td>106.6</td>
<td>216.4</td>
<td>87.9</td>
<td>46.7</td>
<td>41.2</td>
<td>323.0</td>
<td>106.6</td>
<td>323.0</td>
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<tr>
<td>July</td>
<td>323.0</td>
<td>106.6</td>
<td>216.4</td>
<td>87.9</td>
<td>46.7</td>
<td>41.2</td>
<td>323.0</td>
<td>106.6</td>
<td>323.0</td>
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<tr>
<td>August</td>
<td>405.4</td>
<td>106.6</td>
<td>298.8</td>
<td>73.0</td>
<td>46.7</td>
<td>26.3</td>
<td>379.0</td>
<td>26.3</td>
<td>379.0</td>
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**Average Weekly Expenditure:**

- **First two years of war:** $3 million, 60 million, 1.2 million, 1.5 million, 1.8 million, 2.5 million, 3.0 million, 3.5 million, 4.0 million, 4.5 million, 5.0 million, 5.5 million, 6.0 million, 6.5 million, 7.0 million, 7.5 million.

- **Third year of war:** $3 million, 60 million, 1.2 million, 1.5 million, 1.8 million, 2.5 million, 3.0 million, 3.5 million, 4.0 million, 4.5 million, 5.0 million, 5.5 million, 6.0 million, 6.5 million, 7.0 million, 7.5 million.

- **Fourth year of war:** $3 million, 60 million, 1.2 million, 1.5 million, 1.8 million, 2.5 million, 3.0 million, 3.5 million, 4.0 million, 4.5 million, 5.0 million, 5.5 million, 6.0 million, 6.5 million, 7.0 million, 7.5 million.

- **Fifth year of war:** $3 million, 60 million, 1.2 million, 1.5 million, 1.8 million, 2.5 million, 3.0 million, 3.5 million, 4.0 million, 4.5 million, 5.0 million, 5.5 million, 6.0 million, 6.5 million, 7.0 million, 7.5 million.

- **Sixth year of war (through May 18, 1945):** $3 million, 60 million, 1.2 million, 1.5 million, 1.8 million, 2.5 million, 3.0 million, 3.5 million, 4.0 million, 4.5 million, 5.0 million, 5.5 million, 6.0 million, 6.5 million, 7.0 million, 7.5 million.

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(a) For monthly bookkeeping and calculations prior to April 23, 1943; October 8, 1943; October 16, 1943; September 29, 1943; September 1, 1944.
(b) Excludes changes in all dollar balances payable in goods or after one year.
(c) Excludes $3 million deposited by war savings, Ltd.
(d) Excludes $3 million received from the Treasury in Canada on behalf of the United States.
(e) Includes $20.9 million paid as U.S. Treasury in reimbursement for goods received by Canada through lend-lease facilities.

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Regraded Unclassified
CARLSTOEN ADEQUATION, BORN, FOR MOCLELAND FROM WRA REFUGEE BOARD

Following message is for you from H. A. Leavitt, American
Jewish Joint Distribution Committee:

We would appreciate your conferring with Isaac Sternbach
and requesting him that for purposes of accounting between
Veal Nahatble and Jewish Joint Distribution Committee, he furnish
you with statement of all sums expended by him from special
4 million Swiss frances deposit. Also what commitments he
incurred with your approval which still payable. Please ask
him cable directly Veal Nahatble, New York, similar information
so that his Committee can instruct him to release funds
to Jewish Joint Distribution Committee.

THIS IS WRA BBRN CABLE NO. 528