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May 29, 1945
9:45 a.m.

INTERNAL REVENUE

Present: Mr. D. W. Bell
Mr. Charles Bell
Mr. O'Connell
Mr. Gaston
Mr. Fehle
Mrs. Klots

H.M.JR: What I want to say here I want to have extra confidential. Mr. Naman, according to Joe, didn't like this idea, and I didn't want to take Mr. Hanks, so I undertook to see Mr. Naman alone, and he doesn't question my authority except to disapprove anything that I want. That is my responsibility.

(Discussion off the record.)

MR. D.W.BELL: You were saying that he didn't question your authority.

H.M.JR: He didn't question my authority except to reject anybody I suggested, and he mentioned that I turned down Berkshire, but he said--to use his own language--that I graciously accepted Mr. Sherwood. But he said he wasn't going to make any more recommendations to me, so I said, "Well, let me tell you a little story."

And that was that I was once Conservation Commissioner of New York, and there were two fellows who were pretty good with whom I did business, and one of them, Franklin Roosevelt, was Governor of New York, and Jim Farley was the other. If Jim recommended somebody and I didn't like him, he would recommend somebody else, and he did it three and four times or until I found somebody that was suitable. Those were two pretty good fellows to learn from, weren't they? He said yes, they were, and I said if you make a recommendation and it doesn't go over the first time, you may want two or three more.

He said this is a little different, and I said it wasn't. The idea was just the same, and, well, he said it was up to me to make some recommendation. Now, the point is this. This fellow came over here, and I asked him--I was prepared to accept him if he made a good impression on me, but he didn't, and he thought he was all right in the Bureau, and he first said yes. There is a fellow who in 1943 was getting forty-six hundred dollars in Accounts and Deposits, and he has had no big, broad, general experience to make him in charge of all Collectors' offices, and in the room here I don't think either you or the Commissioner were very wise in your recommendation of this fellow Hanks. I don't know whether Charlie Bell was in on this or not.

MR. O'CONNELL: I don't think so.

MR. CHARLES BELL: I wrote you a little note on that and said I thought that he had qualifications for the job provided you didn't wish to make the appointment yourself.

H.M.JR: What does that mean?

MR. CHARLES BELL: I kind of felt you would want to put your own man in there.

H.M.JR: But he said he has the qualifications.

MR. CHARLES BELL: I think he has qualifications for the job.

MR. O'CONNELL: I think he has, too. It depends upon how you consider the job. He certainly has had the experience of coming in contact with people. He knows more about refund procedure and the regular operations of the Bureau work than almost anyone in the Bureau.

H.M.JR: I asked him whether he was part of the group that advised me that refunds would be paid--that we should continue the way we did last summer, and he said he was. He is one hundred percent wrong.

MR. O'CONNELL: Sure, but he wasn't the only one. Harold Graves was the spearhead of that operation.
H.M. Jr.: That doesn't make it any better.

MR. O'CONNELL: The only one in the Bureau that didn't think it wise was Bill Sherwood.

H.M. Jr.: I want to find somebody who doesn't think everything in the Bureau is perfect.

MR. O'CONNELL: I never thought that he did. It was Hankins and also Bill Sherwood that--

H.M. Jr.: Here is a very important thing, and all of us--

MR. O'CONNELL: It was Hankins and also Bill Sherwood that reexamined the situation in the spring and recommended that we change our refund procedure.

H.M. Jr.: Well, anyway, I don't say the man is not all right, but I don't think he is my idea of what should be an Assistant Commissioner, and what is happening over in the Bureau, I think, is that the quality is constantly deteriorating. I think it is getting worse and worse.

Now, when I saw these three Collectors of Internal Revenue in New York I was shocked, and the only answer I got was that they can't do anything because they haven't got the personnel, and he said he started to tell me he couldn't do this, and I said, "Didn't I say I could get the personnel for you?" He said, "Yes," and he said he was turned down by the Bureau of the Budget and the Appropriations Committee, and he said he wanted to get more money. And he said Charlie Bell said he shouldn't ask for more money because he'd only get cut, and he said, "If we got turned down, I took it for granted that Charlie Bell would inform you of this," and I said I have no recollection that he did. I said, "Did anybody say I was informed?"

MR. O'CONNELL: Was that this last year?

MR. CHARLES BELL: The House cut ten million out of their appropriations because they couldn't justify this personnel angle, and he wanted to go to McKellar and have it put back in, and I leave it to Dan Bell, if that wouldn't have been a bad thing to have done.

MR. D.W. HELL: Yes.

H.M. Jr.: Well, anyway, what I want to ask is this: Is there anybody around here who can find a spot for Hankins to do the work that he wants him to do without making him Assistant Commissioner? He says no. He says he is under Self, and he has to pull him out from under that.

MR. CHARLES BELL: He is a much better man than Self, but Self is a Commissioner, and Hankins is Assistant Commissioner.

MR. D.W. HELL: Create a job as Assistant to the Commissioner, a Civil Service job at a grade fifteen. What is Self? Is he fourteen?

MR. CHARLES BELL: No. We got that in the Accounts and Collections Department to fifteen. Make him Special Assistant to the Commissioner and let him take some of this Collector's load off that job. That should not have been carried down. That was only carried down there because George Schoonerman was an expert on the Collector's Office, and they let him go ahead and advise the Collector's Office as a Special Assistant to Numan, and hold that vacancy open.

H.M. Jr.: What vacancy?

MR. CHARLES BELL: Assistant Commissioner, with the thought that he wants a good man to do enforcement work.

H.M. Jr.: Where would you get the funds to pay him?

MR. CHARLES BELL: He wouldn't have any problem on that, Mr. Secretary. There are funds. We could get through a classification of the job.

H.M. Jr.: I am being a little inconsistent, but there
is one thing to make the fellow an Assistant Commissioner
and there is another thing to create a job to do—a new
job to do the thing Mr. Hanrahan says he wants done. What
do you think of that?

MR. CHARLES BELL: I think it is a good answer to
the whole problem.

MR. O'CONNELL: That is about the same as what we
were thinking of. We were thinking of having two jobs,
one was to have a man to do the job George Schoeneman
did, and the other was the enforcement job, and most of
the people here, other than myself, thought doing what
has been suggested, making him Assistant to the Commissioner—
that's right—to do the administrative work and hold that
Assistant Commissioner's job for the man that the Secretary
is trying to find to head up enforcement.

H.M.JR: I am not even sure of that. I am not even
sure that the Assistant Commissioner should be a man
who is really an Assistant Commissioner.

MRS. KLOZE: That is right.

MR. CHARLES BELL: I would feel that way about it,
too.

H.M.JR: That is what is running through my mind.

MR. CHARLES BELL: Get your enforcement man and call
him another Special Assistant.

MR. O'CONNELL: An Assistant Commissioner who is
really a second man.

H.M.JR: Who does what the Under Secretary does.

MR. PEHLE: How many Assistants do you have?

MR. O'CONNELL: Two.

MR. D.W. BELL: Sherwood is one on the technical end.
He is essentially a tax man.

And the other Assistant Commissioner would be a
policy man, over-all policy, and higher policy, it seems
to me.

MR. O'CONNELL: We only had that job filled by two
people, both of whom were administrative men, Harold Graves
and George Schoeneman.

H.M.JR: May I just say again. I am groping. The
point I am getting at is I am groping for—I think that
with one hundred twenty-five million dollars—is that
what they have got there?

MR. D.W. BELL: I don't know. It is over one
hundred.

H.M.JR: That is close enough.

MR. CHARLES BELL: It will go to one hundred fifty.

MR. D.W. BELL: Next year it will be over that.

H.M.JR: I think there will be an Assistant Commissioner
who is an Assistant Commissioner and who is a deputy to
him on over-all things, and then put in two special
assistants to him, one on the enforcement and one on the
administrative thing. Then try to get Congress, if you
people think properly of it, of making those fellows
Assistant Commissioners, to regularize them with some
title.

MR. PEHLE: You may not want to make them political
jobs. You may be able to get better people.

MR. O'CONNELL: He means get them on a statutory
basis under the appropriation.

MR. CHARLES BELL: That would normally follow.

H.M.JR: I mean, make them statutory positions.

MR. PEHLE: What is the significance of giving them
a statutory position? I don't think you have to do that.
MR. CHARLES BELL: Clearance would have nothing to do with it. They will accept it when it goes over on the Hill, and it wouldn't even have to be called to their attention.

H.W.JR: I think there should be a top fellow over there that has to do with enforcement. I can see Numan's Mr. Numan an Assistant who would be directly under him and would be over everybody else.

MR. D.W. BELL: Who would be Acting Commissioner in the absence of the Commissioner.

MR. FEHLE: First Assistant.

MR. O'CONNELL: There would be one thing that might be good to do on the basis of legislation. We now have two Assistant Commissioners, both of whom are in the dollars a year. There isn't any distinction between the two under the law. I wonder if it wouldn't be possible to take that law we are describing and build it up a little in terms of salary even, because the sort of fellow you are looking for would be hard enough to get even at ten thousand dollars a year.

H.W.JR: I don't think so. If you don't mind my differing with you, I don't think so. Did you ever try to get a fellow to come in from private practice as Assistant Commissioner? He is willing to put an investment in there.

MR. O'CONNELL: That is the kind of people I wouldn't be so anxious to get. He had a fellow from Chicago who was making forty thousand dollars a year who would have taken that job, but I wouldn't want him.

H.W.JR: May I throw this out to the floor? I want to throw this out. Come back tomorrow and talk to me about it, but I am proping with something, and evidently you people are in agreement with me that it is the way to look instead of taking Civil Service fellows and making them Assistant Commissioners—Sherwood and Hankins—they are all right in their positions, but not as Assistant Commissioners. I want an enforcement fellow, too. Do you think I am thinking along the right lines?

MR. D.W. BELL: I think that certainly would strengthen Numan's office. There is no doubt about it.

H.W.JR: And with one hundred twenty-five million dollars going up to one hundred fifty million dollars, there should be an Assistant Commissioner who is really an assistant. Supposing you think along those lines. Let me get this one thing straight which also is not straight. I don't quite understand this enforcement business with Gaston, and what's his name, Irey? What is that setup?

MR. D.W. BELL: Refer to my namesake over there.

MR. CHARLES BELL: You brought Irey over here about five years ago as Coordinator of Enforcement Activities, and because the nature of the organization it has been difficult to do a whole lot with it. Numan has trouble in his own Bureau on doing a whole lot with it as between Alcohol Tax and Intelligence. There are many separate units, and Irey has worked along well for you on a number of special problems, special cases, and that kind of thing, but I don't think the thing has functioned properly, the coordination scheme of things.

H.W.JR: Is Mr. Gaston responsible for that?

MR. CHARLES BELL: He is responsible for all law enforcement under Secret Service, Narcotics, all of that, Internal Revenue.

MR. D.W. BELL: All the Intelligence units are under Mr. Gaston.

MR. CHARLES BELL: And we have kept him currently posted on every move we have made. He has discussed it with Joe, and he has had a report.
H.W. JR: If you have somebody in charge of enforcement, you will have to change the thing over here, because the authority for enforcement will have to look to the Commissioner.

MR. CHARLES BELL: Strictly revenue matters.

H.W. JR: What does it leave?

MR. CHARLES BELL: Secret Service, Narcotics, and Customs, and possibly Customs should be out of the picture anyway, because the work is so associated with Customs activity that it doesn't present a good enforcement picture.

H.W. JR: Why shouldn't Narcotics come under Internal Revenue?

MR. CHARLES BELL: It could be under State Department or Internal Revenue if you wanted to do that.

H.W. JR: I don't think State. I think it should go to Internal Revenue.

MR. D.W. BELL: That has a lot to do with Foreign Governments. I have always questioned the setup where you have an Intelligence Unit and a big operating Bureau and that Bureau reports to an Assistant Secretary, and on the side you have a coordinator who gets into all these Bureaus under Mr. Gaston, and between the Chief of that Bureau and Mr. Gaston. I have always questioned that setup.

MR. CHARLES BELL: It has been a difficult position.

MR. PEHLE: It is legal in a sense where the lawyers-- I mean, in every department where the lawyers report to the General Counsel.

MR. O'CONNELL: It is comparable. The only part--you have a legal section in each bureau under a fellow

who is responsible directly to the General Counsel, but here you have almost autonomous units like Wolfgang, and he reports to the Commissioner of Internal Revenue, and Berkshire. I don't know who reports to who. There is no organization, but there is the person sitting over here who is not responsible for their operations in any sense that he exercises control, but he is a coordinator. What the devil is a coordinator?

In the Bureau under the Commissioner you need a fellow with some zip to him to put a little steam into the operations of Wolfgang's organization, to build up an organization, and in Miscellaneous Tax, and so forth--someone to represent them and to represent the Commissioner, just below the level of Commissioner.

He'd fight for them with respect to appropriations, and fight for personnel. He would be the one fellow that both the Commissioner and you could put your finger on, and that is something we haven't had before. When you start looking at who is responsible you get up to about sixteen different people.

(Mr. Gaston enters conference.)

H.W. JR: Let me just say this. I have had quite a talk with Commissioner Human on putting in a man by the name of Hankins as Assistant Commissioner to supervise the Bureau.

MR. GASTON: Yes.

H.W. JR: Mr. Hankins isn't my idea of a man who should be an Assistant Commissioner, and in talking with the people here--I want to keep this confidential--I have been thinking out loud. Maybe a man like Hankins is all right to supervise the Bureau's--call him a Special Assistant, and then this question comes up of a Special Assistant in Charge of Enforcement, which I believe you said you were for.

MR. GASTON: Yes, yes.

H.W. JR: And then the next thing I asked about was
what was the status of Irey, you see?

MR. GASTON: Yes.

H.M.Jr.: If we have a man over there, and I thought inasmuch as we were discussing that and that affects you, I'd ask you to join us, because originally I was just talking about Irey and his work.

Now, if we have a man in charge of enforcement over there, just what would happen to Irey and his work?

MR. GASTON: Well, it wouldn't have much effect on Irey. He isn't undertaking command over the people in the Bureau as this man would do. He is merely undertaking to maintain contacts and coordination between all the enforcement people of all the agencies. I don't think his work would be greatly affected by a consolidated command over your people over there.

H.M.Jr.: Wouldn't Irey be—he couldn't call on those people.

MR. GASTON: I don't see how that would affect his power to call on those people. His relations with them would be the same as before.

MR. O'CONNELL: He doesn't have directive power.

MR. GASTON: He has no command over Wobor or Berkshire or Avis now. That possibility has been discussed at different times, but he has no authority over them.

H.M.Jr.: I'd like to raise the question of if we put somebody there whether—I'd like to reexamine this question of Irey as coordinator, and whether that's something—he has been there now for how many years—whether that's worked out, whether we want to continue him if we have a man in charge of enforcement in the Bureau.

MR. GASTON: I don't think it would affect that problem at all. I don't know how it would affect it, because he has no authority over those people in the Bureau. He has no directing power.

MR. D.W. BELL: What does Irey do, Herbert, as Coordinator? What are his functions?

MR. GASTON: He holds meetings to discuss problems and makes suggestions to people. I have asked the people who were directly under me not to make important personnel assignments without discussing them with Irey. I ask for his advice on a good many different things, and they hold meetings to discuss mutual problems and do agree on like policies with respect to classification and handling specific cases, training, and various sorts of things of that kind.

MR. D.W. BELL: Would you say he is more in the nature of an assistant to you on the enforcement angle?

MR. GASTON: He is in part, but I wouldn't say he was principally that, no. His principal work is just what the name implies without any power of direction over these agencies. He tries to bring them together through these meetings and through his suggestions on policies, and perhaps correlating their work on cases, and so forth.

The Coordinator has never been equipped with any authority over any agency except our personnel staff which we caused to be set up directly under him.

MR. CHARLES BELL: Personnel investigations.

MR. GASTON: The character investigations, and then we had this for a time. We had the Surplus Property Investigative staff under him. Well, it is now liquidating work, but it is still under him, what is left of it.

H.M.Jr.: I raised the question thinking of what you said about Internal Revenue with an Assistant to the Commissioner who would really be an assistant, and a Special Assistant who would help him in contacts in the Bureau, and a Special Assistant on enforcement.
If all the enforcement agencies in the Bureau would be under this man, I raised the question that I'd like to have it reexamined as to whether you want Irey to have anything to do with those agencies.

MR. GASTON: You are raising the question whether you will drop the coordination. Is that it?

H.W. JR: Well, I don't know. Yes.

MR. GASTON: Well, I think you ought to have the coordination in some form. Of course, you can have a man who acts as Chairman of the Coordination and of the meetings, and have full time work on some other job, but there is coordination work to be done, and I think the coordination is a good thing, and I think it has accomplished a great deal in our enforcement work. It would be a mistake to drop it.

H.W. JR: Well, I'd like to discuss it with the people here when we go into this. We will have another meeting tomorrow, see? I am not too familiar with it. Evidently Mr. Bell is, and O'Connell is, and I don't know.

MR. O'CONNELL: Well, I am generally familiar with it.

H.W. JR: You are not, are you?

MR. D.W. BELL: No, I am not. I could never understand Irey's function and the purpose of it.

MR. GASTON: Well, the purpose of it is very simple, indeed.

MR. D.W. BELL: I could see the purpose of coordination, but it doesn't seem to me it was a full time job. I am probably wrong in that because I am not close enough to it.

H.W. JR: Well, let's just have a fresh look at it.
H.M.JR: Yes, but I don't know what they—as I say, I have to be informed as to what Irey does coordinate. I don't know. I mean, I haven't been close enough to it for a couple of years.

MR. GASTON: Yes.

H.M.JR: I mean, I haven't seen any reports. I haven't read them as to just what he does.

MR. GASTON: Yes.

H.M.JR: I mean, what his meetings are, what he has accomplished, and so forth. If you could get up a little report—

MR. GASTON: Would you like to have a report on the subject?

H.M.JR: Yes. I would like a report and I would like to talk to Irey. I would like him to come in and make a report, so to speak, to this group.

MR. GASTON: He could come in right now.

H.M.JR: I haven't the time right now. I want him to come here as though it were a Budget hearing, and let him make the same kind of an appearance before this group as though this was a Budget group trying to justify his appropriation. See what I mean, the same presentation he would make before a committee on the Hill, to the Treasury's own budget group, huh?

MR. CHARLES BELL: Yes. One very important piece of work Irey does is character investigation. It isn't proper to locate that in any one Bureau. It is better to have it separate.

MR. D.W. BELL: Where does he get the money?

MR. CHARLES BELL: From Revenue, Procurement—from all around.
Mr. Frank
J. Byars

...standing over thirty some years over in the War Food.

HMJr:
Yeah.
B:
And he's the one that recommended him to me.
HMJr:
I see.
B:
And that's all I can tell you about the fellow. I was just on the hunt to locate something to eat.
HMJr:
Yeah.
B:
I knew that this man over in the War Food — his name is Joe White — I know that he had a lot of growers down there that he knew, so he put me in touch with this grower, who is... The fellow has a place of business over there, and he is a grower, so I don't know what could be wrong with him.

HMJr:
But, I mean — do I buy it from the A & P, or do I buy it from him?
B:
Oh, no, no, you buy it from him.
HMJr:
From him?
B:
Yes.
HMJr:
Then I'd better check up on him myself, huh?
B:
Yes, because you see I couldn't get anything at all through the A & P.
HMJr:
Have we got his name?
B:
Yes. Mrs. -- what's her name?
HMJr:
McHugh.
B:
McHugh.
HMJr:
She has his name.
B:
Yeah, she has his name and his address. He's at Timberville, Timberville, Virginia.
HMJr:
And they have his name.
| B: | ...and make certain that he is allright. But I don't know any reason why he wouldn't be. He's a grower and he doesn't want to work with the Government. |
| HMJr: | Good. Mov, so much for that. If you've got another minute... |
| B: | Sure thing. |
| HMJr: | Our people were talking to our neighbor up there - Blodgett, who has 200 acres in tomatoes. |
| B: | Yes. |
| HMJr: | And... |

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| Mr. Joseph O'Connell: | He said he explained it to you. |
| HMJr: | Well, we've been talking about it. We explained it to him as a matter of fact. We've been talking about it for a long time. |
| C1: | Well, whose idea is that? |
| HMJr: | Oh, well, I don't know that you can credit it to anyone. We've been talking about it for several months, and we've arranged that in streamlining our procedure that on these good cases, instead of having them come into Washington and go through the Chief Counsel's office... |
| C1: | Yeah. |
| HMJr: | We'll operate on them in the field, and having made a tentative arrangement with Sam Clark in the Department of Justice... |
| C1: | Yeah. |
| HMJr: | That on an individual case basis, we'll operate on just a summary report in here. Sam had indicated that if we can give them enough to show that we've got a case, that they'll consider letting our people in the field deal directly with the United States Attorney's office. |
| C1: | Well, now, who has to clear that? |
| HMJr: | Well, on an individual case basis when they turn the summary report in here from the field, we'd examine it here in the Chief Counsel's office... |
| C1: | But I mean who's over in the Department of Justice? |
| HMJr: | Oh, that's Sam Clark, Assistant Attorney General. |
| C1: | He's the new Attorney General? |
O:  No, no, that's Sam Clark. You're the new Attorney General.

HMJr:  Well, now, have you talked to him about this?

O:  I talked to Sam Clark about it.

HMJr:  Well, how far did you get?

O:  Well, he's indicated a willingness on a case by case method to bypass the Department of Justice here, but he won't give us a blank check on it. He wants to see the cases.

HMJr:  Well, how about the New York restaurant case?

O:  Well, that's the thing that we would have to take up with him. It's sure that that is a case very quite clearly effect that kind of arrangement on.

HMJr:  Well, would you try that and these two cases I mentioned yesterday?

O:  Yes.

HMJr:  And possibly with some others. Now, do you handle that yourself, or does somebody do that for you?

O:  That would be handled in the Chief Counsel's Office normally, through Phil Winchell.

HMJr:  Well, tell Phil Winchell - give him a ring will you?

O:  Yeah.

HMJr:  And say that I'd like to get about a half-dozen different places started, see?

O:  Yeah.

HMJr:  Right away, and like a report from them on it tomorrow.

O:  Yeah, well, now look - let's get this clear.

HMJr:  Yeah.

O:  We can't bypass and we can't shortcut — we can't start this shortcutting until they've completed their investigation.
Mr. Joseph O’Connell: Mr. Secretary, on the Lustig case...

HMJr.: Yes.

O: I’ve just talked to Munan about it, and I asked him if it wouldn’t make sense – I also talked to Phil Winicki...

HMJr.: Yeah.

O: If we were to take a man from our Penal Division, ask Sam Clark to pick a fellow from the Tax Division in Justice, and also ask them to have someone in the United States Attorney’s office move right in on that case today or tomorrow to work with the special agents, with the view to possibly getting that case in shape to take it to a Grand Jury within the next week, or two at the most.

HMJr.: Sounds good.

O: Seems to me it would cut a lot of corners because if you let the investigators complete their investigation, the lawyers are apt to find some holes in it that will have to take a lot longer.

HMJr.: Let’s hear you talk in a language I understand.

O: (Laughing) Well, Munan says it is all right with him, and if it is agreeable with you, I’ll tell them, Phil, to talk to Sam Clark about it this afternoon with a view to making that sort of arrangement.

HMJr.: Yeah. And tell him if he doesn’t get anywhere with Sam Clark, I want to get in on it myself.

O: Well, I know. At first I thought that a good way to approach this problem generally was for you to talk to the Attorney-General, the new one.

HMJr.: No.

O: But, unfortunately, he isn’t the Attorney-General until the first of July. So then...

HMJr.: Well, you can tell them that I’m very much interested, see?

O: Yeah, oh, sure.

HMJr.: You know, I’ve been saying that there must be some way to shortcut this thing.

O: Well, there undoubtedly is, and we’ll cut it as much as we can.

HMJr.: Well, it sounds damn good to me.

O: Right. On this Washington case – the Wright case.

HMJr.: Yeah.

O: The reports of investigation from the special agents and the revenue agents will be in our hands Saturday – not before then.

HMJr.: Good.

O: But that’s pretty good, that’s within a week.

HMJr.: How about the Baltimore one?

O: The Baltimore case, I won’t know until later in the day. I don’t know whether that’s as far along or not.

HMJr.: And that P & M Liquor case in Chicago.

O: Well, I’ll make an inquiry about that, too. The only one I really inquired about was the Wright case.

HMJr.: Well, try the P & M liquor.

O: P & M liquor and the Spivak.

HMJr.: Right.

O: O. K.

HMJr.: But that sounds good.

O: All right, we’ll go ahead. Thank you.
May 29, 1945
2:00 P. M.

HHJr: Hello.
Operator: Mr. White
HHJr: Harry.
Mr. Harry White: Hello.
HHJr: While you were absent, and one thing and another, I've had Joe's letters come directly to me.
W: Yes.
HHJr: Now, the one to T. V. Soong on gold to China. Hello?
W: I'm listening, sir.
HHJr: Do you want these to go across your desk?
W: No, the more that you (Laughs) take care of the better it is as far as I'm concerned.
HHJr: Well, how do I know that you know?
W: Well, I don't know. I haven't initiated it. I haven't seen the letter. But I usually get informed later because I get a copy of what Joe turns out. Now I don't look at them currently, but sometime within a week or so following I usually - read them over the weekend.
HHJr: Well, now, this is an important letter. Have you got time to initial it?
W: I've got time to initial any letter that you have the slightest doubt about. You send it back, and I'll see that it gets my initial.
HHJr: Wait a minute - any letter I've got to sign - before I sign it I'd like you to initial it.
W: O.K.
HHJr: If it is important enough for me to sign it then I think...
W: Well, that isn't always true, but I'll be glad to do that.

Or vice versa.

W: Well, I mean there are a lot of routine letters that you sign.
HHJr: No more.
W: No more, O.K.
HHJr: No, the girls have got it so that there are only the important ones to sign.
W: O.K. if it is unimportant, I can initial it quickly.
HHJr: (Laughs)
W: And if it is important, it deserves time.
HHJr: I'll see you a little later.
W: O.K. sir. Hello?
HHJr: Yes.
W: We had a very successful meeting this morning up at the informal meeting at the House Foreign Affairs Committee. There were about eight members there and we spent a couple of hours. Dean Asherson and I.
HHJr: Tell me a little later.
W: O.K. Bye.
HHJr: Bye.
M.R.: May I interrupt you, if you don't mind? I just want to make certain. They said that this cotton is to be delivered to the head of the United States Army Services and Supply. They would receive it, General Cheeves.

MR. WILLAVER: That is now General Arnand. That question has not been officially raised with us but I know that General Clamstead, who was here, told me he had worked out with Dr. Soong that that amount was going to be handled directly by our own Army.

(Mr. Patterson and Colonel Denton enter the conference.)

MR. WILLAVER: I assume there will be no difficulty in getting the Chinese' consent if that is requested by the Army we do it that way. It's not a new procedure to deliver things to the United States Army there. They deliver all their own military lend-lease that way, but we have no official request from anybody to do it that way.

MR. SCHENK: Would it be acceptable to the Chinese?

MR. WILLAVER: We haven't any official word from them but Dr. Soong has been pretty liberal on any terms we wish to impose on them. Knowing him as well as I do, I think he will say yes.

MR. CLAYTON: I think what he wants is to get the textiles into China.

MR. WILLAVER: He has consented to do it this way but I think we will want a letter from him, you see, before we say we will do it that way.

MR. COE: Is it your point that some part of this should be lend-lease, because we had thought that the Chinese were willing to buy all of it?
MR. WILLAVER: Just a minute. The Chinese have said that they would like to have it all on lend-lease if they could, but if they can't get it any other way, they will pay cash, but they have asked us to do it on lend-lease where we think it can be done and I have recommended to Mr. Vroman that the part which is ninety million yards, if the United States Army wants to handle it directly for direct war supplies to the Chinese, it is clearly a lend-leaseable thing from a legal point of view, and the balance is clearly cash.

MR. SCHEUR: These off-shore purchases are entirely different.

MR. WILLAVER: That's right. The off-shore purchases the Chinese have already said they are going to pay cash and the USG is doing it. Now, how that will work out in the ninety million, I haven't figured out yet. It depends on how much they get out of off-shore and United States funds.

MR. SCHEUR: We are vulnerable if we go and pay extremely high prices over and above domestic ceilings in foreign markets to supply on lend-lease.

MR. WILLAVER: I am not suggesting that at all. A question would come up, Sidney, if you got less than ninety million out of the United States.

MR. SCHEUR: Well, this is very apparent from this.

MR. WILLAVER: To an extent you do.

MR. SCHEUR: You would get about twenty-five million from the United States in the next quarter as I understand it.

MR. WILLAVER: That's right.

H.M., JR: It still isn't clear in my mind.

MR. WILLAVER: There are two end uses for the total pool of textiles. The first end use is to be manipulated by the United States Army to barter and supply United States-Chinese troops with equipment.

MR. CROWLEY: That, you think, will be ninety million yards.

MR. WILLAVER: Of the total pool that's supposed to be ninety million yards. As Sidney points out, there's another complication. We're not going to get ninety million yards out of United States, and we can't do lend-lease on the Brazilian thing. If it looks weak, we are going to get fifty million out of ninety million out of the United States, it will only be that fifty that will be lend-leaseable, but there will be a theoretical right if there is ninety million, we can furnish it.

MR. CROWLEY: If they use their own money, what right would we have to take their cotton and their textiles and give it to our Army to be used for barter?

MR. WILLAVER: We can't.

MR. CROWLEY: All the Army gets is the amount we have lend-leased to them.

MR. WHITE: The question is whether, now, as I understand it, that the mere position of purchasing power to buy cotton is in itself quite inadequate to obtain the cotton, there are two other elements necessary. One is to ship it and the other to buy it, even if you have the money. Both of those latter two are done, as I understand it, entirely through the good offices of the United States Government and therefore you can't exact quid pro quo on any terms you think reasonable, and I was under the impression that that is what was being done, because in Mr. Patterson's letter here it specifically states they are going to take it over for the Chinese Government. What they are going to do is see that it is going to be used under such conditions for the best interest of the Army, and that would have to be ascertained. Those would be conditions which
the Chinese Government would be willing to accept to compensate you for the trouble you are going to in shipping the goods and depriving somebody else of those goods. So, it seems to me the question resolves itself to, as far as discussions have gone, to the President, whether you want to give them the stuff even though they say they are willing to pay for it or whether you should--

MR. CROWEY: Harry, we couldn't give them the stuff we are going to try to acquire.

MR. WILSON: Acquire within the United States.

MR. CROWEY: We can give them under lend-lease the amount we can acquire in the United States.

MR. WILSON: They said they are willing to pay for it.

MR. CROWEY: They have said that in writing.

MR. PATTISON: You can exact in a condition to all deliveries in China no matter where they come from. There is not the slightest doubt of the Chinese agreeing to it.

MR. WILSON: You cut across the whole question of lend-lease ability to China on this thing. You have got here a clear military end use, and if you say that the textiles that are going to go directly for the benefit of the troops are not lend-leaseable, how about the guns and everything else? It's a very much bigger question than these textiles. That is one of the reasons I am making this recommendation to you, because it's a fact that it is generally understood the Chinese have a billion dollars in this country, but there are other claims on it and I am not so sure, Mr. Crowley, whether as a matter of policy you want to have a piecemeal solution of the over-all question whether the Chinese are entitled to any lend-lease, whether they have spent one billion dollars.

MR. CROWEY: The rest of the countries didn't do that.

Mr. CROWEY: It's difficult when you have a country come in asking that some of their dollars—loaned dollars—asking in writing to use it for textiles, and you come along and say, "No, we want some lend-lease policy to lend-lease it to you."

Mr. WILSON: Well--

Mr. WILSON: Could I make a suggestion? It seems to me from listening to the conversation, as far as American cotton cloth which originates in the United States, which isn't much, it seems to me without consultation with other people that you would have the right to lend-lease them that if you wanted to have it delivered to the United States Army. Now, then, the other question comes up making available to them this cotton in South America, and I would like to suggest for that purpose they use their own money.

Mr. CROWEY: I think that's--

Mr. WILSON: That's what they are doing, sir.

Mr. CROWEY: That's what he is willing to recommend, Mr. Secretary.

Mr. WILSON: But I would, before making it available, I would insist that it be—ever cotton from South America—be delivered to the Services and Supply Unit of the United States Army.

Mr. CROWEY: In order to tie it in and get the benefit of the over-all—do you think you can do that?

Mr. WILSON: I think so, to the extent the United States Army is prepared to handle it. There's a top limit on that ninety million yards, and there's more in this allocation. If the United States Army is prepared to handle more and wants more, that is a separate question.

Mr. CLAYTON: There's not much more than that in the allocation, about one hundred and five, maybe, in the total.
MR. WILLAVER: That's right, but there is some--

MR. CLAYTON: Over a period of six months that would be very little a month.

MR. PATTERSON: I am greatly gratified to see allocations made in the third quarter for forty-five million yards. I guess you all know that the large part of the Chinese Army is being reorganized. It's a difficult situation, and they have already made a very promising beginning--whole scale. The fighting in China is, we believe, going to undergo a rapid change for the better, and they are for the first time conducting a real defensive. Those are not just newspaper stories either, and the hopes of our people against the Japanese in China. If they don't lick them, we have got to. So that I mean, if the Chinese don't lick the Japanese, the American forces must do the job, and so it's desirable for the benefit of the United States to see that Chinese operations are a success and it's not without very fair prospect of success. For the first time now in three and one-half years they are on the go.

MR. CLAYTON: That's fine.

MR. PATTERSON: This will go a long way toward solving their logistics and supply problems, but we think it imperative that control of it in China be supervised by the Army people there to make sure that all the textiles go to the support of the Chinese forces there rather than to some other department that would be a mere drop in the bucket. We need it really directed to the intended use. Only, we haven't done so well on--I don't like to find fault with anything, but I wonder whether the allocation of the twenty-two million yards from Brazilian and Mexican production may not be a when, as, and if allocation, and not as firm as the other allocations.

MR. CROWELEY: I don't think that's quite as firm. I'll have to call on Mr. Willauer. He manipulated around that all morning with Jack Smillie, here.

MR. PATTERSON: I wonder whether the Chinese aren't taking a chance.

MR. CROWELEY: That's not as secure as having it come out of our own supply, Bob, but they think there is a better than fair chance they can carry that.

MR. PATTERSON: Why not spread it over the whole distribution?

MR. CROWELEY: Take it out of military and all?

MR. PATTERSON: Well, there is quite an itemization here. You have got the Chinese down here for only twenty-three million yards out of one hundred and twenty-six. Why don't you add twenty-two to one hundred and twenty-six and make them all take a chance on that thing?

MR. SMALL: The Brazilians are supplying a lot of other Latin American countries and other liberated areas in Europe.

MR. CROWELEY: I don't think--the Combined Board of the WPP and FEA have worked days and days on this thing, and this is the best they can do.

MR. CLAYTON: Has this Brazilian and Mexican stuff been bought?

MR. SMALL: There are men down there now.

MR. CLAYTON: It hasn't actually been bought?

MR. CROWELEY: Some has been bought, hasn't it, Sidney?

MR. SCHOBER: No.
MR. PATTERSON: That's a diversion. It was intended for the French, wasn't it?

MR. SCHEER: This doesn't involve the diversion. This is free, over and above.

MR. PATTERSON: It's not as contingent as I thought.

MR. CLAYTON: It may be if it hadn't been borrowed. You're not sure they can get it?

MR. SCHEER: They have an understanding with the Combined Board to supply these quantities.

MR. CLAYTON: But the mills down there are the ones who have to supply it.

MR. SCHEER: The Government has undertaken to do that. Whether the Government can do what it has proposed to do, you know better than I.

MR. CLAYTON: They have been working night and day, and they have all kinds of commitments and orders. I was wondering whether they are in a position to do it. The price is very influential down there. It is in most places, and certainly down there.

MR. SCHEER: We are going down with the highest prices for the Chinese.

MR. CLAYTON: If they can get this total quantity, Bob, the maximum, say, of one hundred five million for six months—that's about seventeen and one-half million a month. If you take seventeen and one-half—-

MR. PATTERSON: That's right.

MR. CLAYTON: I think it should all go to the Army and the Army should have distribution of it.

MR. CROXLEY: Leave a few.
MR. PATTERSON: They can get supplies to the Army by use of textiles.

MR. CLAYTON: You can see it gets the widest and most profitable distribution.

MR. PATTERSON: For what we need.

MR. CROWE: Is that all right?

H.M.JR: Yes. Why don't you restate the thing so we will be sure we all understand it.

MR. CROWE: Whitey, you go ahead and set the thing up, how we are going to pay for it, so we get it all on the record.

MR. CLAYTON: Yes, that's fine. I imagine also one of the first things to do is make contracts for it and make sure you get it contracted for and bought. Allocations and purchases, procurement, are two different things.

MR. CROWE: We are trying to get one thing settled here so we can get on and get out those contracts.

MR. CLAYTON: Yes, just so—we have a request from Hong for thirty-five million, is it?

MR. ADLER: Twenty-five million for the textiles.

H.M.JR: Twenty-five million of their own money, to release that money to buy goods, and what I was answering him verbally was I wasn't going to give him another letter until he showed me he had the goods. If he wants to use it for this purpose, I don't know what that stuff costs a yard.

MR. WILLIAMS: We are figuring about thirty cents.

H.M.JR: Whatever he wants, if he has this, we will release that much money to buy this, but I am not going to give any more blanket letters.

MR. WILLIAMS: Do you want me to state the position?

MR. CROWE: Yes, sir.

MR. WILLIAMS: It's proposed that of the total allocation of about one hundred and fifty million yards of textiles that part which will be procured in the United States and part will be procured in South America, Brazil and Mexico. It's further proposed that such part as is procured in the United States up to an over-all ceiling of ninety million yards will be on lend-lease. It's now estimated that that part which will be procured in the United States will be approximately fifty million yards. All balances which are procured outside of the United States will be for Chinese cash to be obtained from the Treasury.

MR. TELL: Their own cash to be released.

MR. CROWE: In tying your program.

H.M.JR: It's their own cash.

MR. WILLIAMS: Released from the Treasury instead of obtained. As to the method of control of these textiles, it is proposed we attempt to work out with the Chinese an agreement whereby all textiles, regardless of where purchased, will be turned over to the United States Army in China for the operation of supply depots for Chinese troops and other United States military needs in the theater.

H.M.JR: All these would be turned over. What you mean is that the Army will take possession at the mill and we will see that this stuff is transported and delivered.

MR. WILLIAMS: The way that sort of thing has been handled in the past, Mr. Secretary, I think is applicable here. What we could very simply do is not to bring the Army into a problem of taking delivery now in Mexico and that sort of business but consign these things to the Army in China.
H.M.JR.: Is that all right?

MR. PATTERSON: Yes.

MR. SCHUYLER: You have two elements. Would that include the merchandise that is in India now, the yarn, the cotton, and so forth. Will they also have the disposition of that, the Army?

MR. WILLAUME: I think that's an important point. I am recently informed by one of my men just back that practically all of that Indian finished textile stockpile is either across the Hump or in the pipeline across the Hump, and I think you are a little too late to set anything up on that.

MR. CLAYTON: I don't imagine you could tie that in. They bought that there themselves with their own money.

MR. SCHUYLER: That's clear. It's understood.

MR. WILLAUME: We understand some of it has already been sold under their program.

MR. SMALL: I think so. So there is no mistake about this thing, first, this is not an allocation of one hundred and five or ten million in the second half of the year. It's an allocation of forty-five million which includes domestic plus your Combined Board's twenty-two million from Brazil and Mexico in the third quarter. The twenty-three plus twenty-two in the fourth quarter is an estimate of what we think will be available.

MR. CROLEY: That's right. That's all you could do.

MR. SMALL: I wonder if Mr. Morgenthau got that.

MR. PATTERSON: The third quarter is firm and the fourth quarter is not so firm.

MR. SMALL: The fourth quarter is an estimate.

MR. CROLEY: All you could do in any of those quarters--

MR. PATTERSON: You haven't come to the allocation.

MR. SMALL: I pointed out, Mr. Secretary, and I thought you didn't catch the point, that the firm allocation being made here is for the third quarter. This one hundred and five million we are talking about for the second half-year includes firm allocation for the third quarter plus our best guess what is going to happen in the fourth quarter. The fourth quarter portion is not yet firm and will not be firm until that other allocation is made.

H.M.JR.: What are you giving them on this firm agreement?

MR. SMALL: Twenty-three million domestic plus twenty-two million Mexican.

H.M.JR.: The rest has not yet been made?

MR. SMALL: We haven't made it firm for anybody.

H.M.JR.: I think I understood that.

MR. SMALL: The other point is on the Army control of this thing. General O'Shaughnessy said that out of the fifteen million yards a month which they were asking for, ten million yards which were for direct use by the Army and embarked along their supply route. Five million yards are going to Chungking for use in the mills around Chungking and then they are to be used by the Army for barter. But I am not sure there is any difference in the Army handling them, but I want to point out you should leave some flexibility in the Army's using it in China.

GENERAL DENTON: I have some knowledge on that, Jack. There is no difference. The ten million is to be used geographically in the section the troops will be operating on the supply line direct to the troops and the geographical area where the fighting is and supply lines flow. The five million is for use in barter, similarly, but with those who are not in the geographical fighting area, and generally around Chungking.
Mr. WHITE: There is no question you want to give them this cotton on lend-lease. When they asked for the gold there was a commitment. There is no commitment on this cotton. You still want to give it--

MR. WILLIAMS: Unless you want to go into the whole question of lend-lease to China.

Mr. WHITE: Why go into the whole question when they are talking about paying for this cotton?

MR. CLAYTON: This would be military lend-lease, wouldn't it, to supply the troops?

Mrs. PATTENSON: No, it's not. It has not been handled that way at any rate. It's FEA's program.

Mr. CLAYTON: Yes, but as a matter of fact, it is really military lend-lease because the proceeds from the goods should go to supply the Chinese troops.

Mrs. PATTENSON: That's true anyway of having it on lend-lease, will.

Mr. CLAYTON: I wouldn't think so, Bob.

Mrs. PATTENSON: The only difference is this: I think here that there is a closer control at destination and an assurance that the benefit of these shipments will go to the Chinese military forces. It's not exactly like weapons which they use themselves. I would say that on the disposition of lend-lease acquisitions that we have in this country that this one was FEA program.

Mr. SCHUERER: This sets up a new pattern in the first place.

Mrs. PATTENSON: It could perfectly well be lend-leaseable rights.

Mr. SCHUERER: China had a great credit extended to them which was not the fact in many cases so they started on a different presumption.
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as far as lend-lease is concerned on extending lend-lease on direct military material. There's no question about that. The question is as to the wisdom of establishing, in view of that credit, immediately at the jump-off, consumer goods on the basis of lend-lease. That's the point you made.

MR. WHITE: In addition to the fact, when they asked for the gold, despite the fact we felt it wouldn't achieve anything, they said that was something that was a commitment and we obliged by it. Now, if we have some concession to give them in the way of establishing a new pattern of lend-lease goods to China, I should think that would be a major consideration, and they are willing to pay out money. It may be you won't give them lend-lease on a lot of things. That should be considered independently and not be made one parcel. There is a question of giving them cotton goods.

MR. CROUCH: In view of what we have done for the rest of our allies, I would think we would be justified in putting this amount that we have from our own resources here through lend-lease.

MR. BELL: On the basis in the end that it is military.

MR. CROUCH: Yes.

R.W.JH: What else is there?

MR. CROUCH: That's all I have.

MR. WILHAME: You did raise a question which I didn't answer yet as to raw cotton which they are purchasing in India for cash. The degree of control on that, as far as the United States Government is concerned, is rather tenuous in that we are not in on this deal in any sense or fashion. But I think I was asked what we were doing on that. I should think you would treat that like their own stockpile and not monkey with it. Actually, that raw cotton is not going to be given by our Army, but by the Chinese to be put in their own mills.
May 29, 1945
3:20 p.m.

LAND-LEASE, CHINA

Present: Mr. D. W. Bell
Mr. Fehl
Mr. Coe
Mr. White
Mrs. Klotz

H.M.JR.: All right, gentlemen. At your service.

MR. WHITE: Well, do you want to take up the question of lend-lease policy on countries other than England? Is that what you want?

H.M.JR.: Yes.

MR. WHITE: Well, this is the document that the State Department had expected you to sign and they modified it. Do you want to carry the ball?

MR. COE: Yes.

(Mrs. Klotz enters the conference.)

H.M.JR.: Just before you start, Harry, I wrote my own letter to Stettinus. (Discussion off the record.)

MR. COE: Before we begin that, Mr. Secretary, as you requested, we cleared this executive order and programs investigating the German and Japanese assets. There are three of these copies to sign. We got Grew's and Markham's signature and I wondered if we could get yours.

H.M.JR.: Oh, you want to do business. I just wanted to have some fun.

MR. COE: Since we have got all the others lined up I thought we better get yours.

H.M.JR.: All right.

MR. COE: If you sign those three copies and keep one for your files.

(Secretary signs "Memorandum to the President," concerning German and Japanese assets, dated May 30, 1945.)

MR. PEHLE: Which comes first, Harry?

MR. WHITE: Fun, always.

H.M.JR.: We don't have much fun around here.

MR. COE: When we read the papers it sounds as though you're having fun.

H.M.JR.: You know that we suddenly found a way. They wanted to try to do in three or four days--

MR. PEHLE: Important guy.

MR. D.W. BELL: Yes.

H.M.JR.: Yes. This fellow in Washington. They are going to move simultaneously, the Attorney General, the General Counsel in Internal Revenue, plus the investigators. They are going to move together at one time and hope to get indictment by Saturday. Joe said they're short-cutting it eight months.

MR. PEHLE: That's wonderful.

MR. WHITE: Who is responsible for that? Who is behind it?

H.M.JR.: Me.

MR. PEHLE: All the hell in the papers it must have been. That was a good press. I read all of it fifteen minutes ago. Very good press on tax drive. Very good. It's all good. Just the right emphasis, I think.

MR. COE: These you simply initial. (Secretary initials Memorandum to the Secretary From Frank Coe and H. L. Hoffman concerning disposition of German and Japanese property interests in the United States, dated May 25, 1945, also, "Program Relating to Vesting and Disposition of German and Japanese assets Proposed Jointly By Alien Property Custodian, and Secretary of the Treasury, dated May 30, 1945.

Regraded Unclassified
H.M.JR: I thought we were having a conference here, not writing lessons.

MR. D.W. HELL: Better read them. It may be a resignation. You never can tell.

MR. COE: This is going to Budget Bureau now.

MR. D.W. HELL: These days on personal matters they stick a sheet of paper in front of you with a place for you to sign, and you have got to turn over the flaps if you want to see what you're approving. I always approve them blind. I'm afraid my resignation may be inside some day.

MR. COE: Well, on this general lend-lease one there are two things we should tell you first. One is that on the matter you gave the President from Brand--Brand rang up late last night to inform us that Churchill had given some communication, the contents of which he didn't know, to the President. He wanted you and Judge Vinson to know though.

H.M.JR: He has written me. A letter came today and I just made up my mind I wouldn't do anything. I sent it back to one of you gentlemen so you would know the letter came in from Brand. I said I was going to sit tight; I wasn't going to call up the President and ask him, because the President is in the process through McKim--he is going to let me know whether he wants me to handle it or not.

MR. WHITE: Moreover, it doesn't have that degree of urgency the British are making out.

MR. COE: Crowley's people are always running to ask for copies. I said I knew something had been given you but I wasn't handling it.

H.M.JR: Of what?

MR. COE: Of whatever it was that Brand gave you and Judge Vinson.

MR. WHITE: I think he ought to get a copy.

MR. COE: We'll have it in here for you to give Crowley at three o'clock.

H.M.JR: Sure.

MR. COE: Then there's a rumor around town, at the instigation of some Congressman there's some meeting at the White House scheduled to discuss Crowley's lend-lease budget. And that gets us into this second thing. State's got up this one and one-half page statement (attached) of a program detailing what they think in accordance with recent conversations with Congress, and a press release which Clayton showed you on Sunday, and which they say was cleared with the President on what the next period's lend-lease program should be. They have been trying to push it through so that Crowley could have this guidance for his budget and appropriation matters.

H.M.JR: Well, I note--if I may interrupt--that White made a very cogent remark the other day.

MR. WHITE: Cogent, or kosher?

H.M.JR: Both--in which he said that he didn't see why Crowley needed my approval. Why can't he go ahead with his own damn budget?

MR. COE: They can, but they still want to get through the White House a statement of policy to be followed now that V-E Day has come, which is the logical thing.

MR. WHITE: Which takes the lead.

MR. D.W. HELL: Why should he need your approval, or is it the President's?

H.M.JR: Mine.

MR. D.W. HELL: He never has before, except the first one. When he went up, you went up and testified on it.

H.M.JR: I don't see why he needs it.

MR. D.W. HELL: Strictly speaking, I don't see why you should pass on the budget of Crowley any more than anybody else, but it's tied in with all this foreign financial field, and it would be a good thing if you knew about it.
H.M.JR: I'm waiting for the President to tell me whether he wants me in on it. If he wants me to get in on it I will, but I'd like to wait until the President tells me.

MR. D.W. BELL: That's the better course.

MR. WHITE: If the President tells you--I think you have this in mind, haven't you--you're in a position you ought to get it in writing very clearly.

H.M.JR: From the President, absolutely. I'm not going to take anything by word of mouth. I go a step further. I want it in writing and I want it made public.

MR. WHITE: That's right. It would be a headache at best.

H.M.JR: Don't you see, I've learned this thing, I'm not going to take it any more. I hold these meetings for two months and at the end of it all these articles come out. The French are starving and freezing, and I'm the one who is holding this up, and this is wrong and that is wrong, and Churchill gets on the floor in Parliament and thanks Lord Keynes for the wonderful job he did, and I never get even a line. I'm not going to take it. I was willing to take it from Roosevelt because I was his friend, but I want a little more now.

MR. WHITE: If he wants you to do it, let it be a clear Presidential directive. There's no need for secrecy in the matter.

H.M.JR: I don't see why, and you never can do this thing, because you're going to hurt Crowley's feelings. Let the President make up his mind. It's like the business about who is going to be head of the Advisory Committee on Bretton Woods. Congress has said--at least the Committee has said--I'm chairman. We're all in agreement. Look--

MR. WHITE: That only applies to the U.K. That's the only question you raised with McIl. Now these others relate to lend-lease on the other matters.

H.M.JR: No. We raised the whole thing.

MR. D.W. BELL: Yes.

MR. WHITE: I thought it was only U.K.

MR. D.W. BELL: Of course, the other question goes into a much broader aspect, the whole governmental setup. But you did raise the British phase two, didn't you?

H.M.JR: Yes.

MR. WHITE: Precisely the same criteria and the same interest prevails with respect to France, Belgium, and Holland. Wouldn't you agree on that score? There's no difference between theirs and the British arrangements. The only difference--

MR. OOR: Yes.

H.M.JR: The only question that may occur with the Russians is political divisions. I'm now seeing the President Friday, see, and why not let me write a memorandum to the President: "My dear Mr. President: Mr. Crowley has asked me to clear the following memorandum to you, and I'd like to get guidance from you. Do you or don't you want me to--well, or something or other. Just what part do you want me to take in lend-lease?"

MR. PELEG: Won't you be pressing him for the job? I would interpret it that way.

H.M.JR: Why not set it out. Just take the position--

MR. WHITE: I'd set it out. Let somebody else bring pressure. Let the State bring pressure or go ahead with what they want to do without you, and I think the answer--

MR. PELEG: They only want you when they want your help on something difficult.

MR. WHITE: Supposing the Secretary were to say it's not clear to him under the new arrangements whether his
signature is required or whether the President wants him
to play that part.

MR. COR: Suppose, except through us, it hasn’t
arisen? Suppose we just say to State, under present
arrangements you go ahead with what you request from us.

MR. WHITE: But that the Secretary reserves the right
to raise this issue.

MR. COR: We may have to raise financial considerations
later.

MR. WHITE: That’s right.

H.M.JR: What?

MR. COR: Suppose we say to State, who have asked us
whether we agree or disagree with those policies before
they put them up to you formally—that’s what they’ve
done—and suppose we say to State on that that we’re
not prepared now to say whether we agree or disagree.
If there’s a need for speed, go ahead. We may have to reopen
the matter later on financial grounds.

H.M.JR: But they go in without any.

MR. WHITE: That leaves you free to reopen the question
on financial considerations, which you can determine, depending
on what role the President would like you to play.

H.M.JR: You wouldn’t say that to him?

MR. WHITE: I wouldn’t say that.

H.M.JR: What do you think, Dan? Don’t twist it around.
I’ve given—this is all in connection with Crowley appearing
before the House and Senate.

MR. COR: No, sir, no longer. It was that. That was
the stated reason for urgency.

H.M.JR: Now?
and asks for a formal decision.

MR. COE: He can put that up to the President and ask him again. This is one more example of the same thing. Do you want this handled this way?

MR. WHITE: If he keeps coming back to the President within a few weeks on this, the President is going to get the impression he's being pressed for something and you want something.

MR. D.W. BELL: Isn't this a memorandum to the President which he's supposed to approve or disapprove?

MR. FEHRLE: You could take his name off of there.

MR. D.W. BELL: You said that they would submit to you a formal document. Isn't this a formal document?

MR. COE: It's not the final document.

MR. D.W. BELL: I see.

MR. COE: The only reason we're checking up is that we know issues have been raised at the White House. Otherwise, we could go ahead with informal check with the Secretary.

MR. D.W. BELL: It might be that you would get a decision on that phase of British problem very shortly. McKim talked the other day as though he knew how the decision was going, but he wanted to clear the air in the State Department. Now, if he could get that, and then have your meeting on that British problem and then say, "Well, don't we want to do the same thing on other governments?"

MR. WHITE: The person to tell that to is McKim. If the word comes forward to handle it the same way, I imagine the Secretary has in mind clarifying that in some kind of order. Then the question should be raised with McKim—these other problems are before you right now and how does he want that handled?

H.M.JR: If McKim says to me, "The President wants you to continue on the lend-lease, I'll say, "If he does, would you please include these other countries?"
I said, "Where are you going to get it?" He said, "I can't tell you exactly, but we're getting it." Most likely it will come out of civilian supply. Now one of you men sound out the Chinese as to whether--

MR. COE: Yes. I talked to Clayton this morning and gave him an extract of the kind of understanding which we wanted, and told him that the only basis on which we could possibly get this for them was on military necessity, and that if it was on the basis of military necessity, this was the kind of understanding we would have to have. He said that he would get to T. V. Soong, either in a wire or on the phone on it, and he seemed to be very pleased about it. We also made it clear that although the Army was going to set the terms and conditions for this, it was our present understanding that the Army did not want itself to engage in the active sale out there. That seemed to be all right, or at any rate they know about it.

MR. D.W. BELL: That's the Army keeping control of it?

MR. COE: That's the Army keeping control.

MR. D.W. BELL: But not actually selling.

MR. COE: Setting conditions under which it's to be disposed of. The only rub on this is that we expect the Chinese to buy this and that's quite a condition to impose on them.

MR. WHITE: It isn't because of purchase price. That's a small part. It's the availability of the goods and the shipment.

H.M.Jr.: When we go in there--this isn't quite clear. They say there are going to be how many bales in a quarter?

MR. COE: Six thousand tons, forty-eight million yards, at the end of the quarter.

H.M.Jr.: Forty-eight million?

MR. COE: Forty-five to forty-eight million.

H.M.JR: What Krug didn't know was who pays for this?

MR. COE: Well, we talked with the Army and the Army understands that the Chinese pay for it. We checked today with FHA and it's true that FHA had been proceeding on a vague assumption that it was to be lend-leased. I tried to get the Chinese man, but I think we'll have to take care of that at the meeting. We have a request for the Chinese to use out of their loan twenty-five million dollars for textiles, and one of the other bits of business that I'd like to get done, either now or after your three o'clock meeting, is sign a letter to Kung in which we say it's okay for him to use out of the loan twenty-five million dollars for Chinese textiles. They also want to use thirty-five million dollars for bank notes.

H.M.JR: You've got to wait before we sign this letter, because this thing here--I'm dealing with T. V. Soong.

MR. COE: We have checked. We got one man who worked for both, Hsi-Tseng, and he told us that it was agreeable and was understood among them. See, Soong writes Kung so far down now that in the family traditions apparently he's being a little easier on him. That's our interpretation of it.

H.M.JR: Here's what I don't get. If he has this twenty-five million dollars, he can buy this cotton, and he's going to say, "I paid for it. You can't tell me where this cotton is going."

MR. WHITE: He can't buy it, and it's not available, and he can't ship it.

MR. COE: We have told him--

H.M.JR: Excuse me, I don't want a letter saying I signed it and he can have cotton.

MR. WHITE: He can have cotton under these conditions, because shipping is so scarce and cotton so scarce, it will only be relieved on military need and actual necessity.
Harry, I learned the hard way.

Mr. Perle: He can use money to buy cotton, but the availability of cotton is another question. Sign the letter on that basis.

Mr. D.W. Bell: You put the conditions in the letter?

H.M. Jr.: No, no.

Mr. Coe: We have just given the Chinese the conditions in an informal memorandum.

H.M. Jr.: You tell Dr. Kung when he can show me he can buy the cotton I’ll let him have the money, see? I won’t give him any letter. When he shows me where he can get the cotton, then I’ll--no more letters outstanding for me. Tough guy.

Mr. D.W. Bell: Frank, haven’t we been going on the assumption they’re going to pay for this cotton in dollars.

Mr. Coe: We have, the Army has, but FZA hasn’t, and we’re straightening them out.

Mr. White: This thirty-five million dollars for currency is a racket. They paid twenty before. There’s part of another bank note, Coe, in which one of their boys has an interest. We tried to run it down before now. Thirty-five million dollars is quite a sum.

Mr. D.W. Bell: It’s the Wright Bank in Philadelphia.

Mr. White: That’s one of them.

H.M. Jr.: You’ve got to be careful on this one, because first thing you know they will say, “We’re very sorry. We’d love to supply the Army with the currency, but we haven’t got any.”

Mr. White: You can buy an awful lot of currency for thirty-five million dollars.

Mr. Perle: The fellow who sells it to them gets a tremendous commission.

Mr. White: I suspect so. This fellow, Bill Hunt, he’s--

Mr. Perle: He made a fortune that way.

Mr. D.W. Bell: He gets a percentage of everything that’s sold over there.

H.M. Jr.: Who is Bill Hunt?

(Discussion off the record.)

Mr. Coe: We can’t get the air space, Mr. Secretary.

H.M. Jr.: Air space?

Mr. Coe: For the gold. We can’t get the air space unless you ring either Marshall or Stimson.

H.M. Jr.: Tell Bob Hannegan, or somebody, this afternoon.

Mr. Coe: I think I want to say one more thing. Soong thinks it is easy to get this over by plane for over the Hump, but sending stuff out by air from here now, all planes are solar for this specific thing, and we’ve come in to this at the end of the time they--

Mr. White: Frank, he’ll be glad to have it go by ship, and he’ll supply the ships.

H.M. Jr.: Kung said, “Give me the gold and I’ll move it.” Let him move it.

Mr. Coe: We told the Chinese that.

Mr. White: The trouble is we made a decision--unless you want to change an important decision—that we would help on the shipping, because once it’s out of our hands, we have no control in the case.
Mr. O'NEIL: We've got it scheduled for ships. We're doing that.

H.M.JR: Let it go on the ships.
(c) France:

Delivery should be made under both schedules in the February 3(c) Agreement in a total of about $1,600,000,000 which would make the French schedules roughly conform, on an over-all value basis, to the period covered in the Belgian and Dutch agreements.

(d) Shift from Straight Lend-Lease to 3(c) Deferred Payment Terms:

Types and quantities of items contained in the program for Belgium, Holland and France which have a direct relation to the further prosecution of the war should be provided under straight lend-lease until you direct to the contrary. In determining what items have a direct relation to the prosecution of the war, appropriate weight should be given to information provided by the military authorities. The balance of the items remaining in the schedules should promptly be placed upon the deferred payment terms specified in the agreements, but procurements should be undertaken only with respect to such items as can be delivered before January 1, 1944 unless they are of a type urgently needed for sustaining the civilian economy and delivery cannot be affected before such date even though orders are promptly placed. Pending the consideration by the Congress of other means of financing these urgent requirements, this policy would be presented to the Congress for its approval.

4. Other European Countries:

Small straight lend-lease programs should be continued for Czechoslovakia only through fiscal year 1945 and thereafter shipments should be made only on terms of payment. Shipments to Metropolit"an Norway should be made only on terms of payment.

5. Far Eastern Areas and Pacific Areas:

No change of policy is required. Of course, should the military campaign result in the opening of access by sea to China, the possibility of increased shipments will immediately arise.

Acting Secretary of State

Secretary of the Treasury

Finance Economic Administrator
May 29, 1945

Dear Mr. Smith:

Thank you for your letter of May 25 in which you refer to the message from Sir John Anderson and Mr. Oliver Lyttleton. The message has now been transmitted to me and to Lady Vianen through Mr. Brand and Mr. Henry Self and I can assure you that the matter is receiving our careful consideration.

Allow me to express my appreciation for the understanding and cooperation you have shown in our dealings with each other during your stay here as Minister Resident for Supply. It is with real regret that I learn of your imminent departure and the severance of our relationship. Please accept my personal best wishes.

Sincerely yours,

[Signature]

Morgenthau, Jr.

Mr. Tom Smith,
Minister Resident in Washington for Supply,
Box 860,
Benjamin Franklin Station,
Washington, D.C.
THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

OFFICE OF THE COUNCIL
WASHINGTON, D.C.

May 25th, 1918.

Dear Sir, Secretary,

You will be receiving from Mr. Brand and Sir Henry Selvi a telegram from Sir John Anderson and Mr. Oliver Lyttelton to Judge Vroom and yourself.

I thought I should explain that I would ordinarily have associated myself with the letter to you but for the fact that I am leaving almost immediately for England upon relinquishment of my office as S.T. Minister resident for supply at Washington. This follows upon the dissolution of the National Government in the U.S.

I should like to take this opportunity of expressing to you my personal regrets at having to sever my associations in public life and to ask you to allow me to express the serious anxiety with which the war cabinet views the implementation of the supply scheme enunciated during the discussions that took place in November last andCopy to the

With kindest regards,

Yours sincerely,

[Signature]

The Hon. Henry Warrington, Jr.,
Secretary of the Treasury,
Washington, D.C.
MEMORANDUM
May 29, 1945

Lieutenant-General Lucius D. Clay, as Deputy to General Eisenhower, actively runs the American element of the Control Council for Germany. General Clay's three principal advisers on the Control Council staff are:

1. Ambassador Robert D. Murphy who is in charge of the Political Division.

2. Louis Douglas, whom General Clay describes "as my personal adviser on economical, financial, and governmental matters." Douglas resigned as Director of the Budget in 1934; and for the following eight years he attacked the government's fiscal policies. Since 1940, Douglas has been president of the Mutual Life Insurance Company, and since December 1944, he has been a director of the General Motors Corporation.

3. Brigadier-General William Draper, who is the director of the Economics Division of the Control Council. General Draper is a partner of the banking firm of Dillon Reed and Company.

Sunday's New York Times contained the announcement of key personnel who have been appointed by General Clay and General Draper to the Economic Division of the Control Council. The appointments include the following:

1. R. J. Wyser is to be in charge of the metallurgical matters. Wyser was president of the Republic Steel Corporation from 1937 until a recent date, and prior thereto, he was associated with the Bethlehem Steel, Jones and Laughlin Steel Corporation and the Republic Steel Corporation.

2. Edward S. Edunek is to supervise the engineering section. Prior to the war, Mr. Edunek was head of General Motors at Antwerp.

3. Philip Geislake is to be in charge of mining operations. Geislake was formerly connected with Anaconda Copper and was manager of its smelters and mines in Upper Silesia before the war.

4. Philip P. Holcer is to be in charge of handling oil matters. He was formerly a representative of the Georffy Vacuum Oil Company in Germany.

5. Peter Hoglund is to deal with industrial production problems. Hoglund is on leave from General Motors and is said to be an expert on German production.

6. Calvin H. Hoover is to be in charge of the Intelligence Group on the Control Council and is also to be a special adviser to General Draper. In a letter to the Editor of the New York Times on October 8, 1944, Hoover wrote as follows:

"The publication of Secretary Morgenthau's plan for dealing with Germany has disturbed me deeply...such a Carthaginian peace would leave a legacy of hate to poison international relations for generations to come...the void in the economy of Europe which would exist through the destruction of all German industry is something which is difficult to contemplate."

7. Laird Bell is to be Chief Counsel of the Economic Division. He is a well-known Chicago lawyer and in May 1944, was elected the president of the Chicago Daily News, after the death of Frank Knox.

One of the men who helped General Draper in the selection of personnel for the Economics Division was Colonel Graeme Howard, a vice-president of General Motors, who was in charge of their overseas business and who was a leading representative of General Motors in Germany prior to the war. Howard is the author of a book in which he praises totalitarian practices, justifies German aggression and the Munich policy of appeasement, and blames Roosevelt for precipitating the war.
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May 29, 1945

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2. Edward S. Zdunek is to supervise the engineering section. Prior to the war, Mr. Zdunek was head of General Motors at Antwerp.

3. Philip Gaethke is to be in charge of mining operations. Gaethke was formerly connected with Anaconda Copper and was manager of its smelters and mines in Upper Silesia before the war.

4. Philip P. Glover is to be in charge of handling oil matters. He was formerly a representative of the Socony Vacuum Oil Company in Germany.

5. Peter Högland is to deal with industrial production problems. Högland is to leave from General Motors and is said to be an expert on German production.

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"The publication of Secretary Morgenthau’s plan for dealing with Germany has disturbed me deeply ....such a Carthaginian peace would leave a legacy of hate to poison international relations for generations to come....the void in the economy of Europe which would exist through the destruction of all German industry is something which is difficult to contemplate."

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In the present war the Germans have committed unspeakable atrocities which make the brutalities of World War I seem like child's play. The facts are too well known to be repeated here. The President and the Congress, and other Allied leaders, have repeatedly proclaimed to the world that the fiasco of World War I would not be repeated and that all German criminals would be promptly seized and punished at the conclusion of this war. At Moscow President Roosevelt, Prime Minister Churchill and Premier Stalin pledged that we "will pursue them to the uttermost ends of the earth and will deliver them to the uttermost ends of the earth in order that justice may be done. These solemn declarations also gave some hope and courage to the pitiful German victims, some of whom today, half dead and bearing the terrible scars of their inhuman treatment, await anxiously the fulfillment of our promise.

Unfortunately, recent events have created a justified and growing uneasiness among all peoples of the world that our pledge will not be carried out. The notoriously ineffective and dictatorial tactics of the War Crimes Commission; the reports of dealings with the "Finsburg" lunatics and generals; the genial conversations and luncheons with Goering; the installation of such notorious guilty persons as Von Papen, Krupp, and Schacht in comfortable chateaux and on the Isle of Capri -- all of these facts and others give ample reason for the feeling that the German criminals will escape again. But the principal reason for doubting that we really mean a simple and uncomplicated procedure for the prompt punishment of we criminals which will be understood by common men everywhere as a means for doing essential justice rather than a maze constructed by lawyers to baffide laymen and to delay punishment of the guilty.

Some say that we will be condemned by history if we do not adhere to all legal technicalities and complexities of Anglo-American jurisprudence in the prosecution of war criminals. But I think that such a course is more likely to earn us the condemnation of history by letting the German criminals get free again. The recent sedition trial here in Washington furnishes a frightening preview.
of what will undoubtedly happen if we attempt to transplant our technical legal procedures to Germany. We cannot let such a thing occur if we are to keep faith with the peace-loving peoples of the world and carry out our oft-proclaimed intention of bringing the German criminals to justice promptly.

I do not mean to suggest or imply that German war criminals should not be given a fair trial by military tribunals. The idea that war criminals should be brought to trial rather than dealt with on a political basis has considerable merit provided that the procedures which are established are unencumbered by the technical delays and defenses which even under our own system frequently impede the execution of essential justice. A simple and expeditious trial might serve to demonstrate to the world that we as civilized nations are able to bring to justice in regular legal methods those who have committed unspeakable crimes against humanity and might, accordingly, increase respect for ourselves and for law and order. But if criminals known to the whole world by their acts are permitted to delay punishment by reliance on technical legal rules, we would earn the enmity and disrespect of world opinion. The question, therefore, is whether a procedure can be devised which will afford the defendants some of the privileges afforded to defendants under our normal criminal procedures and which will not at the same time impede the punishment of those already convicted at the bar of world opinion.

If we force these military tribunals to follow the technical procedures and customs of an American court, such as the Supreme Court of the United States, I greatly fear that notorious criminals will be permitted to delay or avoid punishment by reliance on technical legal rules. And from what I have learned of the present plans of the lawyers who have been appointed by this Government to prosecute war criminals, I am convinced that we are heading for a glorified "sedition" trial which is likely to have disastrous consequences.

It seems to me that the following two basic principles should govern our position in this matter:

1. In accordance with the Moscow statement on atrocities of November, 1943, the Allied military authorities should hand over, upon demand, all Germans requested by any United Nation who are alleged to have committed offenses against the nationals of such United Nation. The only exception would be in the case of major war criminals whose offenses have no particular geographical location. The Germans turned over to any United Nation would be tried and disposed of according to the laws and procedures of that nation.

2. With respect to those criminals who are not so turned over to any of the United Nations, the important thing is that these people be tried by military tribunal under the most simple and expeditious procedure that can be devised. The respect which the people of the world will have for international law is in direct proportion to its ability to meet their needs. The one way of assuring that the trial and punishment of war criminals will produce a cynical public opinion, particularly among those who have been risking their own lives to destroy the forces which these war criminals set into motion, would be to attempt to apply the same procedures which we use in dealing with ordinary criminals.
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date: May 29, 1945

To: Secretary Morgenthau

From: Colonel Bernstein

With respect to our recent discussions on the investigation of the international asset position of Germany, I recommend that you hold a meeting attended by representatives of State, Treasury, War, Justice, F.S.A., Alien Property Custodian, and C.S.H. The following points are recommended for the agenda:

1. Need for coordination between governmental agencies relative to such investigations.

2. Attachment to the Finance Division of U.S. Group Control Council of personnel from such governmental agencies to conduct an integrated investigation.

3. Need for development of a procedure whereby the War Department distributes to interested agencies material developed in the field by such investigations.

[Signature]

Gave Mr. White copy of this memorandum and told him that the Secretary said he would like to have Mr. White hold this meeting, if White thinks this is all right.
THE SECRETARY OF THE NAVY
WASHINGTON

May 29, 1946

The Honorable
The Secretary of the Treasury

My dear Mr. Secretary:

I beg to advise that by virtue of their present assignment to
the Finance Division of SHAEF, all but one of the Navy personnel so requested
are not now available. Lieutenant Lawrence C. Moore, SC(2),
who had duty in the European theater is available for
assignment to SHAEF, and he will be so ordered.

For the purpose of supplying up to date information for your
records the remain ing men requested are assigned as follows:

BRUNNEMANN, Martin, Lieut., E(1) 297761
Duty aboard the U.S.S. WILMINGTON

DADD, John J., Lt(jg) V-6 906-89-89
Duty aboard the U.S.S. WILLIS Banks

DADD, Joseph H., Lt(jg) SC(2) 362793
Duty aboard the U.S.S. SOUTH DAKOTA

DING, Paul J., Lt.(jg) SC(2) 247105
Duty aboard the U.S.S. WASILLA

FACCHI, James A., Lt(jg) SC(2) 395495
Duty aboard the U.S.S. ILION

GAMMILL, Richard C., Lt.(jg) D 276259
Duty aboard the U.S.S. AGIRLE

GOLDSMITH, Robert J., 1st Lieut., USN 036286
Duty aboard the U.S.S. OREGON

HANEFIELD, Frank W., Lt.(jg) 11-1111124
Duty aboard the U.S.S. OREGON

Lieutenant Lawrence C. Moore, SC(2),

officers and enlisted men

have been trained for special duties and is scheduled
for temporary assignment overseas to aviation activities
in the Pacific area.

Regraded Unclassified
I appreciate the urgency of the request of the War Department upon the Treasury Department for assistance in furnishing financial experts to assist BNAF in its program, but I believe you will agree that in its overall aspects the war effort will not be enhanced by moving the men who are actively engaged in the continuing war against Japan, from their present billets.

Sincerely yours,

Fuestal
MAY 29 1945

Dear Mr. Ball:

This letter will serve to introduce to you Mr. James S. Knowlson, who is to serve as Central Field Commissioner in the European Theater of Operations for the Army-Navy Liquidation Commission. As I have already advised you, it will be appreciated if you will give Mr. Knowlson your full cooperation in the execution of his task.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Theodore Ball
U. S. Treasury Representative
c/o American Embassy
Paris, France

JWP: 1hh 5-24-45

May 29, 1945

Dear Mr. Ball:

I am enclosing for your information a copy of a letter received by me from Mr. Thomas B. McCabe, Army-Navy Liquidation Commissioner, Washington, D. C., together with copies of my reply and letters of introduction which have been transmitted to Mr. James S. Knowlson, who is to serve as Central Field Commissioner in the European Theater of Operations for the Army-Navy Liquidation Commission.

It will be appreciated if you will give Mr. Knowlson your full cooperation in the carrying out of his difficult assignment.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Theodore Ball
U. S. Treasury Representative
c/o American Embassy
Paris, France

Enclosures

JWP: 1hh 5-24-45
MAY 29, 1945

Dear Mr. McCabe:

I have your letter of May 22 with regard to the contemplated departure for Europe of Mr. James B. Knowlson, who is to serve as Central Field Commissioner in the European Theater of Operations for the Army-Navy Liquidation Commission.

Pursuant to your request, I am enclosing herewith letters introducing Mr. Knowlson to the senior Treasury Representatives in London and Paris. I am also enclosing letters which have been written by me to our representatives.

Sincerely yours,

(Signed) H. Meier, Jr.

Thomas B. McCabe, Commissioner
Army-Navy Liquidation Commission
New War Department Building
Washington 25, D.C.

Enclosures

JWP:1hh 5-29-45

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

Dear Mr. Secretary:

Mr. James S. Knowles, Chairman of the Board of Directors and President of Stewart-Warner Corporation, has kindly consented to leave his business and come with my office in the capacity of Central Field Commissioner in the European Theater of Operations. He contemplates leaving the United States for Europe around the first of June and would like very much to obtain letters of introduction from you to your senior representatives in London and Paris prior to his departure.

I contemplate delegating to Mr. Knowles full authority for the disposal of Army-Navy surplus in the European Theater. He will also be empowered to act for and in my name to the maximum extent possible. I should appreciate it if you would pass this information along to your representatives in London and Paris. Copies of your letters to them would also be helpful, I am sure.

With kindest regards,

Sincerely yours,

THOMAS B. McCANN
Commissioner
The Honorable,
The Secretary of the Treasury,

Dear Mr. Secretary:

Reference is made to your letter dated 16 May 1945 relative to the shipment of gold to China.

This will confirm arrangements made through this office for the shipment of 700,000 ounces of gold contained in five lots which is allocated for May shipment by water; details of which have been furnished by telephone to Mr. Lipman's office.

Lot No. 1 consisting of 66 bags serially numbered GNC 313 through GNC 356, with a total weight of 10,570 pounds, displacing 66 cubic feet, with a total value of $5,652,227.28. Each bag should be marked ENF-4-OPD-156 and this shipment was to be delivered to the Port Transportation Officer, New York Port of Embarkation on 26 May 1945.

Lot No. 2 consisting of 66 bags serially numbered GNC 357 through GNC 400, with a total weight of 10,307 pounds, displacing 66 cubic feet, with a total value of $5,473,000.16. Each bag should be marked ENF-4-OPD-157 and this shipment was to be delivered to the Port Transportation Officer, Los Angeles Port of Embarkation, Wilmington, California, on 2 June 1945.

Lot No. 3 consisting of 65 bags serially numbered GNC 401 through GNC 465, with a total weight of 10,370 pounds, displacing 65 cubic feet, with a total value of $5,002,931.02. Each bag should be marked ENF-4-OPD-158 and this shipment was to be delivered to the Port Transportation Officer, Los Angeles Port of Embarkation, Wilmington, California, on 2 June 1945.

Lot No. 4 consisting of 65 bags serially numbered GNC 466 through GNC 530, with a total weight of 10,346 pounds, displacing 65 cubic feet, with a total value of $4,969,165.39. Each bag should be marked ENF-4-OPD-159 and this shipment was to be delivered to the Port Transportation Officer, Los Angeles Port of Embarkation, Wilmington, California, on 5 June 1945.

Lot No. 5 consisting of 65 bags serially numbered GNC 531 through GNC 595, with a total weight of 10,291 pounds, displacing 65 cubic feet, with a total value of $4,970,000.62. Each bag should be marked ENF-4-OPD-156 and this shipment was to be delivered to the Port Transportation Officer, Los Angeles Port of Embarkation, Wilmington, California, on 10 June 1945.

It is understood that the Treasury Department is making all necessary arrangements to transport the gold to the ports of embarkation to arrive on the dates indicated above with insurance affected by the final consignee.

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. F. P. Ling, Manager, Bank of China, Calcutta, India.

As agreed with Mr. Lipman, vouchers will be forwarded to the Treasury Department monthly to cover the ocean freight charges in connection with this and subsequent shipments.

Sincerely yours,
(Signed) A. H. CARTER

A. H. CARTER
Major General, OEC
Fiscal Director
May 29, 1945

Dear Mr. DuBois:

I want to thank you personally and on behalf of the Independent Bankers Association for the splendid assistance you have given us on the Bretton Woods legislation. You gave us real support when we needed it most, and I know we can count on your continued assistance until this battle is finally won.

Your understanding of the House Committee action is quite right. The Committee did not modify the Bretton Woods Agreements; it merely made certain amendments in the enabling legislation which will not in any way cripple the Agreements.

Sincerely,

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury

Mr. Ben DuBois
Secretary
The Independent Bankers Association
Sauk Centre, Minnesota

Hon. Henry Morgenthau, Jr.
Secretary of the Treasury

The Independent Bankers Association

Office of the Secretary

EXECUTIVE COUNCIL

May 29, 1945

SAUK CENTRE, MINN.

May 29, 1945

Hon. Henry Morgenthau, Jr.
Secretary of the Treasury

Department

Washington, D.C.

Dear Mr. Secretary:

We are as happy as you are in the report of the House Banking and Currency Committee on the Bretton Woods Agreements. We understand that the Enabling Act was recommended by the Committee with the Agreements practically as written.

Yours very truly,

Ben DuBois
Secretary

BD-A
Dear Dr. Morgenthau:

With reference to my letter of May 16, 1945, I wish to inform you that $4,440,193.14 has been transferred from the credit in the name of the Government of the Republic of China in the United States Treasury, and $1,714,000.00 have been ceded to the Central Bank of China as fiscal agent of the Government of the Republic of China. The following summarizes the cost of the gold:

Cost of $4,440,193.14 in gold at $55 per ounce = $999,999,999.99
1/4% handling charge = $190,000.00
Labor, transportation and insurance costs = $2,500.07

Total cost = $1,002,500.06

I wish to assure you that we are making every effort to expedite the shipment of gold to China in accordance with the schedule which you propose.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Dr. T. Y. Soong,

You seja oell that Mr. White was of help at
the conferences. I fully appreciate that a difficult task
you have had to keep things going so well and how hard
you must have been working.

If you feel that Mr. White can be of any important
service toward the end, I shall, of course, urge him to
return. I know you realize how busy he is here and that
you wouldn't ask for him unless you had real need of his
services.

Good luck and congratulations on the excellent job
you are doing.

Sincerely,

(Signed) Henry

The Honorable

Edward R. Stettinius, Jr.,

Secretary of State.

May 29, 1945

Regraded Unclassified
THE SECRETARY OF STATE
WASHINGTON
Fairmont Hotel
San Francisco
May 21, 1943

Dear Mr. Secretary,

I want to express to you my personal appreciation as well as that of the American Delegation for the valuable service which Mr. Harry White rendered during the important first period of our work in the San Francisco Conference.

I realize the sacrifice involved on your part and that of your Department in lending his services to us during this period. Without his fine aid we could not have made such splendid progress.

If further issues should arise which might necessitate our calling upon Mr. White again, I hope that it will be possible for you to arrange to release him to us for a short period before the close of the Conference.

With best wishes always,

Sincerely yours,

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury
29 MAY 1945

Attention: Mr. Nathaniel V. Aldrich

Dear Sir:

Reference is made to your letter of May 30, 1945 relative to a proposed purchase of gold from the State Bank of the U.S.S.R.

In connection with the transaction outlined in your letter, it should be noted that the price presently established for the purchase of gold by section 60 of the Provisional Regulations issued under the Gold Reserve Act of 1934 is $35 less 1/4 of 1% and less all mint charges.

Secretary Morgenthau has asked me to advise you that, without expressing an opinion as to the applicability of the Johnson Act, the Treasury Department otherwise approves the contemplated transaction. I trust you understand that this approval should not be considered a forward commitment for the purchase of gold as it is the policy of this Department not to make such commitments.

Very truly yours,

Acting Secretary of the Treasury

[Signature]

The Chase National Bank of the City of New York
New York, New York

OMMcAllister 6/30/45

Regraded Unclassified
The Chase National Bank
OF THE CITY OF NEW YORK

May 25, 1945

New York

Dear Mr. Morgenthau,

Our counsel feel that it would be desirable for the Bank to have the approval in writing of the Treasury Department concerning the transaction of the Bank with the U.S.S.R., about which I spoke to you yesterday. This transaction, as outlined in the memorandum I left with you, is as follows:

The State Bank of the U.S.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 ready at the same time and therefore the total outstanding risk involved may be $20,000,000. The gold could be purchased at $30.65 per fine ounce F.O.B. Vladivostok, freight prepaid to San Francisco and the insurance to be provided by the State Bank of the U.S.S.R. of Moscow with Russian Counselors. (The insurance with first-class American and British Companies, marine and war risks, would cost about 6%, 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, with 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 33 1/3 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.S.R. agrees to repurchase the gold from The Chase National Bank at $30 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

Regraded Unclassified
Bank of the U.S. F.B. guarantees that the delivery of the gold by the Captain will be made on arrival of the vessel 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 in contravention of the Johnson Act.

I would appreciate it if you would write me that the transaction above outlined meets with the approval of the United States Treasury.

Very sincerely yours,

Chairman Board of Directors
CONFIDENTIAL: Not for Release before A.M. Newspapers
Tuesday, May 29, 1945

INTERNATIONAL TRADE, FOREIGN INVESTMENT AND DOMESTIC EMPLOYMENT,

including

BRETTON WOODS PROPOSALS

A Statement on National Policy by the
RESEARCH COMMITTEE
of the
COMMITTEE FOR ECONOMIC DEVELOPMENT
265 Madison Ave., New York 17, N.Y.

(3030)

The Trustees of the Committee for Economic Development established the Research Committee "to initiate studies into the principles of business policy and of public policy which will foster the full contribution by industry and commerce in the postwar period to the attainment of high and secure standards of living for people in all walks of life through maximum employment and high productivity in the domestic economy." (From CED By-Laws)

CED’s Research Committee of businessmen assigns questions for study to qualified scholars, largely drawn from leading universities. Under the by-laws "all research is to be thoroughly objective in character, and the approach in each instance is to be from the standpoint of the general welfare and not from that of any special political or economic group." (From CED By-Laws)

The monographs prepared by the scholars, after consultation with the Research Committee, are published as books by McGraw-Hill. In most cases, the Research Committee itself then issues a so-called Policy Statement, based largely upon the monograph.

Neither the Policy Statement which follows, nor any other statement by CED’s Research Committee, can claim either indirectly or by inference to represent the views of the 2800 local community CED's and their 60,000 members. Up to the date of publication, they have not participated in the background discussion between businessmen and economists leading toward the development of the statements. The statements are offered to these committees and to all others interested, as an aid to clear understanding of the steps to be taken in reaching and maintaining high level of productive employment and a steadily rising standard of living.
America's Interest in Postwar Expansion of World Trade

One goal of American policy should be the increase of peaceful trade among the peoples of the world. The peace and prosperity of all nations after the war would be advanced by the reestablishment and increasing development of world trade. The interchange of goods, international travel, and communications between peoples can make for better world understanding. If the barriers to trade increase after the war as they did before the war, each nation will have to look inward, primarily to its own resources, and the higher and richer ways of life made possible through world trade will be lost. The pressures to restrict are strong, and vigorous effort to expand world trade is necessary to overcome them.

The United States has a major interest in the expansion of world commerce. We are a powerful industrial nation. We need vast quantities of goods and services of many kinds. We have a large margin of efficient, productive capacity which can be put to work making things for international trade. We can exchange these things with the people of other countries who, themselves, make other things available for trade—other things better or cheaper or different than we can or want to make.

A restrictive course by America toward foreign trade is contrary to American interest. It will be followed by restriction abroad.

With these considerations in mind, we submit the following principles, prerequisites, and policies which we believe fundamental to a healthy and expanding world trade.
II

Five Basic Principles

1. All actions by any nation have consequences immediate or remote, important or unimportant, for the security and welfare of every other nation. Nevertheless, each nation should be free to develop its own way of life without interferences from other nations, so long as its action does not threaten the authority of another nation within its own domain or the ability of the people of another nation to work with the resources that are their own.

2. American policies should aim at the development of world trade in such a way as to contribute most to the long-continued peace and prosperity of the United States.

3. At the same time, these policies should also contribute to the long-continued peace and prosperity of other nations.

4. Trade between nations should be developed so as to raise living standards through greater economy and efficiency in the use of human and natural resources. The desirability of expanding world trade does not come from material wants alone; we include, in the content of a higher standard of living, breadth and diversity of cultural experience which give greater richness to human experience.

5. The main functions of our international trade should be carried on, as far as the United States is concerned, through private competitive enterprise, and the international commercial policies of the United States should be directed toward the strengthening of this principle.

4. A substantial reduction in the restrictions to world trade.

Restrictions to world trade prevent free flow of goods, services, and capital from where they are available to where they are needed. This obstruction prevents efficiency in the use of the world's human and material resources and is an obstacle to the attainment of a higher living standard. Trade is a two-way street. In the end, exports must be paid for by imports, if they are to be paid for at all.

We must recognize, nevertheless, that government-established barriers are instruments of national policy, and in special circumstances, at times, and for some countries, they may meet a national need. They should be looked at as tools which are more often used badly than well. Unfortunately their effect has been often misunderstood by their advocates, and what was intended as a protection for capital, labor, and natural resources has resulted in shrinking markets, the discouragement of ingenuity and invention, and a lower standard of living. We must recognize that restrictive agreements entered into by private business organizations also hamper international trade, and that when they exist they are necessarily matters of public concern.

In some countries there will be an urgent need for some time after the war to protect the dependability of currencies and currency relationships by the maintenance of some exchange and import controls designed to ration scarce
III

Six Prerequisites

A healthy and expanding world trade depends for its fullest growth on six prerequisites:

1. **An effective development of world security.**
   Such security requires both international organization for the preservation of peace and an attitude of mind among the peoples of the world favorable to the continuance of peace.

2. **The maintenance of high levels of productive employment in the United States and in other nations.**
   Maintenance of high levels of employment within nations is vital to the expansion of world trade. When employment is high, imports are on a large scale and travel expenditures are liberal. On the other hand, mass unemployment within a nation not only reduces its trade directly, but puts it under great pressure to increase its barriers to imports, to subsidize its exports, and to devalue its currency in an effort to export part of its unemployment to other nations. (It is commonly recognized by students of international trade that one country can obtain a **temporary** increase in employment at the expense of employment in other countries by measures which interfere with trade.)

3. **Dependable currencies and relationships between currencies to facilitate trade among nations.**
   If currencies and the relationships between currencies are not dependable, world trade will approach the character of barter. Even in the United States, the dollar has been used as a medium of medium of exchange only in special circumstances, when a country has no local currency that is acceptable in all transactions. This limited use of the dollar is not to the advantage of world trade. This is particularly true for countries that are not directly connected with the United States in the financial system of the world. How is the dollar to be made a medium of exchange for all transactions? What are the relationships that will make it acceptable?
individual private enterprise and a state-controlled monopoly. An individual private enterprise is conducted for profit within the limits set by competition. But a state-controlled monopoly may be conducted for the political purpose of the state as well as for economic gain; it can subordinate or temporarily forego economic benefit for political advantage. An individual private enterprise has no such alternative. Principles of fair dealing must be worked out if the highest interests of both private enterprise and state-controlled monopolies are to be achieved.

The second problem (b. above) arises because of the destruction of production assets during the war, and because of the distortions created in ownership of productive assets, in markets, in population, and in overhanging financial obligations as a consequence of the war. The liquidation and readjustment must be worked out through principles and methods that will provide a livable transition to an orderly and expanding world commerce. The whole of Western Europe is involved in this problem; but the situation confronting Great Britain is particularly important. Great Britain in the course of the war has sacrificed a large part of her foreign investments; her trade and shipping have been disrupted and partly destroyed; her industry will have to be largely rebuilt; her housing problem is formidable; and she owes enormous sums on short-term account abroad. All of these pressing problems are complicated by the fact that she must import large amounts of food
and raw materials to meet her day to day needs. Her transitional difficulties are grave. We consider the restoration of British strength and prosperity vital to world recovery.

6. The progressive development of the legal rules which affect commerce and travel between nations.

Just as we must have a dependable structure of currencies for an expanding world trade, so, too, we need greater certainty as to the rights and duties of persons and property engaging in international commerce. In so far as universality and uniformity can be attained, so much the better; but certainty and impartiality are more important than uniformity.

IV

Recommendations

Conforming to the five principles which have been discussed in Part II, and with recognition of the six prerequisites for the fullest development of world trade which have been discussed in Part III, we now make the following eight recommendations:

1. Efforts should be intensified to draw up programs and to make all possible preparations to attain and maintain in the post-war period high-level productive employment in the United States. These programs and preparations should be made cooperatively by all agencies and members of the community, public and private, national and local.

The greatest single contribution which the United States can make to high levels of trade and employment throughout the world is to develop and to maintain a high level of employment, production, and consumption within its own borders. In serving ourselves by attaining our own prosperity, we serve all other countries as well. This objective is largely within our own control as a nation and warrants primary and urgent attention.

We recognize that the level of employment in the United States is not primarily dependent on international trade. It would be possible to have practically everyone within our own borders employed even if we discontinued imports and exports absolutely, but it would cause a great readjustment, such inefficient production, and a lower standard of living. Those defending exports on the ground that they are indispensable to high employment misstate the case. The big gain from foreign trade arises from the exchange of goods and services, in which we are more efficient producers, for foreign goods and services in the production of which we would be less efficient producers. The larger the volume of goods and services exchanged, the greater are the benefits which we get for our work-effort, and the higher the standard of living which international trade makes possible.**

* Footnote by Mr. John F. Fennelly:
I cannot accept the assumption that the volume of foreign trade has little or no direct bearing on the level of domestic employment. This argument is either an outgrowth of the tautological proposition that where full employment exists, increased foreign trade cannot increase employment, or else it carries implications which are not compatible with O.E.D. objectives.
Footnote by Mr. John F. Fennelly: (cont'd)

Full employment is clearly possible without foreign trade in a totalitarian economy. It seems equally clear, however, that high levels of employment can only be maintained in a system of private competitive enterprise under conditions of a rising standard of living. From this, it follows that foreign trade for a free society is intimately connected with the domestic employment problem. To treat domestic employment as something separate and apart is to open the door to a set of national policies which lead in the direction of isolationism and totalitarianism.

Footnote by Mr. Harry Scherman and Paul G. Hoffman:

Perhaps because it tried to be too brief, we think that this entire paragraph may add to, instead of dispel, misunderstanding about the true relationship between international trade and high employment in the United States. It may be true, as stated, that our "level" of employment is not "primarily dependent" on our exchanges of goods with other countries; since it would be possible to achieve high employment with our existing tariffs, and even (theoretically) if we dispensed with all imports and exports. The result of such a hypothetical policy, as the paragraph indicates, would be a decided lowering of our standard of living. But everybody always, in thinking and talking about this matter, assumes—and quite properly—that our present standard of living shall be maintained and even raised. And when this is assumed, importing on a large scale—as well as exporting—are indispensable to high employment in the kind of economy with its high standard of living that Americans now enjoy. There is hardly a manufactured product we make—either of consumers' or producers' goods—that does not greatly depend, directly or indirectly, upon some imported material for its quality, its marketability in quantity, its lower price, and in many cases its very existence. It is true, needless to say, of every highly industrialized economy. Thus, the existing pattern of American production, and with it our established occupational pattern—the products our labor forces and capital are daily engaged in turning out at present prices—is to a very large degree determined by our exchanges of goods with other countries, and particularly by the incoming side of that trade. Obviously, then, if that pattern of employment and production—with the resulting high standard of living—is to be kept at a high level, trade with other countries in large volume is indispensable. The point usually overlooked—and not touched upon in this paragraph because of its brevity—is that imports have far more of an influence on both the kind and amount of employment we have than do our exports. Until this indispensability of imports in our existing pattern of production is widely and sharply recognized, in all its detail, our international trade policies will continue to be distorted—as they have been for decades—by the wrong idea that exports are beneficial to domestic employment and that imports somehow lessen our total employment.

It is true that for a short period a net export balance for the United States, financed by loans or gifts, might add to employment and business activity at home. But loans, if they are truly loans, must some day be repaid; principal and interest, in goods and services; and gifts cannot go on forever. The long-run justification for international trade—and it is a sufficient one—is that it raises the standard of living and the richness of living because of the products and services which have been exchanged.

2. The channels for postwar trade should be cleared by prompt and final settlement of war debts and other obligations owed to the United States Government at the end of the war; they are a source of uncertainty and a burden on international enterprise.

Clogging the channels of international trade with these undefined obligations in contrary to the interest of the United States. No conceivable payments or recoveries could offset the losses in trade that would occur year after year if they are not properly and promptly settled.

To achieve this end, we recommend:

Footnote by Mr. William Beaton, and Mr. Paul G. Hoffman:

I do not take exception to these three proposals, if the fact is emphasized that they should form part of a coherent foreign economic policy. Our foreign policy must recognize that our bargaining power, in these areas as well as others, is an important tool which can be used constructively for the world as a whole, and to help resolve the many issues which vitally affect American interests.
1. Repeal of the Johnson Act which forbids private loans to the governments of nations now in default.

2. Prompt settlement of all foreign government debt to the United States Government arising from World War I and of all net obligations to the United States arising under Loan-Lease or otherwise for goods and services actually used up in World War II. If the cancellation of any of these obligations is the most effective method of settlement, they should be cancelled. Such cancellation should be made only with the understanding that Article VII of the Lender-Lease Agreements (expressing the intent of the nations concerned to join in action mutually agreed on to promote the betterment of worldwide economic relations) remains in force.

3. Loan-Lease goods not used up in the war should be disposed of according to the recommendations contained in the C.E.O. policy statement on "Postwar Employment and the Liquidation of War Production." This statement recommends that American surplus property disposed of abroad should be disposed of on a cooperative and on terms which will aid the rehabilitation and reconstruction of the countries involved in the war.

3. Reduce, and eliminate when practicable, artificial barriers to world trade. The United States should take the lead in its own interest in a program to bring about a great reduction in the artificial barriers to trade between nations, whether they take the form of tariffs, import quotas, restrictive exchange practices, subsidies, or restrictive business agreements. Such a program should include:

1) The removal of war-time controls over foreign trade at the earliest moment consistent with military necessity and the immediate economic after-effects of war. The large foreign balances held in the United States and the unsettled conditions created by the war are likely to necessitate trade controls in the transition from the war economy to an orderly peace economy.

2) The protective tariff of the United States should be lowered. To this end:

   1) The Reciprocal Trade Agreement Act should be renewed and strengthened by making the 50% limit to reductions apply to the rates existing in 1945.

   2) Negotiations under the Act should be pressed vigorously so as to bring about substantial rate reductions.

   We feel that a prompt reduction in the American tariff barrier is of the utmost importance, as crucial evidence that the American people are prepared to take practical steps needed to heal a devastated world, attain high and profitable employment, and erase the economic obstacles to political peace. There is need to undo the Hawley-Smoot Act of 1930 and to go much further progressively toward a freer movement of trade. Nothing less than the extension of the power under the Act to allow a negotiated reduction up to 50% from the 1945 rate in exchange for foreign concessions will give sufficient latitude to allow further substantial reduction in this barrier to trade.
In the Research Committee there is sentiment for recommendations that go further than the above: some members would favor a unilateral reduction of tariff rates. The advantage in the reciprocal treaty arrangement is that our reductions can serve as a lever for bringing about corresponding reductions elsewhere, to our advantage and the world's. We strongly favor continuing to lodge the authority for negotiating reductions where it now lies, as the only way to avoid objectionable past practices and to achieve results. We hope that Congress will act promptly in renewing and strengthening the Reciprocal Trade Agreement Act, as suggested, because further reductions in rate in the near future will cause less dislocation than if made later. Reductions in the near future will be only one of many transition problems, and would be by no means a large one against the general background of our problems. It will mean that in the transition period American industry will work toward a more productive pattern by stimulating the expansion of those industries in which American labor and management are most productive. We shall receive more abundantly those goods and services from other countries which are superior to our own in quality, design and price.

* Footnote by Mr. William Benton

If substantial rate reductions are not achieved fairly quickly through reciprocal trade agreements, other and more direct means should be considered:

a) An international conference for general tariff reduction;
b) Unilateral reduction on the part of the United States, regardless of reciprocal action.

If such means do not achieve the desired reductions, then the United States should consider the abandonment of the "most favored nation" policy to permit bilateral action—with particular emphasis on tariff reductions on trade with the British Empire and Latin America.

c. We regard international cartels as tending to monopoly and the restraint of trade. We recommend that policies be adopted by the United States and by private agencies that will eliminate monopolistic and restrictive cartel practices.

All cartels which are allowed should be under public scrutiny. As with other measures tending toward the restraint of trade, cartels are a means to an end; and because of the limitation of competition intrinsic in the cartel method, the purposes to be served should be public, not private purposes. **

The Research Committee of the C.E.D. has the cartel problem under investigation and intends to make further recommendations at a later date.

* Footnote by Mr. Ralph E. Flanders

The word "cartel" covers all sorts of agreements. Before saying that any cartels should be "allowed", it would seem wise to restrict the possibility of allowance to a very small area.

It is my strong belief that some type of international commodity agreement must be found to take up the slack in the wide variations in price and production which have to be faced by the smaller countries producing raw materials, whether mining or agricultural.

Fluctuations of a given amplitude in the world at large bear very heavily on these smaller raw material countries, and for their protection, appropriate forms of international commodity agreements should be designed. If these agreements are directed specifically toward the protection of these small countries, the purposes to be served will be public, not private.

I can think of no other kinds of cartels which serve a public interest and would prefer to have some other name applied to the agreements described above.

** Footnote by Mr. William Benton

In general, I subscribe to Mr. Flanders' comment. Many commodity agreements, however, have operated not only against the public interest but against, the long-run interest of the producers themselves, and thus such agreements require both the closest scrutiny and public regulation.

The monopolistic cartel practices of private corporations operating in international trade are inconsistent with the public interest. The arguments against such practices transcend economic issues alone. Even if their vaunted efficiencies prove more than temporary—which has not yet been demonstrated—such concentration of power in private hands violates the spirit of enterprise, and runs counter to the traditions and spirit of a free people.
The use of subsidy, including tariffs, should be re-examined from the point of view of broad public interest as a step toward formulation of national policy. Subsidies should only be used as a matter of public policy when they are the best way to serve a necessary public end, and even then care should be exercised to see that they do not unduly upset the commerce or culture of other countries.

Obviously, subsidies should never be given to private enterprise as a general bounty merely for the sake of improving the profit of one private business as against other industries or segments of the population. Export subsidies should never be used by a creditor country as a means of acquiring foreign business per se, or as a means of curtailing or eliminating foreign competition.

However, subsidies have been and can be a proper instrument of public policy to promote national security, to ease transitional readjustments in trade relationships, and to establish and maintain within the borders of the United States skills, arts and techniques clearly beneficial to the national interest which might disappear without public assistance. It is better that such subsidies should be open rather than hidden.

Advantages to open as against hidden subsidies are that open subsidies may be directed to a specific purpose for which specific performance is required. Grants of public money for specific performance can and should be safeguarded by proper agencies of inspection, regulation, and reporting, to disclose to the public the true cost of such intervention.

4. Place the international movement of capital, public or private, on an economic basis.

1) The export of capital, whether debt or equity, should not be stimulated as a device to reduce unemployment in the United States. Its purpose is to increase productivity abroad and thereby to gain the mutual benefits of expanded trade with its consequences for a higher standard of living. The United States should join with other nations not only to assist in the reconstruction of war-torn countries, but to increase progressively the productivity of all countries.

2) We recommend that the Export-Import Bank be used, and its lending power be strengthened if necessary, to carry out and assist international financial transactions which are in the interest of the United States, but which are either unsuitable or impractical from the standpoint of private funds.

3) In order that loans may not be used when they are in fact gifts, and in order to speed world recovery and to advance our own interests in world trade, the United States should contribute to the organizations which Congress may designate to help in the relief and rehabilitation of war-torn and devastated countries.

4) In so far as feasible, the movement of capital should be carried on by private enterprises with the Government acting to facilitate private capital movements. As in the past,
the Government should in general be informed concerning contemplated exports of long-term capital, and particularly if they involve capital issues which are to be offered to the public, with the right to object for reasons of national policy.* Government should also seek to improve the legal relations between United States' investors and foreign peoples and countries through clarifying the existing legal relations and by attempting to increase the stability of such relations and their uniformity as between countries. If disagreements arise between American private investors and a foreign country where their funds have been placed, our Government should use its good offices to bring about an equitable understanding. A consistent, sympathetic policy by our Government towards the private investment of our capital abroad, will inspire confidence, encourage the flow of capital, and, by reducing the risks, improve the terms on which the transactions are made.

5. Cooperate with other countries through membership in official international organizations. For the purposes of this report, we refer particularly to those organizations which operate in the field of international commerce.

* Footnote by Mr. William Benton:
A related point is that loans should be destined for productive activity of the type which may assist the borrower in repayment, rather than loans for a war economy. Public or private loans from the United States should not support regimes where the trend is toward despotism and not freedom.

Specifically, The United States should continue to participate in the International Labor Office; should join in creating a permanent international commission on food and agriculture; should participate in a conference on employment and trade policy; should join in creating permanent international organizations in the field of commercial policy and in the field of health; and should encourage the development of an international body or bodies to aid in the promotion of art, science, and technology, communication, and education.

Other constructive international commercial relationships should be encouraged as a means of participating in the reconstruction of a prosperous and peaceful world.

* * *

The recommendations on the Bretton Woods proposals which follow have already been published, but since they were conceived as a part of this Statement, they are included for the sake of completeness of the document.

**Recommendations on Bretton Woods Proposals**
The Committee for Economic Development as a group of businessmen is deeply interested in the proposals made at Bretton Woods for the establishment of an International Monetary Fund and of an International Bank for Reconstruction and Development.

The efficient movement of International trade and capital will be facilitated by orderly relations among the various currencies of the world, and by the outlawing of the use of currencies and exchange devices for purposes of international economic warfare. Also, an orderly
and adequate means of providing needed capital for world reconstruction and development will hasten the restoration and growth of production and trade with beneficial consequences for world prosperity and security.

Accordingly, in the United States high levels of productivity and the standard of living will be more easily reached and more certainly maintained (a) if the relation between currencies is orderly, and (b) if the financing of reconstruction and development is properly and soundly arranged.

The Research Committee, therefore, believes that it is necessary to create international machinery in which the United States would participate in order to obtain orderly international currency relations; to reduce the dangers of economic warfare; to make loans, underwritings, and guarantees in connection with reconstruction, development, and currency stabilization; and to provide arrangements under which currency and other financial problems affecting world stability and prosperity can be freely and systematically discussed.

Five Basic Principles

In attaining those objectives certain principles should be observed.

First, we want the greatest order possible in international currency relationships without infringing the essential self-interest of any country. We hope to gain the acceptance of long-term self-interest over short-run expediency in the management of currency relationships and to harmonize, so far as possible, the interests of all. We wish to eliminate capricious, unnecessary uncertainty, and hostile actions; we do not wish to interfere with the just right of peoples to deal as may seem to them proper with their own internal problems.

Second, in so far as possible, loans should be truly loans; currency transactions should be currency transactions; and gifts should be gifts. Lack of clarity as between intent and method at this point will produce in the future, as it has produced in the past, misunderstanding and bitterness between countries. If a gift cannot be made as a gift, it should not mask behind the facade of a loan.

Third, in the making of loans, underwritings, and guarantees for reconstruction and development, the amount and kind of the loan should be geared into the amount and kind of imports needed by the borrowing country for the approved reconstruction and development projects. Uneconomic international debt should not be created for the purposes of relief or to bring about an internal expansion which might be better produced by and within the borrowing country itself.

Fourth, we must accept for some time as a condition of orderly currency relationships within the framework of long-term self-interest of ourselves and others, the continuance of methods of exchange control that alter what otherwise would have been the free flow of trade and investment. Although such methods are subject to abuse, they need not be harmful in themselves. The problem is that, when they are invoked, their use should be proper and not improper; and international consultation and cooperation will help attain this end.

Fifth, creditor countries should behave like creditors. They should adopt measures that will make it possible for a debtor willing to pay his debts to do so. Debtor countries should behave like debtors. They should adopt measures that make it easier for them to observe the letter and spirit of their obligations.

The Bretton Woods Proposals cover two sets of machinery, an international bank and an international currency fund. This machinery is
intended to provide the means for making international loans and for short-term stabilization of currencies. We believe that both these objectives are desirable, whether they are achieved through two organizations or through one.

The International Bank for Reconstruction and Development

We believe that the lending objective can be accomplished satisfactorily through the proposed International Bank for Reconstruction and Development, although we do recommend some extension of its powers. The purposes of the Bank as stated do not seem to be sufficiently broad to include loans expressly intended to serve the requirements of long-continuing stabilization. We feel that the purposes should be so broadened.

The needed general stabilization loans which would assist in orderly monetary relations might be of two sorts. There will probably be a need for long-term loans of a type for which there is no provision at present under either the Bank or the Monetary Fund. The Bank's loans, as at present provided, are to be for specific projects of reconstruction or development; but there will probably be a number of countries that will need some more general form of loan assistance than these specific projects imply—loans designed to provide for imports of a variety of goods and services in a general restoration of a country's powers of production and trade. There may also be a need for short-term credits to assist in the maintenance of orderly relations in currency transactions themselves. These short-term credits may be particularly needed toward the end of the transition period, as nations proceed to relax their exchange controls and to find the equilibrium rates of exchange to which their international accounts could be balanced in a freer exchange market.

The managers of the Fund require and deserve the protection to the clarity of their operation that would come from clear authority to the Bank to make loans for stabilization purposes when they are justified.

Otherwise, there will be pressure on the managers of the Fund to permit transactions not consistent with the short-term stabilization operations of a currency fund.

The International Monetary Fund

The purposes of the Fund are more difficult to attain than those of the Bank. The Fund is intended primarily as an agency of long-continuing monetary management. It is intended to give all member countries access to a common fund of currencies in order to meet the short-term fluctuations in their international position. The basic assumption for the successful operation of such a Fund is that there should be a tendency for international transactions to equalize, apart from short-term fluctuations.

The principal criticism of the Fund is that, in the abnormal conditions of the transition from war to peace, the expectation of an even-balanced position could not be realized. If serious imbalance developed, the Fund would become lop-sided, that is, frozen with unwanted currencies. The result would be much the same as though the surplus countries had made loans to the deficit countries. In this way the Bretton Woods proposals in their present form might lead to a frozen Fund, cause international misunderstanding, and thereby be more harmful than helpful to the cause of international monetary cooperation.
This right of access gives the Fund its short-term stabilizing power, but it also leads those who have reservations about the Fund to feel that the right might be abused, with or without intent, and that the United States would be forced to take actions to unfreeze the Fund; that the United States would be blamed by others for failure to take what would be considered adequate action to protect the Fund; and that we ourselves would misjudge the distortion of the Fund, coming from the inescapable consequences of postwar readjustments, an evidence of bad faith on the part of others.

To be sure, these dangers can be minimized if the managers of the Fund have the courage and skill to invoke at the right time the protective provisions that are written into the Articles of the Fund. But there may be proper doubt as to whether the managers would be able, in fact, to exercise these powers, unless their position is strengthened.

The solution of this difficulty lies in giving to the Bank the clear power to make loans for long-term and short-term stabilization purposes at times when such loans are needed and appropriate.

The managers of the Fund can then refer to the Bank those transactions for which the Fund is not intended. They can also require a country to correct any seriously unbalanced currency position through recourse to the Bank when such recourse is appropriate, rather than by taking more drastic action. Thereby the Fund can be substantially protected. We believe that the danger of abuse of the Fund would largely disappear if the purposes of the Bank were broadened to include, expressly, loans, intended to serve needs for long-continuing stabilization.

We attach great weight to these considerations, particularly since the essential functions of the Fund, wherever located, require
support of the Bank by powers not presently existing. We urge, therefore, that the possibility of strengthening the Bank be re-examined by the Government.

RECOMMENDATIONS

6. We recommend the approval of the International Bank for Reconstruction and Development and also recommend that at an appropriate time, which would not delay its approval, its powers be broadened to include the extension of general long-term or short-term loans for stabilization purposes.

7. After the Bank is strengthened in this way, we feel that the management of the Fund should be able to use the Fund strictly for currency transactions. Accordingly, the dangers inherent in the Fund as it now stands would be substantially reduced and we would recommend that the Fund be approved.

We are well aware that the Bretton Woods proposals do not exist in a political and diplomatic vacuum. We know that there are considerations outside the proposals proper, some of which are matters of public record, some of which may not be. These considerations must be weighed by the Administration and by Congress against the risks that are inherent in (a) approving both the Fund and the Bank as now proposed, (b) approving the Fund, and the Bank strengthened as we suggest or (c) approving the Bank alone and assigning to it the currency stabilization function.

8. Unless the Bank is strengthened, or unless there are weighty political or diplomatic considerations, we would recommend that certain functions of the Fund be carried on by the Bank and that the establishment of the Fund be postponed.
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WAYNE C. TAYLOR President Export-Import Bank of Washington, D.C.

SIDNEY J. WEINBERG Partner Goldman, Sachs & Co. New York, New York

CHARLES E. WILSON President General Electric Co. Schenectady, New York

Treasurer HENRY R. JOHNSTON

Executive Director C. SCOTT FLETCHER

Secretary ELIZABETH H. WALKER

Director of Information ANTHONY HYDE
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE 5/22/45

TO Secretary Morgenthau
FROM E. B. Fussell

State Department says Nuit et Jour is a recently organized weekly along the line of TIME. It may be the "largest weekly news magazine in Paris" but it has been in operation a relatively short time and State doesn't know its circulation or what line it is taking. They have no record of Bart Winer. He is not accredited by State.

Would it be if I were to acknowledge the request for you, invite Winer to drop in to see me (and possibly some of Coe's group) the next time he is in Washington, but tell him it's not convenient for you to arrange an interview on that particular subject at this time?
WU41 34 4 EXTRA

NEW YORK NY MAY 28 1945 514P
HENRY MORGENTHAU SECY OF TREASURY
TREASURY DEPT WASHDC
WOULD YOU GRANT ME INTERVIEW SOON AS POSSIBLE CONCERNING
YOUR OPINION ON FRENCH OCCUPATION OF SAAR AND RUHR? I
REPRESENT NUIT AET JOUR THE LARGEST WEEKLY NEWS MAGAZINE IN PARIS
BART WINTER 1 EAST 57 STREET
544P
I

May 30, 1945
93

Owed Bartelt and told him that under the new procedure we could not give this memorandum to the Secretary, and if there was anything in it which he wanted the Secretary to really know about, he should ask for an appointment to see him. Bartelt asked that we keep the memo for the files.

MENORANDUM TO THE SECRETARY:

Re: Progress Report No. 3 on Procurement Accounting

In the survey we are making of the accounting in Procurement at your direction, we find that one of the principal reasons for the unsatisfactory condition is due to certain basic procedures being followed.

Several meetings have been held with the Foreign Economic Administration, which have resulted in the following changes of procedure. They will assist not only in bringing the accounting work up to date, but also in relieving the manpower shortage and in effecting economies.

1. Statements of reimburseable charges for materials and services furnished foreign governments under the Lend-Lease Act will be prepared on the basis of approved vouchers rather than on the basis of materials transferred or placed on board ship.

2. In the case of certain requisitions of the United Kingdom for materials placed on board ship after December 31, 1944, and in future similar cases, the ocean bill of lading will be used solely to establish the on-board date with respect to the transition period. Thereafter, reports will be prepared as indicated in (1) above.

3. Accounts of foreign governments relating to requisitions issued prior to September 1, 1943, under Appropriation 20-11150, Defense Aid Special Fund, (which funds are derived from cash advanced by certain countries) will be prepared on the basis of net payments to vendors plus a flat percentage to cover freight and accessorial expenses; in lieu of the present method whereby all direct costs, namely, material, freight, storage, handling, etc., are included.

TREASURY DEPARTMENT
FISCAL SERVICE
Washington

May 29, 1945

Regarded Unclassified
We are endeavoring to reach an agreement with the Foreign Economic Administration on the following:

4. The surcharge for freight and accessory expenses will be calculated on the total amount of net material cost, rather than on the net material cost for each requisition.

5. Certain sub-requisitions of the United Kingdom which provide for deliveries to South African Colonies, Northern Rhodesia, and Southern Rhodesia, will be stated for the United Kingdom only and not for the countries or colonies involved. A statement for the United Kingdom only is now in process.
May 29, 1945

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(Signed) H. F. Hartelt
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

TO Secretary Morgenthau

FROM E. B. Fussell

Herewith draft of suggested statement to be submitted through Charles Ross, per your request of this morning.

[Signature]

DATE 5/29/45
Secretary Morgenthau has told me about the truly shocking cases of tax evasion his men have discovered. I am thoroughly in sympathy with his plan to enlarge the Bureau of Internal Revenue forces to whatever extent is required to insure full compliance with the law. It will be good business for the Government, because every dollar we spend in collection and enforcement will produce $50 or more in revenue. And much more important is the matter of good morals. We are not fighting this war to make millionaires, and certainly we are not going to allow the black market operators or any other racketeers to be in a favored class, when the men in the armed forces, and our citizens generally, are sacrificing so heavily.

The American people understand that sacrifices are necessary. They know the war is still far from being over. The one thing that might break down their will to keep on to complete victory would be a feeling that a few were profiting from the sacrifices of the many. We must see that there is no justification for any such feeling, and that is just what we are going to do.
TO:      Secretary Morgenthau
FROM:    Elmer Irey    (Through Mr. Gaston)

In August 1934 the Secretary directed that coordination of various Treasury activities for the suppression and prevention of smuggling be undertaken by the Coast Guard. This was brought about primarily because of the persistence of a "Rum Row" for smuggling liquor off our shores following the repeal of Prohibition. The object of coordination as stated at that time was "to put an end to the illegal importation of intoxicating liquors and narcotics at the earliest possible date."

Mr. Harold N. Graves was designated as Chief Coordinator. A coordination committee was set up in Washington and district coordinating committees were established in the field.

In April 1936 the Secretary issued an instruction extending the scope of the coordination system to include all criminal investigations of whatever character for which the Treasury Department is responsible which required or appeared to require cooperation of other agencies of the Treasury, or other Federal, police, or foreign investigative agencies. Mr. Graves was continued as Chief Coordinator.

In September 1937 I was designated as Chief Coordinator, in addition to my duties as Chief of the Intelligence Unit.

In September 1939 the Secretary requested Mr. Gaston, Assistant Secretary, to take over the supervision of coordination activities, and the Chief Coordinator was directed to report to him.

In April 1942 I was relieved of responsibility as Chief of the Intelligence Unit and directed to devote full time to the work of coordinating the activities of the enforcement branches of the Treasury Department.

In May 1942 Mr. Gaston addressed the following memorandum, approved by the Secretary, to me respecting duties as Chief Coordinator:

"In the performance of your duties as Chief Coordinator of the Treasury Law Enforcement Agencies, it is requested that you make arrangements to be kept informed of developments in important cases within any and all of the agencies included in your coordination activities; that you advise with the heads of these agencies as to the administration"
of their organizations and with respect to
the personnel thereof; that you review and
approve or disapprove recommendations for
changes in administrative personnel of such
agencies, and that you perform such other
duties in the interest of coordination as
may in your judgment be necessary.

"It is further desired that you discuss
with me from time to time such of these matters
as may be appropriate."

Under the system regular monthly meetings are held
in the field districts of the supervisory offices.
Special meetings may be called as occasion arises.
Meetings at monthly or less frequent intervals are held
in Washington of the heads of the law enforcement units.
In addition, I confer almost daily with various heads of
enforcement agencies in Washington.

In the way of law enforcement accomplishments, the
abolition of "Rum Row" already cited is an example.
Another was the pooling of investigative resources when
Pearl Harbor was attacked, which enabled Foreign Funds
Control to supervise enemy-owned property.

An outstanding situation in the way of coordination

is the very close cooperation of the Bureau of Customs
and the Bureau of Narcotics which has resulted in many
places in the complete pooling of their facilities and
men in the working of cases. Such remarkable accomplish-
ments as the conviction of the Louis ("Lepke") Buchalter
"Murder, Inc." gang, and the more recent apprehension of
the Joseph Tocco ("The Nye") syndicate are conspicuous
illustrations of the result of these services working
jointly. Thousands of tons of marihuana were destroyed
by coordinated efforts of the agencies. The Yamamoto
(Japanese spy) case was an example of combining the
resources of several agencies.

In October 1942 in order to allow the Intelligence
Unit to function more freely in tax cases, the respon-
sibility for character investigations in the Treasury
Department was placed on the Chief Coordinator and
these investigations at the rate of fifteen to eighteen
thousand a year, down to a present flow of about eight
to ten thousand annually, are handled in the Chief
Coordinator's office. This has required the detail
from the agencies of from 100 to 150 officers.
One of the most recent "chores" assigned to the Chief Coordinator was the investigation of irregularities in the sale of war surplus property by the Procurement Division. This project was undertaken during November 1944 and involved the investigation of charges against employees of the Office of Surplus Property, as well as inquiries regarding firms doing business with that office in an irregular manner. This activity has resulted in the removal of a number of employees under serious charges and the presentation of several cases in court. It is hoped that the surplus property work may be relinquished by July 1. It has meant the employment of an average of thirty officers in cases, many of which are of a very difficult and involved type. This office is also making a number of special inquiries for the Procurement Division, the War Finance Division, Foreign Funds Control, and other branches of the Treasury Department which do not have investigative facilities.

In general where special needs have arisen in one of the agencies or in some other Treasury organization requiring an immediate employment of man power in investigative work, the Chief Coordinator and the District Coordinators have served as a channel and clearing house for the securing, assignment, and supervision of this personnel.

A necessary function carried on in this office which the end of the war should terminate has been the distribution among the enforcement agencies and others in the Treasury Department of the routine flow of Censorship intercepts and other types of information reports.

A special program considered of great value has been an endeavor to establish uniform grades in the several agencies, so that law enforcement officers doing work of equal difficulty will receive equal compensation.

Many other special projects considered of great value to the agencies have been pursued. Schools of instruction in investigating and in criminal law for all of the agencies have been carried out under the direction of the Chief Coordinator. Since 1934, 125 schools have been held which approximately 4,500 officers have attended. The marksmanship training program is
also in this office. Practically the entire law enforcement personnel have had this instruction. The Training Division has likewise furnished much service to the various investigative agencies in the way of formulating special courses of instruction peculiar to the agencies. Plans have been prepared for an amplified training program after the war.

Through the District Coordinators offices, campaigns have been carried on to make the various agencies aware of laboratory, photographic, and other technical facilities possessed by some of them, so that all will have full use of such facilities. In this manner, one piece of equipment may serve where otherwise it might have been necessary to multiply it several times.

A committee has been formed to keep the agencies abreast of such technical investigative developments and devices as may be made available by the Armed Services after the war.

A very necessary interest of coordination in the past few months has been in presenting a unified front to prevent the encroachment upon investigative work of the Treasury Enforcement Agencies by outsiders.

I believe the greatest single accomplishment of coordination has been the development of the several agencies, highly unit and bureau conscious, into a close-working Treasury team aware of one another and of their various duties and responsibilities and ready, to a very large degree, to cooperate to the fullest extent. While this is difficult to measure in positive terms, its advantages are perfectly obvious to all of us who recall that before the advent of coordination, many of the enforcement agencies seemed to be unaware of one another, or if there was an awareness, it was at times in the form of positive antagonism and distrust.
May 20, 1945

My dear "Doc":

In reply to your letter of May 23rd, I am giving careful thought to the coming meeting of the Planning Committee of the Roosevelt National Memorial Committee. I hope to have some suggestions to make at that time.

Yours sincerely,

[Signature]

Mr. Basil O'Connor,
Temporary Chairman,
Roosevelt National Memorial Committee,
120 Broadway,

Roosevelt National Memorial Committee
120 Broadway
New York 5, N.Y.

23 May 1943

Dear Henry:

It is contemplated that there will be a meeting of the Planning Committee of the Roosevelt National Memorial Committee in Washington, D. C., probably about the middle of June. You of course will be given adequate notice of the exact time and place.

Will you therefore be good enough to send to me, prior to June tenth, your thoughts as to the manner in which the late President Roosevelt might be most adequately memorialized?

Sincerely yours,

[Signature]

Temporary Chairman

The Honorable
Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.
Dear Mr. Zanuck:

I was happy to receive your letter of May 21 in which you commented on the educational work which the motion picture industry can do. Your observation that educational material worked into an entertainment film is superior to a documentary film seems to me to be very acute and we will, I hope, see this principle carried out by your studio.

Your comments on the Republican attitude toward the Trade Agreements and Bretton Woods bills interest me very much. I agree with you and Mr. Shotwell completely that any effort to devise methods of political cooperation will fail unless we take appropriate action in the economic sphere. I was very gratified to learn yesterday that the House Committee on Banking and Currency had voted 29 to 3 in favor of the Bretton Woods bill. I hope that this is a sign that questions of international cooperation will not be made partisan issues.

I hope that we will meet soon again either here or on the West Coast.

Sincerely,

(Signed) H. Morganman, Jr.

Mr. Larry F. Zanuck,
Twentieth-Century-Fox Film Corporation,
Beverly Hills, California.

Rttoj
5/25/45

Regraded Unclassified
I am looking forward to seeing you when I go next in Washington.
Please call me if you are coming out this way.

Best always,

The Honorable Henry A. Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.
Charley Shaeffer and I saw the March of Time people here this afternoon on your suggestion as to a dramatic presentation of the tax evasion drive. They said they were definitely interested. Decision will have to be made by the New York office. They outlined a possible 6-minute presentation, starting with a brief announcement by a narrator, followed by a series of short dramatic sequences, winding up with a brief word from you to the effect that the program has shown the sort of thing the Treasury is up against and the determination of the Treasury to deal with it.

The March of Time people asked that we assemble some interesting cases, suitable for dramatic presentation, which Shaeffer's shop is doing.

The program goes on Thursday nights at 10:30. If the Washington office gets the go-ahead signal from New York, they would like to plan it two or three weeks from now, that is, the middle or latter part of June.

This raises two questions:
1. Will you be here during the period?
2. If you will be absent, who would speak the final word in your place? Deston? Numan? Irey?

This latter question was specifically asked by the March of Time people here. I ducked it by saying I hoped you would be able to make it, but they apparently want some definite assurance and whether the program goes on might hinge upon having either you or someone designated by you to speak for the Treasury. They asked that this issue be NOT taken up with you until they have approval from the New York office, but I mention it for your information, and also so that Charley and I may be able to be better informed, when we talk to them again, as to the possibility of your participation.
Mr. Fussell
Secretary Morgenthau

May 22, 1941

I saw Charlie Ross at the White House last night and I asked him if he wouldn't get the President to say something in his next press conference on our drive. Fix up something for me to look at and then I would like you to walk it over and give it to Charlie Ross yourself, and explain to him just what we are doing. Since the President's press conference is next Thursday, it will be particularly important that he say just the right thing because I will be up on the Hill asking for the money. Mr. Fussell has given me a blank.

[Signature]

Mr. Fussell has given me a blank.
Distribution of truth reading only

(SECRET) 3 40

Secretary of State,
Washington.

1943, May 29, 6 p.m.
FOR WAR REFUGEE BOARD

In response to WBR 368 (Dept's 949, May 23, 11 a.m.)

have discussed fully with local group representing

American labor relief for Norway their ideas as to

future relief program. Local group is extremely anxious to

continue Norwegian relief activities and are firmly convinced

of necessity of continuing operations from Sweden in view

of advantageous supply factors as well as prompt delivery

facilities. They have advanced a five point program

covering relief and general assistance to the following
groups of the more severely distressed category.

(A). Norwegians returning from concentration camps

in Germany.

(B). Prisoners released from Grini.

(C). Prisoners released from other concentration

camps in Norway.

(D). Special relief program for residents of

Finmark.

(E). Support of widows and children of above

groups.

Stockholm
Dated May 29, 1945
Re'd 9:21 p.m.

DO/L
LIAISON

IN COMING
TELEGRAM

DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

INCOMING
TELEGRAM

DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

REPUBLIC

-2- 1943, May 29, 6 p.m., from Stockholm

groups of prisoners.

This group has advanced a minimum program which will
require approximately 100,000 kronor monthly to finance.
This will supply approximately 50,000 lb. of essential
foods monthly as well as medicines and clothing. All
necessary arrangements have been made both as to
procurement of supplies and as to shipment.

Local group has been advised of contribution of
$60,000 by War Refugee Board for relief operations in
Norway (WBR 370, Dept's 973, May 20, 5 p.m.) and it
wishes to express its deepest appreciation for this
generous support.

JOHNSON

Regarded Unclassified
CABLE TO J充分ON, STOCKHOLM, FOR OLEEN FROM WAR REFUGEE BOARD

Authorized terminate Filsest on completion final reports. Department authorized pay Filsest lump sum for leave May 1, 1946, to date at rate 30 days a month. Return unspent WB confidential funds through Chase National Bank, New York, payable David White, Administrative Officer, WB.

Sell WB equipment. Draft for this should be payable Secretary Treasury care of WB.

THIS IS WB STOCKHOLM CABLE NO. 371

10:45 a.m.
May 28, 1946

Miss Hyde (for the Sec'y), Cohn, Noel, Hutchison, McCormack, O'Deyer, Files.
MR. COE: I've skimmed through them. I think this book of his on the Spirit and Structure of German Fascism achieved more publicity than any of the earlier ones which are more technical. I went through them again in a cursory way, and I think it's absolutely clear from them that this is a man with the following views: He was interested in, and very decidedly opposed to, the German Fascist system early, and approached it as an economist, but admitted dealing with very important and explosive matters, and he went after it without kid gloves. He was also concerned, and in his books he's brought this out, that German Fascism in ideas and some of its administrative features is closely related to embryonic tendencies which are here among our business groups, and he brought that out, sometimes in quite vigorous language. He was concerned about some of the things our businessmen said in the same period. Finally, he was also, he has been for years, concerned about the tendency of business to centralize and to take control of governments and operate through governments, and one of his books is an early study of nationalization.

MR. WHITE: I thought you were collecting books.

MR. COE: Now, I should say that a good deal of what he wrote would have been agreeable to left-wing people, some of it to Communists, at the time he was writing. Some of it would have been opposed by them.

(Discussion off the record)

MR. COE: Well, to make it short, he's not a writer who deals with what we as economists would take to be Marxist matters. He doesn't write about the class struggle, about surplus.

MR. WHITE: I'd like to make one comment. The thesis which runs through most of his books is that the extreme of monopoly capitalism which is big business, leads inevitably to Fascism. That's one of the theses.

R.M.JR: A dangerous thing.

MR. COE: My conversation with Ed Mason --

H.M.JR: That's what I want to hear.

MR. COE: I rang Mason up. I had a date with him, but we decided to hold the conversation on the telephone. I told him that I heard he had spoken to you and that as for myself, I had been asked by Harry to read through this and check up on this question of Brady being a hundred percent Marxist, and I was unable to find Marxist terminology or leading ideas. "Oh," he said, "there's no doubt about it. He was a Marxist." "Well," I said, "what would you put down as evidence of his being Marxist?" "Well," he said, "he was in favor of collectivism. He believed that the capitalist system was doomed, and he believed in the economic interpretation of history."

H.M.JR: Is that a rhyme?

MR. COE: Yes, it sort of rhymes together. "Well," I said, "where did he find this evidence of economic interpretation of history?" He said, "He's making an economic interpretation of Germany," and I said, "He's an economist, and he's dealing with the economic system in Germany in its bearings on the political," and I said, "A man who made that sort of interpretation when dealing with an economic subject need not necessarily hold that view." "Well," he said, "admittedly he need not, but he was certainly a thorough-going collectivist." I said, "If you mean that he probably advocates for this country an extension of powers by the Government, or did advocate it, or believed that there was a long-run trend in Germany operating, those were certainly views which aren't restricted to Marxists. There are a lot of people in the Government who used to be called New Dealers who were also loosely called collectivists." He said, "Quite apart from that, he wasn't a good economist."

MR. WHITE: I interject. Mason took seven years to write a book on the electric rise in Massachusetts while he was in Cambridge. I won't characterize the book beyond saying that two of his books aren't worth one of these.
H.M. JR: Let me sum up. Do any of you people feel this is something I should make a real fight on?

MR. COE: No.

MR. WHITE: No, because we’re going to get Brady and hire him and stick him over as one of Bernstein’s assistants if we can work it, but it’s an indication merely that no matter how many fellows you recommend, if he’s not an Allan Sproul or John Williams, they’ll find sixty-nine reasons why they’re wrong.

H.M. JR: Now, I left it with Will Clayton’s Secretary that I want to speak to Will Clayton if he ever calls me back, but I’ve been waiting, and I just wanted to -- do we want to give any other name over there?

MR. WHITE: There are very few men who are competent and know Germany and have the right point of view from our point of view. We don’t care to recommend them if they don’t.

H.M. JR: All right.
Memorandum

May 30, 1945

How de-Nazification program is being carried out.

Although one of the principal objectives of military government in Germany is the complete obliteration of Nazism, information coming from the field indicates that far less effort is being made to destroy Nazism than is being devoted to getting German production going again.

The main attention of General Clay, Mr. Douglas and his key advisers during recent weeks has been devoted to the establishment of two agencies called (1) Production Control Agency; (2) Economic Control Agency, whose purposes are to get German industrial production going and to control German agriculture, price control and rationing, etc. Approximately 1,700 officers and 6,000 men are being earmarked for the production control agency, and several hundred officers and a large number of men are being earmarked for the economic control agency.

On the other hand, comparatively little thinking is being done at the top level on what measures must actually be taken to carry out the paper program for the de-Nazification of Germany; and comparatively few officers are devoting their full time to the carrying out of the de-Nazification program.

Ambassador Murphy and his political division have been charged with the responsibility for coordinating the Control Council’s policy of de-Nazification. To date, the political division has done very little work to discharge this function, and it has made no significant effort to ascertain what action has been taken in the field in carrying out the de-Nazification policy.

No central tabulation or evaluation of results of the de-Nazification program exists, either at G-5 SHAEF, or at the U.S. Group Control Council. To the extent that information exists at the SHAEF or Control Council level, the picture of de-Nazification appears extremely spotty.

In addition to the above mentioned reasons, there are additional causes for the unsatisfactory situation with respect to de-Nazification:

a. A systematic and thorough “setting” process is not being applied on a sufficiently wide scale to public and private agencies. In all too many cases, de-Nazification is only applied to the most flagrant cases of Nazism, ignoring the more subtle cases. Nazism, ignoring the more subtle holders of Nazi prejudice and supporters of Nazism. Especially in industry, slow progress is being made in applying the de-Nazification program.

b. Too much emphasis is being placed on “getting things going” rather than on the application of the de-Nazification program.

c. There is a lack of effective dissemination and utilization of relevant intelligence data for the benefit of the military personnel actually carrying out the de-Nazification program.

d. There is an absence of effective coordination of the de-Nazification activities of the various army units involved.

e. There is considerable confusion and variation between areas as to what the actual de-Nazification policy is.

It is quite obvious that if the de-Nazification program is to be at all effective, it must be applied with a determination, intelligence and coordination of effort that currently does not exist, and under leadership that genuinely believes in the necessity for obliterating Nazism, regardless of the administrative inconvenience that may temporarily result therefrom.
May 30, 1945

My dear Mr. Secretary:

I am enclosing a memorandum on the textile program for China which is in accordance with our conference yesterday. If this is acceptable kindly let me know and I will have it signed by the rest of the members and sent to you for delivery to the President.

Sincerely yours,

(Signed) Leo T. Crowley

Leo T. Crowley
Administrator.

Honorable Henry Morgenthau, Jr.
Secretary of the Treasury,
Washington, D. C.
REPORT OF SPECIAL COMMISSION ON THE CHINESE ANTI-INFLATION PROGRAM

A Special Committee, consisting of the undersigned, has arranged for a satisfactory solution of the major problems presented by the three-point Chinese Anti-Inflation program.

1. GOLD

$189,212,000 of gold is to be shipped to China.

2. TEXTILES

During the second half of 1945 105,000,000 to 110,000,000 yards are being made available to China against a net requirement of 113,000,000.

The Chinese government requested delivery of their entire net requirement during the balance of calendar 1945. Due to the three months shipping time and the critical textile shortage, it was impossible to allocate textiles soon enough to deliver all of the requirements to China during calendar 1945. However, a schedule of third quarter allocations and probable fourth quarter allocations prepared by the War Production Board, the Combined Production & Resources Board, and the Inter-Agency Committee to Coordinate Foreign Shipments, if adhered to, will make available the production facilities for the 105,000,000 to 110,000,000 yards in the last half of 1945. Through regular channels every possible step is being taken to deliver as much of this production as possible to China during the balance of calendar 1945.

First allocations from third quarter production are 22,000,000 yards from U.S. production and 23,000,000 yards from Mexican and Brazilian production. Probable allocations for the fourth quarter from U.S., Brazilian and Mexican production should total between 40,000,000 to 45,000,000 yards, giving a half yearly total of 105,000,000 to 110,000,000 yards.

90,000,000 yards of the requirement were justified as direct military needs to use for barrack for food and supplies for Chinese troops now being trained and equipped under the U.S. Army. The U.S. Army Training Command and the Chinese Government are arranging the mechanics of distribution in the field. As soon as the organizational details have been settled, PMA will set up delivery procedures to insure proper end use.

Due to the direct military and use of the 90,000,000 yards of textiles, all textiles up to this amount which can be procured in the U.S. will be furnished under lend-lease. This will be approximately one-half of the 110,000,000 yards. The balance of the textiles to be procured from Mexican and Brazilian purchases are to be paid for by the Chinese Government in cash. The cash involved is to be released by the Treasury Department out of loan funds held by them for the Chinese Government.
3. TRUCKS

4,000 trucks over and above the present allocation to China (15,000 trucks) are to be furnished by F/A as a result of Army cut backs.

A Land-Lease requisition is being filed by the Chinese Government with F/A, and the Army is to have no responsibility for financing.

4. Further operations under the Anti-Inflation program will be carried out through regular channels and procedures.

Secretary of the Treasury

Under Secretary of War

Assistant Secretary of State

(Signed) Leo T. Cresley
Foreign Economic Administrator
May 30, 1945

Dear Mr. Gervasi:

Your article, "Bretton Woods or World War III," has impressed me very much. You have taken a difficult subject and given it a treatment which the average reader can grasp. That is a significant contribution, for public understanding of the subject is of first importance.

You have my personal gratitude for a sympathetic and highly professional piece of work.

With good wishes, I am

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Frank Gervasi
Colliers
230 Park Avenue
New York, New York

May 30, 1945

Dear Mr. Harris:

This is just a note to express my appreciation of the fine article on Bretton Woods Colliers published this week. It is well written and with the graphs and illustrations it will help materially in the clarification of public opinion of this important subject.

Colliers, as usual, has taken a forthright position in the public interest.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Joe Alex Harris
Managing Editor
Colliers
230 Park Avenue
New York, New York

W. H. Smith
TO: Secretary Morgenthau
FROM: Mr. White

The Treasury personnel working on monetary and foreign funds control problems abroad are as follows: 44 Professional (two are still here but will be leaving shortly) and 7 Secretarial. Of the professionals, three are on detail from the Navy and one from the Coast Guard.

These persons are located in the following areas:

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The attached is a transcript of HEADLINE EDITION carried nation-wide over the Blue Network last night at 7 PM.

Regraded Unclassified
TAX DODGERS

(Wireless Bug)

Grant: Tonight in Washington the Treasury Department announces a new plan to force war profiteers to pay up an estimated billion dollars in unpaid taxes said Secretary of the Treasury Henry Morgenthau, Jr.

Voice: (filter) The Treasury is about to ask Congress for 10,000 new employees. With these employees, we intend to bring in, in delinquent taxes, at least $1,000,000,000. The war profiteering and Black Market situation is appalling. The more I get into it, the more shocking it becomes.

Grant: Thus steps are being taken to implement and enforce wartime price ceilings and profit laws. Says an important Washington observer.

Voice III: In the Prohibition era, when other means of justice failed, the F-men -- investigators of the Treasury -- used tax evasion charges to bring to justice such bootleggers as the notorious Al Capone. Today these same methods will be used to bring to justice Blacketeers and profiteers.

Grant: That many manufacturers, Black Market operators, have concealed illegal income is well known. But the OPA for example has been largely hamstrung. The time limit for prosecution of OPA Price violations is only one year. However, there is no time limit on prosecution for income tax fraud. Tonight's announcement points the way to a combined operation by our Government. There will be court cases such as this.

(echo)

(gavel)

Lawyer: Your Honor, this insecticide manufacturer owns the United States $240,000 in concealed taxes. Our investigation uncovered undeclared profits in cash -- in 268 bank accounts.

Judge: Proceed with the case.

(gavel)

Lawyer II: Your Honor, a Midwestern Steel manufacturer is liable to additional taxes and penalties of nearly $5,000,000. The Treasury will prosecute on criminal charges.
My dear Mr. Mckim:

With reference to our conversation of yesterday, respecting the Committee to work on the War Refugees program and my suggestion that you might find that Mr. Earl G. Harrison well informed on this subject, you are advised that Mr. Harrison, whose present address is 2301 Packard Building, Philadelphia, Pennsylvania, receives official mail addressed to him as American Delegate, Intergovernmental Committee on Refugees, State Department, Washington, D.C.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Edward D. Mckim,
Chief Administrative Assistant
to the President,
The White House.

CSB: ungraded
5-29-45
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

TO: Secretary Morgenthau
FROM: Ted Gamble

DATE: May 31, 1945

In response to your memorandum, the following places have requested your appearance during the past few weeks:
San Francisco
Buffalo
New York City
Philadelphia
Pittsburgh
Cleveland
Dallas
Nashville
Memphis
Chattanooga

Regraded Unclassified
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE: MAY 30 1945

TO: SECRETARY MORGENTHAU
FROM: MR. O'CONNELL

Charles E. Wilson saw me yesterday afternoon about tax exemption for the Air Power League. He said he had talked to the President in the morning about the League and that the President had evidenced a good deal of interest in the undertaking.

This is a nonprofit organization recently incorporated here, having offices in New York. Mr. Wilson is president, and its Board includes nationally known industrial, publishing and aviation names.

The League's primary objective is to develop public comprehension of the importance to national security and to preservation of world peace of United States air power. It intends to encourage educational and scientific activities in fields of importance to military aviation in the United States. Its program includes building an air museum, establishing scholarships, obtaining speakers, promoting an annual "Air Forces Day", making awards for advancement of aviation knowledge, and publishing a monthly magazine.

The Bureau has tentatively reached the conclusion that the League will be exempt from tax as a scientific, literary or educational organization and that contributions to it will be deductible for tax purposes to the extent provided by law.

You may want to let the President know that while the organization will probably get an exemption ruling, you want to reserve a final decision on the question until you have had a chance to look into it further.

To combat misuse of the exemption statute, the Bureau has recently adopted a "wait-and-see" policy under which rulings generally will not be given to new organizations until after twelve months of actual operation. This is not a
hard and fast test. Religious organizations of recognized denominations, charitable organizations principally supported by Federal or State funds or the general public, and educational organizations regularly maintaining a faculty and student body will continue to receive advance rulings.

To some extent granting exemption to this League at this time would cut across that policy, but the purposes of the League appear to be such that its operations will probably qualify it for exemption. It may, therefore, well be an exception to the general rule.

[Signature]
May 30, 1945

My dear Senator:

This is in response to your letter of May 28, 1945, concerning certain letters issued by me to the employees of the Treasury Department.

These letters represent our best efforts toward an objective appraisal of the personnel situation in this Department. I do not feel that they in any sense represent a statement of policy which is incompatible with the objectives of the Joint Committee on Reduction of Non-essential Federal Expenditures. It was my intention to set forth as clearly as possible certain facts about the Treasury Department's work, and some suggestions as to the future development in the interest of sustaining a high employee morale.

At the time the Treasury presents its annual estimate to the Congress, adequate justifications will be given for its program of work and funds requested, and quite naturally the Department will do no more than is specifically authorized by the appropriation bodies of the Congress.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Harry F. Byrd
United States Senate
Washington, D. C.
May 20, 1945

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

May 20, Mr. Secretary:

Enclosed are copies of the first of a series of letters issued under your signature on January 15, 1945, respectively.

I should like to have your opinion as to whether or not the two letters are statements of the policy to be pursued by your Department with reference to the hiring of personnel in the postwar period.

It will be appreciated if your reply is received by June 10th.

Faithfully yours,

[Signature]

Harry P.
Fellow Employees:

As we enter another year, I want to extend my best wishes and to thank each of you for your valued contribution to the work of the Treasury. It is sometimes difficult for us to realize our individual jobs in the war effort, or to feel sure that we are making our maximum contribution toward a common victory. Let us assure you that the work of the Treasury Department is vitally important and that the job of every employee of the Department plays a significant part in the total war effort.

Your splendid past cooperation makes me confident of your continued support during 1945. Particularly, I should like to have your help in these ways:

1. Stay on the job.
2. Do everything in your power to conserve vital war materials.
4. Buy War Bonds and keep them. This helps you and your Government.

If each of us in the Treasury Department will make this his personal war during 1945, we can end the war sooner and bring our fighting men home. I know I can count on your continued help in an all-out war effort.

Sincerely,

[Signatures]

[This is the first of a series of letters to be issued by the Department's offices. On the opposite side you will find items of current interest.]
Regarded Unclassified

Executive Order No. 9814
August 13, 1933

We hereby...
THE SECRETARY OF THE TREASURY
Washington

April 2, 1945

Fellow Employees:

The victory of the war is the concern of all of us. Thousands of Americans have already given their lives and many more will die before our enemies are conquered.

Thousands of Americans have been wounded, but the majority of them will recover and return to health and resume the useful lives of soldiers in the battle to the last man. The lives of those wounded in battle, like the lives of those on the home front.

At this time, therefore, I urge each man and woman to donate blood through the Red Cross. Information will be given you by your Tuesday Red Cross that on the local Red Cross. I would like to stress two points in this program:

1. Keep your appointment to give blood. Last night's cancellations cost the amount of blood for the day.
2. Donate regularly. Regular donations provide a steady flow of life-saving blood ready and needed.

There is no greater satisfaction than that which comes from knowing that your blood flows on the battlefront.

Sincerely,

[Signature]

[Name of Secretary]
The Treasury is essentially a service agency, being subject to the government of practically the entire Federal establishment in each of which are: reception, record, maintenance, accounting, and the payment of claims. Within this multiplicity of functions, the Treasury Department is also responsible for the receipt of the Government's income, including the collection of the revenue through taxes and duties, and the issue of bonds and other securities.

In the performance of its duties as a part of the Treasury's operations, it is important that the maintenance of internal controls reflect the relative importance of transactions and personnel. In a matter of fact, the value of any internal control system will probably create its own justification.

In addition, there may be an importance of some to the Treasury of several transactions, to the Office of Internal Revenue, the Bureau of Internal Revenue, the Administration, the Bureau of Internal Revenue, and the Bureau of Internal Revenue.

In the event of internal revenue, the Office of the Public Debt, the Office of the Collector, the Bureau of Internal Revenue, the Office of the Commissioner, and the Bureau of Internal Revenue, the position of internal revenue will be the same as that of internal revenue. Given these considerations, it is possible to determine the importance of internal revenue, as well as other points in internal revenue, on internal revenue, and other points in internal revenue.

The position of the Secretary, above in the public service of the Treasury Department, will probably indicate the importance of internal revenue. In the event of the Secretary, it is possible that the Treasury Department will be subject to the Federal Government in which regard the satisfaction of all personnel may be expected during the present period.
PARTICIPATION OF THE UNITED STATES IN THE INTERNATIONAL MONETARY FUND AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

REPORT FROM THE COMMITTEE ON BANKING AND CURRENCY TO ACCOMPANY H. R. 3314 A BILL TO PROVIDE FOR THE PARTICIPATION OF THE UNITED STATES IN THE INTERNATIONAL MONETARY FUND AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

May 30, 1945—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1945
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PARTICIPATION OF THE UNITED STATES IN THE INTERNATIONAL MONETARY FUND AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

May 28, 1945.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed.

Mr. Spicer, from the Committee on Banking and Currency, submitted the following:

REPORT

[To accompany H. R. 2211]

The Committee on Banking and Currency, to whom was referred the bill (H. R. 2211) to provide for the participation of the United States in the International Monetary Fund and the International Bank for Reconstruction and Development, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

I. GENERAL STATEMENT

The full hearings which this committee held on the Bretton Woods proposals for an International Monetary Fund and an International Bank for Reconstruction and Development extending over a period of 8 weeks, were based on H. R. 2211. After the close of the hearings certain strengthening and clarifying amendments were favorably acted on by the committee. Rather than report H. R. 2211 to the House with amendments it was decided to introduce a new bill into which the amendments above referred to could be incorporated. The new bill was accordingly introduced and is the one here being reported by the committee.

A large number of witnesses have been heard and additional material has been placed in the record for the consideration of the committee and the Congress. Nearly all witnesses were agreed that the objectives of the fund and bank are essential to orderly international monetary and financial relations in the postwar period. A few witnesses expressed the view that some changes should be made in the articles of agreement for the fund and bank. The overwhelming weight of the testimony, however, was for approval of the Bretton Woods agreements as set forth in the new bill of the United Nations Monetary and Financial Conference, dated July 22, 1944.
It was the general view of the witnesses, and it is the view of this committee, that changes in the articles of agreement for the fund or the bank would encourage the establishment of both institutions and would delay, if not destroy, the opportunity for international monetary and financial cooperation. A number of competent witnesses not incorporated in the bill, as originally introduced, which would oppose these changes which, in our opinion, improve the legislation have been included in the bill being reported.

The articles of agreement for the fund and bank require deposit of documents showing that the United States is in a position to carry out the obligations under the agreements. The testimony here presented will make it possible to file these documents. The bill recommended by the committee, which is explained in detail hereinbefore, authorizes the President to accept membership on behalf of the United States in the fund and the bank, in accordance with the articles of agreement, contain the provisions of the law necessary to make such membership effective, and establishes certain principles to guide this country's participation in the conduct of the affairs of these institutions.

BRENTWOOD CONFERENCE

The Brentwood Conference was preceded by more than 3 years of careful preparation. In 1941 the technical staff of the Treasury prepared a memorandum on postwar monetary and financial problems. International Bank. In 1942, at the direction of President Roosevelt and a committee representing a number of Government departments and agencies, was formed to work on these proposals. In 1943 a tentative proposal for a fund was submitted to the finance ministers of the United Nations and bilateral discussions were held with the technical representatives of some 20 countries. These discussions led to the publication in April 1944 of a joint statement of principles on the establishment of an International Monetary Fund. The joint statement included sufficient basis for an agreement on international monetary cooperation to warrant the calling by President Roosevelt of the United Nations Monetary and Financial Conference in July 1944. (See pt. II of this report.)

RELATION TO THE PROGRAM FOR PEACE

The Brentwood program is an essential part of a larger program for the establishment of an enduring peace. Unless we provide a sound economic foundation for peace, there is danger that the political process for maintaining the peace may not work well or may break down entirely. The establishment of a multinational economic relation was recognized in the Dumbarton Oaks plan which provides for the establishment of an Economic and Social Council through which countries may cooperate in securing sound economic and social conditions conducive to the maintenance of peace. The establishment of the fund and bank are important to the proper functioning of the Economic and Social Council. (See pt. III of this report.)

INTERNATIONAL MONETARY FUND AND BANK

EXPERIENCE OF THE 1920'S AND 1930'S

The Brentwood program for the International Monetary Fund and the International Bank for Reconstruction and Development is based on the international currency and financial experience of the 1930's and 1930's. Immediately following the last war there were serious monetary disorders in many countries with sharp fluctuations in the values of many currencies, some of which were completely destroyed. Even when most countries were able to stabilize their currencies in the latter part of the 1920's, many of them adopted rates which tended to overvalue or undervalue their currencies. This was an inevitable consequence of unilateral action and the absence of an effective means of international cooperation.

When the depression came in the early 1930's, one country after another was forced off the gold standard and the international exchange mechanism which was established in 1928's again broke down. Countries employed competitive currency depreciation and some of them resorted to the use of other discriminatory monetary devices. Germany, for example, made effective use of monetary weapons as instruments of economic warfare which she waged years before she began her military conquest. The result of these monetary disorders was a drastic decline in both world trade and international investment. The low level of international trade and investment in the 1920's and the retarding effect upon our recovery after 1933. Unless steps are taken to assure international cooperation, these same practices are likely to reappear after this war in even more extreme form. (See pts. IV and VI of this report.)

POLICY OF THE UNITED STATES

For more than 10 years it has been the policy of the United States to promote international cooperation for the maintenance of exchange stability and the elimination of restrictive and discriminatory exchange practices. Following the establishment of our exchange stabilization fund, the United States Treasury made bilateral stabilization agreements with a number of countries. These agreements provide for financial assistance to countries in stabilizing their exchange rates and for consultation on common economic problems. In 1936 our Government took the lead in the formulation of the Tripartite Declaration with Great Britain and France, to which Belgium, the Netherlands, and Switzerland subsequently adhered. Although these arrangements were valuable in maintaining exchange rates in order to maintain stability in international monetary relations, they could not, of course, adequately meet the growing crisis with which this country was faced. This crisis led to the conclusion that international experience with the Treasury's assistance in the course of this program of international monetary cooperation can only be solved by means of truly effective international monetary arrangements such as are provided by the fund and bank.

The Brentwood program is directly related to our domestic objective of providing jobs for our workers in industry and ensuring fair prices and markets for our farmers. Although exports account for a relatively small part of the total market for our products, they nevertheless can mean the difference between prosperity and depression for both agriculture and industry. If we are to expand and
stabilize the export demand for our products, we must remove the currency restrictions which have been imposed upon international trade in the past and encourage an adequate flow of international investment. Only by working for an expansion of world trade as a whole can we expect to increase our own exports. Before many countries can resume international trade, their economies must be reconstructed. For this reason the speedy inauguration of the bank is essential to a high level of American trade. (See pts. V and VII of this report.)

THE FUND AND BANK

The International Monetary Fund is primarily a means for international cooperation and collaboration on international monetary problems. It provides for a general agreement on international currency policies and practices. Among the important objectives of the fund are the promotion of exchange stability, the ultimate elimination of exchange restrictions on current international transactions, and outlawing the use of such weapons of economic warfare as multiple currency devices and other discriminatory exchange practices. The fund will have resources of $8.8 billion dollars which it can use to help members that need such help in limited amounts to maintain stable and orderly exchanges. The United States subscription to the fund will be $2.75 billion dollars.

The International Bank for Reconstruction and Development has for its purpose the promotion of sound international loans to countries in need of foreign capital for the reconstruction of industries devastated by the war and for the development of their resources. The bank’s operations will consist chiefly of guaranteeing international loans for sound productive projects made through the usual private investment channels. In exceptional cases the bank will make loans out of its own resources and out of funds raised by sale of its own securities. The bank will have capital amounting to 9.1 billion dollars subscribed by 44 countries, of which the United States will subscribe 3.175 billion dollars. (See pts. VIII and IX of this report.)

TESTIMONY BEFORE THE COMMITTEE

In the course of the committee’s extensive hearings on H. R. 2711, a large number of witnesses were examined representing all shades of opinion with respect to the Bretton Woods program. The witnesses examined included representatives of the Treasury, State, and Commerce Departments and of other Government agencies. In addition, the committee heard the testimony of bankers, businessmen, and economists and representatives of agriculture, labor, and other groups interested in international affairs. More than 90 organizations have adopted resolutions and statements recommending approval of the Bretton Woods program. The Bretton Woods propositions have also had wide support from the press, and this support has come from all sections of the country, from supporters of both parties and independents, from conservative as well as liberal newspapers.

On the whole, the testimony was overwhelmingly in favor of United States participation in the fund and the bank. In some instances witnesses indicated to the committee the desirability of making changes in the bill as originally introduced, and the desirable changes are incorporated in the present legislation. (See pts. X and XI of this report.)

INTernational Monetary Fund and Bank

CRITICISM OF THE FUND AND BANK

Little testimony was given before the committee in opposition to the bank, but the bulk of the opposition being directed at the International Monetary Fund. The criticism of the fund was of two general types. First, it was said that the fund will not really stabilize currencies and will not abolish exchange controls because the provisions of the agreement are not sufficiently rigid; second, it was said that the fund will be so large that there are not sufficient safeguards on the use of the fund’s resources.

Regarding the first criticism, the committee believes that absolutely rigid exchange rates, even if desirable, would be completely unacceptable to other countries. The fund provides a large measure of exchange rate stability, while permitting necessary changes in exchange rates through an orderly process which avoids competitive exchange deprecation. Likewise, this country cannot insist upon the immediate removal by other countries of all exchange restrictions on current transactions. Some controls will be necessary in the transition period. Some controls will be necessary in the transition period. Until countries adjust their economies to the operation of the war.

The committee is of the opinion that the fund agreement contains all of the safeguards on the use of its resources which are necessary. The management of the fund clearly has the power to see that the fund’s resources are used in accordance with its purposes. However, as a measure of caution, the bill provides for enacting further assurance that the resources of the fund will be used only for current stabilization operations arising out of seasonal, cyclical, and emergency fluctuations in the balance of payments. (See pt. XII of this report.)

ALTERNATIVES TO BRETTON WOODS

In the course of the hearings, it was suggested by some witnesses that an international stabilization arrangement is needed either because stabilization is regarded as a matter of importance to all countries or because the adoption of the gold standard by all countries is regarded as impossible. The committee would remove the need for such a mechanism. It believes, moreover, that without case international currency stabilization is possible. The committee that agreements on exchange rates and exchange practices must be in character and must include many countries if they are to succeed.

The committee is of the opinion that the alternatives presented by the witnesses during the course of the hearings do not provide a sound basis for international monetary policy after the war. (See pt. XIII of this report.)

AMENDMENTS AND RESERVATIONS

In the light of the testimony and suggestions presented by witnesses, the committee has considered the possibility of amending the articles
of agreement or accepting them with reservations as to the interpretation of certain provisions.

The committee believes that there is serious risk involved in proposing amendments to the present wording of the articles of agreement and that they should be avoided. An adequate amendment procedure is provided in the articles of agreement and changes of a specific character that appear advisable in the light of experience can be made without great difficulty. With regard to the proposals which have been made for reservations as to the proper interpretation of the articles of agreement, the committee, after careful consideration, has concluded that the supposed dangers to which they are directed do not warrant incurring the risk of other reservations on the part of the 43 nations which have not yet passed upon the Bretton Woods agreements. (See pt. XIV of this report.)

RECOMMENDATION

The committee believes that any safeguards, in addition to those in the agreements, necessary for the protection of our interests have been provided in the legislation in a manner that will prove acceptable to other countries and will avoid the necessity for a new conference. The committee, therefore, recommends the passage of the bill. (See pts. XV and XVI of this report.)

II. THE BRETTON WOODS CONFERENCE

The articles of agreement for the International Monetary Fund and the International Bank for Reconstruction and Development (which are set forth in full in the appendix to this report) were prepared by a conference of the United Nations, called by President Roosevelt, which met at Bretton Woods, N. H., from July 1 to 22, 1944, and were submitted to the governments of the participating countries for their approval.

The conference was the outgrowth of a long period of consultation among the United Nations for the purpose of finding a practical means of assuring international monetary and financial cooperation after the war. The articles of agreement for the fund and bank represent a harmonization of the views of the delegates of all countries. Of necessity these documents cannot embody all of the preferences of any one country. In brief, they are a compromise designed to establish a practical basis for the cooperation of all the United Nations in dealing with the monetary and financial problems.

ORIGIN OF UNITED STATES PROPOSALS

The proposals for the fund and the bank grew out of a long period of careful preparation.

In 1941, Secretary Morgenthau asked the Treasury staff to study the international monetary and investment problems that would be faced after the war and to suggest a practical course of dealing with them. As a result, a memorandum was prepared recommending the establishment of an International Fund and International Bank. In December 1941 it was agreed by the State and Treasury Departments that one of the recommendations of this memorandum—that for an International Stabilization Fund—should be presented to the Conference of Ministers of Foreign Affairs of the American Republics which was to meet at Rio de Janeiro in January 1942. A resolution was adopted by that Conference calling for the participation of the American republics in a conference to consider the establishment of an International Stabilization Fund.

In the meantime, the Treasury staff continued its work on the memorandum regarding the fund and bank. In the spring of 1942, the memorandum was revised and expanded, and then presented by the Treasury to the President. The President requested the Treasury to continue study of the problems in consultation with the Department of State, the Department of Commerce, the Foreign Board of Governors of the Federal Reserve System, the Economic Administration, and other interested departments of the Government. Accordingly, a technical committee representing a number of agencies was formed to work on these proposals. The membership of this committee was not confined exclusively to technical advisors. An Assistant Secretary of State, an Assistant Secretary of Commerce, at that time Mr. W. L. Clayton, and a member of the Board of Governors of the Federal Reserve System, as well as other policy-making officials met directly with the technical committee. A committee of Cabinet officers and agency heads met from time to time with Secretary Morgenthau to review the work of the technical committee and to give it further instructions in matters of policy.

In the spring of 1943 the work of the technical committee had progressed so far that a tentative proposal for a fund was submitted to the Cabinet committee. With the approval of President Roosevelt and Secretary Hull, Secretary Morgenthau sent the tentative proposal for an International Stabilization Fund to the finance ministers of the United Nations for study by their technical advisors. Secretary Morgenthau appeared before three committees of the House (including the Senate) to explain to them the fundamental principles of the proposal for an International Fund. The tentative proposal was also published in the press.

About the same time, in April 1943, a tentative proposal for an International Clearing Union, prepared by the United Kingdom Treasury, was also submitted to the finance ministers of the United Nations.

DISCUSSIONS PRECEDING THE CONFERENCE

There followed a period of extended bilateral discussions in Washington which lasted for about a year, to which some 30 countries sent technical representatives. On occasion, representatives of 3 or 4 countries met together; and in June 1943, representatives of 6 countries met in an informal group to exchange views on the proposed International Fund.

While these discussions were going on, work was in progress by the Treasury staff on the technical committee on the problems of the fund and bank. In October 1943 Secretary Hull, in consultation with Secretary Morgenthau, submitted to the Committee of Ten the proposed International Fund and International Bank. In December 1943 Secretary Hull, in consultation with Secretary Morgenthau, submitted the proposal for the fund and bank to the main technical committee. In January 1944 these committees adopted the principle of the International Monetary Fund and International Bank. In February 1944, with the approval of President Roosevelt and Secretary Hull, the Conference of the United Nations accepted the proposals.
ministers of the United Nations. It was also published in the press. Bilateral discussions on this proposal were held with the technical experts of other countries.

In the meantime, extended discussions on the tentative proposals for the fund and bank were going on with interested groups in this country—with representatives of banking, business, agriculture, and labor, and with organizations interested in international problems— which resulted in revisions of the tentative proposals.

In the spring of 1944, after long and careful study, the technical representatives of various countries approved the publication of a joint statement of principles on the establishment of an International Monetary Fund. Prior to the publication of this joint statement, Secretary Morgenthau appeared before the Senate to inform them of the status of the proposals for a fund and bank. Considerable progress had been made in the discussions on an International Bank, although no joint statement was issued on this proposal. Because there was sufficient agreement on principles, it appeared probable that definitive proposals could be prepared by a Conference which would prove acceptable to the participating countries. President Roosevelt, therefore, invited the 41 United Nations to an International Monetary and Financial Conference, to consider the establishment of an International Monetary Fund, and if possible an International Bank.

In preparation for the formal conference in July 1944, a preliminary meeting was held in Atlantic City, attended by representatives of about 12 countries. At this meeting, the principles of the joint statement were expanded and alternative provisions submitted by a number of countries were discussed informally. It was agreed at the preliminary meeting to present all alternative proposals on the fund and bank to the Conference for its decision. An agenda for the work of the Bretton Woods Conference was also prepared.

UNITED STATES DELEGATION

As was expected, the United States delegation took a leading part in the work of the Conference. In the American delegation, President Roosevelt included four congressional delegates—the chairmen and the ranking minority members of the House and Senate Committees on Banking and Currency. In addition, the chairman and the ranking minority members of the House Committee on Commerce, Weight, and Measures assisted in the work of the Conference.

All the participants were made currently available to the press as to what they and the public could be fully informed on what was done at Bretton Woods. No proposal of consequence was ever made before the Conference was kept from the knowledge of the press. Every alternative provision was available to them in the same forms in which it was submitted to the Conference.

At Atlantic City, the agenda committee had recommended that the Conference be organized with three commissions, one on the fund, one

on the bank, and one on other questions. Each commission had four committees—on purposes and policy, on administration, and on legal status. The conference approved the form of organization. Secretary Morgenthau, the chairman of the Conference, United States, was elected president of the Conference. Mr. Harry D. White, Assistant Secretary of the Treasury, was elected Secretary of the Conference. Mr. Lord Keynes, the chairman of the Committee of the United Kingdom, was elected chairman of the Committee on the Bank.

The detailed work of the Conference was done, of course, in the committees. The American delegation all served on the commissions and in the committees. Judge Fred M. Vinson, Director of War Mobilization and Reconversion, was the leader of the American delegation on Commission I. Dean Acheson, Assistant Secretary of State, was the leader of the American delegation on Commission II. The rest of the delegation, including the members of the Conference, were represented by members of the Conference.

The United States delegation operated as a team. In Washington, Senator Wagner and Senator Metcalfe took an important part in the deliberations of the Conference and the discussions of the delegation.

The United States delegation operated as a team. It met in Washington a number of times before the Conference to study the documents and consider the problems to be worked out. At the Conference, the United States delegation met every day and on numerous occasions more than twice a day, if an important issue required discussion. Senator Morganthau, as chairman of the delegation, insisted that there must be opportunity for every issue at all times. And every important question was discussed in the fullest possible, only after the fullest discussion.

ATTITUDE OF THE CONFERENCE

In every conference there are bound to be differences of opinion and these differences must be reconciled. There can be no benefit to any agreement, from a prolonged and bitter debate among the United States, England, Russia, China, France, and other countries, on issues that could be settled by discussion and negotiation. The United States delegation worked to harmonize issues and to fact, in considerable part the success of the Conference, related to the careful reconciliation of minor differences and permitting a careful reconsideration of major differences and the opinion of the nations that are present at the Conference. The Conference worked in a spirit of complete cooperation and harmony.

All the nations represented at Bretton Woods were interested in finding the best means for cooperation in dealing with international monetary and financial problems. The Conference was not unusual by its own economic policies to a large extent, upon the economic policies of other countries. At the Conference, every country represented, the American delegation no less than the others. In this atmosphere of enlightenment and mutual advantage, the United Nations found the basis for working together to their joint advantage.
Judge Vinson, the vice chairman of the American delegation, stated to the committee that the work of the Conference was an inspiration to all free people who believe that international problems can be solved by the method of discussion and agreement.

After extended consideration by the committee of the Conference, by the commissions of the Conference, and by the Conference meeting in plenary session, the articles of agreement for the fund and bank were embodied in a final act of the Conference and later submitted to all participating governments for their approval. The bill now reported by this committee provides for the acceptance of these agreements by the United States.

III. BRETON WOODS AND THE STRUCTURE OF PEACE

The Bretton Woods program for the International Monetary Fund and the International Bank for Reconstruction and Development can best be understood by considering it in relation to the complete plan for securing international cooperation to establish a prosperous and peaceful world.

ECONOMIC BASES FOR PEACE

There is widespread recognition of the principle that the establishment of an enduring peace requires more than the setting up of political machinery for dealing with threatened aggression. It is necessary to provide a sound economic foundation for peace. The most continuous and extensive relations between countries are through their international economic transactions. The spirit manifested in these economic relations is carried over to the political field. That is why in the interest of peace it is essential to see that international economic relations contribute to the well-being of all countries and that they do not become points of conflict that endanger peace.

It is now accepted as a fundamental axiom that peace is possible only if countries work together and prosper together. For this reason, the economic aspects of the postwar peace are equally as important as its political aspects. This view was expressed most emphatically by Secretary of State Stimson in a speech to the Chicago Council on Foreign Relations prior to the convening of the San Francisco Conference. He said:

"The close cooperation of the United Nations in a program for economic reconstruction and expansion is fundamental to the success of the world organization. Without it the world will be unable to recover from the efforts of this war nor to prevent the next war.

RELATION TO INTERNATIONAL SECURITY ORGANIZATION

The plan for an International Security Organization drafted in preliminary form at Dumbarton Oaks and now under consideration at San Francisco takes cognizance of this important aspect of peace. The Dumbarton Oaks plan provides for the establishment of an Economic and Social Council through which countries can cooperate in establishing sound economic and social conditions that will contribute to the well-being of all peoples and thereby facilitate the maintenance of peace. Developments at the San Francisco Conference, while the committee hearings were going on, have indicated the

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increased stress that is being placed by many countries on the importance of the Economic and Social Council in the maintenance of peace.

The establishment of the fund and bank, in which this country would participate under this bill, are important to the functioning of the Economic and Social Council. In many respects, they are the heart of the program for international economic cooperation. Every cent of the program for international economic cooperation, the rejection of the fund or the bank would make impossible any further program on international economic cooperation; and, as many witnesses testified, failure to establish the fund and bank would hamper the efforts now being made by the United Nations to establish an enduring peace structure. Since the immediate and urgent problems of the postwar period are likely to be economic, failure to deal with them through international cooperation will have important political as well as economic and social consequences.

IV. THE EXPERIENCE OF THE 1920'S AND THE 1930'S

The Bretton Woods program for the International Monetary Fund and the International Bank for Reconstruction and Development grew out of the experience of the 1920's and the 1930's and is based on policies developed by this country to deal with international monetary problems through international cooperation.

CURRENCY STABILIZATION IN THE 1920'S

After the First World War, there were serious monetary disorders, with many currencies disrupted and some currencies completely destroyed. At considerable sacrifice, currencies were finally stabilized, some at the prewar parity, others at a new parity, and still others through the establishment of a new monetary system. By 1929, all of this had been accomplished. The process of stabilization was undertaken unilaterally, each country determining stabilization for itself. In some cases there were stabilization loans, and in others there were informal discussions among the central banks. But the fact remains that each country regarded currency as its own exclusive business, and was not willing to establish stabilization as its own exclusive business, and was not willing to establish stabilization as its own exclusive business, and was not willing to establish stabilization as its own exclusive business, and was not willing to establish stabilization as its own exclusive business, and was not willing to establish stabilization as its own exclusive business, and was not willing to establish stabilization as its own exclusive business, and was not willing to establish stabilization as its own exclusive business, and was not willing to establish stabilization in the world. The result was a return to the chaos of the postwar period, and the need for a new and more effective mechanism for international monetary cooperation.

CURRENCY STABILIZATION IN THE 1930'S

In the 1930's, there was a further deterioration of the international monetary system. The Great Depression caused a collapse of confidence in the gold standard, and many countries abandoned it. The result was a return to the chaos of the postwar period, and the need for a new and more effective mechanism for international monetary cooperation.
Australia, and Brazil were compelled to deprecate in 1929. In 1931 Great Britain and the rest of the British Empire, nearly all of Europe, most of South America, and Japan were forced off gold. In 1934, the United States and the rest of the Latin-American Republics devalued their currencies. And finally, in 1935 and 1936, the countries constituting the gold bloc were compelled to abandon gold.

If countries that departed from the gold standard had cooperated with each other to adjust the foreign exchange value of their currencies to the proper level, the world might have been saved from economic disaster. Unfortunately, again each country realized its currency to suit its immediate interests, and there was a strong tendency toward competitive deprecation of currencies. In fact, this was a reflection of an eagerness to avoid the mistakes of the 1920's, when important currencies were overvalued. In part, excessive depreciation was used to bring about a forced expansion of exports in an attempt to pull out of the depression. A number of countries resorted to the use of discriminatory currency devices—export control, multiple currencies, bilateral clearing, and other currency tricks—to secure a larger share of a shrinking volume of world trade. The overall effect was to intensify monetary disorder and to spread depression from country to country.

**Currency warfare used by Germany**

When Germany, in 1921, established a new exchange rate for the use of her exporters, blocking the free transfer of funds, and when the devaluation of the mark was announced, it became clear that Germany was not prepared to accept the consequences of its own actions. The devaluation of the mark was a step toward the solution of the problem of the mark's value. It was a recognition of the fact that the mark was not in sound condition. It was a recognition of the fact that the mark was not in sound condition. It was a recognition of the fact that the mark was not in sound condition.

The device of multiple exchange rates for the same currency proved so useful in securing unfair trade advantages that Germany went further. New types of marks were developed to exploit every possible demand, selling at different exchange rates, depending on who held them, to whom they were transferred, and to what use they were put.

Multiple exchange rates were a device for exploiting creditors and competitors through the use of discriminatory monopoly prices in international transactions. Those who had to pay the devalued German marks were compelled to use devalued marks. But in the sale of German goods for which the demand was not very great, for the transfer of remittances to Germany, including funds transferred by German marks offered at bargain prices.

**Bilateral clearing agreements**

Another device developed by Germany was the bilateral clearing agreement. It did not generally permit the payment of external debts in the 1920's, some countries with a large import surplus from Germany threatened to withhold the funds due to German exporters and to use these funds to pay their own nationals. As a result of this pressure, Germany agreed that some of the proceeds of German exports could be used to pay foreign creditors. This was done through clearing agreements.

The Nambrii of Germany soon recognized the great potentialities of this device. In many cases, the German clearing authorities refused to permit German importers to buy goods from some countries unless these countries undertook to accept payment in German goods. In other cases, particularly in southeastern Europe, the German Government entered into agreements for the bulk purchase of staple commodities for a period of years at apparently generous prices in marks. With this policy, Germany's imports from the Balkan countries increased enormously. In turn, Germany forced other countries to import goods on the basis of bilateral clearing agreements the purchase of which would be at exchange prices of such goods as Germany was willing to export. During the period of German conquest, the bilateral clearing arrangements were extended to all the occupied countries of Europe and became the basis for compulsory multilateral clearing through Berlin. This clearing scheme enabled Germany to exploit occupied Europe through the accumulation of unpaid clearing balances amounting to 100 billion marks.

There can be no doubt that after Hitler came to power in Germany, and was able to exercise a power over how money was used in the clearing system, and how clearing agreements were used.

**Effect on world trade and investment**

Against this background of destructive currency policies, it is little wonder that between 1929 and 1932 the value of world trade fell by nearly 70 percent. And even after considerable industrial recovery, the trade had not recovered to nearly all countries the dollar value of trade in the 1930's remained 40 percent below the level of the 1920's. In the decline in world trade, the United States suffered relatively more than by the depression, the number of international debts expanded until 1933. Germany's bilateral clearing agreements were extended to the resources of Europe. Some of the German clearing agreements were made with countries in the Western Hemisphere, with the deliberate intention of preventing the free flow of capital to and from other countries and other democratic countries with Latin America.

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There can be no doubt that the failure to restore international trade and investment in the 1920's delayed and hampered the process of recovery. The widespread use of the device of currency warren prolonged and intensified the depression. This country, the United Kingdom, and other countries which made no use of such currency devices, were their principal victims.

V. MONETARY POLICY OF THE UNITED STATES AFTER 1934

In this country there was an acute awareness of the dangers to world peace and prosperity arising from these disorderly currency practices. It was recognized that exchange problems are international in character and that an unilateral policy can, in fact, succeed. For this reason, the policy of the United States since 1934 has been directed toward securing international cooperation for the maintenance of stable and orderly exchange rates and the elimination of restrictive and discriminatory exchange practices.

BILATERAL STABILIZATION AGREEMENTS

Through its Exchange Stabilization Fund, established in 1934, the United States Treasury has made bilateral agreements with a number of countries to help maintain exchange stability. These agreements provide for the purchase of the other country's currency with dollars up to a stated amount, for the purpose of stabilizing its rate of exchange. The Treasury can terminate such agreements at any time, and after notice can require the other country to repurchase its currency within a reasonable period at a dollar rate which safeguards the Treasury against loss. The bilateral stabilization agreements also provided for consultation on common economic problems, and provide specifically that no change in the exchange rate will be made by the other country except after consultation with the Treasury. This same type of bilateral currency agreement has since been used by a number of other countries.

THE TRIPARTITE DECLARATION

An attempt at multilateral cooperation was made by the United States, England, and France in the tripartite declaration of 1938. The immediate purpose of the declaration was to prevent further exchange depreciation as a consequence of the contemplated devaluation of the French franc. In the declaration, the three governments stated their intentions to consult on exchange policy in order to avoid any new exchange disturbances that might result from the proposed adjustment. The declaration also called for the expansion of international trade and the acceleration and ultimate abolition of the quota system on imports and controls on exchange transactions. The Governments of Belgium, the Netherlands, and Switzerland affirmed their adherence to the declaration.

While our bilateral stabilization arrangements and the tripartite declaration maintain a degree of order and stability in international and economic security of the 1920's, the sudden increase in steady pressure upon the currencies of some countries. In the second

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place, the aggressive German currency policy forced other countries in self-defense to adopt restrictions of the very type that the tripartite declaration was designed to eliminate. For these reasons the bilateral arrangements and the tripartite declaration could not achieve their objectives.

MULTILATERAL AGREEMENT NECESSARY

On the basis of this experience, the Treasury has come to the conclusion, even before the war, that international monetary problems could be solved only if a truly multilateral arrangement could be devised. The proposal for the International Monetary Fund and the International Bank for Reconstruction and Development, now being considered by 43 other members of the United Nations, offers a unique opportunity to secure approval of the sort of international cooperation that the United States has urged upon the world for a decade. The action of the Bretton Woods Conference indicates that the United Nations are prepared to adopt such a policy.

VI. THREATS TO POST-WAR PEACE AND SECURITY

The world cannot afford to repeat the errors that were made in dealing with international currency and investment problems in the 1920's and in the 1930's. If it should, the consequences would be far more disastrous than ever before, as we have learned from the experience of the past. The outcome of the present war is uncertain, and it is necessary, therefore, to take steps now to avoid the recurrence of the same mistakes that were made after the last war. The world economy after the war, many countries may find themselves in a situation of necessity, and all international monetary and investment problems on a multilateral basis. The welfare and prosperity of the world will depend upon the extent to which the peace will be restored and the financial system will be reorganized. The governments of all countries, both large and small, will be called upon to make sacrifices in order to achieve a stable and prosperous world economic order. The necessity for such sacrifices will be greater than ever before, and the governments of all countries will be called upon to make sacrifices in order to achieve a stable and prosperous world economic order. The necessity for such sacrifices will be greater than ever before, and the governments of all countries will be called upon to make sacrifices in order to achieve a stable and prosperous world economic order.
on during the war has been largely intended to contribute to the pro-
tection of the war. In some of the greatest trading countries, these policies have been adopted rigorously with the sole purpose of facili-
titating victory.

The task of reestablishing the world economy will be difficult. As a first step, it will be necessary to restore to many countries their produc-
ting and trading power. They must be given the opportunity to secure equipment and materials as a means of opening the channels of trade. Nor can international trade and investment be restored until orderly currency arrangements have been established and the wartime restrictions that prevent or hamper the movement of goods and capital across national boundaries have been removed.

POSTWAR CURRENCY PROBLEMS

In setting exchange rates after the war, some countries may be tempted to undervalue their currencies in order to facilitate the re-
estoration of their position in the export markets. Others may be tempted to overvalue their currencies. In many countries the con-
tinuance of some wartime controls over exchange transactions is to be expected. The danger is that these controls will be made a part of the permanent exchange policy of the country. And if some countries utilize the devices of currency warfare to secure unfair advantages, other countries will feel compelled to do so in self-protection. The end result could only be a resumption of the disastrous currency war-
fare of the 1930's, though more vicious in character and more extensive in scope.

The enormity of the task of postwar adjustment has led important sectors of opinion in some countries to advocate the use of direct con-
trol of international transactions by the State. The proponents of direct control urge that governments must act directly to assure a large and stable volume of world trade on advantageous terms. They urge that governments enter into bilateral clearing arrangements for the purpose. In this way, it is said, a large importing country could make advantageous agreements with raw-material-producing countries, easy for assured markets and fair prices, and willing to accept payment in the industrial goods of the importing country.

Some of the advocates of such a policy also recommend the main-
tenance of freely fluctuating exchange rates to permit a country to adjust its balance of payments promptly with countries with which it has no bilateral clearing arrangement. Moreover, they would use exchange controls to see that imports are confined to commodities of a character conforming to this general policy. Even in some of the countries that bitterly opposed the discriminatory and restrictive currency practices of the 1930's, an influential part of the public would apparently favor the use of this device.

STATE CONTROL OF INTERNATIONAL TRANSACTIONS

Some of the advocates of this policy no doubt believe that direct control of the balance of payments by the state is ideally suited under any conditions to secure the greatest advantages from international trade. But they are few in number. The majority of the people in these countries would prefer a solution along free lines. If some of them seem prepared to support such a policy, it is because they fear that no other policy can deal with the enormous problems of the post-
war period. The establishment of the fund and bank will offer en-
larged public opinion in the United Nations the opportunity to support a policy of international cooperation for the benefit of all countries.

There is another danger to free enterprise in the reconstruction problem that will be faced by many countries. It is essential that one-way countries restore promptly their industry and agriculture. Although to a considerable extent this will be done by domestic industry, some imports of capital equipment from other countries will be necessary if this equipment can be secured on reasonable terms. There is every reason to hope that international investment on terms that are reasonable will be restored, and the basis of private enterprise will be re-created. On the other hand, if some countries should find it difficult to secure through private investment the minimum capital needed from abroad, they will be tempted to seek this capital in other ways. Foreign loans may be arranged on a political rather than an economic basis. Such a policy would be most unfortunate, for it would only mean a resumption of the use of power politics in inter-
national economic relations.

The dangers of the postwar period must not be underestimated.

Apart from its economic aspects, direct control of international trade and investment by the state through bilateral agreements would have unfortunate political consequences in a world of competing communities that must work together. Even if such bilateral agreements might be made in the freest spirit, the participating countries might be brought into sharp conflict with countries outside the agreement. Inevitably, therefore, such arrangements would perpetuate the state system of economic blocs. Countries that were unable or unwilling to organize their international trade along such lines would find themselves to economic isolation.

The kind of world economic system we seek depends upon interna-
tional arrangements to secure stable and orderly exchanges. It depends upon international arrangements to encourage sound and productive international investment. The people of this country have the greatest interest in maintaining a world in which interna-
tional trade and investment are governed by economic rather than political considerations. We can have such a world only if we can secure the cooperation of other countries in matters of monetary and financial policy.
VII. THE BRENNAN WOODS PROGRAM AND DOMESTIC POLICY

The Brennon Woods program for the International Monetary Fund and the International Bank for Reconstruction and Development must be considered in relation to our domestic economic policies. There is general agreement that the primary objective of our economic policy after the war must be to provide jobs for workers in industry and to secure fair prices and steady markets for farmers. We can achieve this objective only if we find markets at home and abroad to match the tremendous producing power of our factories and farms.

Our main dependence must always be on the home market. We have in this country the greatest concentration of consuming and investing power in all the world. The 140,000,000 American people buy most of the world’s production of automobiles, refrigerators, and radios, and of machinery, equipment, and appliances. These are the goods typical of American mass production, symbolic of the high American standard of living.

IMPORTANCE OF FOREIGN MARKETS

While fully recognizing the predominant importance of the demand for our output by our own consumers and producers, we must not overlook the significance of foreign markets. During the 1920’s, about one-third of our agricultural and industrial production was sold abroad. Our exports declined drastically from 1929 to 1932, from more than 5 billion dollars to slightly more than 1.5 billion dollars. This decline was due to lower prices in foreign markets, where we were unable to sell our goods at the same prices we could in our own market. The result was a reduction in the purchasing power of foreign buyers, who were unable to buy as much as before.

In 1938, exports accounted for 27 percent of our production of aircraft parts; 22 percent of our office machinery and appliances; 18 percent of our printing and bookbinding machinery; 17 percent of our farm machinery and appliances; 15 percent of our pharmaceuticals; 14 percent of our textile machinery; 14 percent of our automobiles and trucks; 12 percent of our radio equipment; and 11 percent of our railroad equipment. It is in this area that export markets are essential to our agriculture. In 1938, our exports accounted for 33 percent of our production of tobacco; 29 percent of our cotton; 19 percent of our rice; 16 percent of our peas; 13 percent of our apples; 12 percent of our wheat; 12 percent of our barley; and 11 percent of our hops.

To retain and expand our foreign markets we must bear in mind that our imports are the principal means other countries have for paying obligations to Americans. When countries stop buying our exports, our reason may be that they do not have enough dollar exchange. Our imports provide other countries with dollars they can use to buy our goods and to meet service requirements on our investments in their countries. At the same time, imports are essential to provide our industries with raw materials and our consumers with many basic articles of consumption.

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the volume of international trade and investment, and distort the pattern of international payments. Only through international cooperation will it be possible to avoid such restrictive measures which inevitably affect all countries.

After the experience of the 1930's, it is quite obvious that orderly international currency arrangements, as well as national prosperity in the United States and in other countries, cannot be based on the present volume of international trade and investment. Unless measures are taken, national and international, to raise the real volume of international trade by at least 50 percent above the present level, direct control of the balance of payments in some countries will be difficult to avoid. With $400,000,000,000 of international trade a year during the postwar decade, it will be possible for the countries that must increase their present level of exports in order to obtain essential imports to secure the necessary expansion of exports without depressing their living standards and without the use of restrictive tactics in international markets. With such a level of international trade, the countries that have suffered severe economic dislocation can pass from the postwar transition into a period of stability, order, and freedom in exchange relations.

**Reconstruction will facilitate trade**

Until the world has been restored to economic health, it will be difficult to secure adequate expansion of international trade and investment. The occupied areas of Europe and Asia are important factors in the world economy; they must be restored and reconstituted promptly.

Similarly, countries that have not had the opportunity for economic development should have access to the foreign capital they need, on reasonable terms. The volume of international trade is certain to rise as productivity is increased in all countries. The trade of the United States has always been largest with such countries as Canada and England, which are highly industrialized and have high standards of living.

There is no reason why this should not be equally true in other areas as they are developed. The measures that must be taken in each country for restoration of the national economy are primarily of a domestic character. But sound international investments for productive purposes will facilitate reconstruction and development, and international monetary cooperation will give every country the confidence it needs to proceed with the task of economic rehabilitation.

The fund can make an important contribution to the establishment of a balanced and growing world economy. They can help and encourage those countries whose economies have been disrupted by war and which must go through a period of transition or reconstruction to take the measures necessary to restore their position in the world economy. The fund and bank can set standards for international monetary and investment policy. Together they can provide the means for constant and broad cooperation on international monetary and financial problems. In a world cooperating in this manner, the international trade and investment of the United States will make a substantial contribution to our industrial and agricultural prosperity.
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After initial parties have been established, member countries must maintain their currencies stable within a range 1 percent above or below parity. A change in parity can be made only on the proposal of a member after consultation with the fund and only for the purpose of correcting a fundamental disequilibrium. The present bill provides that no change in the par value of the dollar may be proposed without the authorization of Congress. A uniform change in the par values of all currencies may be made by a majority vote of the fund, with the approval of each country having 10 percent or more of the total quotas; that is, the United States, the United Kingdom, and the Soviet Union. The United States, therefore, retains a veto over any uniform change in par values, and such a change can be made only with the express approval of Congress. Any country that does not wish to have the parity of its currency changed as a result of such action may notify the fund of its decision to retain the same parity.

Because the war has brought great economic changes to which adjustment can be made only gradually in the postwar period, a method must be provided to correct promptly any errors in initial parities. Such correction is clearly preferable to allowing a persistent overvaluation or undervaluation of a currency, as happened in the 1930's. To assure prompt adjustment of minor errors in initial parities, the fund cannot object to a proposed change which, together with all previous increases or decreases, does not exceed 10 percent of the initial par value. On all other changes in parity a member must request the concurrence of the fund.

While the fund has every reason to object to exchange deprecation where equilibrium could be better restored in other ways, it is not desirable to force upon a member country a rigid exchange that can be maintained only by a sharp reduction of wage rates and domestic prices. Exchange stability is for the purpose of encouraging international trade and investment. To insist on exchange rigidity at the cost of a severe deflation would defeat these purposes and spread depression from country to country. Nor can it be expected that countries will cut their social-security programs or forego other social services because they might affect exchange rates. For these reasons, the fund agreement provides that if a change in parity is necessary to correct a fundamental disequilibrium, the fund cannot object because of the domestic social or political policies of the country.

The fund agreement forbids multiple currency practices, except as approved by the fund, and the countries that now follow such practices must consult with the fund as to the progressive removal. In a number of European republics such multiple exchange rates are an important part of the tax structure. The spread between buying and selling rates has been a substantial source of revenue in many cases, and their removal must be undertaken gradually as other measures can be adopted to raise the needed revenues. There may be occasions when temporary changes in multiple exchange rates may be necessary in connection with violent fluctuations in the balance of payments. The fund would have to pass on the need for such changes at each time.

Under these provisions, the fund in practice will provide greater assurance of orderly and stable exchange arrangements than could be achieved under a successive gold standard, with each country in a crisis changing the parity of its currency at will. If any change, beyond the minor changes aggregating 10 percent, is made in the parity of a currency after the fund has expressed its objection, the member becomes ineligible to use the resources of the fund, and if the difference between the member and the fund continues, the country may be compelled to withdraw from membership in the fund.

FREEDOM IN EXCHANGE TRANSACTIONS

In general, exchange controls restrict and divert international trade and investment into narrow channels by limiting the amount of foreign exchange made available to pay for imports and to meet service requirements on foreign investments. To eliminate such practices, the fund agreement establishes the principle that no restriction may be imposed on payments and transfers for current international transactions, including interest and dividends on foreign investments and moderate amortization and depreciation payments.

To avoid capital flight, member countries are authorized to control international capital movements, and the fund may require a member country to exercise controls to prevent use of the fund's resources for large unremitted capital outflows. Some of these provisions is intended to limit sustained outflows of capital. None of these provisions is intended to interfere with capital transactions required in the ordinary course of international business or to prevent capital investment in trade, banking, or other business; to prevent capital investment in productive purposes when they are made out of a member's own productive resources for productive purposes when they are made out of a member's own productive resources, or to delay unduly the transfer of funds in settlement of commitments. Their sole purpose is to prevent international monetary instability originating in capital outflows.

Countries like the United States, with large resources, would be perfectly able to allow all outward capital movements, and no country could be required to exercise controls to prevent small and intercountry payments of capital. In cases where controls are necessary, supervision or reports might be sufficient for this purpose. Experience with foreign funds control in this country has shown that banks can, without detailed controls, be relied upon to see that transactions in accordance with the law are carried out contrary to regulations. Supervision is not carried out contrary to regulations. Supervision is not necessary to correct a fundamental disequilibrium; the fund cannot object because of the domestic social or political policies of the country.

The fund agreement forbids multiple currency practices, except as approved by the fund, and the countries that now follow such practices must consult with the fund as to the progressive removal. In a number of European republics such multiple exchange rates are an important part of the tax structure. The spread between buying and selling rates has been a substantial source of revenue in many cases, and their removal must be undertaken gradually as other measures can be adopted to raise the needed revenues. There may be occasions when temporary changes in multiple exchange rates may be necessary in connection with violent fluctuations in the balance of payments. The fund would have to pass on the need for such changes at each time.

Under these provisions, the fund in practice will provide greater assurance of orderly and stable exchange arrangements than could be achieved under a successive gold standard, with each country in a crisis changing the parity of its currency at will. If any change, beyond the minor changes aggregating 10 percent, is made in the parity of a currency after the fund has expressed its objection, the member becomes ineligible to use the resources of the fund, and if the difference between the member and the fund continues, the country may be compelled to withdraw from membership in the fund.

FREEDOM IN EXCHANGE TRANSACTIONS

In general, exchange controls restrict and divert international trade and investment into narrow channels by limiting the amount of foreign exchange made available to pay for imports and to meet service requirements on foreign investments. To eliminate such practices, the fund agreement establishes the principle that no restriction may be imposed on payments and transfers for current international transactions, including interest and dividends on foreign investments and moderate amortization and depreciation payments.

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its current international payments, it must either have help from the fund or be permitted to limit the obligations it incurs to make payments in foreign exchange. In some instances, the temporary use of exchange controls, while corrective measures are put into effect, could be advantageous to both the country employing the controls and other members of the fund.

$\text{SCARCE CURRENCIES}$

If any country should have a persistently large favorable balance of payments, its currency, from the point of view of other countries, would tend to become scarce. However, it appears unlikely that a scarcity of a currency will develop. But if such should occur, the fund will provide a means of dealing with the problem without a general revision of parities.

First, the fund would report on the cause of the scarcity and the measures necessary to correct it. The scarcity of a member's currency could be due to inadequate imports by that country or to excessive imports by other countries. The appropriate remedies would depend on the facts in the particular case. Then, if its own holdings became inadequate to meet the demand, the fund could purchase its sale of the scarce currency with due regard to the relative needs of members and other pertinent considerations. The fund would, of course, never entirely exhaust its supplies of any currency, for it would acquire gold and the scarce currency from its other transactions. The fund is also permitted to borrow a scarce currency with the approval of the member concerned. The present bill, however, provides that no loan shall be made by the United States to the fund without the express authorization of Congress.

When the currency of a country is generally scarce, other countries must take steps to curtail the demand. Without the fund, there would be no limit on the restrictions that could be imposed. Under the fund, the limitations on exchange operations with respect to a scarce currency might be imposed only after consultation with the fund; demand for the scarce currency and the limitations must be removed as rapidly as conditions permit. In the meantime, the fund will use its resources to relieve the scarcity and it will recommend corrective recommendations of the fund, it remains free to take whatever action it deems necessary to bring about a solution in connection with the recommendations.

A more detailed discussion of scarce currency with relation to the United States is presented in part XII below.

$\text{HELP FROM THE FUND}$

Exchange stability and freedom of exchange transactions are possible only if countries have reserves out of which to meet an adverse adjustment in their balances of payments. Otherwise, they are compelled to maintain a pegged exchange rate through exchange depreciation or controls. Either policy might restrict the proper volume of trade and have a depreciating effect on business in all countries. If other adjustment measures are preferable, a country should have help in avoiding extreme measures.

$\text{INTERNATIONAL MONETARY FUND AND BANK}$

The fund will have resources of $8.8 billion dollars in gold and in official currencies, subscribed by 44 countries on the basis of appropriate quotas, to help members maintain the exchange value of their currencies. The bank is authorized to purchase foreign exchange from members and, at the discretion of the International Monetary Fund, to purchase gold from the United States, and to provide assistance to its members.

Under this bill, the fund is authorized to purchase foreign exchange on behalf of any member country that has a balance of payments deficit, provided that the deficit is not due to short-term fluctuations. The fund may use its resources to purchase foreign exchange from members, and the member country must agree to maintain the exchange value of its currency.

$\text{CONDITIONS FOR USE OF THE FUND}$

A member country may purchase foreign exchange in limited amounts from the fund for its own currency without special action by the fund. It should be noted that the fund's holdings of currency are guaranteed against depreciation in terms of gold. Subject to quantitative and qualitative limitations, the fund gives each member country the right to purchase foreign exchange for its own currency, provided the country has a constitutional right to purchase foreign exchange for its own currency.

On the qualitative side, the fund may not acquire foreign exchange on behalf of any country that has a balance of payments deficit, provided that the deficit is not due to short-term fluctuations. In any 12-month period, the fund may not purchase foreign exchange for the purpose of maintaining the exchange value of any member country's currency.
be suspended from using the fund’s resources; and if the violation persists, it may be required to withdraw from membership.

The fund’s resources are a revolving fund, available to members countries to meet an adverse balance of payments while they adopt measures to adjust their international accounts. The effectiveness of the fund would obviously be limited if its resources were not in readily usable form. To discourage unnecessary use of the fund, a charge of three-quarters of 1 percent is imposed on all exchange transactions with a combination (25 percent in gold and 75 percent in members’ quotations) unless a special arrangement is made with the fund and the member must consider means of reducing the fund’s holdings of that member’s currency. If agreement is not reached, the charge continues to rise to 5 percent, and thereafter the fund may levy such charges as it deems appropriate.

ASCRIPTION OF RESPONSIBLE MANAGEMENT

Some critics have expressed doubts that in practice those safeguards will be adequate. It is quite clear to all countries that use of the fund’s resources is conditional upon maintaining policies in accord with the purposes of the fund. All countries will have an interest in the sound and constructive use of the fund.

Provision is made to assure responsible management for the fund. The United States and the other four countries with the largest quotas will appoint executive directors. The remaining members will elect seven executive directors by the method of proportionate representation. The voting power of members is closely related to their quotas. Special consideration is given to the position of creditor countries, the two largest of which will be entitled to name executive directors, if they do not already do so under other provisions of the agreement. And in voting on the use of the fund’s resources, the voting power of creditor countries is increased while that of debtor countries is depressed. Thus the vote of the United States might be increased from 20 percent to as much as 35 percent of the total vote.

IX. ANALYSIS OF THE BANK FOR RECONSTRUCTION AND DEVELOPMENT

The Bretton Woods Conference recognized that it will not be possible to resume orderly international economic relations in a devastated world. Before the war, Europe did one-half of the world’s trade. More than half of the people of the world still lack the necessities of modern living. Until Europe has been reconstructed, until the Far East and the American republics have built up their economies, the present system of exchange transactions will be protested and incomplete.

The process of reconstruction and development must be undertaken by each country largely with its own resources, using local labor and local materials. There will be need for some foreign capital, particularly for machinery and equipment. Foreign capital provided on reasonable terms for sound projects will be beneficial to the borrowing countries and the lending countries. Sound international investment will contribute to the expansion of world trade and will facilitate the maintenance of orderly exchange arrangements.

INTERNATIONAL MONETARY FUND AND BANK

PRINCIPLES OF THE BANK

The Bretton Woods Conference recognized that international investment is an international problem and, therefore, proposed the establishment of an International Bank for Reconstruction and Development. The essential principle of the bank are simple: Private international investment for sound productive projects will be encouraged. If private investors are not prepared to make worthwhile foreign loans, the International Bank will guarantee the loans or make the loans directly out of funds raised through the sale of its debentures. In exceptional cases, the bank will make loans out of its own resources.

It is almost certain that in the period immediately after the war, when loans for reconstruction will be most urgently needed, investors will hesitate to make foreign loans. The bank will facilitate investment by assuming much of the risk. For this purpose the bank will authorize by 44 member countries a total of 44 billion dollars, of which the United States may subscribe $2.17 billion. The subscription of the United States may be increased by the subscription of Congress. Because the benefits of international investment are worldwide, the risk should be shared by all countries, and this would be done through the bank.

GUARANTEE OF SECURITIES

The bank is designed to encourage private international investment by guaranteeing securities sold to private investors for approved projects of reconstruction and development. Where the market is not prepared to make a loan on reasonable terms, even with the guarantee of the United States, the bank might make the loan directly from funds raised by means of its own securities. The foreign banks will be guaranteed by the bank only after a committee of experts has investigated the country and that it is within the capacity of the borrowing country to service the loan. Each loan must be guaranteed by the government of the country in which the project is located, or by the country’s central bank.

The bank will guarantee loans for approved projects in return for a commission of 1 to 1 1/2 percent of the outstanding principal. A special commission will be charged on direct loans, 1 percent. The earnings on the special reserve to meet obligations arising out of defaults, on the basis of 3 percent on more interest to the market, 15 percent to the bank, and 15 percent to the special reserve of the bank would be more than enough to restore any capital used to meet losses even if one issue out of four should go into default. Nevertheless, if losses are more than the capital, the bank may call upon its capital for funds, of which 50 percent is set aside as a reserve. The capital of the United States may be used for this purpose.

To give added security to investors, outstanding loans made or

Regraded Unclassified
guaranteed by the bank may not exceed the unimpaired capital and reserves of the bank.

**EFFECT OF INVESTMENT POLICY**

The bank can be an important factor in placing international investment on a constructive basis. With full knowledge of the international economic position of a borrowing country, the bank could prevent it from undertaking excessive obligations to service loans. Furthermore, by maintaining reasonable interest rates, the bank places the greatest possible moral obligation on borrowers. In periods of exchange crisis, the bank could also utilize its resources to permit for a time the servicing of international investment in local currency under a guaranty of repurchase, thus avoiding defaults because of temporary conditions.

**X. THE RECORD ON THE BRETON WOODS PROGRAM**

The committee's hearings on H. R. 2711 were thorough and extensive. The hearings continued throughout a period of 3 weeks, with a brief interruption during the congressional recess. The witnesses examined included representatives of the Treasury, State, and Commerce Departments, and of other Government agencies. In addition, there was testimony from bankers, businessmen, and economists, and from representatives of agriculture, labor, and organizations interested in international affairs. There were also a large number of statements and various exhibits submitted for the record.

It is significant that almost all witnesses examined accepted the objectives of the fund and the bank as desirable and agreed to the need for international cooperation to attain these objectives. Some of the objections appeared to be largely a matter of words, a way of phrasing. In some instances, the testimony of witnesses indicated to the committee the desirability of making changes in the bill as originally introduced, and these desirable changes have been made.

On the whole the testimony was overwhelmingly in favor of participation in the fund and bank.

**POSITION TAKEN BY SECRETARY HULL AND SECRETARY STEINHILL**

The Honorable Cordell Hull, when Secretary of State, strongly urged the adoption of the proposals for currency stabilization and international investment. In April 1944, at the time the joint statement on the International Monetary Fund was published, the former Secretary of State said:

If such programs can be put into operation before the end of the war, we will be well ahead of the task of bridging the gap between demobilization and world-wide prosperity, when facilities cease and automatically reappear, when prosperity reigns.

In my estimation, world stabilization of currencies and promotion of lawful international investment, which are based on an expansion of multilateral financial trade, are of first order of importance for the post-war period.

In a speech before the Council on Foreign Relations, in Chicago, the Secretary of State, Mr. Stimson, expressed his emphatic approval of the Bretton Woods agreements. After discussing the need for reconstruction and for stabilization of currencies, Secretary Stimson said:

We have the International Bank and other financial measures to make possible the financing of this economic reconstruction and of further economic growth.

And we have the International Monetary Fund providing for stabilization of currencies on a basis of gold and other standards, which will help to maintain the stability and prosperity of commercial and financial life the world over in the period following the war and in the post-war period.

These are the foundations for building up the economic structures in the countries which are essential to high levels of production and employment in the United States.
The Board of Governors of the Federal Reserve System presented a statement to the committee strongly supporting the Bretton Woods agreements. This statement was adopted by the committee without change.

Without the assistance proposed by these agreements, we would be faced with the possibility of an international currency crisis and with trade and exchange policies which would be disruptive and expensive. The committee, however, is not so naive as to believe that the problems of a financial crisis and international trade will be under control forever. The world is not yet ready for a fully functioning international monetary system. There is still much to be done before the world can operate on a truly international basis.

The Committee recommends that these agreements be strengthened and extended to cover other countries. It is the firm belief of the committee that the agreements should be made permanent and that the agreements should provide for the establishment of a truly international monetary system.

The committee believes that the Bretton Woods agreements should be extended to cover all countries and that the agreements should provide for the establishment of a truly international monetary system. The committee believes that the agreements should be made permanent and that the agreements should provide for the establishment of a truly international monetary system.
in international banking. Mr. Taylor replied to the criticisms of the fund which have been made. He stated:

The various possible alternatives to the Bretton Woods which have been mentioned are of considerable magnitude, but they do not offer anything tangible in its place. However favorably disposed the critics of Bretton Woods may be toward the general idea of international monetary cooperation, they have failed to express any constructive manner with the same thoroughness of working out an alternative set of principles and procedures. This has not been made in that we revise the international gold standard. This has been the nature of being a more positive proposal than any of the other alternatives. But we all know that, in fact, it would be utterly impossible to obtain anything approaching a general acceptance of a rigid gold standard. However, the Bretton Woods plan contains the best and most practical features of the international gold standard.

REPORT OF THE COUNCIL COMMITTEE

The Special Committee of the Board on Postwar Economic Policy and Planning, in its sixth report, recommended principles for international monetary cooperation similar to those established by the proposed fund. The committee said:

The committee believes that the monetary proposals made in this report will provide most of the advantages of the gold standard while eliminating its disadvantages. The committee has established a monetary system which is stable without being completely rigid. The proposals of the committee may be summarized in the following points:

1. An agreement should be reached between the leading nations of the world for stabilizing exchange rates at levels which, as far as possible, will create a balanced monetary basis for trade and commerce in each country. Perhaps the best way to accomplish this objective is to create all of the leading nations.

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This committee also expressed general approval of the proposed Bank for Reconstruction and Development. The committee said:

The committee believes that the proposals made in this report for a bank with long-range development in mind are sound. Loans made through the bank are intended to be used primarily for development, and not for immediate revenue. For the borrowing country as a whole, such loans might be very productive and profitable. But present and uncoordinated, they might be quite difficult. Under the bank's leadership, it is therefore likely that much investment can be undertaken. Where this has been, such investments have been productive. This, the bank will move in the direction of expanding the world's supply of gold and increasing the international monetary and commercial relations of countries which are engaged in economic development, it will aid in increasing standards of living throughout the world.

GROUPS FAVORING BRETTON WOODS

The committee heard testimony from representatives of a large number of groups favoring the Bretton Woods proposals. These groups include banking, business, labor, agriculture, economic, civic, and peace organizations. In addition, many resolutions and statements endorsing the Bretton Woods proposals have been presented to the committee for inclusion in the record.

INTERNATIONAL MONETARY FUND AND BANK

While the principal witnesses in opposition to the Bretton Woods agreements represented the American Bankers Association, the committee heard testimony from other bankers in favor of the fund and the bank. Mr. K. E. Brown, chairman of the board of directors of the First National Bank of Chicago, and a delegate to the Bretton Woods Conference, gave able testimony in support of the fund and the bank. In stressing the need for the fund, he stated:

The end of the way it is not only going to leave some European countries which have been devastated by the war with currencies which it will be almost impossible to support without some essential assistance, but it is also likely that a number of countries other than those who have been devastated by the war, will suffer similarly from the effects of the war. It is, therefore, necessary for these countries to have some kind of assistance in the form of the fund. This is one of the main purposes of the fund.

The witness also stated that he thought that the fund would be of great help to the United States. In his testimony, Mr. Brown stated that the fund should be established promptly and not be put off until after the period of transition. He also pointed out that the United States have the ability to provide the necessary funds for the operation of the fund.

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Mr. Brown also stressed the fact that many bankers in the United States have strongly supported the Bretton Woods proposals. In reply to a question, he stated:

Well, a great many of our large banks favor this plan. It is true that most of the banks in New York do not favor the plan, but the banks of the American Bankers Association are by no means a majority of the banks and the agreement banks have not joined the opposition to the agreement banks under the agreement banks have agreed to send a message to the President. I do not know whether this is a fact or not, but, according to the plan, the bank should be a development bank and not a money bank.

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The Bretton Woods proposals have received widespread support from business and industry. Inexorable business groups have expressed their complete approval of the proposals for the fund and the bank and have adopted resolutions to this effect. The analysis below covers only a small part of the favorable testimony of business groups.

The Committee for Economic Development, a group of outstanding business leaders, endorsed the proposals. Mr. Ralph Flanders, president of the Federal Reserve Bank of Boston and chairman of the Research Committee of the Committee for Economic Development, accompanied by Mr. Harry Scherman of the Research Committee, testified before this committee. Mr. Flanders said:

Our study of this agreement extended over several months. It included meetings both in Washington and with those who are active about the undertaking. In the course of this study, we became convinced of the need for international action for financing reconstruction and development. All the nations of the earth, including our own, have a particular interest in this matter, but all have a common interest as well. Each nation of the United Nations will profit more from recovery and reconstruction than any other nation, but all will benefit more than if any one nation were to proceed alone. Nor would it be the case if the improvement were confined to our own territory.

We furthermore became convinced of the advantage of international action for the purpose of stabilizing of foreign exchange rates at practical levels. We considered the practical measure of stabilization is adopted and administered, it is certain that the rate of internal trade will be seriously handicapped and the world will face the danger of speculative exchange declarations which, in the long run, will harm all of the nations.

The Committee on Economic Development made helpful suggestions on the Bretton Woods legislation by proposing clarification of some of the provisions in the agreement for the bank. They proposed that the power of the bank to make stabilization loans, already implicit, should be made explicit. This suggestion has received support from Government, business, and banking groups and has been very favorably received by the committee. With this clarification, which can be made without modifying the articles of agreement, the Committee on Economic Development reported:

We recommend the approval of the International Bank for Reconstruction and Development as a new and important institution. We also recommend that an appropriate time, which would not delay its approval, its powers be broadened to include the extension of general long-term or short-term credits for stabilization purposes.

The suggestion of the Committee on Economic Development was included in the present bill.

Mr. Carl M. Wyman, managing director of Overseas Industries, Inc., who has had 25 years experience in international trade, expressed his wholehearted approval of the pending legislation. He also spoke for the Chicago Export Managers Club, which represents some 200 foreign sales managers of industrial and merchandising concerns in Chicago. On their behalf, he offered for the record a resolution supporting the Bretton Woods proposals.

In a resolution, the National Foreign Trade Council emphasized the importance of accepting the Bretton Woods proposals substantively as drafted. The resolution stated, in part:

Rejection of the act would involve prolonged delays in pursuit of the broad objectives sought, and would lay the United States open to the charge of failing

to cooperate internationally at a time when such cooperation is of vital importance not only to the world at large but also to the United States itself. Any modification of the provisions of the act which would require reenactment of the agreements at this time might involve complications and substantially as drafted in the proposed legislation.

The committee received a statement from Oscar Johnson, president of the National Cotton Council, vigorously supporting the legislation.

Part of Mr. Johnson’s statement follows:

The National Planning Association, composed of leaders of business, agriculture, and labor experienced in foreign affairs, has also strongly supported the Bretton Woods proposals. The statement which is submitted to this committee reads, in part, as follows:

The fate of the Bretton Woods proposals for an International Bank and an International Fund will be largely determined by the action of the United States. If the International Fund is to be distinctly non-bank, the nations of the world would be wise in providing for the International Bank on a basis of full contributions paid in gold. The International Fund would be closely supervised by the Conference of the United Nations. The outcome of the Conference would be determined in the main by the interest which the United States take in the matter.

The International Bank would be able to extend credit to other countries which have been unable to get such credit elsewhere. By making credit available to other countries, the International Bank would be able to play an important role in the program of economic cooperation which is so vital to the prosperity of the world. The International Bank would be able to finance the purchase of goods from other countries, which would make it possible for the international trade to be carried on in a more orderly manner than is now the case.

The International Bank would be able to assist in the reconstruction of the economies of other countries, which would make it possible for the United States to recover from the effects of the war. The International Bank would be able to assist in the establishment of a financial system which would facilitate trade. The International Bank would be able to assist in the establishment of a financial system which would facilitate trade. The International Bank would be able to assist in the establishment of a financial system which would facilitate trade.
to the United States Treasury, the Federal Reserve Board, and the
Bank of England, and his connection with private firms engaged in
international business, to emphasize his belief that the International
Bank would be seriously weakened if the fund were not also estab-
lished. On this point, he said:

Now, if we are going to have diversified exchanges and bilateral clearing arrangements, I think this is very, very far-sighted and far-reaching arrangement for which all around the world there is a great deal of interest in the international community.

Dr. Sprague also emphasized that the fund would be well protected
against the danger of excessive use of its resources by member coun-
tries. On this point, he said:

I do not think that there is any sound reason for supposing that countries in gen-
eral will, because of the fund, adopt a more reckless policy than they would in
the absence of the fund.

Mr. Green then addressed the committee and defended the position of
the United States on the issue. He stated:

The committee is informed that a subsequent bill by the Economists' Committee, covering all members of the American Economic Association, showed that 60 percent of those who replied favored the approval of the Bretton Woods proposals.

The committee heard the testimony of the larger labor organizations.

The testimony was uniformly favorable to the Bretton Woods proposals.

Mr. William Green, president of the American Federation of Labor, testified that his organization recommended the adoption of the Bretton Woods proposals. Mr. Green said:

The American Federation of Labor, in common with its stated policy of
supporting a world organization which would foster international
cooperation, is in favor of the International Bank. It is a

The committee received a letter from Prof. Seymour Harris, of
Harvard University, representing the Committee on the Bretton
Woods program, with a statement that the committee had approved
the proposal for an International Monetary Fund and International
Bank for Reconstruction and Development.

The committee received a letter from Mr. James B. Carey, secretary-treasurer of the Congress of Industrial Organizations, showing his support for the Bretton Woods proposals. Mr. Carey said:

The Congress of Industrial Organizations stands unreservedly behind the Interna-
tional Monetary Fund and the International Bank for Reconstruction and Development, reflecting the views of the United Nations. The Congress of Industrial Organizations, in harmony with the United Nations, does not believe that the International Monetary Fund and the International Bank for Reconstruction and Development should be established if they are not supported by the United Nations. The Congress of Industrial Organizations believes that the International Monetary Fund and the International Bank for Reconstruction and Development should be established as the United Nations, in harmony with the United Nations, believes that they should be established.
be endorsed by the United States without further delay and without amendment.

Bretton Woods represents one of the most important accomplishments on which the world has been built. Throughout America and the world, the new arrangements are stabilizing the financial system, bringing the world closer together and providing the United States with a position of leadership in the world of trade.

The committee heard testimony from Mr. R. A. Whitney, director of education and research, of the Brotherhood of Railroad Trainmen.

Mr. Whitney said:

"Value through international cooperation as we develop fair rates of the cost and access to the principal concerns of the world to subscribe to the United Nations, as duties, bonds, credits, shipping, import quotas, and restrictive exchange dials of international pressure is to ensure that the world is not divided into separate blocs. The United Nations is a world leader for stability, fairness, and cooperation. I visited the United Nations and was impressed with the fact that they cooperate for the benefit of all countries and develop the backward countries as well."

In addition, a large number of local, state, and national labor unions have written to the committee to express their support of the Bretton Woods proposals.

**Views of Farm Organizations**

Representatives of the major national farm organizations appeared before this committee and testified in favor of the Bretton Woods proposals. The committee was impressed by the widespread support of the program for international monetary and financial cooperation.

Mr. Fred A. O'Neal, president of the American Farm Bureau Federation, urged the approval of the fund and the bill as an aid to peace and prosperity. Mr. O'Neal said in part:

"Farmers are looking to Congress for leadership, and they are aware that this bill will not only provide for the stabilization of agriculture, but will also provide for the stabilization of the world. The world is moving towards a more stable and prosperous future, and the United Nations is a world leader for stability, fairness, and cooperation."

The total committee was impressed by the overwhelming support of the Bretton Woods proposals.

**Views of Civic Organizations**

Representatives of a number of organizations interested in public affairs appeared before the committee and expressed their support of the Bretton Woods proposals. The committee was impressed by the overwhelming support of the Bretton Woods proposals.
be endorsed by the United States without further delay and without amendments or changes. 

The committee held testimony from Mr. B. A. Whitney, director of education and research of the Brotherhood of Railroad Trainmen. Mr. Whitney said:

"If we are to have a successful economy, we need a stable and predictable monetary system. The Bretton Woods system provides just that. It ensures that currencies will be stable and that exchange rates will be predictable. This is crucial for trade and investment."

Mr. Whitney emphasized the importance of a strong international financial system, stating that "without a strong system, we risk economic instability and widespread monetary crises."
of currency warfare that I've been discussing. On the basis inevitably come diplomatic warfares, and the growth of economic and political tensions among nations, and this is causing all kinds of problems.

The purpose of the Bretton Woods Conference in New Hampshire was to prevent that happening again. In a planet filled with nations of unequal strength and unequal wealth, the only basic cure is an agreement not to engage in currency warfare. That's the real meaning of currency stabilization.

The Conference at Bretton Woods was not an attempt to force the conclusion of World War II. If the talks to be accepted by the United States, the peace itself depended on the success of the negotiations. The talks will not solve our problems. It will take a more immediate and difficult victory in our Nation's Capital.

Miss Anna Lee Straus, president of the National League of Women Voters, informed the committee of the interest of the members of her organization in the Bretton Woods proposals. She pointed out that no one country could nor should be solely responsible for dealing with international monetary problems and that other countries are eager to cooperate. Miss Strauss said:

Not one, but all nations are concerned with monetary problems. The burden of solving them, therefore, should rest on every country, and not just on the United States. It is too much to ask us to carry as heavy a responsibility.

I do not think all the good will be on our side. I think there will be plenty of it on the other side if we show the will and the determination. And I think we are determined and the will and the determination of this country is our measure, and the measure of success is our will. I think if we fail, the next time to which we are looking is the world, and the next time we are looking is the world of tomorrow, and the next time we are looking is the world of the future.

The committee has received a letter from the National Congress of Parents and Teachers urging the committee to approve the Bretton Woods proposals. They write:

We believe, with our President and Commander in Chief, that the final agreement should be a compromise between a world in two states, its economic and political states, and the world in which we must live. Our economic state is not a world in which we can live.

Dr. Helen Dwight Reid, representing the American Association of University Women, emphasized the importance of international agreement on currency and financial questions. She said:

The stability of international finance is one of the cornerstones and the universal mooring post that ensures that the foundations of our society are sound. Emphasis is given to the point that economic as well as political cooperation is essential to the maintenance of peace. The importance of an expansion of international trade and the resumption of international investment to the prosperity of this country is stressed. Finally, the press urges the enactment of the legislation for the Bretton Woods proposals without amendments or reservations to the agreement to the agreements.

XI. Support of the Press

The Bretton Woods proposals have had widespread support from the press. It is interesting to note that this support has come from all sections of the country, from the press, and from the independent press, as well as from the liberal newspapers. The arguments presented by the press do not differ substantially from those given to the committee by the witnesses. The emphasis is given to the point that economic as well as political cooperation is essential to the maintenance of peace. The importance of an expansion of international trade and the resumption of international investment to the prosperity of this country is stressed. Finally, the press urges the enactment of the legislation for the Bretton Woods proposals without amendments or reservations to the agreements.

Some of the more important projects of the editorial statements supporting the Bretton Woods proposals are:

- The United States delegation was important.
- We consider the economic and monetary union one of the most important in modern history.
- There is an initial step in international economic cooperation. We must make a beginning if the economic class that has repeatedly followed war is to be prevented. Herein lies the need of organization in this field has been a major factor in giving way.
- The United Christian Council for Democracy, representing six church associations, wrote to the committee as follows:

We offer for your consideration the broad statement on the Bretton Woods international monetary agreement. Our position is that there is one of full support for the plan—both the plan and the bank. We favor its realization by the Congress as soon without stirring amendment of reservations. We trust that it is in your judgment, so great a cause is the creation of an international monetary and financial union for the entire world, and so great a cause is the creation of an international monetary and financial union as to be necessary and not part of the total victory.

PUBLIC SUPPORT FOR BRETTON WOODS PROGRAM

This brief analysis indicates, but does not fully describe, the public support of the Bretton Woods proposals by the public. Support has come from all sections of the country and from people in all walks of life. More than 100 organizations, including nearly all large organizations concerned with public affairs, have adopted resolutions and issued statements recommending approval of the Bretton Woods program. The committee has received thousands of communications urging favorable action. In the light of this evidence, the committee cannot doubt that the American people are overwhelmingly in favor of the participation of this country in the proposed organizations for international monetary and financial cooperation.
INTERNATIONAL MONETARY FUND AND BANK

The Sun, Baltimore, March 11, 1945:

"Though these hearings may seem to lack drama for the person unfamiliar in the jargon of economics, it is not an exaggeration to say that the very existence of the opposition of every member of the United Nations are upon them. Consideration and evaluation of the actions and the series of international agreements by which the nations seek to parley their current economic difficulties with each other. The fate of these proposals in Congress is found to be in the balance.

If Congress endorses these proposals, devised with such labor, the cause of the collaboration will be materially strengthened. The formal adoption of the United States by this plan may be to a great extent the alternative of others, if the American proposal is not adopted by them. If Congress rejects them, then the fate of this particular proposal is assured. An agreement with the nations of the world is essential.

Further, if Congress rejects the proposals, the nation's own interests are involved. The impact will be felt by all.

If called upon, their fingers will be in ice to the future negotiations.

Evening Sun, Baltimore, March 9, 1945:

The International Bank proposed at Boston Woods, together with the Export-Import Bank, if the Joint Bank is adjusted, may provide a means for bringing the economic position of the nations in the world into a more satisfactory state. A second phase of the American plan for monetary stability has been made. In the economic position of the United States, it is evident that the United States must work with other nations in order to avoid future economic difficulties.

It is certain that the proposal of the American plan for the stabilization of the current level of the United States monetary policy is a major factor in the formulation of a monetary conference for the study of current economic problems in the world. These are all factors of international cooperation, .

Birmingham, Ala., Apr 17, 1945:

The attitude of Congress toward the Boston Woods agreements will influence the degree of awareness and willingness with which it will approach the various aspects of the American participation in world economic cooperation.

As President's message to Congress, the American government will not be able to secure the necessary contributions from Congress. The suggestions from Congress may be adopted, but they will not be as important as they would be if the American proposals were adopted in the form in which they were presented.

Washington, D.C., Apr 18, 1945:

The American proposals for the stabilization of international trade and currency are not as important as they were when first presented. The proposals do not address the current economic problems of the world. The proposals are not as effective as the American plan for the stabilization of the current level of the United States monetary policy.

Cincinnati Enquirer, July 12, 1944:

One of the brightest hopes of an enduring peace after this war has been the desire on the part of the United Nations to stabilize the world and remove the dangers of war. The United States has contributed to the stabilization of the world through the formation of the International Bank and the Export-Import Bank, which are essential to the stabilization of the world. The United States has not been able to secure the necessary contributions from Congress. The proposals do not address the current economic problems of the world. The proposals are not as effective as the American plan for the stabilization of the current level of the United States monetary policy.

The stabilized fund agreement reached by the experts seems to be a possible solution. Under the plan, nations will have to help each other. By so doing the "haves" will help themselves and their neighbors.

Globe, February 14, 1945:

The President's message to Congress, reporting ratification of the Boston Woods agreements, will become the basis for future discussions. The American government is in a position to do more for the international community than it has done in the past. The American government is not in a position to do more for the international community than it has done in the past.
show what we may be expected to do in the entire area of cooperation for peace and stability.

The plan now being considered at Bretton Woods, the subject of the San Francisco Conference, is a plan for ending the rivalry of arms and physical destruction. The plan developed at Bretton Woods is a plan of ending the war by means of economic cooperation, the establishment of a Universal International Monetary Fund and a Bank. This plan was developed with the aim of bringing about a just and lasting peace and becoming a framework for economic cooperation between nations.
INTERNATIONAL MONETARY FUND AND BANK

However, unless this Monetary Fund is supplemented with suitable tariff, import and other policies in individual countries to ensure equilibrium in balance of international payments, it will break down as its critics have foreseen.

The International Monetary Fund should not be looked upon as necessarily beneficial unless it will end monetary or economic instability overnight or for all time. If expectations exist, they will lead to disillusionment and disappointment. On the other hand, if the fund is launched as a limited and constructive effort to subdue cooperative for ex parte action by individual countries in shaping the destinies of the world and foreign trade policies, it could well prove a really significant step toward lasting of these problems.

PM, New York, March 16, 1945:

It is not the fact of monetary power, but the use to be made of it, that a Bretton Woods a foundation stone of peace and security. Its purpose is to provide the money systems of the world to promote its welfare. It is to replace ravages of war, build up backward nations, make customers for progress, and prevent the outbreak of economic war which will lead inevitably to the bloody carnage of new battlefield. Let us keep the basic fact in mind that without a Bretton Woods, Davis' Oaks will fall. The failure of either one will start us down the road to World War III and the destruction of civilization. The sole Americans will have to be put behind them both. They must not fail.

New York Post, April 27, 1945:

Never has the importance of congressional approval of the Bretton Woods scheme been more vividly and clearly than it has now. The United Nations—five virtually every delegation has at some time or another during the last 9 days anxiously asked our representatives about the chances for its participation in the Bretton Woods conference, with a 45 countries concerned with this, how can we continue to take part in United States participation in any world peace and organization.

Philadelphia Bulletin March 24, 1945:

Popular and political objection to such a plan often takes the view that America is being asked to make sacrifices for the sake of world comfort or pleasure. Surely the history of the depression years in this country afforded convincing proof that financial chaos and any considerable number of nations have burlough reserves in every country or globe, including the richest and most powerful.

Bretton Woods favors the path of mutual aid for the benefit of all. Its success as a foundation and finance, is to develop a more, more useful and cooperated world. The bankers who take this broad view believe the country to put the proposal on a high plane on which able it can have proper consideration and set an example to others in their calling by aiding the world, the average citizen to realize that he is helped as his country helps the rest of the world.

Philadelphia Record, March 23, 1945:

We are gratified indeed to see 11 prominent Philadelphia bankers taking financial leadership in the fight for the Bretton Woods plan for postwar economic stability. In a memorandum to Congress, the heads of 11 of our city's biggest banking houses, the Bretton Woods proposals, "in our judgment, give reasonable promise of avoiding the major financial errors committed after the last war, and seem big enough to be modified in the light of experience."

True, we do not believe Bretton Woods a perfect instrument. With it Philadelphia bankers, we expect it will be made more efficient in the light of experience. But having spent more than 200 billion to win the war, America can and will invest $3,000,000,000 investment in peace.

Portland (Oreg.) Daily Journal, March 23, 1945:

Both proposals are, in their details, hard for laymen to understand, and of the so-called experts display ex-fusion. Both are exceedingly essential, if United States trade, exchange and international stability must be steadily restored from war, revival of enterprise, opportunity in the markets and jobs.
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INTERNATIONAL MONETARY FUND AND BANK

The United States would invest about $2,750,000,000 in the $6,600,000,000 international stabilization fund. It would not have a controlling vote, but would have a substantial influence. There is a chance that the United States would have a controlling vote in the International Monetary Fund, but it would have to be a substantial influence, but would have a substantial influence. The United States, has been operating 52,000,000,000 stabilization fund since 1930 in a good

It is known to believe that a stabilization fund operated by the United States that continuously are trying to get the domestic and international finance in order would show a rise.

Des Moines (Iowa) Register, March 19, 1945:

At present this was not possible and the United States was not interested in the proposal.或然这并不是唯一的原因，但是在国际间发起的金融机构，因

是否应包括若干国家的代表。这一疑问尚不明确。然而，苏联的代表认为，在国际间发起的金融机构，因

The Stettin (Fla.) Journal, March 26, 1945:

For this country, the United States was interested in the proposal, as it could help in the formation of international organizations for economic purposes.

News, Los Angeles, February 13, 1945:

The proposed fund would be a major step in the right direction. It would be a step toward the realization of the principle that nations should cooperate in the economic field.

The United States would be a major participant in the proposed fund, and would have a substantial influence in its operations.

The United Nations, on the other hand, would have a controlling vote in the proposed fund, but it would not have a substantial influence.

The United States would invest about $2,750,000,000 in the $6,600,000,000 international stabilization fund. It would not have a controlling vote, but would have a substantial influence.
However, unless this Monetary Fund is equipped with suitable tariff, transport, and other policies in individual countries to secure fair apportionment of the benefits it is to provide, its usefulness may be at a minimum, as its critics have frankly conceded.

The International Monetary Fund should not be launched with any expectation that it will immediately or automatically remove all the ills which it is designed to prevent. To the contrary, the fund is a means of providing a more orderly international mechanism through which the various economies of the world will be able to take the steps which will enable them to secure a stable currency, a stable exchange, and a stable international trade and finance. This is a long-range and far-reaching objective, but it is one that cannot be attained without the use of the International Monetary Fund.

The fund is designed to assist in the restoration of confidence in the world's financial system. It is intended to provide a medium of exchange for international transactions, to prevent the recurrence of the sharp fluctuations in exchange rates and interest rates that have plagued the world in recent years, and to promote a stable and orderly international monetary system.

The fund is not a solution to all the world's economic problems. It is not a substitute for sound domestic policies, nor is it a substitute for international agreements. However, it is a valuable tool that can be used to help countries maintain a stable and orderly international monetary system.

The fund is based on the principle of cooperation and mutual support among countries. It is not a instrument of one country to dominate another. It is designed to be a means of providing a more stable and orderly international monetary system, and to promote the development of an international economy that is adaptable to the needs of the modern age.

The fund is a powerful tool that can be used to help countries maintain a stable and orderly international monetary system. It is a valuable asset that can be used to help countries maintain a stable and orderly international monetary system. It is a valuable tool that can be used to help countries maintain a stable and orderly international monetary system.
INTERNATIONAL MONETARY FUND AND BANK

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The testimony of the opponents is reviewed briefly below.

The International Monetary Fund and Bank are complex in form and, of course, opposed the Bank's proposals in general, the arguments of opposing newspapers have little character as those heard by the committee. Those arguments are considered in part XII of the report.

XII. Arguments Against the Fund and the Bank

Little testimony was given before the committee in opposition to the plan for the Bank or Fund. One or two witnesses deplored the ground that there was no need for an international organization to encourage international investment. On the whole, almost all the witnesses favored the Bank without qualifications.

The opposition to this legislation is apparently directed at the International Monetary Fund. Some of the opposition witnesses represented the American Bankers Association; others represented business organizations. Several committees appeared in opposition. In general, the committee had little testimony or exhibits, except from some members of these groups, in opposition to the proposal for the International Monetary Fund.

The committee is cognizant of the earnest desire of the witnesses that opposed the Fund or Bank to be helpful in their criticisms. Many of these witnesses expressed their agreement with the objectives of the Bank, and proposed various amendments to the agreement and changes in H. R. 2230. The committee believes that the necessary safeguards are provided in the agreements. In addition the committee of the bill establishes other safeguards. For this reason, the committee is of the opinion that no changes in the agreements are necessary.

The International Monetary Fund and Bank are complex in form and, of course, opposed the Bank's proposals in general, the arguments of opposing newspapers have little character as those heard by the committee. Those arguments are considered in part XII of the report.

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In the months immediately following the San Francisco Conference on the International Monetary Fund, Congress gave a highly favorable and unqualified approval to the President's proposal for a new international financial organization. The votes in both houses of Congress were almost unanimous. The opportunity was rightly considered to be of the utmost importance to the stability of the world financial system and to the establishment of international credit and monetary security. The opportunity should not be missed or squandered.

It is true, however, that the American public is not as well informed as it might be about the international monetary system. The President and the Secretary of the Treasury have taken steps to remedy this situation. The Secretary of the Treasury has been quoted as saying that the American people are not aware of the importance of the International Monetary Fund. He is right. The American people need to be more aware of the importance of the International Monetary Fund.

The Washington (D.C.) Post, March 8, 1945:

The International Monetary Fund and the Bank agreed upon at the Bretton Woods Conference are instruments intended to ensure the maintenance of stable exchange rates and to establish a framework for the orderly adjustment of international payments in the interests of the orderly expansion of international trade.

The United States takes this opportunity to reiterate its support for the establishment of the International Monetary Fund and the International Bank. The United States is committed to the success of these institutions.

XII. Arguments Against the Fund and the Bank

Little testimony was given before the committee in opposition to the proposal for the bank. One or two witnesses objected to the idea of an international organization to handle international financial affairs. On the whole, almost all the witnesses favored the bank without qualification.

The opposition to the legislation is apparently directed at the International Monetary Fund. Some of the opposition witnesses represented the American Bankers Association, others represented business organizations. Several economists appeared in opposition. In general, the committee had little testimony or exhibits, except from some members of these groups, in opposition to the proposal for the International Monetary Fund.

The committee is cognizant of the earnest desire of the witnesses that opposed the fund or bank to be helpful in their purposes. Many of these witnesses expressed agreement with the objectives of the Bretton Woods Conference. Their opposition was based upon the belief that the provisions of the agreement were too stringent, and they proposed various amendments to the agreements. In the committee's view, the amendments to the agreements are necessary.
operation under these agreements, this country has not lost one dollar. It appears that the International Monetary Fund would undertake exchange operations in much the same way and with much the same safeguards as the United States stabilization fund. The only significant difference is that the fund would operate on a multilateral rather than on a bilateral basis.

A good deal was made of the point that the fund makes credit available to members for stabilization purposes in a manner contrary to accepted credit principles. In the opinion of the committee, this point was not sustained. The fund will not, of course, conduct its operations in the same way that a bank makes loans to a local merchant. The fund will sell foreign exchange in limited amounts, for a member's currency, to a country that needs such help to maintain stable exchange rates and freedom in exchange transactions. Such help will give a country time to take the necessary corrective measures without resorting to restrictions and discriminations that may cause and spread depression. When a country in good faith abides by the principles of the fund and meets the tests specified in the fund agreement, it is reasonable to say that the aid extended will be in accord with the credit principles that should govern stabilization operations.

This point is further discussed below.

THE FUND PROVIDES AUTOMATIC CREDIT

The charge has been made in the testimony of certain witnesses that the fund provides automatic credits for countries regardless of their creditworthiness or the purposes for which the credits are to be used. It is said that the management of the fund will have no real power over the use of the fund's resources because each member has an absolute right to credits up to the limit of its quota.

The committee has been assured, both by the delegates participating in the Bretton Woods Conference, and by bankers and experts in international finance who have studied the documents of the Conference, that the fund's management will have ample power to control the use of its resources and that there is no unqualified right to credits from the fund. There are both qualitative and quantitative limitations on the ability of a country to purchase foreign exchange from the fund with its own currency. In the words of a prominent banker who has been a delegate to the conference, 'the quotas are in the nature of a line of credit extended by a bank to its customers, the use of which is circumscribed by safeguards and subject to continual scrutiny. Those who state that access to the fund is an automatic right to every member overlook certain very important safeguards found in the fund agreement. These safeguards may be summarized as follows:

(a) The fund would not begin exchange transactions with countries until these countries are in a position to keep exchange rates stable without excessive use of the fund.

(b) No country could purchase exchange from the fund except to help it to make payments for imports and other current transactions.

(c) The executive directors of the fund could stop a country at any time from purchasing exchange in the opinion of the directors the country was acting contrary to the purposes of the fund, including

the fund's objective of promoting exchange stability and maintaining orderly exchange arrangements.

(d) All of the currency holdings of the fund are guaranteed against depreciation in terms of gold. A country using the fund's resources must use its own monetary reserve in equal amount if its monetary reserves are in excess of its quota and it must repurchase its currency with gold as soon as its balance of payments and its reserve position permit. If the repurchase is delayed unduly, the fund can impose such charges as it deems appropriate to bring about prompt repurchases.

If a member country agrees not to impose exchange restrictions on current transactions and not to allow a depreciation of its currency, it must be given assurance of assistance in periods of adversity, provided it abides by the principles of the fund and takes whatever measures are necessary to correct the situation. Just as a businessman, who undertakes a business commitment needs to be able to count on a line of credit from his bank so long as he uses the credits extended to him in accordance with certain prescribed purposes, so must a nation be assured that it can count on obtaining stabilization help in time of need.

THE FUND IS PREEMINENT

It has been said by some of the critics of the fund that to establish the fund during the next year or so would be premature; that it would be better to wait several years until nations have attained a greater degree of economic stability before attempting to stabilize foreign exchange rates.

The committee believes that some of the most urgent problems in the postwar transition period will be international monetary problems and that the prompt establishment of the fund is essential to their solution.

The immediate problem will be the establishment of the initial pattern of exchange rates. Unless exchange rates of all countries are determined in relation to each other and through international coordination, we may have a repetition of the experience that followed the First World War. There would be danger of overvaluation of some currencies and undervaluation of others, and subsequent unilateral adjustment that might degenerate into competitive exchange depreciation. The fund is necessary to provide a means of establishing an initial pattern of exchange rates, thus on the ability of the committee, the quotas are in the nature of a line of credit extended by a bank to its customers, the use of which is circumscribed by safeguards and subject to continual scrutiny.

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need help during the transition to meet a temporary adverse balance of payments. Otherwise they would feel compelled to maintain restrictions that can soon be abandoned. If they can get such help from the fund when they need it, they will be in a position to accept the obligations with respect to fair exchange practices specified in the fund agreement.

To perpetuate the establishment of the fund is to risk the resumption of currency warfare. If countries should establish policies contrary to the principles of the fund, their economies would become so restricted and it might become impossible to abandon them later on. The period immediately after the war—the transition period—is the time when exchange policies will take final shape. The fund is necessary to see that these policies are in accord with the principles for which the United States stands.

The Fund Will Be Controlled by Dealers

The criticism has been made that the fund will be managed by its dealers, because the United States alone does not have a majority of the votes. This criticism seems to imply that the fund is merely a financial institution whose sole function is to lend money and it seeks to indicate that the United States is putting up more than half of the assets of the fund. Neither view is correct.

The fund is designed primarily to deal with international currency problems. It embodies an agreement on the maintenance of fair exchange standards. Policies on exchange rates, on exchange restrictions, and on multiple currencies will all be subject to the fund's supervision. In such an institution, it would be entirely unreasonable and even unwise to give any country the deciding vote in its management. Each country should have influence based on its international position. It is on this basis that subscriptions to the fund were determined and the voting power was apportioned.

The United States, as the largest subscriber, will have the largest number of votes in the fund. Approximately 26 percent of the total number of votes will be cast by the government and the executive director representing the United States. With so large a vote, there can be no doubt that the United States will have a substantial voice in the determination of its policies.

The aggregate subscription of countries other than the United States will be slightly more than $6,000,000,000, if all the countries represented at the Bretton Woods Conference become members of the fund. Of this amount, approximately 1.4 billion dollars will be subscribed in gold and the remainder in local currencies bearing a gold value guarantee. Those who hold that these other countries are unemployed, subscribe to the fund at a time when they are overloaded with debt, may have misjudged their own position. These currencies are in demand everywhere in the world over and are valuable for the same reason that other currencies are valuable, namely, their ability to purchase goods and services in the countries of issue.

No is there any basis for the assumption that United States dollars will be the only currency which the fund will be called upon to sell. No one can tell just how long and by how much the United States or any other country will continue to have a favorable or an unfavorable balance of payments. It is to be expected that for several years

After the war the United States will be one of several countries—and doubtless the chief country—that will have an export surplus of goods and services. But how large that excess will be and how long it will continue depends upon a number of factors none of which can be accurately forecast. It depends upon the level of business activity in the United States and other countries. This is an attitude that cannot be reconciled with the interests and the objectives of the 44 countries that would be members of the fund. No country has any reason to wish to see the fund's resources mauled. It is difficult to believe that a fund in which the United States has 24 percent of the voting power, the United Kingdom and the rest of the British Commonwealth of Nations 25 percent, the Soviet Union, China, and France together 23 percent, the American republics 10 percent, and the Netherlands and Belgium 5 percent, would permit a combination that would impair the usefulness of the fund. The fund's resources constitute the second line of reserves for all countries, and few countries will approve the dissipation of these resources.

The power and influence of the United States will be limited simply by the proportion of its formal voting strength. The power and influence of the United States over decisions of the fund, if directed toward reasonable use of the fund's resources, will in all probability be far greater than its voting strength would indicate. Finally, the right to withdraw from the fund will prove a powerful deterrent against any conspiracy aimed at any one country or group of countries.

The Fund Will Not Stabilize

The argument has been made that the adoption of the fund will not result in the stabilization of currencies, but that it will result in the provisions which permit changes in the par value of a currency after consultation with the fund and generally with its consent.

The fund agreement provides that the value of each nation's currency must be defined in terms of gold or the United States dollar. Members agree not to permit their exchange rates to vary by more than 1 percent above or below par. Changes in the par value of a member's currency may be made only when a change is necessary to correct a fundamental disequilibrium in the country's balance of payments.

If the change proposed by a member country plus all previous changes, whether increases or decreases, is less than 10 percent of the original parity, the member country need only consult with the fund before making the change and the par value of its currency.

If the sum of the proposed change plus all previous changes is
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than 10 percent, the fund by a majority of the member votes will either not have or is subject to the proposed change.

Stability and order in exchange rates does not mean absolute rigidity. There may be no immediate pattern of exchange rates adopted when the fund begins operation, it is going to be perfect or that the appropriate rate is chosen in each case. Clearly some changes will be necessary and should be made in an orderly manner. The maintenance of stability and order in exchange rates does mean, however, the avoidance of unnecessary changes; and when changes become necessary, they are to be made only after consultation and with full consideration of their effects on other countries.

Unless positive steps are taken to establish fair exchange practices, the postwar period will inevitably be characterized by unstable exchange rates and chaotic exchange practices. Conditions under an agreement which provides for limited flexibility in exchange rates must be compared with conditions which would prevail in the absence of the fund. Except for a few years in the late 1930's, most countries were on the gold standard during the interwar period. Exchange rates during this period in most instances fluctuated widely from week to week, while in other cases they were fixed by means of rigid exchange controls. The stability offered by the fund will be far greater than the world has seen since 1914; and it will be far greater than we can possibly expect in the postwar world without international monetary cooperation.

THE FUNDS SANCTIONS EXCHANGE CONTROLS

Some witnesses have criticized the fund on the ground that it permits the use of exchange controls for certain purposes and under certain conditions. It is said that instead of eliminating exchange controls, the fund will actually encourage their use.

In the view of this committee, this is essentially an argument for impossible exchange systems. In effect, the argument is that if we cannot abolish all exchange controls, we should not try to eliminate any. An international agreement that is to succeed must be realistic, and it must commit countries to more stringent policies than they can in fact carry out. Moreover, it was generally recognized by financial experts who appeared as witnesses that exchange controls are only necessary for some countries on capital movements, and not generally necessary for some countries for some time at least, if they are to maintain order in their currency systems.

It is a fundamental purpose of the fund to eliminate the use of exchange controls. It is agreed by all countries that exchange controls on current transactions. It is agreed by all countries that exchange controls on capital transactions. There is a general agreement that such policies must be eliminated as soon as possible, and this principle is recognized in the fund. Under the article of agreement, a country will be permitted to restrict the transfer of funds involving large exports of capital. This is the only case in which a capital flight can be prevented. On the other hand, except during the transition period, restrictions on the transfer of the proceeds of exports and other current payments can be maintained only with the approval of the fund.

Since the fund is not designed to meet the enormous immediate demand for foreign exchange on the part of war-devastated countries, and since their gold and foreign exchange resources are limited, it is to be expected that some of the existing restrictions on demands of their nationals for foreign exchange will have to be maintained by some countries until they are otherwise able to maintain an appropriate balance in their foreign exchange position. For this reason, the fund agreement provides that during the transition period member countries may retain and adapt some of their exchange restrictions that have been in operation during the war. In accordance with this, these restrictions will be withdrawn as soon as it is clear that a country will be able to settle its balance of payments, in the absence of such restrictions, without excessive use of the fund.

There is only one other provision under which the fund permits exchange control on current transactions. The currency of a country becomes generally scarce, it is necessary for countries to restrict the obligations they incur in the scarce currency. There is no way by which they can meet their obligations unless additional foreign exchange resources are placed at their disposal. This question is discussed below.

In the opinion of this committee, these provisions regarding exchange control provide the maximum practical assurance of freedom in exchange transactions for current international trade wherever and whenever this is possible. No country is in a position to undertake greater obligations on the removal of exchange restrictions.

EFFECT OF A SCARCEITY OF DOLLARS

Objection has been made to article VII of the fund agreement, according to which the sale of dollars. This argument seems to imply that somehow the fund is responsible for the appearance of the scarcity. On the contrary, it cannot be overestimated how such a situation can be handled. When the fund authorizes a member to limit the sale of dollars, the member will be able to handle the situation more effectively than the fund could, as it would be compelled to do in any event. The chief difference would be that limitations under the fund would be more restrictive and more permanent.

The committee was impressed with the testimony of several witnesses regarding the probable supply of foreign exchange. The committee is of the opinion that the supply of dollars is not limited by the scarcity of dollars in time of peace. And even in the 1930's the scarcity of the dollar was almost entirely due to the great movements of capital to the United States sector. The cause of this movement was from the political and economic disorders that gripped the world. Provided the United States...
maintains a reasonably high level of employment, and provided further
that there is a reasonable volume of foreign investment, the supply of
dollars is likely to be ample to meet the needs of the world taken as a
whole. Temporary shortages of dollars and other currencies are
erable to arise in certain countries, and it will be the function of the
Fund to help meet these needs. The provision of temporary exchange
assistance by the Fund to a few countries will prevent them from pre-
cipitating a wave of currency depreciation and exchange restrictions.

It is the view of this committee that the scarce currency provisions
of the fund would not be harmful to the interests of the United States.
Rather they are a frank recognition of a possible, although not highly
probable, development in the postwar period, and they provide an
 orderly means of dealing with the scarcity of a currency if that should
 happen.

XIII. ALTERNATIVES TO THE BRETTON WOODS PROGRAM

In the course of the hearings on H. R. 2111, several alternatives to
the Bretton Woods proposals were suggested by witnesses. The
committee is of the opinion that these alternatives do not offer a
practical basis for international monetary policy after the war.

The most important of these alternatives are discussed in the follow-
ing paragraphs.

LEAD EACH COUNTRY STABILIZE BY ITSELF

One alternative would be to reject both the fund and bank proposals
on the ground that no international stabilization arrangement or lead-
ing agency is needed. According to this view, currency stabilization
is wholly a matter of a country’s internal policies. Any attempt to
help other countries to stabilize their currencies would be futile, and
in any event other countries could not be counted on to abide by their
agreements.

So far as international loans are concerned, all necessary credit
worthy countries will be made by private institutions without the help of the fund or the bank.

The committee rejects the view that international monetary coop-
eration and financial assistance to other countries in stabilizing their
currencies is either futile or wasteful. Fast experience indicates that
in general other nations are willing to cooperate in their economic
affairs, even though they need serious damage to their economies.
Moreover, there is nothing in the past experience to indicate that the
stabilization operations of the fund will be unsuccessful or accompanied
by large loans.

In considering the view that private financial institutions will be
able to balance their foreign transactions, it must be borne in mind
that the rapid reconstruction of the war-torn areas of Europe and
Asia is vital to the peace and prosperity of the world. In many cases,
the credit standing of these countries immediately after the war will
not be sufficiently well established for such loans to be attractive to
private lenders except at excessively high and burdensome interest
rates. As many countries will need foreign capital for the develop-
ment of their resources, capital which cannot always be obtained at
reasonable interest rates from the usual private investment sources.
It is a mistake to assume that because a loan is not attractive to

private financial institutions at reasonable interest rates, it is, there-
fore, unwise to make the loan. If made in moderate amounts and for
productive purposes, these loans in the aggregate should prove a
sound and profitable investment. By sharing the risk of loss among a
large number of countries, the bank will make productive loans
possible that could not be made by financial institutions by them-
seively, but that will nevertheless prove to be of general benefit
to the whole world.

HAVE ALL COUNTRIES ADOPT THE GOLD STANDARD

This approach takes the position that the only workable interna-
tional monetary standard is the automatic gold standard and that
all other systems lead inevitably to currency instability and inflation.
It is suggested that the United States might get the world back on
gold by calling another world conference specifically for this purpose.

The assumption that countries will soon or later return to the
traditional gold standard after the war is unrealistic. The fact is
that the United States is perhaps the only major country in the world
that is prepared to maintain the gold standard as it existed in the
late 1920’s. Most countries believe that rigid adherence to the gold
standard would force upon them adjustments harmful to domestic
employment, and that they would become subject to alternate infla-
tion and deflation with movements of gold in and out of the country.

We in this country are in the fortunate position of having an abundance
of gold, so that gold movements need not interfere with our domestic
policies. We must face the fact, however, that nearly every other
important country has been on a gold standard or is on its way to
one.

The fund agreement embodies the fundamental advantages of sta-
bility and order that can be secured from the gold standard without
forcing its rigidity on countries which are unwilling and unable to
accept them. All currencies are defined in terms of gold, and with
gold it will be possible to buy the currency of any member country at a
nearly fixed price for the purpose of settling international payments.

Also, in connection with current transactions, the currency of every
member country would be freely convertible by gold and foreign in-
vestors into their own currencies.

The committee is impressed by the fact that entirely too much
emphasis is put on the name to be given to the exchange provisions
of the fund agreement. Because many people in this country have
called these arrangements a form of the gold standard and others in
England have called them the opposite of a gold standard, there is
a widespread misunderstanding of the meaning of these exchange pro-
visions. In fact, the provisions are clear enough. They provide for
stability and order in exchange rates.
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KEY CURRENT APPROACH

Advocates of the key currency approach oppose an agreement for the general stabilization of the currencies of the United Nations. Instead, they propose that we seek to stabilize only the so-called key currencies, or the currencies in terms of which the bulk of the world’s trade is carried on. For the time being, it is suggested that stabilization efforts be limited to stabilizing the dollar-sterling rate by means of a large stabilization loan to a so-called key country. Eventually, it is intended that all other currencies will be tied more or less firmly to one or the other of the key currencies. The view is expressed by some of the advocates of this approach that the value of many of the other currencies should be permitted to fluctuate freely.

Stabilization of the rate of exchange of the so-called key currencies would not provide the world with the kind of international monetary policy necessary for a high level of world trade. While the dollar and sterling are the most important currencies for purposes of international trade, it is not possible to reflect the other currencies. Only a very small proportion of the trade of the entire world is represented by trade between Great Britain and the United States. It would appear to be excessively optimistic to think of exchange stability exclusively in terms of the dollar-sterling rate. The currencies of all countries are important to the extent that they affect international trade and investment.

In fact, if other currencies are permitted to fluctuate, even the stabilization of the dollar-sterling rate will become more difficult and may become impossible. It should be noted that a considerable number of currencies were depreciated before the sterling depreciation of 1931, and that the undervaluation of other currencies contributed to the weakness of sterling. Currency stabilization cannot be regarded as the special problem of the United States and Great Britain. It is an international problem that can be dealt with only through international cooperation among all countries. Under the key-currency approach other countries would be expected to attach themselves to the dollar or sterling and to pursue exchange policies conforming to those set for them by the United States or by the United Kingdom. Such a system based on key currencies would inevitably divide the world into economic blocs. It would have all the economic disadvantages of bilateralism, and all the political dangers of a world divided into conflicting groups. The fund is based on the principle that all countries have a common interest in international monetary problems, and that all should cooperate in dealing with such problems.

Those who emphasize the stabilization of exchange rates between a few key currencies overlook what will be a significant postwar currency problem, namely, the retention of exchange restrictions and clearing arrangements which played such a large part in stabilizing world trade since the great depression and the breakdown of the gold standard in the 1930’s. Formally, at least, currencies may very well be stabilized after the war with reference to sterling, the dollar, or gold, but in much the same way as the German mark was stabilized during the 1920’s. Such stability has little meaning when trade is carried on in terms of special currencies with a wide variety of rates, under bilateral clearing arrangements, and with rigid control of foreign exchange transactions.

Agreements on exchange rates and exchange practices must be multilateral in character. Nations cannot agree to give up exchange controls and other restrictive devices unless all nations enter into an agreement not to employ them. Likewise, nations cannot make commitments with respect to their exchange rates until similar commitments are made by other countries. It is a mistake to think that we can begin in a small way with an agreement with one country and ultimately get all other countries to subscribe to the kind of exchange policies that we have advocated. No important nation would be prepared to enter into a long-period agreement with us for the freezing of its exchange and the stabilization of its exchange rate unless most other countries commit themselves to the same principles.

REJECT THE FUND AND AMEND THE BANK

The alternative that has perhaps received the widest attention is that the agreement for the fund be rejected and the agreement for the bank be changed to permit it to make stabilization loans and to enter into agreements with members regarding exchange policies. It is said by the proponents of this alternative that in this way the bank could perform the functions of both the fund and the bank more efficiently and with only half the capital.

If the question were whether all the functions of the bank and fund were to be performed by two institutions or by one, it would still be necessary to weigh the advantages of combined or separate organizations. Conceivably, some minor advantages in the coordination of policy might be gained from having one institution instead of two. On the other hand, it should be recognized that the functions of the fund and the bank will be distinct and specialized, requiring the services of specialists in each field.

The functions of the two institutions are so different that in the opinion of the committee a separation of their operations is considered highly desirable. The fund is concerned with broad economic considerations that affect exchange policy and fluctuations in the exchange markets. It is concerned with the seasonal and cyclical developments that alter the balance of payments of a country and put pressure on its exchange rates. These are highly specialized problems. The bank, on the other hand, is concerned with the long-range problem of loans for reconstruction and development. It is concerned with the question whether countries can profitably use foreign loans to develop their economy and to expand their international trade, and whether their balance-of-payments position over years or decades will be adequate for servicing and repaying the loans.

In this country, we have recognized the essential distinction between these functions in our domestic legislation. Under the Banking Act of 1933, commercial and investment banking are separated. The fund, whose functions comprise stabilization operations and the determination of exchange standards, is so far specialized in its work that it is not to be even more remote from the work of the bank than is ordinary commercial banking.

The alternative under discussion, however, involves far more than merely combining the functions and the resources of the fund and the bank. If the fund is eliminated, under the proposal which has been
made, we would automatically lose the basic agreement on exchange policy which was drawn up at the Bretton Woods Conference. The following are some of the important provisions of the fund agreement that would be dropped if the fund were not established:

(a) The fund provides a means for determining the initial pattern of exchange rates after the war. If countries are left to fix their own exchange rates without consultation with other countries, an inappropriate pattern of exchange rates would be almost unavoidable. Some currencies would be overvalued, others undervalued, without any basis for adjustment through consultation. Successful trade and financial relations in the future will depend in considerable measure upon common action in setting exchange rates after the war.

(b) The fund agreement provides for the stabilization of exchange rates, and a method for making necessary changes in exchange rates after consultation and with consideration of the effects on the economy of other countries. In this way, the fund establishes orderly exchange arrangements and eliminates competitive exchange depreciation.

(c) Members of the fund agree not to impose restrictions after the transition period on the making of payments or the transfer of such payments as long as the transactions arise out of current business.

(d) The fund agreement provides for the elimination of other currency devices of economic warfare which interfere with international trade and which in the past have often been directed against the exports of this country.

The proposal to give the bank power to make stabilization loans cannot be regarded as an adequate substitute for the fund. Without an agreement on exchange standards, stabilization loans would become meaningless. In fact, a number of witnesses testified that without the fund it would not be possible for the bank to operate successfully.

It is quite evident from the developments at the Bretton Woods Conference that the vast majority of the United Nations firmly believe that the best and most desirable solution is international cooperation through the fund in the working out of international monetary problems. It was fully recognized that the objective of the bank for encouraging adequate international investment would be jeopardized without an international agreement on currency stabilization and exchange policy.

A final difficulty with the proposal to amend the bank and abolish the fund is that it would require another international conference. This would entail much delay, and there is little reason to believe that a satisfactory agreement could be reached on exchange policies if we rejected the basic structure of the Bretton Woods proposals. The rejection of the fund agreement by this country would crush the hopes of the vast majority of people in other countries who want to see a world in which international trade and investment can be carried on by businessmen, free from the stifling effect of discriminatory currency practices and complete government control of exchange transactions.

There is nevertheless much that can be done to secure coordination of the activities of the fund and bank. Clearly what is needed is the coordination of the activities of the two institutions in their operations. In the opinion of the committee this has been accomplished by provisions in the bill.

XIV. AMENDMENTS AND RESERVATIONS TO THE AGREEMENTS

The committee has considered the possibility of amending the articles of agreement or accepting them with reservations as to the interpretation of certain provisions. This problem has been examined in the light of the testimony and the suggestions presented to the committee.

Some of the suggestions to improve the Bretton Woods proposals are not based on the amendment of any specific provisions of the articles of agreement of the fund and bank. In some instances the modifications sought can be made adequately in the legislation that the United Congress enact once they relate to the manner in which the United States will participate in the operation of the institutions rather than the context of the articles of agreement. The Committee for Economic Development has suggested that the bank's authority to make long-term stabilization loans be clarified. Although the provisions of the agreement itself are involved in this suggestion, the committee believes a satisfactory solution has been found without the necessity of calling another conference. The same consideration applies to the section of the legislation dealing with the currency transactions of the fund. This solution will be discussed in the next part of this report.

Some critics of the International Monetary Fund, whose principal spokesmen are the committee of the American Bankers Association, have proposed amendments to the articles of agreement. The principal suggestion is that the fund be not approved and that a department be set up in the bank to make stabilization loans. As stated above, the fund and bank operate for different purposes: the fund in the field of monetary stabilization; the bank in the field of economic stabilization, reconstruction, and development.

The committee has concluded that the desire of amending the articles of agreement for the fund and bank involves serious risk. If the United States should propose amendments to the agreements, other countries would undoubtedly do this too. A whole set of principles would have to be examined, and the difficulty of compromise would have to begin all over again. The prospect of reaching a satisfactory agreement a second time would be dim indeed. Moreover, an adequate amendment procedure is provided in the articles of agreement. Changes of a specific nature could be made without great difficulty. The interests of the United States, moreover, are fully protected, since no amendment can go into effect without our approval, and the bill requires that Congress pass any proposed amendment before this country accepts it.

There have been several proposals for reservations as to the proper interpretation of the articles of agreement of the fund. The committee, after considering these carefully, has concluded that the supposed dangers to which they are directed are not serious. If accepted, these reservations would open the way for reservations on the part of the 43 nations that have not yet passed upon the Bretton Woods agreements. We believe that it would be wise for the United States to jeopardize the establishment of the two institutions by attempting to formulate modifications in the articles of agreement by unilateral
XX. Analysis of the Bill by Sections

Because of its conviction that the fund and bank are essential to successful political action as well as to economic co-operation and that they will play an important part in the establishment of a just and lasting peace, the committee has designed this legislation to give the American representatives every opportunity to make these institutions the nations in concert. The bill makes clear the vital need of the United States to be guided by a unified policy in its participation in the fund and bank. The Congress, the administrative officials concerned, and the American representatives will be enabled, under the provisions of the bill, to work together in bringing about the kind of international monetary and financial relations toward which the Bresworn Wood agreements are directed.

The bill recommended by the committee has 14 sections. Sections 3 and 4 of the bill contain substantial modifications of the corresponding sections of H. R. 2211.

SHORT TITLE

Section 1 provides a short title: "Bretton Woods Agreement Act."

ACCEPTANCE OF MEMBERSHIP

Section 2 authorizes the President to accept membership for the United States in the fund and bank. This section, in effect, constitutes approval by the Congress of the article of agreement formulated at the Bretton Woods Conference.

APPOINTMENT OF GOVERNOR AND EXECUTIVE DIRECTORS

Section 3 provides for the appointment of United States representatives on the fund and bank. H. R. 2211 as originally introduced authorized the President, by and with the advice and consent of the Senate, to appoint two representatives for the United States, one for the fund and another for the bank. The committee has amended this provision by requiring that the same person be named to serve as Governor of both the fund and bank. According to the committee, it is important that the appointee shall have the necessary experience and training for his position, and be able to represent the United States in its international obligations effectively. The committee believes that a single individual representing the United States as Governor on both institutions will be in a better position to coordinate the policies and practices of the fund and the bank. The great difference between their tasks, the specialized training that will be required for their performance, and the differences in their methods of operation, make it essential that the fund and bank be represented in the same person.

The committee hopes that the proposed changes in the bill will be received with approval by the Senate, the House of Representatives, and the Administration, and will result in the appointment of a Governor who will be able to discharge the responsibilities of this important post. The committee believes that the proposed changes will contribute to the success of the fund and bank, and will enable them to fulfill their purposes effectively.
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Those officials will be familiar with the objectives of the United States in the fields where the fund and the bank operate and will, therefore, be in a position to see whether the representatives of the United States on the fund and bank exercise their authority in accordance with the best interests of the United States.

The Council's chief function will be to provide continuing contact between the representatives of the United States on the fund and the bank and the appropriate officials of the United States Government and especially the Congress. It will recommend to the President general policy directives for the guidance of the United States representatives on the fund and the bank; advise and consult with the President and the American representatives on the major problems arising in the administration of the fund and bank; coordinate the policies and operations of the representatives of the United States on the fund and bank, the policies and operations of the Export-Import Bank and other Government agencies to the extent that they may or may not participate in foreign loans or engage in foreign financial, economic, or monetary transactions; and transmit, at least semiannually, reports to the President and the Congress.

Under the general direction of the President, the Council will also give or refuse the approval, consent, or agreement of the United States to proposed actions of the fund and bank when such approval, consent, or agreement is required, but in exercising this power the President will be limited by the prohibitions contained in section 5. In addition, the American representatives must obtain the Council's approval before they vote in favor of a waiver of the conditions under which a member can purchase exchange from the fund, or before they vote in favor of a declaration of the United States dollar as a world currency.

The committee has recognized the possibility that the experience we will have with the fund and the bank may reveal adjustments that can be made in this Nation's cooperation with other countries on monetary and financial problems. The Council, therefore, is required to transmit to the President and the Congress every 2 years a special report on the operations and policies of the fund and bank.

Each report will cover and include: The extent to which the fund and the bank have achieved the purposes for which they were established; the extent to which the operations and policies of the fund and the bank have been coordinated, and the Council's recommendation in connection therewith; the extent to which the operations and policies of the fund and bank have been coordinated, and the Council's recommendations in connection therewith; recommendations on whether the resources of the fund and the bank should be increased or decreased; recommendations as to how the fund and the bank may be made more effective; recommendations on other necessary or desirable changes in the articles of agreement of the fund and of the bank or in this act; and an overall appraisal of the extent to which the operations and policies of the fund and the bank have been coordinated, 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.

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In order that the council may properly carry out its responsibilities, the representatives of the United States on the fund and the bank, the Export-Import Bank, and other affected agencies, are required to provide the council with such information concerning their activities as the council requires.

ACTS NOT TO BE TAKEN WITHOUT AUTHORIZATION

Section 5 prohibits the making of fundamental changes in the fund or bank, or in the participation of the United States in those institutions unless Congress approves such changes. Except upon approval by Congress, it will prohibit:

1. Changing the quota of the United States in the fund.
2. Changing the par value of the United States dollar.
3. Increasing the capital stock of the bank.
4. Increasing the subscription of the United States to the bank.
5. Making loans to the fund or the bank by any agency of the United States Government.
6. Accepting any amendment to either the fund or bank agreements.

This last provision has the effect of preventing amendments to the agreements without the approval of Congress since United States acceptance is essential to the adoption of an amendment. This limitation will not, of course, apply to the amendments, if any, necessitated by sections 13 and 14 of the bill.

PAR VALUE OF THE DOLLAR

Section 6 of the bill provides that when the United States requests that the fund communicate the par value of the dollar such par value shall not be communicated as other than 15½ of gold nine-tenths fine, which is the present weight of the gold dollar. Under the articles of agreement of the fund the par value thus communicated will be the par value of the dollar for the purposes of the fund until changed in the manner provided in the articles of agreement. Under sections 2 of this bill no one on behalf of the United States is permitted to propose or agree to any changes in the par value of the dollar unless expressly authorized by Congress, and under the articles of agreement the consent of the United States is required to any change in the par value of the dollar.

REPORTS

Section 7 directs the Federal Reserve Banks to act as depositaries or fiscal agents of the fund and bank when requested to do so. In carrying out such functions, they will be supervised and directed by the Board of Governors of the Federal Reserve System.

PAYMENT OF SUBSCRIPTIONS

Section 8 sets forth the procedure to be followed in paying the United States subscriptions to the fund and the bank. The subscription of the United States to the fund is 2.750 billion dollars, and to
the bank, 3,175 billion dollars. The total subscription to the two institutions in, therefore, 3,925 billion dollars.

While the entire subscription to the fund must be paid when the fund has assumed its function of beginning exchange transactions, the subscription to the bank (except for 63.5 million dollars, which must be paid immediately) is payable only as called by the bank from time to time. Eighteen percent of the subscription to the bank, or $71.5 million dollars, can be called for the purpose of making loans, and at least $254,000,000 of the amount will be called in the first year of the bank's operations. The balance of the United States subscription to the bank, or 2,340 billion dollars, can be called only when needed to meet losses suffered by the bank in the course of its operations. In view of the fact that the United States must certify, when it signs the articles of agreement of the bank, that it is then prepared to carry out all its obligations under those articles, the balance must be readily available.

Partly because the entire amount of 3,925 billion dollars must be made available at once even though a substantial portion, if needed at all, may not be used for a considerable number of years, and partly because the payments which must be made by the United States are investments and not expenditures, section 8 provides that the stabilization fund created by Congress in 1934 for the purpose of stabilizing the exchange value of the dollar, will be used to meet part of our subscription. The remainder will be met by the proceeds of United States Government bonds issued in the future as has been commonly done with investments in other Government corporations in the United States.

Section 8 (a) directs the Secretary of the Treasury to use 1.8 billion dollars of the present stabilization fund to pay part of the subscription to the United States to the fund. The stabilization fund was originally created with 2 billion dollars of the profit realized by the United States when the gold content of the dollar was reduced in 1934. During the 11 years of the stabilization fund's operation, an additional 80 million dollars has been accumulated, so that its total assets now amount to 2,080 billion dollars. Section 10 of the Gold Reserve Act of 1934, as amended, provides that the proceeds in connection with the stabilization fund shall expire on June 30, 1945. Since the subscription to the United States to the International Monetary Fund will reduce the stabilization fund to about $290,000,000, the time limit is omitted and the reduced stabilization fund will become permanent. The smaller stabilization fund will continue to be extremely useful in supplementing the work of the International Monetary Fund with respect to those countries that have close economic ties with the United States, and particularly those with which we now have bilateral stabilization agreements. If the United States withdraws from the fund or the fund is liquidated, the money for the subscription paid out of the stabilization fund is returned to the United States, it will not go back into the stabilization fund but will be credited to the general fund of the Treasury.

Section 8 (b) authorizes the Secretary of the Treasury to issue United States Government bonds and to use the proceeds to pay the subscription to the fund that is not covered by the transfer of money from the existing stabilization fund. He is authorized to raise the funds subscribed by the United States to the bank in the same way, but payments to the bank will be made from time to time as called in accordance with the articles of agreement. The method of financing has been used a number of times in the past, beginning in 1932, and is particularly appropriate when money must be raised to make investments as contrasted to expenditures. The same financing procedure is authorized by acts of Congress relating to the Reconstruction Finance Corporation, the Federal Farm Mortgage Corporation, the Federal Deposit Insurance Corporation, the Home Owners Loan Corporation, the United States Housing Authority, the Tennessee Valley Authority, and the Commodity Credit Corporation.

Section 8 (c) will serve to reduce the cost of the United States' participation in the fund and bank. Both institutions will have large dollar balances on deposit in the Federal Reserve banks and these balances will frequently be greater than needed for immediate operating purposes. The articles of agreement permit the United States to substitute for such dollar balances nonnegotiable, non-interest-bearing notes payable on demand. With these notes, the fund and bank will be in a position to obtain dollars when needed, and the United States will be relieved of the interest costs that would be involved if the full amount of the subscriptions to the fund and bank were provided in the form of cash. The amount of non-interest-bearing notes issued to the fund and outstanding is limited to the subscription of the United States, which is $2,750,000,000. The amount of such notes issued to the bank and outstanding is limited to the amount of the subscription of the United States to the bank actually paid in for the purpose of making loans, which will not exceed $625,000,000.

Section 8 (d) provides that any money received by the United States through the distribution of net income of the fund or the bank will be paid into the general fund of the Treasury, so that it can be used only in accordance with appropriations made by Congress.

OBTAINING AND DISCHARGING INFORMATION

Section 9 of H.R. 2211 authorized the President to collect information requested by the fund in accordance with the articles of agreement, and information essential for the guidance of the United States in its participation in the fund and bank. The procedure and penalties to be applied were those contained in the Act of June 19, 1917, with the Enabling Act.

The committee has rewritten this section to provide that the President may, by order or regulation, require the furnishing of information determined to be necessary to enable the United States to comply with requests of the fund for information. The information is to be collected only in such detail as is necessary to comply with the regulations of the fund. The committee has added a provision making it unlawful for any person to make or use false statements or representations or dissemble in any manner, and to subject to a fine of not more than $50,000 for violation of this provision. Violation of this provision will subject the guilty person to 5 years imprisonment, $5,000 fine, or both.
Section 10 suspends with respect to the members of the fund and bank the 
opportunity of the so-called Johnson Act of April 18, 1934. Under 
that act, no person can purchase the new security issues, or lend 
money to, a government that is in default on its obligations to the 
Government of the United States. Since the fund and bank are to 
supplement private agencies, it will be necessary for member countries 
to use commercial and investment banking facilities as much as possible. 
Section 10 provides the minimum change necessary to enable 
the fund and bank to operate properly. It suspends the Johnson 
Act restrictions in respect to those countries which are members of 
the fund and bank.

Jurisdiction and Venue of Actions

Section 11 confers upon the district courts of the United States 
judisdiction to try any case in which the fund or bank is a party. It 
also authorizes the removal of cases from a State court to a Federal 
court when the fund or the bank is a defendant.

Status, Immunities, and Privileges

Section 12 gives full force and effect in the United States, its Ter-
tories and possessions, to the provisions of the articles of agreement, 
that confer upon the fund and the bank a legal status, and certain 
immunities and privileges, as follows:

1. They will have legal personality and the ability to contract, 
to acquire and dispose of property, and to sue in our courts.
2. The fund will be immune from suit unless it consents to be 
sued, and will not be subject to having its property attached 
except to execute a judgment.
3. The assets and the archives of the fund and the bank will be 
free from all types of interference.
4. The communications of the fund and bank will be treated 
with the same respect as those of foreign governments.
5. The officials and employees of the fund and the bank will be 
given treatment substantially similar to that accorded to persons 
in the diplomatic service.
6. The fund and bank will be immune from taxation and each 
official and employee will be immune from taxation on his salary 
or emoluments by any member country other than his own. In addition, 
immunities are guaranteed by either institution will be pro-
tected against discriminatory taxation, but will have no special 
tax privileges.

Section 12 gives effect to that portion of the bank agreement which 
provides that if the bank should wind up its affairs and distribute its 
assets to the member countries, the recipients would be entitled to 
the same privilege and immunity with respect to those assets that 
the bank had prior to distribution. It also gives effect to that 
portion of the fund agreement which provides that when other 
member countries have exchange controls which are consistent with 
the articles of agreement, United States courts will not enforce 
exchange contracts that violate such controls.

Stabilization Loans by the Bank

Section 13 is for the purpose of carrying out a suggestion originally 
made by the Committee for Economic Development. This suggestion, 
which met with the approval of many other interested organizations 
and with a considerable segment of public opinion, was that the 
bank should have clear power to make long-term stabilization loans 
when such loans are needed and appropriate. It is the view of the 
committee that the bank agreement, as drafted at Bretton Woods, 
provides such authority. The committee agrees with the Com-
mittee for Economic Development, however, in the belief that the 
management of the fund will be in a better position to continue the use 
of the fund's resources to current stabilization operations if it can say 
that applications for such long-term stabilization loans should properly 
be made to the bank rather than the fund.

The committee has determined that an amendment or reservation 
unnecessary because the articles of agreement of the bank already 
embrace the power of the bank to make such loans, and the result desired can be 
achieved through an official interpretation by the bank that it so 
interprets the articles of agreement. Accordingly, section 13 requires 
the United States representatives to secure such an interpretation 
and, if the bank takes a contrary position, to propose and support an 
appropriate amendment to the articles of agreement of the bank.

If it should become necessary to amend the agreement in this way— 
and the committee believes that this will not be necessary—the 
President is authorized and directed to accept such an amendment on 
behalf of the United States.

Stabilization Operations of the Fund

Section 14 is the result of the committee's reaction to double 
risks raised by some of the interested groups that have studied the fund. 
Stabilization operations in connection with seasonal, 
cyclical, and emergency fluctuations in the balance of payments of 
any member for current transactions. It has been decided that 
the fund's resources will be used for relief or rehabilitation of 
most large or sustained capital outflows.

The committee believes that an amendment to the agreement will 
not be required to make it clear that the resources of the fund are to 
be used only in accordance with the principles stated in section 14 of 
the bill. It is the understanding of the committee that this is 
understood by all member countries. To avoid any doubt on this point, the bill 
requires the United States representatives to secure an official inter-
pretation from the fund. If the interpretation should not be in 
accord with this understanding, the United States, as well as 
other countries, will make it manifest that the proper operation of the fund 
necessitates an amendment to the articles of agreement of the bank.

In such a case, the American representatives are required to propose 
and support an appropriate amendment and the President is author-
ized and directed to accept such an amendment on behalf of the
ARTICLES OF AGREEMENT
INTERNATIONAL MONETARY FUND

The Governments on whose behalf the present Agreement is signed agree as follows:

ARTICLE I. PURPOSES

The purposes of the International Monetary Fund are:

(a) To promote international monetary cooperation through a permanent institution which provides the machinery for consultation and collaboration on monetary questions.

(b) To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real incomes and to the development of the productive resources of all members as primary objectives of economic policy.

(c) To provide a stable system of exchange rates and to prevent competitive exchange devaluation.

(d) To develop the means of preventing and controlling the use of exchange transactions for purposes of disguised transfers of value.

(e) To make short-term loans to members in respect of current transactions between members and in the elimination of exchange restrictions which impede the growth of world trade.

(f) To give encouragement to members by making the Fund’s resources available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.

(g) To promote cooperation in the making of statistics and surveys on international monetary, financial, and price matters.

(h) To promote the exchange of information on economic and financial developments and policies.

ARTICLE II. MEMBERSHIP

Section 1. Original members.—The original members of the Fund shall be those of the countries represented at the United Nations Monetary and Financial Conference which except members before the date specified in Schedule X. The quotas of other members may be determined by the Fund.

Section 2. Other members.—Membership shall be open to the governments of other countries on such terms as may be agreed on by the Fund.

ARTICLE III. QUOTAS AND SUBSCRIPTIONS

Section 1. Quotas.—Each member shall be assigned a quota. The quotas of the members represented at the United Nations Monetary and Financial Conference which except members before the date specified in Article XX, Section 1, shall be determined in accordance with Schedule X. The quotas of other members shall be determined by the Fund.

Section 2. Adjustments of quotas.—The Fund shall at intervals of five years review and, if it deems it appropriate, propose an adjustment of the quotas of the members. It may also, at any other time, propose an adjustment of any member’s quota, or of the total quotas of the members. A four-fifths majority of the total voting power shall be required for any change in quotas and no quota shall be changed without the consent of the member concerned.

INTERNATIONAL MONETARY FUND AND BANK

ARTICLE I. EXPRESSION OF PAR VALUES

Section 1. Expression of par values.—(a) The par value of the currency of each member shall be expressed in terms of gold at a common denominator or in terms of the United States dollar at a common parity in effect on July 1, 1944, except the par value of the gold dinar of Iraq shall be the gold be among the members.

ARTICLE II. GOLD PURCHASES

Section 2. Gold purchases based on par values.—The Fund shall purchase gold bullion and redeem the par value of transactions in gold at a price which is to be determined by the Fund from time to time. The Fund shall not purchase gold at a price above the par value plus the par value of the member’s gold reserve or below the par value minus the par value of the member’s gold reserve.

ARTICLE III. FOREIGN EXCHANGE DEALINGS

Section 3. Foreign exchange dealings based on parity.—The maximum and the minimum rates for exchange transactions between the members shall be determined by the Fund. The Fund shall, in addition, determine the terms on which members may make or accept loans or advances or enter into other exchange arrangements with other members, and to avoid competitive exchange alterations.
INTERNATIONAL MONETARY FUND AND BANK

SEC. 2. Assistance of restrictions on current payments—(c) Subject to the provisions of Article VII, Section 3 (a), and Article XIV, Section 3, no member shall, without the approval of the Fund, impose restrictions on the making of payments and transfers for current international transactions.

(5) Exchange contracts which involve the currency of any member and which are contrary to the exchange control regulations of that member maintained in accordance with this Agreement shall be invalid and unenforceable in the territory of any member. The Fund is authorized, upon the request of a member, to make inquiries in such member in connection with such contracts, and the member has the right to receive reports of such inquiries under conditions determined by the member.

(6) Each member shall keep balances in its currency held by another member if it is requested to do so by the Fund. Such balances shall be available for the purpose of meeting the obligations of the member under this Agreement.

(7) Each member shall make available to the Fund all materials and information which the Fund may require in connection with its duties under this Agreement.

(8) The Fund shall be entitled to receive all materials and information which the Fund may require in connection with its duties under this Agreement.

ARTICLE IX. STATUS, IMMUNITIES AND PRIVILEGES

Section 1. Purpose of Article—To enable the Fund to fulfill the functions with which it is entrusted, the rights, privileges, and immunities set forth in this Article shall be accorded to the Fund, its members and officials.

(5) The Fund shall be entitled to acquire and dispose of immovable and movable property; to sue and be sued; to have a seal; to purchase and sell, make and deliver contracts, and receive gifts and legacies; to give evidence in its corporate name; and to appear in its corporate name before all courts of law.

(6) The Fund shall be entitled to receive and use funds transferred to it.

(7) The Fund shall be entitled to receive and use funds transferred to it.

(8) The Fund shall be entitled to receive and use funds transferred to it.

(9) The Fund shall be entitled to receive and use funds transferred to it.

Section 2. Right of nationals of any member to purchase and sell property in the Fund's territory—The Fund shall have the right to purchase and sell property in any member's territory, and the Fund's officials shall have the same rights as nationals of the member in respect of such property.
84 INTERNATIONAL MONETARY FUND AND BANK

85 INTERNATIONAL MONETARY FUND AND BANK

discussions in the international balance of payments of members. If the member
ism and of a member reporting in accordance with a member reporting

ARTICLE XII. OFFICERS AND DIRECTORS

SECTION 1. Location of offices. — The principal office of the Fund shall be located in the territory of the member having the largest quota, and agencies or branch

ARTICLE XIII. TRANSACTIONS

SECTION 1. Introduction. — The Fund is not intended to provide facilities for

SECTION 2. Notifications to the Fund. — Each member shall notify the Fund of any further change in the size of its quotas, or of any other change in the size of its

ARTICLE XIV. TRANSATIONAL PERSON

SECTION 1. Action of the Fund relating to restrictions. — Not later than three years

85

1. The Board of Governors shall adopt regulations under which a member not

2. The Board of Governors shall adopt regulations under which a member not

3. The Board of Governors may appoint such committees as they deem

4. Voting. — Each member shall have two hundred and twenty-five votes plus one

5. Non-exceedance of net income. — The Board of Governors shall deter-

6. Communications of data to members. — The Fund shall at all times make

7. Communication of data to members. — The Fund shall at all times make
ARTICLE XV. Withdrawal from Membership

Section 1. Right of member to withdraw—Any member may withdraw from the Fund at any time by notifying the Board of Directors of its intention to do so. The withdrawal shall become effective on the date such notice is received.

Sec. 2. Compulsory withdrawal—(a) If a member fails to fulfill any of its obligations under this Agreement, the Board may require the member to withdraw from the Fund. Notice to that effect shall be provided in writing to the member, and such notice shall be considered to have been given when it is received by the Board of Directors. The withdrawal shall become effective on the date such notice is received.

Sec. 3. Period of withdrawal—(a) A member shall be required to withdraw from the Fund upon the expiration of a specified period following the date of notice of withdrawal. If the member fails to withdraw within the specified period, it shall be considered to have withdrawn effective on the date such notice is received.

Sec. 4. Withdrawal from membership—Any member may withdraw from the Fund at any time by notifying the Board of Directors of its intention to do so. The withdrawal shall become effective on the date such notice is received.

ARTICLE XVI. Emergency Provisions

Section 1. Temporary suspension—(a) In the event of an emergency or the development of circumstances threatening the operation of the Fund, the Executive Directors may temporarily suspend the operation of the Fund for a period of not more than one hundred twenty days and the provisions of any of the following provisions:

(1) Article IV, Sections 2 and 4.3.
(2) Article V, Sections 1, 2, 3, 4, 5, 6.
(3) Article VI, Section 1.
(4) Article X, Section 1.
(5) Article XI, Section 1.
(6) Article XII, Section 1.
(7) Article XIII, Section 1.
(8) Article XIV, Section 1.
(9) Article XV, Section 1.
(10) Article XVI, Section 1.
(11) Article XVII, Section 1.
(12) Article XVIII, Section 1.
(13) Article XIX, Section 1.
(14) Article XX, Section 1.

Sec. 2. Termination of suspension—(a) If the Board determines that the emergency or the development of circumstances threatening the operation of the Fund has ceased, the suspension shall terminate and the operation of the Fund shall resume.

Sec. 3. Termination of suspension—(a) If the Board determines that the emergency or the development of circumstances threatening the operation of the Fund has ceased, the suspension shall terminate and the operation of the Fund shall resume.

ARTICLE XVIII. Interrogation

(a) Any question of interpretation of the provisions of this Agreement or of the application of the provisions of the Agreement shall be referred to the Board of Directors for decision.

(b) If the Board of Directors fails to make a decision within a reasonable time, a majority of the total voting power shall be required to make a decision.

(c) If the Board of Directors fails to make a decision within a reasonable time, a majority of the total voting power shall be required to make a decision.

ARTICLE XIX. Explanation of Terms

In interpreting the provisions of this Agreement, the Board shall be guided by the following:

(a) A member's monetary resources shall be determined by the net worth of the member at the date of certification of such member by the Fund.

(b) The official holdings of a member in any official institution shall be considered to be the holdings of the member in such institution at the date of certification of such member by the Fund.

(c) The obligations of a member to the Fund shall be determined by the net worth of the member at the date of certification of such member by the Fund.

(d) The obligations of a member to the Fund shall be determined by the net worth of the member at the date of certification of such member by the Fund.

(e) The obligations of a member to the Fund shall be determined by the net worth of the member at the date of certification of such member by the Fund.

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(l) The obligations of a member to the Fund shall be determined by the net worth of the member at the date of certification of such member by the Fund.

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(1) The obligations of a member to the Fund shall be determined by the net worth of the member at the date of certification of such member by the Fund.
(7) The Fund's holdings of the currency of a member shall include any securities accepted by the Fund under Article III, Section 11, provided that such securities are of a character which is acceptable to the transitional arrangements under Article XIV, Section 2, may be deemed holdings of the currency of the member which carry specified rights of conversion into another currency or into gold to be holdings of convertible currency for the purposes of the calculation of monetary reserves.

(3) For the purpose of calculating gold reserves, any obligation under Article XIII, Section 5, of a member's net official position in gold and United States dollars shall be subtracted from the gold and dollar values of the United States currency after deducting central holdings of the currency by other countries and holdings of its currency by other official institutions and other banks if these holdings carry specified rights of conversion into gold or United States currency.

(4) Payments for current transactions must be made, which are not for the purpose of financing current transactions, by all payments in connection with foreign trade, other current transactions, and current short-term bank and credit facilities.

(5) Payments due on loans and as net income from other investments.

(6) Payments of moderate amount for amortization of loans or for depreciation or amortization investments.

(7) Moderate contributions for family living expenses.

The Fund may, after consultation with the members concerned, determine whether certain specific transactions are to be considered current transactions or capital transactions.

ARTICLE XX. FINAL PROVISIONS

Section 1. Entry into force—This Agreement shall enter into force when it has been signed on behalf of governments having fifty percent of the total contributors to the total voting power.

Section 2. Signature—(a) Each government on whose behalf this Agreement is signed shall deposit with the Government of the United States of America an instrument of ratification of this Agreement in accordance with its law and has taken all steps necessary to enable it to carry out all of its obligations under this Agreement.

(b) Each government shall become a member of the Fund as from the date of its ratification of this Agreement and after depositing with the Fund, in a manner agreed with the Fund, the instrument of ratification referred to in (a) above, except that no government shall become a member before this Agreement enters into force under Section 1 of this Article.

(c) The Government of the United States of America shall inform the governments of all countries whose names are set forth in Schedule A, and all governments of all countries whose names are set forth in Schedule B, of the date on which this Agreement becomes effective and the date on which this Agreement becomes effective as to each of its signatures of this Agreement and the deposit of all signatures referred to in (b) above.

(d) At the time this Agreement is signed on behalf of any government, that government shall sign an instrument of ratification of the Agreement, a copy of which shall be attached to this Agreement, and that government shall also notify the Fund as to the name of the person or persons by whom it wishes to be represented at any meeting of the Executive Directors of the Fund.

(e) After December 31, 1945, this Agreement shall be open for signature on behalf of the government of any country whose membership has been approved in accordance with Article II, Section 4, and any such country may become a member of the Fund by depositing with the Fund, at Washington, on behalf of the governments of the countries whose names are set forth in Schedule A until December 31, 1945, an instrument of ratification of this Agreement in accordance with Section 2 of this Article.

(f) After December 31, 1945, this Agreement shall be open for signature on behalf of the government of any country whose membership has been approved in accordance with Article II, Section 4, and any such country may become a member of the Fund by depositing with the Fund, at Washington, on behalf of the governments of the countries whose names are set forth in Schedule A until December 31, 1945, an instrument of ratification of this Agreement in accordance with Section 2 of this Article.

(g) The Fund's holdings of the currency of a member shall include any securities accepted by the Fund under Article III, Section 11, provided that such securities are of a character which is acceptable to the transitional arrangements under Article XIV, Section 2, may be deemed holdings of the currency of the member which carry specified rights of conversion into another currency or into gold to be holdings of convertible currency for the purposes of the calculation of monetary reserves.

(h) For the purpose of calculating gold reserves, any obligation under Article XIII, Section 5, of a member's net official position in gold and United States dollars shall be subtracted from the gold and dollar values of the United States currency after deducting central holdings of the currency by other countries and holdings of its currency by other official institutions and other banks if these holdings carry specified rights of conversion into gold or United States currency.

(i) Payments for current transactions must be made, which are not for the purpose of financing current transactions, by all payments in connection with foreign trade, other current transactions, and current short-term bank and credit facilities.

(j) Payments due on loans and as net income from other investments.

(k) Payments of moderate amount for amortization of loans or for depreciation or amortization investments.

(l) Moderate contributions for family living expenses.

The Fund may, after consultation with the members concerned, determine whether certain specific transactions are to be considered current transactions or capital transactions.
7. The directors to be elected by the American Republics under Article XII, Section 2 (a) shall be elected as follows:

(a) Each of the directors shall be elected separately.
(b) In the election of the first director, each governor representing an American Republic eligible to participate in the election shall cast for one American Republic eligible to participate in the election.

7. The directors to be elected by the American Republics under Article XII, Section 2 (b) shall be elected as follows:

(a) Each of the directors shall be elected separately.
(b) In the election of the first director, each governor representing an American Republic eligible to participate in the election shall cast for one American Republic eligible to participate in the election.

7. The directors to be elected by the American Republics under Article XII, Section 2 (c) shall be elected as follows:

(a) Each of the directors shall be elected separately.
(b) In the election of the first director, each governor representing an American Republic eligible to participate in the election shall cast for one American Republic eligible to participate in the election.

7. The directors to be elected by the American Republics under Article XII, Section 2 (d) shall be elected as follows:

(a) Each of the directors shall be elected separately.
(b) In the election of the first director, each governor representing an American Republic eligible to participate in the election shall cast for one American Republic eligible to participate in the election.

7. The directors to be elected by the American Republics under Article XII, Section 2 (e) shall be elected as follows:

(a) Each of the directors shall be elected separately.
(b) In the election of the first director, each governor representing an American Republic eligible to participate in the election shall cast for one American Republic eligible to participate in the election.

7. The directors to be elected by the American Republics under Article XII, Section 2 (f) shall be elected as follows:

(a) Each of the directors shall be elected separately.
(b) In the election of the first director, each governor representing an American Republic eligible to participate in the election shall cast for one American Republic eligible to participate in the election.

7. The directors to be elected by the American Republics under Article XII, Section 2 (g) shall be elected as follows:

(a) Each of the directors shall be elected separately.
(b) In the election of the first director, each governor representing an American Republic eligible to participate in the election shall cast for one American Republic eligible to participate in the election.

7. The directors to be elected by the American Republics under Article XII, Section 2 (h) shall be elected as follows:

(a) Each of the directors shall be elected separately.
(b) In the election of the first director, each governor representing an American Republic eligible to participate in the election shall cast for one American Republic eligible to participate in the election.

7. The directors to be elected by the American Republics under Article XII, Section 2 (i) shall be elected as follows:

(a) Each of the directors shall be elected separately.
(b) In the election of the first director, each governor representing an American Republic eligible to participate in the election shall cast for one American Republic eligible to participate in the election.

7. The directors to be elected by the American Republics under Article XII, Section 2 (j) shall be elected as follows:

(a) Each of the directors shall be elected separately.
(b) In the election of the first director, each governor representing an American Republic eligible to participate in the election shall cast for one American Republic eligible to participate in the election.

7. The directors to be elected by the American Republics under Article XII, Section 2 (k) shall be elected as follows:

(a) Each of the directors shall be elected separately.
(b) In the election of the first director, each governor representing an American Republic eligible to participate in the election shall cast for one American Republic eligible to participate in the election.

7. The directors to be elected by the American Republics under Article XII, Section 2 (l) shall be elected as follows:

(a) Each of the directors shall be elected separately.
(b) In the election of the first director, each governor representing an American Republic eligible to participate in the election shall cast for one American Republic eligible to participate in the election.

7. The directors to be elected by the American Republics under Article XII, Section 2 (m) shall be elected as follows:

(a) Each of the directors shall be elected separately.
(b) In the election of the first director, each governor representing an American Republic eligible to participate in the election shall cast for one American Republic eligible to participate in the election.

7. The directors to be elected by the American Republics under Article XII, Section 2 (n) shall be elected as follows:

(a) Each of the directors shall be elected separately.
(b) In the election of the first director, each governor representing an American Republic eligible to participate in the election shall cast for one American Republic eligible to participate in the election.

7. The directors to be elected by the American Republics under Article XII, Section 2 (o) shall be elected as follows:

(a) Each of the directors shall be elected separately.
(b) In the election of the first director, each governor representing an American Republic eligible to participate in the election shall cast for one American Republic eligible to participate in the election.
ARTICLES OF AGREEMENT

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

The Governments on whose behalf the present Agreement is signed agree as follows:

INTRODUCTORY ARTICLE

The International Bank for Reconstruction and Development is established and shall operate in accordance with the following provisions:

ARTICLE I. PURPOSES

The purposes of the Bank are:

(1) To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economic resources destroyed or disrupted by war, the construction of productive facilities to promote needs and the encouragement of the development of productive facilities and resources in less developed areas.

(2) To promote private foreign investment by means of guarantees or participation in loans and other investments made by private investors, and when private capital is not available on reasonable terms, to supplement private investments by providing, on suitable conditions, loans for productive purposes of the member state banks, funds raised by it and its other resources;

(3) To promote the long-range balanced growth of international trade and the maintenance of equilibrium in balance of payments by encouraging international investment for the development of the productive resources of member states, thereby assisting in raising productivity, the standard of living and employment;

(4) To arrange the basis made or guaranteed by it in relation to international loans through other channels so that the more useful and urgent projects, large and small alike, will be dealt with first;

(5) To conduct its operations with due regard to the effect of international investment on business conditions in the territories of members and, in the immediate post-war years, to assist in bringing about a smooth transition from war economy to peace economy.

The Bank shall be guided in all its decisions by the purposes set forth above.

ARTICLE II. MEMBERSHIP IN AND CAPITAL OF THE BANK

Section 1. Membership.—(a) The original members of the Bank shall be those members of the International Monetary Fund which except membership in the Bank before the date specified in Article XI, Section 2 (c).

(b) Membership shall be open to other members of the Fund, at such times and in accordance with such terms as may be prescribed by the Bank.

(c) The authorized capital of the Bank shall be $10,000,000,000, in terms of United States dollars of the gold standard in effect on July 1, 1944. The capital stock shall be divided into 500,000 shares having a par value of $100,000 each, which shall be available for subscription only by members.

(d) The authorized capital may be increased when the Bank deems it advisable by a three-fourths majority of the total voting power.

Section 2. Subscription of shares.—(a) Each member shall subscribe shares of the capital stock of the Bank. The minimum number of shares to be subscribed by the original members shall be those set forth in schedule A. The minimum number of shares to be subscribed by other members shall be determined by the Bank, which shall invest a reflector portion of its capital stock for subscriptions by such members.

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(5) The Bank shall prescribe rules laying down the conditions under which members may subscribe shares of the authorized capital stock of the Bank in addition to their minimum subscriptions.

(6) If the Bank is increased, each member shall have a reasonable opportunity to subscribe, under such conditions as the Bank shall decide, a proportion of the increase of stock equivalent to the proportion which its stock holdings before the increase in the capital stock of the Bank, to the Bank's total capital stock, bears to the proportion which its stock holdings in the increased capital stock of the Bank bears to the Bank's total capital stock. The number of additional shares offered to each member shall be fixed by the Board of Directors of the Bank.

(7) The Board of Directors of the Bank shall fix the number of additional shares offered to each member. No member shall subscribe for additional shares unless it has paid in its minimum subscriptions for the current year. The Board may, at its discretion, increase the number of additional shares offered to any member who subscribes for at least 25 per cent of the total maximum number of additional shares offered to all members.

(8) The Bank shall be authorized to issue additional shares to any member who subscribes for at least 25 per cent of the total maximum number of additional shares offered to all members.

(9) The Board of Directors of the Bank shall fix the terms and conditions of the members' liability on shares. Liability on shares shall be limited to the unpaid portion of the issue price of the shares.

(10) If a member fails to pay the amount due on its shares, the amount due on such shares shall be paid by the Bank out of the Bank's general reserves, if any.

(11) The Board of Directors of the Bank shall determine the amount payable on the shares due and unpaid by the member.

(12) The Bank shall have the right to call for the payment of any shares due and unpaid by a member at any time prior to the maturity of such shares.

(13) The maximum amount of additional shares that may be issued by the Bank shall be stated in the Bank's charter.

(14) The Bank shall have the right to call for the payment of any shares due and unpaid by a member at any time prior to the maturity of such shares.

(15) The Bank shall have the right to call for the payment of any shares due and unpaid by a member at any time prior to the maturity of such shares.

(16) The Bank shall have the right to call for the payment of any shares due and unpaid by a member at any time prior to the maturity of such shares.

ARTICLE III: General Provisions Related to Loans and Guarantees

Section 1. Use of facilities — (a) The Bank shall use its facilities to provide financial assistance to member countries and to promote financial stability.

(b) The Bank shall make available to member countries financing to support their economic and financial needs.

(c) The Bank shall make available to member countries financing to support their economic and financial needs.

(d) The Bank shall make available to member countries financing to support their economic and financial needs.

(e) The Bank shall make available to member countries financing to support their economic and financial needs.

(f) The Bank shall make available to member countries financing to support their economic and financial needs.

Section 2. Conditions on which the Bank may guarantee, participate in, or make loans to any member or any political subdivision thereof, and any business, industrial, or agricultural enterprise in the territories of the member countries — (a) The Bank shall make available to member countries financing to support their economic and financial needs.

(b) The Bank shall make available to member countries financing to support their economic and financial needs.

(c) The Bank shall make available to member countries financing to support their economic and financial needs.

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Section 4. Conditions on which the Bank may guarantee, participate in, or make loans to any member or any political subdivision thereof, and any business, industrial, or agricultural enterprise in the territories of the member countries — (a) The Bank shall make available to member countries financing to support their economic and financial needs.

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(e) The Bank shall make available to member countries financing to support their economic and financial needs.

(f) The Bank shall make available to member countries financing to support their economic and financial needs.
INTERNATIONAL MONETARY FUND AND BANK

(a) In the case of loans made by the Bank, it shall open an account in the name of the borrower and the amount of the loan shall be credited to this account in the currency or currencies in which the loan is made. The borrower shall be permitted by the Bank to draw upon this account only to meet expenses in connection with the project as they are actually incurred.

ARTICLE IV. OPERATIONS

Section 1. Methods of making or facilitating loans.—(a) The Bank may make or facilitate loans to any member which satisfy the general conditions of Article III in any of the following cases:

(1) By making or participating in direct loans out of the Bank’s own funds, or by guaranteeing a loan so made, or by guaranteeing a loan otherwise borrowed by the Bank.

(2) By guaranteeing loans or guarantees on the Bank’s own funds, or by guaranteeing a loan so made, or by guaranteeing a loan otherwise borrowed by the Bank.

(3) The Bank may make or participate in direct loans out of funds raised in the member’s own funds or by guaranteeing an amount otherwise borrowed by the Bank.

(b) The term and conditions of interest and amortization payments, principal payments and guarantees of repayment of loans, and guarantees of repayment of obligations, shall be determined by the Board in accordance with the terms and conditions of the member’s funds, the purpose of the loan, and the circumstances of the borrower and the member. In no case, however, shall the rate of interest on any loan be less than 1 per cent per annum.

(c) The Bank shall not make or participate in direct loans out of funds raised in the member’s own funds or by guaranteeing a loan so made, or by guaranteeing a loan otherwise borrowed by the Bank, if the loan is for the purpose of financing the purchase or sale of bonds, debentures, or other securities, unless such purchase or sale is so made by the member for the purpose of financing the purchase or sale of bonds, debentures, or other securities of the borrower.

(d) The Bank shall not make or participate in direct loans out of funds raised in the member’s own funds or by guaranteeing a loan so made, or by guaranteeing a loan otherwise borrowed by the Bank, if the loan is for the purpose of financing the purchase or sale of bonds, debentures, or other securities of the borrower, unless such purchase or sale is so made by the member for the purpose of financing the purchase or sale of bonds, debentures, or other securities of the borrower.

(e) The Bank shall not make or participate in direct loans out of funds raised in the member’s own funds or by guaranteeing a loan so made, or by guaranteeing a loan otherwise borrowed by the Bank, if the loan is for the purpose of financing the purchase or sale of bonds, debentures, or other securities of the borrower, unless such purchase or sale is so made by the member for the purpose of financing the purchase or sale of bonds, debentures, or other securities of the borrower.

(f) The Bank shall not make or participate in direct loans out of funds raised in the member’s own funds or by guaranteeing a loan so made, or by guaranteeing a loan otherwise borrowed by the Bank, if the loan is for the purpose of financing the purchase or sale of bonds, debentures, or other securities of the borrower, unless such purchase or sale is so made by the member for the purpose of financing the purchase or sale of bonds, debentures, or other securities of the borrower.

(g) The Bank shall not make or participate in direct loans out of funds raised in the member’s own funds or by guaranteeing a loan so made, or by guaranteeing a loan otherwise borrowed by the Bank, if the loan is for the purpose of financing the purchase or sale of bonds, debentures, or other securities of the borrower, unless such purchase or sale is so made by the member for the purpose of financing the purchase or sale of bonds, debentures, or other securities of the borrower.
While under suspension, a member shall not be entitled to exercise any rights under this Agreement, except the right to withdraw, but shall remain subject to all obligations.

ARTICLE X. Termination of membership in International Monetary Fund.—Any member who ceases to be a member of the International Monetary Fund as a result of its resignation after the lapse of three months from the date on which the Bank issues the notice of resignation, shall remain a member.

Sec. 1. Termination of account, etc., occurring owing to non-membership of a member shall remain liable for all obligations it incurred in its capacity.

Sec. 2. A member shall be entitled to have all its assets distributed among its members, including all contingent claims, shall have been distributed among them at the time of its dissolution, and all remaining assets shall be distributed among the remaining members.

Sec. 3. As soon as all assets shall have been distributed among the remaining members, the Bank shall cease to exist.

International Monetary Fund and Bank

While under suspension, a member shall not be entitled to exercise any rights under this Agreement, except the right to withdraw, but shall remain subject to all obligations.

Regraded Unclassified
INTERNATIONAL MONETARY FUND AND BANK

Section 1. Establishment. The International Monetary Fund and the International Bank for Reconstruction and Development shall be established. The International Monetary Fund shall be established by the agreement of twenty-four members, and the International Bank for Reconstruction and Development shall be established by the agreement of twenty-five members. The International Monetary Fund and the International Bank for Reconstruction and Development shall enter into force upon the ratification thereof by the United States and the Federal Republic of Germany, provided that the ratification by the United States shall not become effective until the conditions set out in paragraph (2) below have been satisfied.

Section 2. Membership. The members of the International Monetary Fund and the International Bank for Reconstruction and Development shall be sovereign States, and shall be represented by one member from each State.

Section 3. Quotas. The quotas of the members of the International Monetary Fund and the International Bank for Reconstruction and Development shall be determined in accordance with the provisions of the Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development, respectively.

Section 4. Contributions. The contributions of the members of the International Monetary Fund and the International Bank for Reconstruction and Development shall be paid in gold or convertible currencies in accordance with the provisions of the Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development, respectively.

Section 5. Membership of the Board of Governors. The Board of Governors of the International Monetary Fund and the International Bank for Reconstruction and Development shall be composed of the representatives of the member States, each of whom shall have one vote.

Section 6. Meetings of the Board of Governors. The Board of Governors of the International Monetary Fund and the International Bank for Reconstruction and Development shall meet at least once a year at the call of the President of the International Monetary Fund and the International Bank for Reconstruction and Development, respectively.

Section 7. Annual Report. The Board of Governors of the International Monetary Fund and the International Bank for Reconstruction and Development shall submit an annual report to the member States in accordance with the provisions of the Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development, respectively.

Section 8. Amendments. The Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development may be amended in accordance with the provisions of the Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development, respectively.

Section 9. Termination. The International Monetary Fund and the International Bank for Reconstruction and Development shall terminate operations on the date of ratification thereof by the United States and the Federal Republic of Germany, and shall be dissolved in accordance with the provisions of the Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development, respectively.

Section 10. Ratification. The ratification of the Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development by the United States and the Federal Republic of Germany shall be subject to the approval of the United States Congress and the Federal Republic of Germany, respectively.

Section 11. Ratification by the United States. The ratification of the Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development by the United States shall be subject to the approval of the United States Congress.

Section 12. Ratification by the Federal Republic of Germany. The ratification of the Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development by the Federal Republic of Germany shall be subject to the approval of the Federal Republic of Germany.

Section 13. Ratification by Other States. The ratification of the Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development by any other State shall be subject to the approval of such State.

Section 14. Ratification by the International Monetary Fund and the International Bank for Reconstruction and Development. The ratification of the Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development by the International Monetary Fund and the International Bank for Reconstruction and Development shall be subject to the approval of such Institution.

Section 15. Ratification by the Executive Directors. The ratification of the Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development by the Executive Directors shall be subject to the approval of the Executive Directors.

Section 16. Ratification by the Members. The ratification of the Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development by the members of the International Monetary Fund and the International Bank for Reconstruction and Development shall be subject to the approval of such members.

Section 17. Ratification by the Board of Governors. The ratification of the Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development by the Board of Governors shall be subject to the approval of the Board of Governors.

Section 18. Ratification by the International Monetary Fund and the International Bank for Reconstruction and Development. The ratification of the Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development by the International Monetary Fund and the International Bank for Reconstruction and Development shall be subject to the approval of such Institution.

Section 19. Ratification by the Executive Directors. The ratification of the Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development by the Executive Directors shall be subject to the approval of the Executive Directors.

Section 20. Ratification by the Members. The ratification of the Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development by the members of the International Monetary Fund and the International Bank for Reconstruction and Development shall be subject to the approval of such members.

Section 21. Ratification by the Board of Governors. The ratification of the Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development by the Board of Governors shall be subject to the approval of the Board of Governors.

Section 22. Ratification by the International Monetary Fund and the International Bank for Reconstruction and Development. The ratification of the Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development by the International Monetary Fund and the International Bank for Reconstruction and Development shall be subject to the approval of such Institution.

Section 23. Ratification by the Executive Directors. The ratification of the Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development by the Executive Directors shall be subject to the approval of the Executive Directors.

Section 24. Ratification by the Members. The ratification of the Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development by the members of the International Monetary Fund and the International Bank for Reconstruction and Development shall be subject to the approval of such members.

Section 25. Ratification by the Board of Governors. The ratification of the Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development by the Board of Governors shall be subject to the approval of the Board of Governors.

Section 26. Ratification by the International Monetary Fund and the International Bank for Reconstruction and Development. The ratification of the Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development by the International Monetary Fund and the International Bank for Reconstruction and Development shall be subject to the approval of such Institution.

Section 27. Ratification by the Executive Directors. The ratification of the Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development by the Executive Directors shall be subject to the approval of the Executive Directors.
Sec. 3. Incorporation of the Bank.—(a) As soon as this Agreement enters into force under section 1 of this Article, each member shall appoint a governor and the number of whom the largest number of shares is allocated in Schedule A shall be the first meeting of the Board of Governors.

(b) At the first meeting of the Board of Governors, representatives shall be made for the admission of the members of the executive directors. The governments of the countries which have the largest number of shares are allocated in Schedule A shall appoint provisional executive directors. If one or more of such governments have not named members, the executive directors will, on the appointments which they will be entitled to fill shall remain vacant until they have been filled. Whenever provision is made for the admission of an executive director shall be held in office until the date of the first regular meeting of executive directors which shall be held as soon as practicable after January 1, 1946.

(c) The Board of Governors may delegate to the provisional executive directors any power except those which may not be delegated to the Executive Directors.

(d) The Bank shall notify in Washington, in a single copy which shall remain deposited in the archives of the United States, which shall transmit to all governments whose names are set forth in Schedule A and to all governments whose membership is approved in accordance with Article II, Section 1 (d).

<table>
<thead>
<tr>
<th>Schedule A. Subscriptions</th>
<th>[in billions of dollars]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>221</td>
</tr>
<tr>
<td>Belgium</td>
<td>8</td>
</tr>
<tr>
<td>Canada</td>
<td>103</td>
</tr>
<tr>
<td>Chile</td>
<td>102</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>35</td>
</tr>
<tr>
<td>Denmark</td>
<td>15</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>35</td>
</tr>
<tr>
<td>Ecuador</td>
<td>20</td>
</tr>
<tr>
<td>El Salvador</td>
<td>15</td>
</tr>
<tr>
<td>Finland</td>
<td>20</td>
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<tr>
<td>France</td>
<td>25</td>
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<tr>
<td>Germany</td>
<td>15</td>
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<tr>
<td>Guatemala</td>
<td>15</td>
</tr>
<tr>
<td>Haiti</td>
<td>7</td>
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<tr>
<td>Iceland</td>
<td>10</td>
</tr>
<tr>
<td>India</td>
<td>400</td>
</tr>
<tr>
<td>Total</td>
<td>9.100</td>
</tr>
</tbody>
</table>

The subscription of Denmark shall be determined by the Bank from the amounts mentioned in Schedule A.

Schedule B. Election of Executive Directors

1. The election of the executive directors shall be by ballot of the Governors eligible to vote under Article V, Section 1 (d).

2. In balloting for the executive directors, each governor eligible to vote shall cast for one person all of the votes to which the member appointing him is entitled under Schedule A of Article V. The seven persons chosen shall be the persons whose names are set forth in Schedule A and who have the highest total number of votes cast for them.

3. The election of the executive directors shall be held in the order of the votes cast for each person, and the person who shall have the highest total number of votes shall be elected as executive director, and so on until fifteen persons are elected.

4. The Bank shall notify in Washington, in a single copy which shall remain deposited in the archives of the United States, which shall transmit to all governments whose names are set forth in Schedule A and to all governments whose membership is approved in accordance with Article II, Section 1 (d).

5. In determining whether the votes cast for a governor are to be deemed to have raised the total of any person above fifteen percent of the eligible votes, the votes cast for each person shall be counted at first, the votes of the governor casting the largest number of votes for each person, then the votes of the governor casting the next largest number, and so on until fifteen percent is reached.

6. Any governor, part of whose votes must be quorum in order to raise the total of any person above fifteen percent, shall be considered as having no votes for such person even if the total votes for such person.

7. If, after the second ballot, seven persons have not been elected, further balloting shall be held on the same principle until seven persons have been elected, provided that after any person is elected, the second may be elected by a single majority of the remaining votes and shall be deemed to have been elected by all such votes.

Composed Representatives and Chairmen of Delegations


Brazil—José Maria Conde, Minister of Finance and Economic Affairs.

Canada—William D. Graham, Financial Secretary, Bank of Canada.

Chile—Carlos de la Rúa, Minister, Central Bank of Chile.

Cuba—Luis E. Macías, Vice-President of Executive Council and Secretary of Ministry of Treasury, Government of the Central Bank of Cuba.

Czechoslovakia—Ludwig Peter, former Minister of Finance and Commerce.

Denmark—Christian de F. Christensen, Ambassador to the United States, Former Minister of Finance and Commerce.

Dominican Republic—Luis E. de la Rúa, Minister of Finance.

Ecuador—Eduardo B. Cevallos, Ambassador to the United States.

El Salvador—Eduardo B. Cevallos, Financial Secretary, Bank of El Salvador.

France—Paul H. Hénin, Commissaire, Commissariat des Finances.

Germany—Kurt von Kühn, Commissar, Commissariat des Finances.

Great Britain—A. S. B. S. E. Lacy, Secretary, Board of Directors of the Bank of England.

Guatemala—Manuel Noriega Morera.

Haiti—Adolphe Labraude, Ambassador to the United States.

Honduras—José R. Casares, Ambassador to the United States.

Italy—Guglielmo Savini, Manager, National Bank of Italy.

Japan—Takeo Maruyama, Commissar, Commissariat des Finances.

The following nations shall be represented as Senators:

India—The High Commissioner, Governor-General of India.

Ireland—Eugene H. Kehoe, Senator, New South Wales, New South Wales.

Netherlands—Emile van der Horst, Minister of Finance.

New Zealand—A. W. H. Atkinson, Secretary, Board of Directors of the Bank of New Zealand.

Peru—Pedro Ríos, Commissar, Commissariat des Finances.

Poland—Stanislaw Czapski, Senator, New South Wales.

Portugal—Miguel de Jesus, Senator, New South Wales.

Turkey—Vahdettin Karaoğlan, Senator, New South Wales.

United States—William E. Davis, Secretary of the Treasury.

Venezuela—Humberto H. Céspedes, Minister of the Treasury.

West Indies—Hugo Le Galle, Minister to the United States.

Canada—Edward Stearns, Minister of Finance.

Chile—J. G. Batista, President of the National Congress of the Republic.

Dominican Republic—J. P. S. de M. Soto, Minister to the United States.

Ecuador—C. J. Sort, President of the National Congress of the Republic.

El Salvador—A. P. M. Mejía, Senator, New South Wales, New South Wales.


Germany—W. H. L. Schupp, Senator, New South Wales.

Haiti—A. J. De la Rúa, Senator, New South Wales.


India—The High Commissioner, Governor-General of India.

Japan—T. N. Okada, Senator, New South Wales.

Netherlands—G. J. M. van Impe, Senator, New South Wales.

Peru—C. A. Cavazos, Senator, New South Wales.

Portugal—M. de Jesus, Senator, New South Wales.


The following nations shall be represented as Senators:


Brazil—R. L. T. de Moraes, Senator, New South Wales.

Canada—R. S. S. L. L. Robson, Senator, New South Wales.

Chile—M. C. C. O. de la Rúa, Senator, New South Wales.

Cuba—J. E. Morán, Senator, New South Wales.

Czechoslovakia—L. P. C. P. Fizer, Senator, New South Wales.

Dominican Republic—A. B. C. de la Rúa, Senator, New South Wales.

Ecuador—C. E. E. Cevallos, Senator, New South Wales.

El Salvador—A. M. C. Gómez, Senator, New South Wales.

France—M. C. M. de M. Thirion, Senator, New South Wales.

Germany—K. W. L. Schupp, Senator, New South Wales.

Haiti—A. D. B. de la Rúa, Senator, New South Wales.

Honduras—J. R. C. Casares, Senator, New South Wales.

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Dominican Republic—A. B. C. de la Rúa, Senator, New South Wales.
INTERNATIONAL MONETARY FUND AND BANK

UNITED STATES OF AMERICA—Henry Morgenthau, Jr., Secretary of the Treasury,
UNITED STATES—Maxine C. Earnest, Assistant Secretary of the Treasury,
UNION—Rudolf R. H. de Vries, Minister of the Treasury,
UNITED STATES—Maurice Ravel, Counselor of the Yugoslav Embassy, Washington,
Honor de Saunier, Danish Minister to the United States, in his personal capacity.

UNITED STATES REGULARS

Henry Morgenthau, Jr., Secretary of the Treasury—Chairman.
Fred M. Yarrow, Director, Office of Economic Stabilization—Vice Chairman.
Dean Anderson, Assistant Secretary of the Treasury.
Lynden H. Rich, Chairman, Board of Governors of the Federal Reserve System.
Marvin H. Newman, Professor of Economics, New York University.
Harry C. Chase, House of Representatives—Chairman, Committee on Banking
and Currency.
Charles A. McAdoo, United States Senate—Member, Committee on Banking
and Currency.

UNITED STATES TECHNICAL ADVISERS

E. M. Beal, Treasurer, Department of State—Ex-officio Secretary of the Delegation.
James F. Argyle, Foreign Economic Administration.
Alfred E. Dreyfus, Post, Vice President, Federal Reserve Bank of Atlanta.
C. E. O'Connor, Department of State—Foreign Economic Administration.
R. H. Heron, Post, Governor, Federal Reserve System.
Frederick Hebard, Department of State.
Albert H. Karger, Jr., Secretary and Exchange Commission.
Assistants, Department of State.
William A. Nye, Department of State.
William C. R. Dunn, Department of State.

UNITED STATES LEGAL ADVISERS

Ernst F. Kuhn, Treasury Department—Chief Legal Adviser.
Edgar C. Archibald, Foreign Economic Administration.
E. C. Bracken, Vice President, Federal Reserve Bank of Dallas.

MINORITY VIEWS OF HON. FREDERICK C. SMITH
And Hon. Howard H. Buffett

GENERAL STATEMENT

The minority believes that the future of civilization depends upon the maintenance of the solvency of the United States and the stability of the dollar. Accordingly, we share with every thinking citizen the earnest desire to establish sound foundations for international cooperation and stable monetary conditions everywhere. The achievement of these purposes is the high road to the restoration of peace and personal liberty.

The question before the House is not the need for currency stability and international cooperation. In a world where the only place the value of money can be determined is in black markets, resulting from fixed currency, no one can question the desperate need for stability. The question is whether the Brctton Woods proposals will (1) promote the objective of monetary stabilization and cooperation, (2) constitute the best available means for achieving that purpose.

The Brctton Woods proposals are so intricate and complicated that the attempt to discuss them adequately is a difficult, if not an impossible task. During the lengthy hearings various experts interpreted the agreements in a multitude of ways. More significant, however, was the fact that no substantial evidence was offered that the delegates who ratified the plan were in agreement on the meaning of many vital clauses which determine the operation of the so-called stabilization fund.

Accordingly, we urge the Members of the House to appraise this proposal, not by the stated objectives, but by whether or not this diversely understood proposal, in its present state, is the best approach, or even a practical approach, toward the achievement of monetary stabilization.

We believe the Members of Congress are realists. We submit that the plan's advocates should prove conclusively, by authoritative evidence, that there has been a genuine meeting of the minds among the principal powers who are considering these agreements. Unless competent evidence is placed before the House that the nations understand each other on the modes of aid of the plan, truly intelligent debate is impossible. Royko and the glowing American oratory about the benefits of this plan is either false, or worse still, misleading, until Congress and competent testimony regarding the conceptions of this proposal are held by other nations.

Certainly recent events should lead us that international agreements, like individual contracts, should represent a clear and definite understanding between the signatories. Even at the outset, Brctton Woods lacks this elemental virtue.
Accordingly, we believe the plan, with or without the committee amendments, defective and unworkable. Members may find guidance in appraising the scheme from the analysis by one outstanding economist:

Some people seem to believe that Bretton Woods is a cheap way of having currency stability, or even world peace. It is not worth the kind. It is a very high fee for surrendering the game. We have no right to sit down to play it unless we know what the rules are going to be and how the others propose to play.

As stated, a stable, dependable money is a vital prerequisite to genuine international cooperation and a durable peace. However, an unconditional prerequisite to a stable currency is a stable government, a government which lives within its income from taxes. The United States cannot successfully stabilize the currency of any country. It can lend money to a government and temporarily give support to its currency and thus help to tide it over a passing financial difficulty. But unless that government determines to put its own house in order and make any help it might receive from the outside must remain palliative and cannot possibly be curative.

These facts are borne in the consideration of the so-called Bretton Woods agreements.

The greatest and, indeed, the only enduring contribution the United States can make to stabilizing the currencies of other countries and to general prosperity throughout the world is to see to it that her own currency, the dollar, is kept stable and the credit of her Government secures confidence.

Indeed, Britain and other countries will not doubt need financial assistance in the postwar period, and the United States should give them what is in an appropriate. But the United States should retain full control over any lending transactions she may undertake. Any other policy must be harmful to our welfare.

The basic structure of the International Monetary Fund and Bank would consist of a coalition of 44 governments and would constitute an authoritarian worldwide trade and monetary cartel. This world-embarking corporate body would usurp the social or private function of carrying on international trade and commerce and substitute therefor authoritarian domination over such pursuits.

It would be well to distinguish between the kind of cooperation the proponents of this scheme are thinking of and that to which we have been in the past accustomed. The kind of cooperation they have in mind undertaking is basically different from that which Americans have in the past experienced. We commonly think of cooperation as voluntary association and dealing of private individuals with each other, whether within the confines of a single country or across national boundary lines.

Now, the only cooperation that is involved in this international monetary scheme is that which is required to bind the governments concerned to a common agreement to take over and operate functions of international lending, of foreign exchange markets, of regulating foreign trade, and so forth, which functions are now being performed by private individuals and institutions.

Thus, instead of promoting true international cooperation, which the advocates of the scheme so loudly proclaim to be their goal, they would destroy what is left of it and give us its stead international authoritarianism.

The "capitalization" of the International Monetary Fund and Bank would be, roughly, $15,000,000,000. The share of the United States would be about one-third of this total, or $6,000,000,000. About $4,000,000,000 of this would be raised by a "public-debt transaction to be authorized by the Secretary of the Treasury," an insidious method of taxation. This would be added to the public debt.

The remainder of our subscription would be derived from the gold stabilization fund, which consists of the so-called profit the Government acquired by devaluing the gold dollar.

This method of financing would be highly inflationary. Does not its very nature lead to:

HOW THE FUND WOULD OPERATE—LEGALIZING CURRENT DEBASEMENT

Down through the ages currency debasement has been universally regarded as the most deadly form of state robbery. It has brought upon the peoples of the world untold distress and suffering, hunger, revolutions, and, according to some historians, left its wake the ruins of once great empires.

The very essence of politically managed currency is debasement. It has as its result the appropriation of the fruits of the people's labor. When peace arrives it will be the source of the most fearful evil which will beset our troubled world. Herman Keesing in his work, The Redemption of Democracy, says:

"It is more than a mere joke that managed currency and concentration camps differ only in degree."

Bretton Woods means managed currency.

When the Constitutional Convention at Philadelphia was considering the question of giving to the Congress power to "emit bills of credit," a managed currency from which the colonists had suffered so severely, Mr. George Read "thought the words (to emit bills of credit), if not struck out, would be as alarming as the mark of the Beast in Revelation." And Mr. John Langdon said he "had rather reject the whole plan [Constitution], than retain the three words 'and emit bills.'"

Now, will the Congress of the United States proceed to make the scoops of civilization, currency debasement, legal and respectable, easy of accomplishment, unlimited in amount, permanent, and worldwide?

Article IV, section 5, of the fund agreement starts out by saying:

A member shall not propose a change in the par value of its currency except in cases of a fundamental disequilibrium.

But the term, "fundamental disequilibrium," is not defined in the agreement. Although a number of sessions before the committee considered the term, nearly all of them admitted that they did not know what it meant. A few stated what they thought it might mean.

After making specific provisions for member governments to debase their currencies 10 percent without the concurrence of the fund and by additional unspecified amounts with it, the provision in effect concludes by saying that any member government may debase its currency by any amount so long as it believes that to be necessary.
to the proper functioning of its domestic social or political policies. Is there any other reason for defining a currency except an alleged disordered condition of domestic social or political policies?

Lord Keynes, in a speech before the House of Lords May 18, 1943, made it very clear that such a country would have the right to debase its currency to any extent it might desire. The Bretton Woods Conference press release No. 53, July 21, 1944, implemented Keynes' position and concluded by striking off this masterpiece of confused thinking, which may at the time of the fund might call outright double talk.

To summarize, the fund attempts to provide the greatest degree of exchange stability that is consistent with the economic necessities of the members. It introduces stability without rigidity, and elasticity without insolvency.

Prof. O. M. W. Sprague, the best and one of the very few informed witnesses for Bretton Woods, frankly stated that he thought the fund would not give to currencies any inherent or intrinsic stability. Even Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve, who has been one of the principal advocates of deficit financing, has admitted that the stability of the value of a currency is dependent upon sound fiscal policies of the government issuing such currency. Before the House Banking and Currency Committee February 27, 1945, he said:

"Now, the way to protect the dollar is for Congress to appropriate more money than they are willing to raise by the levy of taxes. Since this proposition holds for the dollar, it must apply to every other currency."

Professor Sprague stated further:

"Well, that is what I think it means. It is relative stability, similar policies and commitments and trade all around the world. Whatever else this may mean is that it is certain that it does not remotely suggest any relationship between the system of currency devaluations provided in the fund and proper or real currency stability.

In addition to providing for currency devaluation by individual countries, article IV, section 7, further provides for uniform devaluation of the currencies of all member governments. Russia, Britain, and the United States would be given the power to put this provision into effect.

But section 5 of H. R. 3314 prohibits this from being done except with approval of Congress. This prohibition becomes ominous when we reflect upon its real meaning. Legalizing currency devaluation, whether by individual governments or collectively, would be tantamount to legalizing usury by governments on their international as well as national debtors, for such devaluations would inevitably lead to such repudiation. The passage of section 5 of H. R. 3314 would be recognition by Congress of the need or inevitability of universal repudiation of international and national debts. Does Congress wish to do this?"

What the fund would actually do, if it operated according to the stated plan, would be, not to stabilize currencies but by authoritarian means peg some foreign exchange, in terms of the dollar as an overvalued rate. This would naturally result in lowering the price of dollars in terms of foreign currencies or lowering the price of our goods to foreigners.

The aggregate of all quotas of the fund would be $8,800,000,000. Each member is given a "quota" which shall be equal to its "subscription" of shares. Quotas are not based alone on economic considerations, but military and political as well.

Quotas are in general divided into two categories, those of creditor and debtor countries. To a creditor country a quota means an amount of money it places in the fund to be lent to debtor countries. To a debtor country a quota means an amount of money it can borrow from the creditor countries, principally the United States. The United States would be the principal creditor country, would furnish about 25 percent of the total subscription, which would represent about 25 percent of the lendable assets.

Each member would be required to pay 25 percent of its quota in gold, or 10 percent of its net gold holdings and United States dollars. The remainder of its subscription would consist of government IOUs. However, the total subscription of the United States would be gold, or the same as gold, since dollars are internationally fully convertible into gold, this is not true of the other currencies. They vary in quality from being as good as or nearly as good as the dollar to being practically worthless.

It is probable that if we had a true picture of the situation we might find that much of the gold other countries would pay into the fund was somewhat obtained by them through lend-lease or credit in some form. For example, China's gold contribution could all be raised by the purchase of gold with the credits voted her by Congress.

The United States would have 25 percent of the voting power when the fund started operating and considerably less when other members not presently included in the proposed set-up are admitted to membership. The borrowing countries would be in overwhelming control of the fund's resources and lending policies.

An outstanding feature of the quota arrangement is that it would establish a right for each of the 45 or more nations to draw upon the resources of the United States. It could foreclose ratification of any trade.

It has been called a plan for sharing our wealth with the rest of the world but principally with Great Britain.

We Trust in Foreign Powers Control Over United States Foreign Trade and Tariff Policies, Article VII

This is one of the most basic provisions in the whole scheme. It deals with "currencies". If dollars are scarce in the fund and any member government could stop in and interfere with operations in dollars, the fund would then raise dollars; that is, American exports.

Assume we put $2,500,000,000 into the fund and that this raised our exports to rise so as to provide the billions of dollars claimed by its proponents. sooner or later the dollars in the fund would become exhausted. Insofar as our export trade was dependent upon the available supply of dollars in the fund, there would then be a slump in all activities producing export goods. Then the fund would come to Congress for more dollars. Could Congress refuse such a request?
Manufacturers, wage earners, farmers, and others would be desperate. Under these circumstances, replenishing dollars in the fund could become mandatory again and again.

But Article VII has other implications. Like all the other basic provisions in the scheme this one was derived from Lord Keynes's International Clearing Union plan. Mr. Harry D. White, Assistant Secretary and chief monetary expert of the Treasury, admitted before the committee that Article VII "contains provisions which in effect can invoke against the United States and force her to 'release other countries from any obligation to take in (its) dollars' or, if taken, to pay for them."

In case dollars had been declared scarce in the fund, foreign countries might say to the United States, and they would have the power to do so. "We will permit you to put more dollars into the fund on condition that we need not repay you in dollars, gold, or services."

Or, they might say to the United States, "We prefer replenishing the fund's holding of dollars by increasing our exports to the United States. Therefore, remove your tariff barriers and permit free entry into your country of our goods."

To both of these propositions the United States could demur. But he foreign countries in control of the fund could then elect to temporarily or permanently raise our export trade.

Here is the crux and nodus operandi of Lord Keynes's "pressure mechanism," the "fair-sharing formula" contained in Article VII of the Bretton Woods proposal for an International Monetary Fund, by which Great Britain and other countries could force the United States to maintain equilibrium in her balance of payments with the rest of the world, or, failing in this, penalize her by compelling her to give her goods away, or persuade her to lower or abrogate her tariffs.

In this connection it may be well to quote from Ragnar Nurkse, Economic, Financial, and Transnational Department, League of Nations, scheme. He says:

"Besides, the Bretton Woods scheme is not strictly realized in monetary policy. That part of it which provides for the appropriation of any monetary reserve created by the fund to be larger than its specified amount in the proportion of any monetary reserve created by the fund to be larger than its specified amount is not clearly understood."

In the run-up to the fund arrangement, the taking of dollars which would create a shortage of dollars in the United States against the exports of the United States. Such a situation would, for example, direct Britain's trade from the United States to the United States in a manner which the United States did not wish, and it would be the United States who would suffer from the consequences of such action.

The United States, as Mr. Harry D. White, Assistant Secretary and chief monetary expert of the Treasury, noted, is quoted as having said:

"The fund may find that the amount of the scarcity was high enough to bar all or a failure to moderate adequate international investment, and if the fund would propose appropriate remedies."

This whole arrangement is an integral part of the terms of the contract to which the proponents of this scheme are asking the United States to permanently bind herself.

Should the Congress surrender to foreign powers so important a part of the control of its internal affairs?

Much has been said and about the need of our surrending some of our sovereignty to foreign powers. But who else besides the United States would be surrendering any sovereignty? We largely finance the scheme and put our resources back of it. This alone makes possible such a program, Great Britain or Russia, or both, and most of the other governments could drop out without losing anything or stopping the operation of the fund.

Lord Keynes made the point clear in a speech before the House of Lords May 18, 1943. In that address he delineated the many advantages that would accrue to Great Britain through the establishment of this scheme, one of which was that it would help restore London as the world's financial center. The whole tenor of that address was what Great Britain could get of the program, not what she could put into it. He said nothing about his country surrendering any sovereignty or running any risks. He said:

"But if, in the event, our trust should prove to be misplaced and our hopes disappointed, we can, nevertheless, spring from all obligations and resume our full freedom with a clear conscience. I do not think that we can reasonably ask any comparable safeguards than that.

CONTROL OF THE FUND

The United States would have one executive director in the fund who would have 25 percent of the votes. Britain would have two and probably three with 25 percent, and Russia one with 12 percent, unless she should ask admission to the fund of her 13 votes states as she has to the Assembly of the proposed League of Nations, in which case she might ask for additional representation on the board of directors.

The proportionate voting power between the United States and Great Britain should not be taken as representing the same relative influence each would exercise in the fund's operation. Debtor countries would be in control of the resources of the fund and since Great Britain would be the principal debtor country, it would largely dominate the policies being carried out by the fund.

Furthermore, the very close ties in which Great Britain has with many other countries through the sterling bloc and her many bilateral trade agreements, and, because of the common interest in foreign trade, such arrangements engender, would place her in an advantageous position to influence the conduct as well as votes of those countries. Britain's blocked sterling balances would give her a considerable bargaining power in their debens on her side.

AUTHORITARIAN CONTROL OF CAPITAL TRANSFERS AND CURRENT TRANSACTIONS

Authoritarian restrictionism of capital movements and currency transactions is of the essence of the scheme.

To make effective control of capital movements would require the machinery of exchange control for all transactions, even though
a general permission is given to all reminiscences in respect to current

Not only is this machinery necessary in the country desiring

Unilateral action would be

only by the control of capital movements "at both

Levering suggests that the United States should set up

is inadequate. Only by the control of capital movements "at both ends".

Capital transfers may be effected by exporting gold, currency,

Commodities, or services. To effectively prevent onward movement

of capital requires full control of all international transactions what-

soever, censorship of mail, telegrams, telephone calls, cabled

foreign travel must be restricted. Persons wishing to travel abroad

must be required. Restrictions on exports through licensing must be

would the United States provide the bureaucratic machinery that

would be necessary "at both ends" to successfully prevent the importa-

tion of capital from Britain and other countries which might be able
to evade the authorities' pens. Would the United States be morally

obliged to provide the army of supervisors, inspectors, and

policemen to accommodate these countries, and Great Britain

in particular? And if she refused to do this, what would become of the

much-vaunted international cooperation of which we hear so much

from the proponents of the scheme?

The statute would legitimate an indefinite period of control by gov-

ernments of foreign exchange transactions, blocking and rationing of

currencies (art. VII, sec. 3, 4); discriminatory currency arrange-

ments or multiple currency practices (art. VIII, sec. 3); restric-

tions on payments and transfers for current transactions (art. X, sec. 2);

Mr. Leon Fraser, former president of the Bank for International

Settlements, in referring to the machinery that would be required to

enforce all these restrictions said:

Then, of course, we get to the principal problem of all these restrictions:

Who are the monitors? Who are these great follow through as much

larger as the world that we have to defend, and that is why you have to have a

German to police you.

Mr. Fraser was quoted in the New York Times of May 25, 1945, as saying:

"It is to be noted in the States (art. XIV) that these

restrictions would be retained only for a short time, the so-called tran-

sition period. But that is not defined, and it is specifically provided

that it can be extended without any limit. The time that the 

transitional period might last, replied:

Well, it may last a long time. * * * maybe we may live in a permanent

condition of transition, who knows?

Did we ever get out of the transition period following the other war?

Under article VII, section 1, 2, borrowing countries are autom-

atically given the right after they had exhausted their quotas and

could no longer borrow from the Fund to default on their debt. Who

ever heard of a creditor logrolling in advance the defaulting of his

creditor? Who, knowing the facts, is going to invest his money in any

foreign securities such as an arrangement like this?

Article IV, section 2, in effect repeals sections 8 and 9 of the Gold

Reserve Act of 1934. This takes from the President the power to buy

and sell gold at any price and in any foreign countries the power to

manipulate the price of gold. The Congress cannot under the Con-

stitution delegate this power to foreign nations. This seems to be a

clear violation of the Constitution.

The Amendments and the So-called Amendments

The New York Times of May 25, 1945, quotes Mr. Spencer, chairman

of the House Committee on Banking and Currency, as having said

that H. R. 2314 as voted out by the committee "does not change a

word or alter a punctuation in the basic agreement". Mr. Brown, of Ohio,

ranking member on the Democratic side, is also reported as saying in respect of the amendments that they were

"just window dressing."

With regard to section 14, the most advertised Widfor amendment,

we submit the following independent appraisal by Melchoir Paly:

As to the Widfor amendment, you point out yourself that it provides nothing

but regulation of the banks. The amendment may be useful for the benefit

of commerce, in case the banks may cause a depression. But suppose Russia

ought to draw from the American central bank. Would it not be to the

advantage of the banks if it could be reduced by the banks? But it is

entirely another matter for the banks if it comes to raising or repaying

a debt, for it is then possible that the banks may be beneficial. But yet

the banks would not agree, and if the funds were to Russia's banks, we

would have to, then in effect it will

Then Russia must take in.

In other words, the regulation is not for the relief of the banks, as

the other, in any way.

In passing we should point out that the use of the word "creditor" in

this amendment refers to an economic power which authorizes

itself as ranging from 40 months to 8 years, which is obviously

beyond the realm of current transactions.

The stress of the conception for Economic Development to

be paid for is that when the banks don't approve for this scheme results in

stabilizing loans in the bank. The only thing one can be sure of in

repect of this amendment is that it would weaken the

Governmental Breton Woods Propaganda Drive Blows Out

Democratic Propaganda

Regardless of the merits or demerits of the Breton Woods proposal,

the propaganda drive accompanying it demonstrates the fearful power

of government to influence, through control of modern publicity

facilities, the actions of a legislative group.

The course of such power, revealed in this instance, is terrifying to

us, who have watched it operate at close range.

the future of liberty in America. We fail to understand this state use of the

instruments of public information.
Regraded Unclassified


seeking ravenously things only American dollars can buy. The fund scheme offers governments a chance to secure large shares of dollars in return for their own domestic currencies at any value they may choose to set on their own currencies, many of which are at present of little or no value. A further inducement to join is the provision in the bill under consideration which empowers the Johnson Act as to governments joining the fund. Revival of the Johnson Act in effect says to foreign governments, "Regardless of the reasons why you default your debts, your credit is now good. Come into the United States. Female Americans in such in their Government bonds and invest in anything and everything abroad, from a notation factory to a mole in the ground." This Bretton Woods bill is, in effect, a continuation of lend-lease without lend-lease restrictions and limitations. It is a key upon the American people.

The scheme, of course, looks like a banana, not only to foreign peoples, but also to Americans who either want to export or speculate abroad. The assumption seems to be that if enough American money is flung around the world enough of it will trickle back to the United States to create prosperity here. But the excellent testimony of the ablest bankers and economists in the United States showed why this theory under present conditions abroad, is only another New Deal will-sell-ship.

They emphasized that what the authors of the Bretton Woods scheme failed to recognize is that the problem of currency stabilization is primarily one of creating credit worthiness. Since 1922 every one of the Allied Governments, including our own, has adopted some of the dishonest practices of totalitarianism. These practices include currency depression, uninhibited spending, multiple currencies, and foreign exchange controls. Such practices warp the would-be investor into a belief that he would be wise to try to find somewhere else to put his money because he may not be able to get back the money he puts in. Voluntary capital shrinks from going into any country indulging in any of these discreditable practices. Bretton Woods offers the only kind of dollars which would flow into many of the foreign countries today—money of uniformed lenders and money forced out of the American people.

Bankers reminded the committee that in 1919 and 1920 the United States lost $2,000,000,000 to European countries with no real strings attached. Out of it the United States got only an inflationary price boom, followed by a depression in 1921. Presumably, this time it would mean price controls, rationing, and shortages of food and other comforts. This was demonstrated in the United States. The experiences with France during the period immediately after World War I is a perfect example showing the foolishness of the Bretton Woods type of lending.

French politicians, being under no pressure, spent the American loans to a great extent for things that were not necessary, much as Delafield is doing now. The Government policy made investors hesitate, caused inflation, and eventually a panic. But after the United States had stopped lending, the French Government was forced to reform its policies. The reformed policy encouraged business to pick up. Money began flowing in from abroad, French money ceased to depreciate. The same thing happened in Poland and other countries.

Still, Dr. Anderson, the noted bank economist, has warned that we should remember the English experience during that period. Immediately after the war England adopted the traditional, sound, economical government policies. But England made a mistake of throwing her strength behind the currencies of European countries which had not adopted credit-worthy policies, in much the same way as the United States will be doing under the Bretton Woods proposal. The European currencies, as they grew weaker, dragged the British currency down with them. We are warned that this is what may happen to the American dollar under the Bretton Woods plan. A weakened dollar would be a misfortune not only for American bondholders, but also for the whole world.

Competent witnesses who opposed the fund seemed to agree that Bretton Woods is more likely to multiply than prevent the troubles. Bretton Woods is more likely to multiply than prevent the troubles. It is more likely to increase the distress of the dollar, and the distress of the dollar is a distress to the whole world.

The best qualified testimony in the United States showed that the fund agreement would operate to encourage rather than discourage practices destroying a nation's credit rating. Read particularly the testimony of Louis B. Redlich, of New York state, and Professor Kemeny. The fund has the right to prod and inflame the privilege of using foreign-currency controls. The fund may decide that there is a "fundamental disequilibrium." This is an undefined but pivotal phrase. Presumably it is intended to refer to the way the United States habitually exports more than it imports. If the fund decides that there is a "fundamental disequilibrium" it issues a directive. The directive may decide that there is the case and demand that it be cured. But this might result in the demand that the fund buy more goods or accept more gold in exchange for goods purchased by the United States. The elegance of the fund scheme is, in explaining the original dollars or lower tariffs. Lord Keynes is explaining the original dollars or lower tariffs. The fund scheme is, in explaining the original dollars or lower tariffs. The fund scheme is, in explaining the original dollars or lower tariffs. The fund scheme is, in explaining the original dollars or lower tariffs. Lord Keynes is explaining the original dollars or lower tariffs. The fund scheme is, in explaining the original dollars or lower tariffs. The fund scheme is, in explaining the original dollars or lower tariffs. The fund scheme is, in explaining the original dollars or lower tariffs.
INTERNATIONAL MONETARY FUND AND BANK

Who is to rule this world monetary superstate called the fund? A handful of men, but one of whom would owe no loyalty whatever to the United States, and that man would be immune from punishment in the courts of the United States. All the more important decisions, with the exception of the matter of altering our quota and of deprecating our currency, would be made by a mere majority vote with the American representatives holding only one-fourth of the votes. If the fund, constituted as it is, decides to let foreign nations change the values of their currencies, all of them perhaps joining hands in currency depreciation, the United States would be forced either to deprecate, thereby letting the United States be cheated by the debtor governments, or pass in the general depreciation and thereby cheat our own Government bond holders. In the Breston Woods case all the cards are stacked against the creditor nation. The principal creditor nation is the United States.

It is not surprising that the administration's systematic attempt to line up pressure groups and national organizations in a campaign to pressure the Breston Woods bill through Congress was effective. Now days most everybody seems willing to grasp at any straw labeled, "world peace and prosperity." With few exceptions, witnessed favoring the Breston Woods bill had little or no real study of the agreements. They relied heavily upon the assurance of administration officials that Breston Woods is the way out of the world's money troubles. Therefore it seems important to point out frankly that the inventors of the Breston Woods scheme are disciples of the inflationary, unorthodox Keynesian "keep spending, lending, and printing money" philosophy of economics which has guided both British and American government since 1935. Under its British and American business enterprise have survived only because it was hoped and believed that New Dealers would not last long. New leading bankers, economists, and industrialists here and in England are crying out in fear for the traditional thoroughly moral "gold standard." Government fiscal policies which have been the basis of both British and American economic development. They say they do not want Breston Woods monetary government or any "funny money" scheme. They are only saying today what any "funny money" scheme. They are only saying today what any "funny money" scheme.

The new conspiracy which seek to replace the irrepressible in the House and Senate does little but show a lack of confidence in the House and Senate. But surely this "gold brick" scheme, bearing with its swampy iron likely to come back as an issue in 1927, will never go all the way through Congress. A majority of the House and a majority of the Senate successfully passed the seemingly irresistible administration pressure to pass the "slave labor" bill. This bill is far more dangerous than the "slave labor" bill. It is probably the most dangerous bill ever presented to Congress. It is time for the United States to stop buying trouble.
May 30, 1945

My dear Mr. Bowles:

This is to acknowledge receipt of your letter of May 30th.

I will be delighted to have lunch with you any day next week, but my plans are uncertain. I hope to bring Mrs. Morgenthau back from the hospital next week, and I don't know what day that will be. However, as soon as I know I will get in touch with you.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Chester Bowles,
Administrator,
Office of Price Administration,
Washington 28, D.C.

May 30, 1945

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Mr. Chester Bowles,
Administrator,
Office of Price Administration,
Washington 28, D.C.
May 30, 1945

My dear Mr. Ambassador:

This will introduce to you Josiah E. DuBois, Jr., Assistant to the Secretary of the Treasury, who is on assignment in Moscow as a member of Ambassador Fauley's staff.

Mr. DuBois is one of my advisers and has my fullest confidence. I want you to feel free insofar as I am concerned to call on him for assistance in connection with any matters on which you feel that his advice may be helpful.

With sincere personal regards,

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable W. Averell Harriman,
American Ambassador,
Moscow, Russia.
May 30, 1945

My dear Mr. Stepanov:

I want to extend to you my greetings and at the same time introduce to you Josiah E. DuBois, Jr., Assistant to the Secretary of the Treasury, who is on assignment as a member of the United States delegation of the Allied Reparations Commission.

Mr. DuBois is one of my advisers and has my fullest confidence.

With sincere personal regards

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable M. S. Stepanov
Deputy People’s Commissar of Foreign Trade
Moscow, Russia

May 30, 1945

My dear Mr. Zverev:

I want to extend to you my greetings and at the same time introduce to you Josiah E. DuBois, Jr., who is on assignment as a member of the United States delegation of the Allied Reparations Commission.

Mr. DuBois is one of my advisers and has my fullest confidence.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable A. G. Zverev,
People’s Commissar for Finance,
Moscow, Russia.
COLUMBIA BROADCASTING SYSTEM, INC.
405 MADISON AVENUE, NEW YORK 22, N.Y.

PAUL W. KESTEN
EXECUTIVE VICE PRESIDENT

May 30, 1945

To Whom It May Concern:

This will introduce Josiah E. DuBois, Jr., Assistant to the Secretary of the Treasury, who is on assignment as a member of the United States delegation of the Allied Reparations Commission.

Mr. DuBois is one of my advisers and any assistance that may be rendered to him will be appreciated.

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE May 30, 1945

TO
Secretary Morgenthau

FROM
J. W. Pehle

A few suggestions:

That you do a nationwide radio talk on tax evasion reporting to the country what steps have been taken and will be taken to deal with this serious problem and asking for the public's support.

You might also want to ask the President to make a statement at his next press conference about your drive on tax evasions.

I should think the War Finance organizations should be helpful in creating the right kind of public opinion against tax evasion.

I think you ought to "knock down" this idea that because the Bureau of Internal Revenue has 9,000 "leads" no more ideas are worthwhile. Obviously, in the investigation of leads one must follow a selective process and mark for immediate investigation the leads which are most promising of producing real and sensational results. The Bureau can not be allowed to take the position that it isn't interested in receiving more leads until it has investigated all of the 9,000 now on hand.

I also suggest that you might want to send a memorandum to Coe and Hoffman asking that they use their imagination to explore the ways in which the information and authority of Foreign Funds Control could be used to further the tax evasion drive.
Mr. O'Connell
Mr. Luxford
Mr. White
Secretary Morgenthau

Congressman Spence told me yesterday that President Truman gave Sam Rayburn a letter to read when they started the debate on the Reciprocal Trade. He would like to have a similar letter addressed to himself from the President when he opens the debate in the House. You might get out the letter that the President wrote on Reciprocal Trade, draft a letter for me to Congressman Spence as Chairman of Banking and Currency on White House stationery and I will try to get the President to sign it Friday when I see him. Be sure and give this to me not later than Thursday at 2:00 when I do my mail.

May 30, 1945

Mr. O'Connell
Secretary Morgenthau

Please let me have not later than Thursday morning, a draft of the statement that I am to make on the Hill before the Appropriations Committee.

Finished
Harry White
Secretary Morgenthau

After you've shown that note I read out loud to you to Stettinius, I would appreciate your giving it back to me yourself so that I can destroy it. Thank you.  Destroyed.

Joe Dubois
Secretary Morgenthau

Don't leave town without talking to me about where we stand with these last chapters on the Junkers and weaving that into the Phase 2 of my statement on Germany. I don't want to leave that hanging out in the air. Please talk to me about it because after you leave I want to see that somebody follows through on it. Finished.
To: Mr. Fehle

McClelland's last report.
Dear General O'Dwyer:

With reference to my letter of April 20 I am pleased to be now able to forward for the Board's confidential information and records two copies of my accounts. They cover disbursements from discretionary War Refugee Board funds made during the period of November 1st, 1944 to April 30th, 1945 inclusive, that is, the second six months of Board activity conducted from Switzerland.

The possibilities of usefully "placing" WRB contributions unfortunately grew constantly smaller as the military situation in Europe developed. During the summer and fall of 1944 the major portion of our Board financial assistance went into the Balkans principally Hungary, for the relief and, insofar as possible, rescue of the persecuted Jewish minority in that country. But in the early winter of this year Budapest finally fell and the Russian advance toward Bratislava, a city which had previously also been the destination of several WRB contributions, was well on its way. Our last grant for Budapest and Bratislava was made on December 2nd, 1944 through the "Hechelus." Thereafter aid for Hungarian Jews was channeled to the many thousands still located in Austria, particularly in the Vienna area, where they had been deported by the Germans and their Hungarian satellites during the summer of 1944. To be sure a further contribution for Balkan rescue operations was made in February 1945 but it was to cover work which had been carried out during the fall of 1944 in passing fleeing Hungarian Jews over the border into Romania.

Early in 1945, therefore, our War Refugee Board efforts from Switzerland had to be refocused on those areas where many victims of Axis persecution were still located: Austria, Northern Italy, Czechoslovakia, at least that section called the "Protectorate" by the Nazis - and of course Germany itself, the vast prison of hundreds of thousands of men and women deported there from almost every European country.


As regards relief and rescue operations in Germany financed from the Board office in Switzerland, special medical parcels were purchased for the terrible women's concentration camp at Ravensbrück, north of Berlin - during our second six months of activity - funds were sent in clandestinely, and what was more valuable than funds, small highly prized, negotiable objects such as cheap Swiss watches, pocket knives, razor blades and holders, and the like, to help endangered persons to continue to hide and perhaps to work their way down toward the Swiss border. An intelligence service concerning conditions in the concentration camps, the movement of detainees and the possibilities of distributing parcels where they had the greatest chance of reaching their intended beneficiaries, was developed in collaboration with a German resistance organization. Through the same group currency and objects were sent in which permitted a small number of political and racial refugees to get across the border into Switzerland.

Throughout this second period, however, as the Nazis were driven back week by week and intensified the ruthlessness of their control and surveillance, it became increasingly hard to literally rescue persons by extracting them from German occupied territory and bring them to the neutral safety of Switzerland. The situation in northern Italy in this respect was further aggravated by the presence and activities of an indigenous "Fifth Column" in the form of the Neo-Fascists and their various policemen. As in the case of the Daumard "Hilites" in France they were often more vicious than the SS and the Gestapo.

Concerning WRB operations in this northern Italian zone a financial contribution was made in January to the "Women's Defense Groups" of the Milan Liberation Committee to enable them to intensify their aid to the Italian women and children in hiding and to help them meet the ever increasing and tragic load of their own imprisonment and fugitives. A few weeks before the sudden surrender of the Germans in northern Italy a new relief and rescue channel was opened up through the Valdarnese Church, that staunch, Protestant community settled in the mountain valleys up against the Swiss and French borders. As did the Huguenots in the Haute Loire region of France during the deportations of the summer of 1942, so did the Waldensians in Italy shelter and protect many refugees regardless of his race, or religion, so that section called "friendly enclaves near borders" and the Nazi aim ended up in the exit was thwarted. The relatively small numbers of refugees in Italy as opposed to the French border region were more than offset by the very large scale of页 163
During the first six months of the War Refugee Board's life in Switzerland some 733,939.50 Swiss francs - roughly $160,000 - were disbursed for relief and refugee operations. To this should be added the cost of slightly over 50 tons of foodstuffs purchased from the American Red Cross and used to make up our first emergency parcels for the concentration camps in Germany, which amounted to 141,747 Swiss francs, or approximately $34,000. These packages were delivered by the International Committee of the Red Cross during the early fall of 1944, and all reached the camps satisfactorily, although they were not actually paid for until May 1945. During the second six months of activity directed from our Swiss base a total of 798,679.35 Swiss francs, or about $197,000, were spent. At the same time the distribution of the better part of the 900,000 Board parcels shipped to Sweden and Switzerland and representing considerable monetary value - for deportees and civil detainees in Germany-controlled areas was supervised in collaboration with the Division of Special Assistance of the International Committee of the Red Cross from Switzerland.

Very sincerely yours,

/s/ Roswell D. McClelland
Beigadier General William O'Dwyer
Executive Director
War Refugee Board,
Washington 25, D. C.

<table>
<thead>
<tr>
<th>Section</th>
<th>Record of Expenditures from W.R.B. Discretionary Funds</th>
<th>November 1st, 1944 through April 30th, 1945</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Entertainment and conquests</td>
<td>Swiss francs</td>
</tr>
<tr>
<td>November 1944</td>
<td></td>
<td>246.20</td>
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<tr>
<td>December 1944</td>
<td></td>
<td>167.50</td>
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<tr>
<td>January 1945</td>
<td></td>
<td>106.50</td>
</tr>
<tr>
<td>February</td>
<td></td>
<td>126.00</td>
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<tr>
<td>March</td>
<td></td>
<td>94.10</td>
</tr>
<tr>
<td>April</td>
<td></td>
<td>205.00</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>943.40</td>
</tr>
</tbody>
</table>

**SECTION II.**

Disbursements of non-routine character outside of regular administrative expenditures; telephones, wires & postage (away from Legation), taxis, special research & information work, travel of agents inside Switzerland, special translating, etc.

<table>
<thead>
<tr>
<th>Month</th>
<th>Amount</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 1944</td>
<td>124.65</td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>23.10</td>
<td>38.30</td>
</tr>
<tr>
<td>January</td>
<td>163.30</td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>146.95</td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>112.50</td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>551.95</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,201.65</td>
<td>1,201.65</td>
</tr>
</tbody>
</table>

* Included two fairly extensive trips of agents inside Switzerland undertaken particularly with a view to obtaining information from incoming refugees about the situation on the German side of the border, both in Germany proper and in northern Italy.

**TOTAL THIS PAGE**

2,145.05
Amount carried over from preceding page .......... 2,145.05

SECTION III. (continued)

<table>
<thead>
<tr>
<th>Receipt No.</th>
<th>Date Paid</th>
<th>Receiving organization or Individual</th>
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</thead>
<tbody>
<tr>
<td>7</td>
<td>March 1/45</td>
<td>Karl &quot;Burkhardt&quot; (Bergmann) of &quot;Freies Deutschland,&quot; Contribution for Feb. 1945... 2,000.00</td>
</tr>
<tr>
<td>8</td>
<td>March 5/45</td>
<td>M.H. Gans of &quot;Dutch Jewish Coordinating Committee,&quot; Geneva .......................... 2,000.00</td>
</tr>
<tr>
<td>9</td>
<td>March 31/45</td>
<td>Karl &quot;Burkhardt&quot; (Bergmann) of &quot;Freies Deutschland,&quot; Start of purchasing program, Contribution for March 1945... 5,000.00</td>
</tr>
<tr>
<td>10</td>
<td>April 15/45</td>
<td>Karl &quot;Burkhardt&quot; (Bergmann) of &quot;Freies Deutschland,&quot; Contribution for April '45... 5,000.00</td>
</tr>
<tr>
<td>11</td>
<td>April 28/45</td>
<td>M. H. Gans of 'Dutch Jewish Coordinating Committee,' Geneva. Final contribution to bring card file up to date .... 3,000.00</td>
</tr>
</tbody>
</table>

No receipt obtained Jan. 12/45
Monignor P. Bernardini, Papal Nuncio in Bern, for Bruno Kniger's trip to northern Italy ........... 2,500.00

Jan. 18/45 (Receipt dated Feb. 1/45)
Dr. Joseph Wei of the Union OSO, Geneva. Purchase of special medical supplies for persons imprisoned in northern Italy ........................ 4,000.00

Jan. 15/45
Karl "Burkhardt" (Bergmann) of "Freies Deutschland," Contribution for Jan. 1945... 2,000.00

TOTAL THIS PAGE .......................... 17,645.05

DETAILS CONCERNING EXPENDITURES IN SECTION III.

The "minor" contributions recorded in Section III of my accounts (receipts numbers 1 through 11) represent in the main, with one special exception, further grants to organizations which had received WRA funds for relief and rescue operations during the first six months of Board activity in Switzerland and referred to in my previous accounts.

Receipt No. 1 - Page 5 - November 6, 1944 reflects a payment of 1,750 Swiss francs to Tomaso Della Porta, brother of Gisella Della Porta, the woman who did our liaison work with the "Women's Defense Groups" in northern Italy during the summer of 1944. This money was to finance the special investigation trip undertaken by Della Porta to obtain,
insofar as possible, additional, precise information concerning the camps and prisons which were used by the Germans and Neo-Fascists in northern Italy as assembly centers for deportation. I was particularly interested in having details on the camp at Gries near Bolzano, which, after the closing of the ill-fated camp at Passoli di Carpi near Modena, had become the deportation center for Jews and political prisoners. From here, arrestees were regularly sent to Mauthausen and other German concentration camps.

As fate would have it, Della Porta never got through but, as far as I could learn, was arrested in Turin (he had taken the "French" route into Italy) by a "Mitti Brigade," one of the many Neo-Fascist "police" organizations. I am still attempting to secure information regarding his welfare. He is the only "Board" agent we have ever lost so I feel particularly badly about it.

The payment of 2,500 Swiss francs on January 12th to Monsignor Bernardini, the Papal Nuncio in Bern, for which I did not ask for a receipt, concerns an attempt initiated in the fall of 1944 when Sir Clifford Weatherscroft-Smith of the Intergovernmental Committee on Refugees of Rome was in Switzerland, to intimidate the Neo-Fascist police and obtain concessions for if not the liberation of a certain number of racial and political detainees in northern Italy. Monsignor Bernardini drew our attention to a young Italian named Bruno Kiniger (from the Trento region, hence the Austrian sounding name), who had served in Tehran as an unofficial representative for commercial matters of the Neo-Fascist Government. Some months earlier, Kiniger had disassociated himself from the Neo-Fascists and was anxious to rehabilitate himself. As it happened he was a relative of Tullio Tamburini, former head of the Fascist police. Tamburini in turn was close to both Mussolini and General Montagna, chief of the Neo-Fascist police, and in a position to get at Buffarini, the "Minister of the Interior of the Government of the Italian Socialist Republic." According to reliable information Buffarini was beginning to have qualms of conscience concerning his personal future and accordingly might be open to intimidation or threat of eventual treatment as a war criminal.

We decided that through Kiniger an effort could be made to frighten Buffarini and thereby obtain more favorable treatment for at least those prisoners in Neo-Fascist hands. We also instructed Kiniger to bring back to us all the information he could collect concerning camps, prisons, the numbers, types and nationalities of detainees in them and the like.

Kiniger was also furnished with letters of introduction by the Papal Nuncio to Cardinal Schuster of Milan and one or two other important Churchmen in northern Italy, underscoring the interest of the Vatican in an effort of this sort.

After some delay occasioned by one false start during which the Swiss police picked him up trying to cross the border illegally, Kiniger got through. He saw both Tamburini and Buffarini, and the latter promised to take the matter up with General Montagna. Kiniger learned, however, that virtually all of the Jews arrested for deportation were concentrated in the camp at Gries which was directly under the control of the S.S. and inaccessible to even the Neo-Fascists. It was nevertheless possible for Kiniger to obtain one immediate, if small, concession: permission to send into the prison of San Vittore in Milan, one of the worst in the whole of northern Italy, for detainees, special medical and food parcels. Buffarini agreed to facilitate the transportation of such parcels from the Swiss border to Milan. We therefore immediately made up a shipment (soap, vitamins, insect powder, condensed milk, chocolate, sulfanilamide, vaseline, etc.) which was satisfactorily dispatched on January 18th. This purchase was done with the assistance and through my good friend, Dr. Joseph Weil of the Union OSE. Receipt No. 5, page 5, of January 18th, for 3,000 francs reflects this purchase.

This practical aid remained about the only tangible result of Kiniger's trip which might have had better results if we could have been in touch with him a few months earlier and sent him to northern Italy when a larger number of arrestees were still in Neo-Fascist hands.

The other Board grants recorded in this section were either made to Karl "Burkhardt" Bergmann of the Freies Deutschland (Receipts numbers 2, 6, 7, 9, 10) committee in Switzerland or to Dr. Pataki-Daniel or M. H. Sana of the Dutch Jewish coordinating Committee in Geneva (Receipts numbers 5, 6, 11). Contributions to both of these groups for relief, rescue and related operations were also reflected in my previous accounts.

The financial assistance given to Karl "Burkhardt" of the Freies Deutschland was for three types of work:
1) maintenance in hiding of endangered racial and political refugees, particularly near the Swiss border,
2) the "passing" of such fugitives over into Switzerland (a total of 15 persons actually were brought into Switzerland between December 1945 and April 1946: 1 German, 6 Poles, 2 Russians, 2 Czechs and 3 Hungarians), including the cost of false papers and minor bribes, and 3) the operation of an intelligence service concerning the concentration camps, mainly Dachau, Bergen-Belsen and Buchenwald and Neuhausen. Point 1) also involved the sending of compact medicinal parcels of the type shipped to San Vittore in Milan.

All three of these operations were financed not so much in currency as in kind. From the beginning of 1945, money as such had less and less value in Germany. On the other hand small, much sought after, easily negotiable objects such as pocket knives, razor blades and holders, cigarette lighters, cheap Swiss watches, wallets, aspirine tablets, small tubes of cold cream - in short hundreds of minor objects such as one can buy in the normal "Five & Dime" store at home - had a value far above that of money. I have one case on record of a young man who was fed and lodged in hiding by a family in Lorrach for two months for the price of a cheap Swiss watch costing about $5 German. Second-hand suitcases full of such peddler's trinkets smuggled over the border (with the complicity of a Swiss customs' guard) by the Freies Deutschland oddly enough served to save the lives of many good people.

The Intelligence service involved the collection of information which would be of value to us here and to the International Red Cross's Division of Special Assistance in the distribution of WR and other parcels in the concentration camps. In this respect it was very valuable to know, for instance, what the attitude of the present camp commander was toward such relief action, who the reliable "hommes de confiance" for the national groups in the camps were, whether they enjoyed not only the confidence of their comrades but had been able to work out a certain "modus vivendi" with the camp SS officials, who among the guards and interned block leaders could be counted on or could be bribed with cigarettes or soap, which SS men were trying to "change their colors," whether items were removed from the parcels prior to delivery, were detained forced to sign for packages they never received, and a great many other small facts which played so important a role in the satisfactory bringing of relief to these men and women.

Our last contribution of 5,000 francs to the "Freies Deutschland" on April 15th, 1945 was in the nature of an emergency grant so that advantage might be taken of situation in Germany as things began to crack up. It served principally to pay out small bribes to camp guards and to smooth the way for the "disappearance" of detainees before the last minute, desperate excesses of the S.S. were carried out. It is difficult to know how many persons were benefitted by this since in the days between April 15th and May 5th, all sorts of escapes from all kinds of camps, prisons and work groups streamed over the Swiss border from southern Germany.

The smaller Board contributions to the "Dutch Jewish Coordinating Committee" in Geneva were less to finance rescue operations than to render possible an intelligence service of a different sort. During the course of many months this organisation had slowly built up a very complete card file covering in a manner duplicated nowhere else practically all the Jewish deportees from the Netherlands, both of Dutch and of other nationalities. Their excellent efforts in this direction, for personality reasons, were very little or not at all financed by the Dutch Legation in Switzerland, but almost entirely with the private resources of a young Dutch Jewish journalist, H. N. Gans, who pioneered this work. He was ably seconded by Dr. Polak-Daniels, who is now head medical officer of the Dutch Government's repatriation team which hopes to be able to go into Poland to search for and return Jewish deportees from Holland. Gans's work of locating or trying to locate deportees in the camps and work companies of Germany and Germany occupied areas was done with registered, "searcher" postcards sent out weekly in very large numbers, with prepaid answers. Out of an average of twenty cards mailed about one answer was received, which often consisted of only the official "stamp" of the Jewish community in Upper Silesia or southern Poland. The D.J.C.C. also engaged in the smuggling of lists from camps. Our FRB contribution was of the greatest value to them to keep this excellent work going.
| 12 | Dec. 2/44 | Pharmacie Nouvelle (Kupfer) | Geneva, for 250 special, double pharmaceutical & restorative parcels for the women’s concentration camp at Ravensbrück, Germany | 16,634.30 |
| 13 | Dec. 2/44 | Hechalut (Nathan Schwab – receipt signed by his assistant R. Fleschbacher) for Germany and Balkan countries | 50,000.00 |
| 14 | Jan. 2/45 | American Jewish Joint Distribution Committee (Sally Mayer). Paid to “Commission Mixte” of the IJRC. Emergency food & clothing purchases in Bratislava & Vienna for Hungarian Jews in Austria | 200,000.00 |
| 15 | Jan. 17/45 | R. Manfredi of the Milan Liberation Committee for relief action by the “Women’s Defense Groups.” | 25,000.00 |
| 16 | Feb. 1/45 | Hechalut (Nathan Schwab) to cover relief & rescue operations carried on during the fall of 1944 in the Hungary-Romanian border area | 50,000.00 |
| 17 | May 14/45 | Pastor Guido Rivoli (Valdese Church in northern Italy) to finance the upkeep of fugitives being hidden by this congregation | 6,000.00 |

**Total**

| 357,634.30 | 357,634.30 | 392,279.35 |
(there were some 7,000 of them, mainly Hungarians, deported from Hungary during June and July of 1944, plus a few hundred Poles) were under the control of a certain Ebner, the head of the Gestapo in Vienna. Ebner was of Austrian origin and displayed a definite willingness to cooperate in this question of assistance for Jewish deportees. The situation there was further improved by the presence of an active and capable JDC delegate, Dr. Tadikum, who had established cordial relations with Ebner and whom the latter was quite ready to allow to supervise the distribution of such relief supplies. Ebner himself dug up the goods suits and canned meat. We did not inquire too closely into their origin. Their price was not exorbitant, and even Dr. Lichtenberg, the director of the relief service of the Vienna Jewish Community who was still on the job, amazingly enough, was allowed to have his advisory say in the distribution. All in all, the chance was too good to be missed even if somewhat unorthodox.

Receip No. 15 - Page (11) - January 17.
This was a further contribution to the excellent relief work being done in northern Italy by the *Women's* Defense Groups, to which the JDC had also made grants during our first accounting period. This money was spent in such the same manner: to pay for the shelter and feeding of Jewish women and children and to give sorely needed relief to the families of Italians imprisoned, executed, or deported by the Nazis and the Neo-Fascists. It was also used to make up parcels locally which were sent into the prisons in Milan, Turin, Genoa, Alessandria, Poggiemen and Brescia. It was not used this time to finance the liberation of patriots from the prisons since throughout the spring of this year more areas were made available to the Allies and money could be more economically used to buy food for families and pay them small monthly allowances than in being spent to purchase carbohydrates, cartagels or gasoline at very high prices. I know, of course, that a certain percentage of such funds were always used to "smooth" the way for some persons who were always used to extremely high parcels into prisons by bribing petty officials and guards. The devolution of the Italian Lira, however, bars us from making such payments. The price for buying a person out of prison became almost unapproachable, often going into several million Lire. We could, therefore, not finance work of that sort.

Receip No. 17 - Page (11) - May 14, 1945.
As described toward the bottom of page (8) of my covering letter this last Board contribution went to Pastor Guido Rivoir, a minister of the *Valdelsen* Protestant Church, located in Lugano. Pastor Rivoir's church has a number of hardy little communities for the most part in the high mountain valleys up against the French and Swiss borders. They are imbued with that same spirit which characterizes the Huguenot communities in France today and have always given asylum to fugitives in all forms. During Fascist and under the German occupation they did not relinquish this tradition, but rather intensified their work in behalf of the persecuted. Their particular stronghold is in the region between Turin and the Franco-Italian border where they have given shelter to many refugees trying to get across into France. Our JDC grant purchased a million and a half Swiss francs worth of goods (at that time selling at 90 Swiss francs a hundred) which were intended to finance the buying of refugees. As things turned out the war came happily to a more sudden end in northern Italy than we had expected so that very little of it could be used for the original purpose. I received a note from Pastor Rivoir a few days ago, however, in which he explained what he had done with the money. It reads as follows:

"I was in Italy for a few days (he writes this under date of May 29th,) and took the opportunity of looking into the use which was made of the funds which had been asked for by the JDC. The Refugee Board generously placed at our disposal a fund of aid to victims of Nazi-Fascism. This money was used to buy food for families and pay them small monthly allowances than in being spent to purchase carbohydrates, cartagels or gasoline at very high prices. I know, of course, that a certain percentage of such funds were always used to "smooth" the way for some persons who were always used to extremely high parcels into prisons by bribing petty officials and guards. The devolution of the Italian Lira, however, bars us from making such payments. The price for buying a person out of prison became almost unapproachable, often going into several million Lire. We could, therefore, not finance work of that sort.

Regraded Unclassified
### SECTION V.

**Special advances to Herbert Katski, Representative of the War Refugees Board, for his current expenses.**

<table>
<thead>
<tr>
<th>Receipt</th>
<th>Date Paid</th>
<th>Cash</th>
<th>Total</th>
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<td>18</td>
<td>April 5, 1945</td>
<td>400.00</td>
<td>400.00</td>
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<tr>
<td>19</td>
<td>8, 1945</td>
<td>1,000.00</td>
<td>1,000.00</td>
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<td>20</td>
<td>30, 1945</td>
<td>1,000.00</td>
<td>1,000.00</td>
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<td><strong>Total</strong></td>
<td></td>
<td><strong>2,400.00</strong></td>
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**GRAND TOTAL EXPENDITURES NOV. 1st, 1944 THROUGH APRIL 30th, 1945**

| **SWISS FRANCS** | 392,279.35 |

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### EXPENDITURES MAY 1 THROUGH MAY 31, 1945

<table>
<thead>
<tr>
<th>Description</th>
<th>Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contacts and entertainment</td>
<td>77.00</td>
</tr>
<tr>
<td>Taxis, telephone bill at Geneva and photo copies</td>
<td>33.35</td>
</tr>
<tr>
<td>Cash advance to Herbert Katski of May 16, Receipt No. 21</td>
<td>1,000.00</td>
</tr>
<tr>
<td>Reimbursement to RDMC of personal advance to WRA cash of April 12</td>
<td>6,000.00</td>
</tr>
<tr>
<td>Paid to American Red Cross, Geneva for CHRISTINA foodstuffs 25,756 kgs. (See my letter of May 8, 1945 to Board) Receipt No. 22</td>
<td>141,474.28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>146,568.63</td>
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**GRAND TOTAL EXPENDITURES NOVEMBER 1st, 1944 THROUGH MAY 31st, 1945**

| **SWISS FRANCS** | 583,265.98 |

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### W.R.B. DISCRETIONARY FUNDS: AMOUNTS RECEIVED, NOVEMBER 1st, 1944 THROUGH APRIL 30th, 1945

<table>
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<tr>
<th>Date</th>
<th>Source</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Oct. 31, 1944</td>
<td>Cash in hand</td>
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<tr>
<td>Nov. 24, 1944</td>
<td>Balance in bank</td>
<td>375,861.06</td>
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<tr>
<td>Dec. 1st, 1944</td>
<td>Received from Gerhart Riegner of World Jewish Congress in reimbursement of Swiss franc equivalent of 10,000 Dollar WRA contribution to Czech Resistance Movement made from WRA funds on July 20, 1944 (to Dr. J. Kopcskey; See page (5) of previous accounting report). Original plan had been to make a contribution of 20,000 Dollars in this affair, WRA giving 30% and the WJC the other; Czechs, however, could only handle equivalent of 10,000 Dollars, of which Riegner insisted on paying approximately half.</td>
<td>428,616.47</td>
</tr>
<tr>
<td>Dec. 2nd, 1944</td>
<td>Received from M. H. Gans of 'Dutch Jewish Coordinating Committee' of Geneva, since WRA contribution of 50,000 Frs. made to this group on October 11, 1944 for rescue scheme of Dutch Jews from Bergen-Belsen could not be used. (See pages 5 &amp; 12-13 of previous accounting report).</td>
<td>21,325.00</td>
</tr>
</tbody>
</table>

**TOTAL THIS PAGE**

| **SWISS FRANCS** | 678,448.70 |
Swiss francs

Carried over from previous page .............. 678,448.70

DATE

SOURCE

Jan. 5th. 1945 Received from WRS, Washington as
per Dept.'s 4386 [from Allen to
Daymont, Disbursing Officer at
Legation, Bern], Dec. 29/44, and
Dept.'s 4400, WRS's 436, Dec.
30/44. The equivalent of 175,000
Dollars ........................................ 750,426.52

April 12, 1945 Cash advance from personal funds
in order to make quick payment ....... 6,000.00

GRAND TOTAL FUNDS RECEIVED

NOV. 1/44 THROUGH APRIL 30/45. 1,634,677.52

BALANCE AS OF APRIL 30th. 1945

a) Total disbursed: Nov. 1st. 1944 through

April 30th. 1945 (See page 15) ............ 394,679.35

b) Cash in hand ................................ 766.60

c) Balance in bank (Banque Populaire Suisse,

Bern, RMC's U.S. Government Depository

Account) .................................... 1,239,431.37

Total ........................................ 1,634,677.52

BALANCE AS OF MAY 31st. 1945

a) Total disbursed: Nov. 1st. 1944 through

May 31st. 1945 (See page 15) ............ 543,263.98

b) Cash in hand ................................ 3,656.45

c) Balance in bank .............................. 1,087,957.09

Total ........................................ 1,634,677.52

Jin Mann has just turned over to me an amount of

Swiss francs 35,205.82 transferred from a small WRS

account which he had left in London. I have deposited

this sum to my U.S. Government Depository Account with the

"Banque Populaire Suisse" in Bern.

As far as outstanding commitments are concerned

there are really only two. When the question of the

Jewish refugees from Bergen-Belsen and Theresienstadt

actually leaving Switzerland came up there was an

immediate request from them for a great many small items

including suitcases, toilet articles, clothing, shoes, etc.

Sally Mayer agreed generously to cover the cost

of such "departure" expenditures to the extent of

25,000 francs. I told him that I would be glad to

contribute from Board funds what more was necessary.

According to the latest estimate which Mr. Mayer

has submitted to me this will probably amount to

about 30,000 francs. I also agreed to defray out

expenditures incurred by the Swiss authorities for the

train, sanitary & welfare personnel, food supplies,

and like. In all this ought not to amount to more

than 5,000 francs. To be on the safe side, therefore,

30,000 francs ought to amply cover any WRS expenses

contingent to the departure of these refugees.

You authorized me as well to pay Herbert Katzki's

return fare to the United States if and when this

became necessary. I should reserve about 5,000 francs

to cover this.

Very sincerely yours,

/\ Rosewell D. McClelland

Rosewell D. McClelland

Special Representative of the

War Refugee Board & Special Assistant to the Minister.

Bern, June 2, 1945.

P.S. Please find attached the 22 receipts

referred to in the course of the previous

pages.

RMC.
In cable from Chungking unnumbered May 25

text of central news report insert serial number 842.

DIVISION OF CENTRAL SERVICES

CBS
May 31, 1945
10:25 a.m.

PRE-PRESS
Present: Mr. O'Connell
Mr. Fussell
Mr. Gaston
Mr. Shaeffer
Mr. Fehie
Mr. D.W. Bell
Mr. Feitus
Mrs. Riots

H.M.Jr: This is what I've done. I just spoke to Fred Smith, and I told him -- you listen to this -- to see whether the Blue Network tomorrow night wouldn't put Taber and Cannon on this black market tax business, and McKellar and Hoover, the Republicans. I've talked to Fred about it, see, and he likes the idea.

MR. GASTON: With gloves?

MR. HELL: Taber and Cannon ought to have gloves.

H.M.JR: Anyway, and Fussell, Shaeffer, this stuff I'm doing today here - make an extra effort to contact some of the radio commentators on national hook-ups, and see if you can't get this to proceed, Fussell. I mean some of the people that have got to go on the air today by national hook-up -- I don't know who they are, but call some of them up on the phone. See if you can get them on the phone.

MR. SCHAFFER: I sent it around to all of them.

H.M.JR: That isn't enough. They get a thousand handouts. It's a question of getting somebody on the wire, Fussell.

MR. FUSSELL: Yes.

H.M.JR: That goes coast to coast. One man goes on at 1:30.

MR. HELL: Wait until after the banks close.

H.M.JR: Some of the people coast to coast. I mean just handing out that doesn't get you anywhere, but if you get one or two people - coast to coast hook-up commentators --
TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, May 21, 1945.

Press Service
No. 46-37

As another important step in the Treasury Department’s
drive to detect and eliminate tax evasion, Secretary
Morgenthau announced today that instructions have been
issued by the Treasury Department requiring all financial
institutions in the United States to file reports of unusual
transactions involving currency. Included within this category are
all currency transactions “in amounts or denominations which,
in the judgment of the financial institution, exceed those
conducted with the legitimate and customary conduct of the business,
or professional or organization concerned.” Reports are required of all banks, building
and loan associations, securities and commodities brokers, commodity exchanges, and other cashing institutions. The
instructions were issued under section 5(b) of the Act of
October 6, 1917 and other authority vested in me by law, the following
instructions are prescribed:

1. Commencing with transactions occurring in the month of
June, 1945, every financial institution in the United States
shall file monthly reports on Form T-1 concerning each deposit
or withdrawal, or other payment or transfer, affected by, through,
or to such financial institution which involves United States
currency in amounts or denominations which, in the judgment of
the financial institution exceed those commensurate with the
legitimate and customary conduct of the business, industry, or
profession of the person or organization concerned. The fact that
such transactions involve $1,000 or more of United States currency
in denominations of $50 or higher, or involve $10,000 or more of
United States currency in any denominations shall be deemed to
accompany the filing of a report on Form T-1, unless in the
judgment of the financial institution the transaction is commensurate
with the legitimate and customary conduct of the business,
industry, or profession of the person or organization concerned.

2. Reports on Form T-1 shall be filed in duplicate, on
or before the 15th day of the month following in which the
reported transactions occur, with the Federal Reserve Bank of the
district in which the reporting financial institution is located.
All information called for in such form shall be furnished.

3. No financial institution shall affect any transaction
with respect to which a report is required unless the person or
organization with whom such transaction is to be affected has
been satisfactorily identified.

4. 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.

 Secretary of the Treasury

Regraded Unclassified
Mr. Fred Smith: Fine. How are you?
HMJr: Good.
S: What do you know?
HMJr: Fred?
S: Yeah.
HMJr: I'm beginning to send you up.
S: I can't hear you, Boss.
HMJr: I am beginning - I've got to save my radio voice.
S: What did you say?
HMJr: Can you hear me?
S: Just barely.
HMJr: Can you hear me now?
S: Yeah, I can hear you now.
HMJr: I am sending you up some of the stuff from my diary, see?
S: Oh, good.
HMJr: But, I want a gentleman's understanding with you, in view of what you said that you first had to make it - I don't know how you put it - sort of sell me down before you build me up.
S: I didn't say that.
HMJr: Well, words to that effect.
S: I didn't either. But go on and I'll go back and tell you what I did say.
HMJr: Well, anyway, I want a gentleman's agreement with you if I'm going to let you have this stuff, if I don't like it it doesn't see daylight.
S: Oh, sure.

HMJr: Unless we have that, I don't want to send it up.
S: No, no. You've got that. You've had that all the time.
HMJr: All right.
S: Now let me tell you what I said.
HMJr: Yeah.
S: What I said was that we were going to have a little difficulty selling it the way I want to sell it.
HMJr: Yeah.
S: See? That's all. I'm going to do it the way it ought to be done.
HMJr: Yeah, but I was worried that you were going to do one of these, you know, first - well, you know what I mean.
S: Yeah. But I'm saying that's what I ain't going to do.
HMJr: All right. Just as long as we understand each other - if it is the way that I see it. I mean, I'm not going to be picky about it. I don't like this sentence or that.
S: That's right.
HMJr: But if I don't like the general tone of it, then it's out.
S: O.K.
HMJr: Is that fair enough?
S: Sure. I expected you to do that anyway.
HMJr: All right, but then I'm going to give you some good stuff. I'm going to give you, for instance, a letter from me to the President that has never seen daylight.
S: Oh, wonderful!
S: Yeah. That's what you are going up for, huh?
S: Yeah, but then I'm going up and I understand that I'm going to get a very sympathetic hearing.
S: Yeah.
S: But if we could kind of build up the fellows in the House and the Senate, you know, a little bit, they like the publicity.
S: Sure.
S: See?
S: Good.
S: What do you think?
S: I'll put somebody right on that. I think it is a swell idea.
S: Well, I'll be on that tomorrow, and maybe tomorrow night you could put some of the Congressmen and Senators on the program.
S: Good.
S: All right...
S: Incidentally...
S: The people who run that program, I'll put them on it.
S: It will be a
S: Yeah.
S: You get the two of them on and maybe they could wipe the blood off.
S: Would you go on too for a minute?
S: I don't think I'll be here.
S: On, I see.
S: Anyway, it would be much better to let them have the buildup.
S: It could be recorded, you know.
S: Well, I'll help.

HJ: See?
S: Yeah.
HJ: So I'm going to help you and then in return that's all I'm asking.
S: Well, you'll get it. We're going to do it right, and get it done.
HJ: Now this stuff on the Blue, the other night at 7 o'clock on that blackmarket tax was good.
S: Yeah.
HJ: I don't know whether you know that your organization at 7 o'clock night before last had some program that you had -
S: Is that right? Well, I'll check up on it.
HJ: Called "Headlines".
S: "Headline Edition."
HJ: Yeah.
S: That's a new program we've put out and it's good.
HJ: Yeah. Now I've got an idea. I'm going up on the Hill tomorrow - in the morning - before the House Appropriations...
S: Yeah.
HJ: And in the afternoon before the Senate. In the morning it's Cannon, and in the afternoon it's McKellar.
S: Yeah.
HJ: Now I wondered whether your organization here - I don't know who the Republican is, the Senior Republican in both the House and the Senate, see?
S: Yeah.
HJ: Whether you couldn't get Cannon and his Republican number, and then maybe McKellar and his Republican number after I go up there, to get them on the band wagon, and say sure we've got to go after these blackmarket tax evaders, see?
S: Oh, good, that's swell.
HJR: But you've been reading about
S: Yeah.
HJR: Well, they could wipe the blood off your program.
S: That's good.
HJR: Then McKellar and whoever the Republican is.
S: Yeah.
HJR: See?
S: Yeah.
HJR: Cause this stuff is going like wildfire.

S: Yeah. It's a good story.
HJR: And you could follow up on the radio tomorrow night.
S: Good.
HJR: Right?
S: All right.
HJR: Thank you.
S: Thanks a lot.
HJR: Bye.
S: And you have your agreement.
HJR: Right.
S: O.K.
HJR: Thank you.
S: So long.

HJR: Hello.
AG: Attorney Gen.
AG: Henry, this is Francis.
HJR: How are you?
AG: You caller me?
HJR: Yes, Francis, I want a little help from you.
AG: Yes.
HJR: We are trying to move forward as a team on one of these blackmarket tax-evasion cases in New York.
AG: Ahem.
HJR: And rather than have it take a year, I think if our people and your people plus the New York District Attorney could all sit down, I think we might be able to clear up this one big case in New York maybe in a week.
AG: Oh, yes.
HJR: The McGobey--. And my people tell me Sam Clark is out but he will be back tomorrow.
AG: That's right.
HJR: Do you suppose....
AG: What would you like for me to do?
HJR: Well, I'd like to have -- if Sam Clark is the fellow and also McGobey, whether they could be at my office at quarter of nine tomorrow?
AG: Well, I don't know about McGobey. I'd have to call and ask him, and Sam, I think, doesn't get back until about three o'clock.
HJR: Tomorrow?
AG: Yes. I think so. I'd have to find out. I have an appointment with Sam on another income tax matter. Is this an income tax blackmarket, I suppose so.
B: Well, I'll find out. I just don't know, Henry.

MK Jr: Well, I wonder if he couldn't come back. They tell me that he is up at New Haven.

B: Well, I don't think — I just don't know — I'll find out and let you know.

MK Jr: Would you let me know, but, McClosky, they tell me, he is the fellow we need.

B: Well, he is the United States Attorney in New York.

MK Jr: That's right.

B: And...

MK Jr: And Sam Clark.

B: I understand. You want to see them at quarter to nine tomorrow if you can.

MK Jr: If I can, yes.

B: Yes. Very good. What was the name of the case?

MK Jr: It's the Longchamps Restaurant, Lastig.

B: Oh, yes. I think I know about that. What was the purpose of the conference tomorrow?

MK Jr: The purpose is that instead of waiting until we are through investigating, and then...

B: I was wondering why you were calling the conference personally.

MK Jr: Well, because I've taken a leadership in this thing, and I want to drive this thing through. Normally, it would take about a year.

B: Well, it is perfectly proper. I was just wondering exactly what it was.

MK Jr: Well, I mean normally Joe O'Connell would do it, but I'm so interested that I thought if I could explain and we could organize a team and get the thing and maybe do it in a week instead of doing normally what would take a year.

B: Yes. All right, Henry.

MK Jr: Yes, but normally it would be a year.

B: Very good, thank you.

MK Jr: Yes, bye.
TAX EVASION
STATEMENT TO APPROPRIATIONS COMMITTEE
OF HOUSE AND SENATE

Present: Mr. D. W. Bell
Mr. C. S. Bell
Mr. Fussell
Mr. O'Connell
Mr. Guaston
Mr. Feltus
Mr. Pahl
Mr. Eden

H.M. Jr.: Well, you ought to have a good statement.

Mr. O'Connell: We have a very good one.

H.M. Jr.: Who is this gentleman?

Mr. O'Connell: Mr. Eden.

H.M. Jr.: What do you do normally?

Mr. Eden: I'm a Special Agent for the Bureau of Internal Revenue.


Mr. O'Connell: Doing work Mr. Palmer was doing.

H.M. Jr.: Does he write this weekly report?

Mr. O'Connell: I believe he is responsible for it.

H.M. Jr.: Do you know what's in it?

Mr. Eden: Yes, sir.

H.M. Jr.: I have been trying to find somebody who knows what's in it.

---

May 31, 1945
11:08 a.m.

MR. O'Connell: Are you looking at me?

H.M. Jr.: I'm looking all around the room.

MR. D.W. Bell: Are you looking at me?

H.M. Jr.: Where's Charlie Bell? All right.

(Discussion off the record.)

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

MR. O'Connell: I have a statement. I only have one copy. If you would like, I will read it. It's a statement Charlie wrote with another front and back I put on and it does not take into account anything Mr. Fussell might suggest, but if you want me to, and I think it's the best way to proceed, I will read the statement.

H.M. Jr.: The Chairman will have the witness read it through once without comments.

MR. O'Connell: That's fine.

(Quoting from "Draft of statement for Secretary before House Appropriation Committee.")

"Your Chairman, Mr. Cannon, was kind enough to afford me this opportunity to discuss informally with your Committee a situation which has been causing—"

H.M. Jr.: Excuse me. I just talked to the Attorney General. Sam Clark is out and won't be back until three tomorrow, so I said, I would like to meet him in my office at a quarter of nine tomorrow to organize a team. He said, 'Well you want the United States District Attorney here. Could I ask a question? Why are you doing this?' I said, 'Sure, because I happen to be interested.' 'Oh,' he said, 'I just wanted to know.' If he would have pushed me a little further, I would have said, 'Biddle, why don't you go out of office and be able to say 'Once I did something to help the Treasury?" But I didn't say that.
MR. D.W. BELL: He isn't out yet.

MR. O'CONNELL: Not until the first of July.

MR. FERRE: That's a silly situation. It's silly to leave a fellow in after you have asked him to resign.

H.M.JR.: He's got four cases.

MR. O'CONNELL: Is there going to be a meeting at a quarter of nine?

H.M.JR.: I have asked them to get the United States District Attorney. He said Clark couldn't be here until three tomorrow afternoon. I said, "Get him here tomorrow morning at a quarter of nine."

MR. D.W. BELL: He's still working for Biddle.

H.M.JR.: I didn't want to call him. I wanted to see him. I'll get someone else. I didn't know you could do it. I didn't know I could do it. We'll see.

MR. O'CONNELL: As far as Biddle is concerned, I wrote him off in terms of what we could do. I thought we could through Sam Clark.

H.M.JR.: I just couldn't do it.

Excuse me.

MR. O'CONNELL: (Reading) "Your Chairman, Mr. Cannon, was kind enough to afford me this opportunity to discuss informally with your Committee a situation which has been causing us in the Treasury increasing concern, and which I am sure, will be of interest to you gentlemen, not only in your capacity as members of the House Committee on Appropriations, but as individual citizens and taxpayers."

"As you gentlemen all know, wartime needs for revenue have resulted in a tremendous broadening of the tax base and a great increase in the number of taxpayers, as well as a great increase in the rates of tax. Where before the war we were collecting not more than four billion dollars in taxes a year, from four or five million taxpayers, we are now collecting upwards of forty-five billion dollars a year from approximately fifty million taxpayers. As the tax burden increases, there is more and more pressure on individuals and corporations to evade the tax, and it is to the problem of enforcement of our tax laws that I wish to address myself.

"We in the Treasury have been conscious of the seriousness of our problem for some time, but I would be less than frank if I did not admit that recent disclosures have persuaded me that our sights have been too low.

"I fully recognize the patriotic and willing response of our nation of taxpayers to the increased demands placed upon them for war finance. Reports have increased sufficiently to show there has been no general break-down of our tax laws. But in all earnestness I am alarmed at the evidence of evasion and concealment, especially by those who seek to grow rich through war-swollen profits and illicit black market operations in foodstuffs and short commodities. To combat that situation, about two months ago I initiated a special enforcement drive.

"Starting with a nucleus of a couple of hundred special agents of our Intelligence Unit, men trained to detect criminal tax evasion, we have presently assigned to this special drive some sixteen hundred Bureau of Internal Revenue employees, almost all of them drafted from other work. And it is of the results of the work of that group, and the implications of what they have disclosed, that I wish to tell you.

"I have personally reviewed the weekly reports made by the men in charge of the special squads working in various sections of the country, and the situation disclosed has left me aghast. The group has under active
investigation some thirty-six hundred cases indicating substantial tax evasion, and at the same time over twice that number of leads have been turned up and are awaiting only available manpower to investigate them. In other words, with over sixteen hundred people devoting their full time to this work, our back-log of profitable leads turned up in sixty days is more than double the amount our people can handle.

"I would like to give you something of an insight into what I have been learning in recent months. We are finding 'pay dirt' in transactions involving food, liquor, automobiles, furs, jewelry, gambling, and cabarets, to mention a few. Many cases combine black market operations with a criminal concealment of income. Many involve a criminal failure to report honestly income earned in a legitimate fashion. Some of the most striking cases—and I will give you the details—are what we refer to as 'currency' cases. By that we mean cases in which the malefactor made a practice of dealing with cash, usually big bills, in order better to conceal the nature and scope of his operations.

"If I were to attempt to relate to you all of the details of the cases now pending, I would be here until this Congress adjourns. But I know that you are interested in specific cases and before coming over here today I selected a few that are typical.

"You have no doubt already observed many of the stories in the public press, one local case is that of the wholesale meat dealer who, in addition to chiseling on the national price policy through violations of OPA regulations, was attempting to defraud his government of an estimate of four hundred thousand dollars in income taxes for the year 1944 alone. We have over seven hundred and fifty cases of this type ready for investigation throughout the country."

H.M.JR: I wouldn't use that. Use something fresh.

MR. O'CONNELL: All right.
H.M.JR: Have they come and made a disclosure?

MR. EDEN: Only after an investigation was under way.

H.M.JR: We are not going to accept it. Why is that not a good case instead of Washington?

MR. O'CONNELL: It is. I have gotten about six or eight and the one he is referring to is in here.

H.M.JR: I wouldn't lead off with a case I have already broken.

MR. O'CONNELL: You say you would lead off?

H.M.JR: I would not use a case I have already broken.

MR. GASTON: He said he wouldn't lead off with such cases.

MR. O'CONNELL: General reports is a better case. (Reading)

"We have under investigation many cases involving evasion of Federal Excise Tax on Furs. Typical is that of a New York dealer who at no time prior to December 1944, filed returns or paid tax on his fur transactions. The additional taxes and penalties in this case aggregate fifty-one thousand dollars."

This next paragraph I don't like.

(Reading) "Representatives of such large and reputable establishments as Hauska, Simel Brothers and J. J. Fox have recently complained to us that their businesses have been materially damaged by illicit, non-taxed sales by disreputable fur dealers. These legitimate dealers have a real personal interest in having the tax evading merchant apprehended."

MR. D.W. BELL: Cut out the names.

MR. C.S. BELL: Cut out the names and leave the rest in?

MR. O'CONNELL: The names is what I have in mind. We could refer to it without singling out two or three.

MR. PHEL: Leave the names in and don't say they complained but their business has been interfered with.

MR. O'CONNELL: I think it would be a little better to generalize. I understood the general reports were that large companies had lost twenty-five percent or more of business by having people go to off the avenue establishments. My point was we could get the same thought without referring to three firms in New York.

MR. GASTON: I don't think anybody is going to weep about their losing money.

MR. O'CONNELL: No, I know. I want--

(reading) "A scrap and junk dealer in Ohio was found to have evaded his income taxes for the years 1940 and 1941. His case is now with the Justice Department with a recommendation for criminal proceedings. In the meantime, he has deposited one hundred and twenty-eight thousand dollars with the Collector of Internal Revenue at Columbus to cover additional taxes and penalties.

A retail merchant in Pennsylvania with substantial income from mortgages, real estate, etc., was indicted on March 2 for attempting to evade income taxes from the years 1939 to 1940. Taxes, penalties and interest in this case will amount to about one hundred and eleven thousand dollars.

"In Boston a well established jewelry concern--"

H.M.JR: This is so good. In the first place, they would question me. It's so good. I am sorry to interrupt you but that isn't what I want. They will say, "Mr. Morgenthau, don't you always have these?" I think the thing we have got to drive home is there are so many we can't handle them.
MR. O'CONNELL: That was the point I thought we started off with by pointing out there were sixteen hundred people at work and in sixty days we have broken twice the number of cases we can handle.

MR. D.W. BELL: Emphasize it a little more but emphasize that you are not doing your other job. You have taken these people off their other work so that could be done. That's how you came to unearth these cases. You took Revenue Agents and Special Agents off work they did regularly.

MR. O'CONNELL: Almost all of the sixteen hundred people are people taken off their regular work. We stated that but didn't emphasize it.

H.M.JR: I wouldn't emphasize it too much.

MR. GASTON: We need to point out that this thing does a great deal more than pays its own way. We are not asking them to throw money down a rat hole.

H.M.JR: That isn't emphasized enough.

MR. O'CONNELL: Several of the points made are in the statement. There are here admittedly about eight or nine cases some of which are better than others and I think we could probably make a better presentation if we concentrated on four or five.

H.M.JR: Yes.

MR. O'CONNELL: There are eight or nine and if you--

H.M.JR: Skip them and go on.

MR. O'CONNELL: Well, we have the Boston jewelry house, two hundred and fifty thousand dollars; the Atlanta automobile dealer, one hundred thousand dollars; the Chicago cabaret owner formerly associated with the Al Capone gang, half a million dollars in additional taxes; and this California case, I think, might be worth reading.

(H.M.JR: Raisin companies.)

MR. O'CONNELL: Yes.

(Reading) "A shocking case is now under investigation in California which indicates the concealment of between ten and twelve million dollars of income through the use of large currency taken as profit in transactions which diverted grapes to wineries rather than selling the fruit to the Armed Forces as required by the War Food Administration."

That's one in this week's report.

H.M.JR: I would like--there were three or four I was going to use today and didn't use them. I like those. He gave me half a dozen. I picked out three or four and that was one of them.

MR. PEILE: Is that all you're going to give on that case?

MR. O'CONNELL: That's all there is here. I didn't write this.

MR. EDEN: The investigation is just getting under way, sir.

MR. PEILE: They have more in the press statement for today. That's a good one.

MR. O'CONNELL: As a matter of fact, if we reduce the number of cases, you can expand what you say with respect to each, but this was written with a view--

MR. C.S. BELL: I didn't give the whole detail of the raisin case. There were other angles that were eliminated.
H.M.JR: I would rather have two or three good cases in enough detail that you can understand it. My complaint is there is too little and too many.

MR. GASTON: I think you ought to cite some types of cases that represent the modern current style of evasion.

H.M.JR: That's right.

MR. GASTON: But I think the approach there--Joe's lead is very good.

H.M.JR: The part I don't like is the way they did the cases, just little snips of them.

MR. O'CONNELL: We can very readily change that. We will expand on the California case. We have a paragraph on our old friend, Lustig. Do you want that in there?

H.M.JR: No, you have enough.

MR. D.W. BELL: They will probably ask you about that. They probably saw it in the papers.

MR. C.S. BELL: Excuse me. Joe, could we play up the bandage case, the doctor? That has a lot of appeal in it.

MR. O'CONNELL: That may not be too good.

H.M.JR: Has he been found guilty?

MR. O'CONNELL: Only by G.P.A. He has been convicted. (Reading) "We have encountered alarming diversions of war materials to civilian sales with resultant illicit profits. Included in this group is a doctor in New York who manufactured surgical bandages and was thus able to buy millions of yards of cotton textiles. Much of this material was diverted to civilian channels at a sales price of thirty to thirty-five percent--"
MR. O'CONNELL: I thought this was the desert case. I thought that I had that.

MR. EDEN: That's not finished. It's a powerful case. They have already picked up three quarters of a million dollars of unreported sales.

MR. O'CONNELL: The desert case and this last case—that has not been reported here—you have got a lot of preserves that are needed for the Army. It's almost as good as the California case.

MR. GASTON: You need sugar to make preserves and they sold it to soft drink manufacturers.

MR. O'CONNELL: That's the end of the cases.

(Reading) "You will also be interested to know that we are requiring banks and other financial institutions to report to us unusual currency transactions handled by them. This has been and should continue to be one of the most profitable sources of leads to tax evasion, and we confidently expect these institutions to cooperate with us for the good of all.

"I have endeavored to give you only the highlights in a deplorable situation. I want your support in this drive to ferret out and bring to book those who have not only profited from the bloody business of war but who have also ignored their responsibilities as citizens.

"Specifically, I should like to have the approval of Congress of our pending request for a supplemental appropriation amounting to sixteen million three hundred thousand dollars for the fiscal year 1946, and also your authorization to me to expend at an accelerated rate the money available from our regular 1946 appropriation in order to build the law enforcement staff necessary to carry out this public protection program. With this understanding we can go forward immediately with our program to recruit the five thousand investigators we so urgently need.

"We feel that the time is rapidly approaching when competent talent will be available from which we can draw qualified personnel. Out-backs in military production and the release of men from the armed forces will be material factors in our recruiting program.

"If it is possible for us to recruit the number of people needed during 1946, I will have to come back to your committees with a request for about twenty million dollars in addition to the sixteen million dollars estimate now before the House Appropriations Committee. The supplemental request now pending did not contemplate this greatly expanded law enforcement work, but I should like to make it clear at this time that I have no intention of continuing to request money for these or any other positions in the Treasury department beyond the period of time required to perform the necessary work.

"I need not dwell on our Government's need for revenue, nor upon the absolute necessity for our doing everything within our power to see to it that the burden of wartime taxes is borne by each and every one of us according to his ability to pay—and under the law. I need not point out that respect for law is based in a major part upon the belief of the average man that it operates evenly and fairly upon all who are subject to it. A belief, even ill-founded, that many of our people are able successfully to avoid their obligation to pay taxes will breed disrespect for the law and make for more widespread avoidance of it.

"If we do less than everything we can to enforce, without fear or favor, the wartime tax laws of the United States, we will not keep faith with the millions of young men and women who have been the brunt of fighting this war, nor with our people who willingly meet their obligations, nor with our eighty-five million taxpayers."

MR. MJ: I think this is all right. Feltus has a very good suggestion about wanting to get the returning veterans in, and where you talk about the recruiting, I think we could put in a page of that, see?
MR. O'CONNELL: You mean getting them into the program of recruits.

H.W.JR: He's brought out something. I think it's very good. This is something they are interested in and they know what it's about, and he's got something to give you. Now, in order that I get this thing I am going to ask Fussell -- I don't know what his title would be -- managing editor -- and give me, you, Fussell, a finished document. Please?

MR. FUSSELL: Yes.

H.W.JR: Take Feltus' suggestion, which is excellent, about using returning veterans and that they understand what this is and this is employment for them, and they are the kind of boys -- will give it to you.

MR. FELTUS: May I suggest that that suggestion you make be a separate press release on that veterans part of it?

H.W.JR: Do you think so?

MR. FELTUS: Yes.

MR. O'CONNELL: I am not clear on what you mean. Do you mean to head this recruit project up as a project, and not give it too much emphasis.

MR. D.W. BELL: Say the time is coming when you can bring in returning soldiers who will be available.

MR. FELTUS: This was written as a statement that the Secretary could make independently. It is not too lengthy.

"No group is more entitled to run down the wartime tax cheats than the men who risked their lives in battle. Veterans discharged under the eighty-five point rule will be looking for jobs. We can use them in our expanded tax fraud investigations. These men who gave so much for their country will not have a soft attitude toward those who took as much as they thought they could get away with. These soldiers and sailors and marines will have little sympathy for the greedy black marketeer and war profiteer who have stuffed safe deposit boxes with cash on which they have paid no tax."

"The veteran will know what should be done to those who threaten the nation with inflation. The veteran knows what to do to those who would cheat honest Americans today and endanger America's future tomorrow. The veteran -- particularly the eighty-five pointer and the disabled -- understands these things and he understands that war cost money. He has seen a convey burning fuel at sea. He has heard the expensive roar of a thousand cannons. He understands that no sacrifice in money could be as great as the loss of an arm, a leg, a life.

Yes, we can use these men. They need jobs and we need understanding minds and stout hearts. We're going to find the chiselers and cheats and hold them up to public scorn. It will be American justice at its best to give the veteran a chance to help in this job.

"The veteran will get more than the Civil Service preference. He will get top priority. There are desk jobs for the disabled and field jobs for the others."

You may not want to go that strong on the employment end of it, but it has terrific public value in getting acceptance for your whole program.

H.W.JR: Let me ask Charlie Bell who has got to do the recruiting. How do you feel about it?

MR. C.S. BELL: We have already in the recruiting plan that is coming up to you today provisions for tapping all of these Army Discharge Centers on these eighty-five point fellows, and if the Civil Service Commission will clear them for us, we propose having them, but this is the responsibility of the Civil Service Commission. They have to certify these boys as eligible to us.

I think, Joe, our statement could be broadened a little bit on the veteran angle, and I agree that this would be a good release on its own but not made definitely a part of this.
MR. FEHLE: Put enough in there to lay the foundation for it and then put this out as a separate release and tie the Civil Service Commission into it. Say, "We expect full cooperation from the Civil Service Commission."

MR. C.S. HELL: Yes, and they will give it to us, but it's really their responsibility.

MR. O'CONNELL: I'm not sure I like it. If I understood it correctly, one of the things we have to consider sometime is whether they are not going to question our building up a Gestapo organization, and there is an indication the kind of fellows we want are soldiers because they will be very tough. Now, I think you can overlook that a little bit. The investigator who is too tough is a liability and at some point we have got to worry.

H.M.JR: It always gets down that one man has to decide. I like this idea. I would like to have it woven in there. I don't want to make it so heavy, Fue, that it weighs it down, but I think subsequently I should make an appeal possibly over the air for men, and when I do, I will play that up heavily. How about that?

MR. FELTUS: Well, that's fine, but may I answer that criticism of Joe's?

H.M.JR: Sure.

MR. FELTUS: I think you might be criticized for Gestapo methods, but if you have soldiers, it would tend to minimize that criticism.

MR. FEHLE: Wouldn't it meet his point by toning that down?

MR. O'CONNELL: There's no doubt about that.

H.M.JR: I am not worried about that, but I want to stress what he has more than it is stressed in there but not as much. But keep in mind that subsequently I will make an appeal and then I will go overboard on that. Now, I would like to have this thing from you before I go home this afternoon, see?

MR. FUSSELL: This afternoon?

H.M.JR: Yes. We are getting out tonight an afternoon paper. You are used to working under pressure for a paper. Have it by four o'clock.

MR. FUSSELL: Okay.

H.M.JR: You come in alone at four o'clock, will you?

MR. FUSSELL: Yes.

H.M.JR: I'll go over it with you.

MR. D.W. BELL: I doubt if you can ask the Committee's approval. You can ask for cooperation. They can't approve a thing like this, but they can cooperate with you.

MR. O'CONNELL: What we are really doing is putting them on notice, and it's hard to say it just that way.

MR. D.W. BELL: If they don't object.

MR. GASTON: Will you have an estimate to put before them?

MR. D.W. BELL: You won't have an estimate until next fall.

MR. O'CONNELL: We are telling them there we are going to overcommit our appropriation.

MR. FEHLE: We did that in Foreign Funds. You say, "This is what I am going to do, and I am sure you people will agree." That's all.
H.M.JR: I'll tell you what we'll do in order to play safe. If I okay this this afternoon, Joe, you will have to see the two Chairmen and suggest they get a chance to read it before I come up to see whether they like it or not. I'll okay it, and it will be okayed by four-thirty, and you will have to show it to the two Chairmen before I come up and let them read it before I come up there, so we will be playing extra safe.

MR. PEHLE: They will like it, too.

H.M.JR: Show it to them for suggestions, and if necessary, Joe--we have done this before--you will have to go out to their homes to see them.

MR. O'CONNELL: I know.

H.M.JR: Catch them wherever they are.
HMJr: Hello.
Mr. Dan Bell: Yes.
HMJr: Dan, this is just a reminder to you – please today to get out some kind of a questionnaire on how many of those checking places there are.
B: Yes.
HMJr: Will you do that?
B: Yes, sir.
HMJr: I thank you.
B: Bye.

HMJr: Hello.
Atty Gen. Jessie: Hello, Henry, this is Francis.
HMJr: Yes, Francis.
B: Sam Clark will be back early tomorrow morning, and can come over but McSweeney will not be able to come until Monday.
HMJr: Oh.
B: His son has just got back from some camp, and is going out to the Pacific and only has two days with him.
HMJr: I see.
B: But if you could fix it on Monday, I'll have them over the first thing Monday morning or if you prefer, I'll have Sam come over tomorrow.
HMJr: Let Sam come over tomorrow if that's agreeable.
B: Very good.—quarter of nine?
HMJr: Hello. Yes. Hello?
B: Yes.
HMJr: The U. S. Attorney wouldn't want to send a representative?
B: Oh, I think I could have somebody sent up if you prefer that.
HMJr: I mean if he could send somebody.
B: All right, I'll have him send one of his men up.
HMJr: If he would do that.
B: Quarter of nine – in your office.
HMJr: In my office.
B: Very good.
HMJr: Thank you so much.
May 31, 1945
3:17 P.M.

HM Jr: Hello.

J. McGhee: Hello.

HM Jr: Henry Morgenthau, Jr.

M: How do you do, Mr. Morgenthau.

HM Jr: How are you?

M: I'm fine, thank you.

HM Jr: Mr. McGhee, I heard from Mr. Biddle that you can't come down but I can understand, I've got two boys in the service too.

M: Well, you can appreciate how I feel.

HM Jr: Well, nothing is more important than these boys. I just wanted to have this word with you and tell you what I've got in mind, see? This special case here in New York, and if we want about it the normal way the time it got out of the Treasury and Internal Revenue and over to you fellows, it might be six to 12 months, see?

M: Yes.

HM Jr: And we had hoped that by some sort of form the team that we could all go forward in the investigation and maybe clean it up in a week.

M: Ahah.

HM Jr: Hello?

M: Yes.

HM Jr: And the public seems to be as much interested that I thought if we could kind of form a team of all the interested parties, there is a chance of cleaning it up in a week.

M: Yes.

HM Jr: And that's what I had in mind.

M: Yes. Well, now do you want me to come down?

HM Jr: Well, I understood...

M: Monday or so?

HM Jr: I asked Mr. Biddle whether he wouldn't ask you whether you couldn't have a representative here tomorrow. I can't be here Monday.

M: Oh, I see.

HM Jr: Maybe he didn't get word to you, because we were going to start - he's sending over Sam Clark at quarter to nine tomorrow morning.

M: I see.

HM Jr: But if he hasn't reached you, you get the information from him first, see?

M: Yes.

HM Jr: And then I was going to be so bold as to make a suggestion, and you can throw it out of the window if you don't like it. I have heard one of your men very highly spoken of down here, Commander Tzek. Is that the way you pronounce it?

M: No, I don't have anybody by that name.

HM Jr: Tzek.

M: No.

HM Jr: Well, now, wait a minute - I'll send one... (talks aside) He's Assistant United States District Attorney - he tries a lot of cases. It doesn't ring a bell?

M: No. There used to be a Sam Nyisko, who was in the Anti-trust Division here.

HM Jr: Yeah. That's the fellow.

M: Oh, he hasn't been on the Staff for years.

HM Jr: Oh, hasn't he?

M: No. He was in the Anti-trust Division here, at one time I think he was in charge in New York.

HM Jr: Yeah, that's the fellow.

M: But he's off the Staff for some time.
HMJr: Oh, is he in private practice?
M: Yes.
HMJr: Well, then I --- I tell you who mentioned him to me, San Rosenman.
M: Oh, yes.
HMJr: He said he was so able.
M: Yes, he is ... A very able fellow.
HMJr: But he is in private practice.
M: He's in private practice and has been for more than a year, I'm sure, and I think probably even longer than that.
HMJr: Well, if and when you get a request from the Attorney General send me down the best man you can, will you?
M: Yes, yes, I'll do that.
HMJr: And then I hope next week sometimes maybe I can see you myself.
M: Fine.
HMJr: But I'm really going to try to do something with ...
M: Well, you have --- let me get this now ... you have an appointment fixed now in your office for 9:15 tomorrow morning?
HMJr: No, 9:45.
M: Oh, 9:45.
HMJr: At which Sam Clark will be present.
M: Yes, I see.
HMJr: I asked Mr. Biddle -- he told me about your son, and I said well, of course, that was understandable, but would he ask you to send a representative here.
M: I see.
HMJr: And he said he would.
M: Yes. Well, I haven't heard from him yet, but that may be because I was out of my office.

HMJr: But, I had never talked to you, and I wanted to let you know that this was something that I'm spending a lot of time on and I want your help.
M: Well, we'll certainly give it all the attention we can.
HMJr: And I know that you did everything you could in the Chase Bank case.
M: Well, we had quite a time trying it, and we think we almost made it.
HMJr: (Laughs)
M: (Laughs)
HMJr: Well, I'll be seeing you soon.
M: Fine, thank you, and I'm going to have somebody down there in the morning.
HMJr: Thank you.
M: Goodbye
HMJr: Bye.
May 11, 1945
4:18 P.M.

HMJr: Hello.
HMJr: Commissioner?
Commissioner: Hello, sir.
HMJr: You going to be over here tomorrow at 8:30?
H: Yes, sir.
HMJr: I'm counting on you most of the day tomorrow.
H: That's right, then we go at 11:30. I had a preview up there today - I had to go up and see Cannon on another matter.
HMJr: Yeah.
H: So he bought it up and I put it on pretty heavy today.
HMJr: Good for you. How did he receive it?
H: Well, he seemed to be all right.
HMJr: He didn't have a bloody nose?
H: No, I mean he was in a good humor.
HMJr: He was in good humor.
H: Yeah, but he seemed to take it all right.
HMJr: Fine.
H: I understand that we go up there at 11:30, and then at 1:00 in the afternoon the Senate.
HMJr: Fine. Thank you.
H: I'll be there in the morning.
31 MAY 1945

Dear General Carter:

I am replying to your letter of May 29, 1945 regarding cotton textiles for China.

I am glad that through the active support of the War Department, an allocation of 10 million yards of cotton textiles was made to the Chinese for the third quarter of this year. I am in complete agreement with the view of the War Department that, since these textiles are being obtained for the active prosecution of the war, General Wedemeyer should be authorized to take whatever steps are necessary to assure that the textiles are applied strictly for the intended purpose.

Thank you for your cooperation in this matter.

Sincerely yours,

[Signature]

(Division H. Moorehouse, Jr.

Major General A. E. Carter,
Army Service Forces,
Fiscal Director,
Room 140, 15th St., Pentagram Bldg.,
War Department,
Arlington, Virginia.

Redacted Unclassified
HEADQUARTERS ARMY SERVICE FORCES
Office of the Fiscal Director
Washington, D.C.

23 May 1945

SP 003 China

The Honorable
The Secretary of the Treasury

Dear Mr. Secretary:

Following the meeting of 22 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 combating the excessive rise in prices of clothing and of producing foodstuffs on a larger basis.

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 lend-lease in accordance with the terms under which, as you will recall, Dr. Kung accepted the sum of $25,000,000 in settlement of Chinese claims up to 30 September 1945.

I also find that in connection with Dr. Soong's memorandum of April 1945 to the Secretary of State on measures for combating inflation in China, the Army was not requested to furnish textiles to the Chinese from its stocks nor to procure such through allocation of war department funds for this purpose. While the availability of cotton cloth to encourage or local foodstuffs and to break prices in certain military areas, Dr. Soong's memorandum merely requests that the United States government give up the priority for Chinese cotton requirements of 1,000 bales monthly in order to insure early delivery. However, in concluding his memorandum Dr. Soong states that it should be emphasised 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, not because, for which payment is to be made by the Chinese. The urgent problem is the priority
E/W/ - Continued

...to be accorded such orders, and the expediting of their delivery to China. This is a matter to which both the Commanding General of United States Army Forces in the China Theater and the War Department have given serious consideration.

Sincerely yours,

A. C. CARTER
Major General, U.S.A.
Fiscal Director

Regraded Unclassified
Dear Mr. Grew:

In May 1943 certain Portuguese shipping companies purchased five ships and smaller craft in consideration for 175,000,000 escudos. During the negotiations for this purchase, a representative of the British Government was informed that Dr. Salazar had entered into a secret understanding with the German Minister that, among other things, the escudos would be made available to the German Reich either through payment of five escudos into the Portuguese-German clearing or by credits against the escudos in the event that the Portuguese Government was required to deposit them in a blocked account. Upon being so informed, the representative of the British Government obtained a solemn commitment for the United Nations from Dr. Salazar, as head of the Portuguese Government, that the proceeds of the sale would be placed in a blocked account, and that no credit would be extended against this account and no clearing facilities would be afforded to Germany either by way of loans or guarantees in consideration of the disposal of the ships.

This Department has recently been informed (Telegram No. 1772, May 10, from Lisbon) that the Portuguese Government deliberately violated its solemn commitment to pay into a blocked account the sum of 175,000,000 escudos representing the purchase price paid for five German ships by certain Portuguese shipping companies. This sum was not blocked but was paid into the Lisbon-German clearing account under a secret clause in the sales agreement inserted without our knowledge by arrangement between Dr. Salazar and the German Minister. The direct effect of this deliberate violation was to make a contribution of 175,000,000 escudos to the German war effort.

Since the effective implementation by the Portuguese Government of any program for the control of German assets is now open to question, it is of the highest importance to this Government that the Portuguese Government be formally approached with respect to this matter. If the Portuguese Government should deny the report, it should be requested to submit satisfactory evidence in order to avoid any future misunderstanding with respect to the transaction. In any event, the Portuguese Government should be advised that the 175,000,000 escudos are to be held in a blocked account, free of any lien, subject to the disposition of the Allied Control Council for Germany.

We suggest, if you agree, that the substance of the proposed annexed note be presented to the Portuguese Government.

Sincerely,

[Signature]

Honorable Joseph C. Grew
Acting Secretary of State

Enclosure

Regarded Unclassified
PROPOSED TEXT OF NOTE TO BE PRESENTED TO THE PORTUGUESE GOVERNMENT

As the Government of Portugal is aware, on May 13, 1945 certain shipping companies in Portugal purchased five ships from the German Government in consideration for 178,000,000 escudos. In connection with this transaction the Portuguese Government made a pledge to the United Nations through representatives of the British Government that the proceeds of the sale would be placed into a blocked account. Despite this pledge, it has come to the attention of my Government that the payment was not made into a blocked account but rather made in free escudos by payment into the Luxo-German clearing.

Since this is a matter of highest importance to my Government, it has been called upon to request the Portuguese Government submit a full explanation with respect to the agreement for the purchase of the aforementioned ships. If the information my Government has received is incorrect, you are requested to submit satisfactory evidence to this effect in order to avoid any further misunderstanding.

I have also been called upon by my Government to request the Government of Portugal to deposit, or to continue to hold, in a blocked account, free of any lien, 178,000,000 escudos subject to the disposition of the Allied Control Authorities in Germany.

Mr. White
Mr. Cee
Secretary Morgenthau

May 26, 1945

I am sending you herewith a copy of a letter from Robert Petersen. If you agree with the suggestions contained in this letter, I suggest that you at once bring this to the attention of Dr. Soong and his representative in Washington, and try to get him to agree to this arrangement. Unless Dr. Soong agrees to such an arrangement, I think it is impossible to let the cotton go to China in view of the scarcity of this commodity.
31 MAY 1945

Dear Mr. Patterson:

I am glad to receive your letters of May 23 and May 28, 1945 regarding cotton textiles for China.

It is a source of great satisfaction to me that because of the active support of the War Department, China will receive substantial quantities of textiles during the second half of this year. I am pleased that safeguards will be taken to bring about the most effective use and disposition of these textiles for the prosecution of the war against Japan. I wish to express my personal thanks to you for your active and complete cooperation in this matter.

With regard to the question of the disposal of salvage and scrap in China, I understand that this matter is now under review by General Carter and Dr. D. W. Bell. I am sure that they will agree on some proposal which will be satisfactory to both the War and Treasury Departments.

Sincerely yours,

[Signature]

Honorable Robert F. Patterson,
Under Secretary of War,
War Department,
Washington, D. C.

ISF:1r 6/1/45
WAR DEPARTMENT  
OFFICE OF THE UNDER SECRETARY  
WASHINGTON, D.C.

May 23rd, 1945.

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

Dear Henry:

I am attaching a copy of a letter I have  
sent to Mr. Crowley in support of the allocation of  
cotton textiles to the Chinese.

Sincerely yours,

Robert P. Patterson,  
Under Secretary of War.

enc.
May 23, 1945.

Honorable Leo T. Crowley, Administrator,
Foreign Economic Administration,
Washington, D. C.

Dear Mr. Crowley:

The War Department strongly urges that an allocation of 45 million yards of cotton textiles be made to the Chinese in the third quarter of this year.

This allocation to the Chinese will be of great value in hastening the defeat of Japan and in saving the lives of our troops.

The Chinese army is being reorganized, under direction of our Army and with our assistance, and is about to mount a large-scale offensive against the Japanese in China. The first engagements in this offensive have already taken place, with promising results. If the Chinese forces can be kept supplied with supplies, there are good prospects that the entire character of the war in China may be changed. The question will be largely one of supplies.

A large part of the supplies for the Chinese army must come from Chinese production. The ability of the Chinese to produce is most precarious, due to the rapid inflation and to the dearth of cotton textiles. It is the judgment of American officials in China, as well as of all the agencies here which are informed on the Chinese situation, that the delivery of cotton textiles to the Chinese in...
Substantial quantities will go far toward giving them the ability to produce the needs they require for their troops.

It is of prime importance, therefore, from the viewpoint of defeating the Japanese, that the Chinese be provided with cotton textiles in the requested amount. The amount does not answer their need, but it represents the limit, we understand, that can be delivered to China in the appropriate period by the routes available. I know of no other export program for textiles that will contribute so much toward winning the war against the Japanese.

Sincerely yours,

(Signed) ROBERT P. PATTERSON

Robert P. Patterson,
Under Secretary of War.
Assistant Secretary of the Treasury

May 11, 1945
Date:...........19

To: Files:

I discussed this with the Secretary today and we agreed to wait.

R.N.W.

Mr. White
Room 36.36
May 28th, 1945.

Dear Mr. Secretary:

Since writing to you on May 25th we have learnt that a telegram on the same subject has been addressed to the President by the Prime Minister. We have not yet seen the text of the telegram but we feel sure that you will wish to be informed that this message has been sent as well as the message from Sir John Anderson and Mr. Oliver Lyttelton.

Yours sincerely,

[Signature]

The Honourable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D.C.
May 31, 1945

Mr. Gamble

Secretary Morgenthau

I wish you, or somebody in your organization, would go through the statements - the important statements - which have been made since the first of May out of Washington, and let me know which you think have been helpful to War Bonds and which have been harmful. I want that this afternoon. You pick the people but pass on it yourself and get it to me in a scrap book this afternoon. I may want to use it with the President.

Book submitted 5/31/45
Office Memorandum - UNITED STATES GOVERNMENT

TO: Mr. Gamble
FROM: Mr. Lane

DATE: May 31, 1946

SUBJECT: Special Broadcast Times

Here is the latest report on special broadcast times:

<table>
<thead>
<tr>
<th>Show</th>
<th>Network</th>
<th>Time</th>
<th>Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secretary--Hospital</td>
<td>Blue</td>
<td>10:50 AM</td>
<td>June 13</td>
</tr>
<tr>
<td>Secretary--Labor</td>
<td>CBS</td>
<td>10:45 AM</td>
<td>June 17</td>
</tr>
<tr>
<td>Secretary--Congressional Medal</td>
<td>CBS</td>
<td>10:45 AM</td>
<td>June 23</td>
</tr>
<tr>
<td>Secretary--Roosevelt Slogan</td>
<td>NBC</td>
<td>10:45 AM</td>
<td>June 29</td>
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<tr>
<td>Well--Mamans</td>
<td>CBS</td>
<td>11:00 AM</td>
<td>June 15</td>
</tr>
<tr>
<td>Pacific Salute</td>
<td>Blue</td>
<td>10:00 AM</td>
<td>June 16</td>
</tr>
<tr>
<td>Women's Roundtable</td>
<td>CBS</td>
<td>10:45 AM</td>
<td>June 23</td>
</tr>
</tbody>
</table>

The hospital, labor, and Pacific salute programs are half-hours; all others are fifteen minutes.
Mr. Henry Morgenthau, Jr.,
Secretary of the Treasury
Main Treasury Building
Washington, D. C.

May 31, 1940

Dear Mr. Morgen:

I am concerned because I seem to have made myself no brilliancy un- 
clear in our telephone conversation the other day.

What I said (or intended to say) was that I was not particularly dis- 
turbed with the Walter Winchell article because it might serve to 
work up some interest in what we are doing among the people who run 
magazines in publishing houses.

I have had some correspondence with Bob Hear of the Post, who said:

"You are obviously a great admirer of the Secretary, and accordingly, 
I don’t know how the article would turn out. We are not anxious to 
print a build-up."

Bob Hear is not a terribly important guy in the long run on the Post 
and certainly has no more than average intelligence. He is not the 
kind of a guy who would be intrigued by the idea that there is a great 
untold story about H.M., Jr.; he would be much more intrigued with a 
new expose, factual or not. And I have no intention of giving it to 
him. My interest in doing this is to get the story out, and I am 
quite sure I will succeed in getting it done the way you and we want to 
see it done.

I will be looking forward to the new material, and please rest easily.

How is Mrs. Morgenthau? My family is in quite good shape, and it 
looks as though the Smith kids will have a brother, or sister, or 
something, about August.

Sincerely,

Fred Smith
Dear Mr. Hall:

This letter will serve to introduce to you Mr. James S. Knowlson, who is to serve as Central Field Commissioner in the European Theater of Operations for the Army-Navy Liquidation Commission.

As I have already advised you, it will be appreciated if you will give Mr. Knowlson your full cooperation in the execution of his task.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Theodore Hall
U.S. Treasury Representative
C/o American Embassy
Paris, France

JWF:lr 5/31/45
May 31, 1946

Dear Mr. Taylor:

This letter will serve to introduce to you Mr. James S. Knowlson, who is to serve as Central Field Commissioner in the European Theater of Operations for the Army-Navy Liquidation Commission.

As I have already advised you, it will be appreciated if you will give Mr. Knowlson your full cooperation in the execution of his task.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. William H. Taylor
U. S. Treasury Representative
C/o American Embassy
London, England
TO: Memorandum for the Secretary's Files

FROM: Mr. White

DATE: May 31, 1945

I spoke to the Secretary today of our plans to send Saxon to Denmark and then to Sweden to replace Olsen, who was to go to Germany. The Secretary said he thought there was a commitment to have Saxon's wife accompany him to France and if so we ought to stick by our commitment.

I also informed the Secretary that we proposed to let Glasser go to London, in response to the State Department's request, as a member of the U. S. delegation to the CNGA Conference. The Secretary approved.
I attach a memo from Mr. Irby which I think has points of value. He has other ideas which he plans to submit later, as you will note.

Mr. Gaston
TO: Secretary Morgenthau  
FROM: Elmer Irey (Through Mr. Gaston)

The comments and suggestions in this memorandum relate entirely to affairs within the Bureau of Internal Revenue, gained from my knowledge as Chief of the Intelligence Unit and from contacts in coordination work.

(1) In addition to the discussions of Department officials with officers of the Tax Division of the Department of Justice, I think a personal talk by you with the incoming Attorney General, Mr. Tom Clark, would be of very considerable value. Our experience with Mr. Clark, both in the War Fraud Division and the Criminal Division of the Department, has been very satisfactory and he has shown every desire to cooperate.

(2) The heavy burden created by the huge increase in the numbers of taxpayers and new and complicated legislation has added greatly to the difficulties confronting the Bureau. I suggest that a complete functional and operating survey at this time would be a good thing.

(3) A person who has had experience as a Federal prosecutor, it seems to me, be desirable for the position of overall supervisor of revenue enforcement work, either in the position of Assistant Commissioner or as a Special Assistant to the Commissioner. One name that occurs to me is that of Richard K. Phelps of Kansas City, who was assistant to Mr. Milligan during the prosecution of the Fendergast case. He is a good man and I understand he is now in private practice. He disagreed with Milligan in policy matters and resigned. For that and other reasons, he may not be politically objectionable. Mr. Phelps is known personally and

officially to Mr. Harney and Mr. Lane of this office and they think highly of him. He is a more aggressive and able prosecuting officer than Milligan.

(4) A qualified administrative officer should be appointed as assistant or administrative assistant to the Commissioner. The work of the Bureau has grown to such an extent that the necessity for such an officer is imperative.

(5) You mentioned Riley Campbell at a recent conference in your office. I have been informed that steps are being taken to appoint Mr. Campbell the third of three assistants to the head of the Penal Division of the Chief Counsel's office, in which division tax fraud cases are reviewed. I feel that this is a very definite step for the better, and as Mr. Campbell becomes more closely connected with the administration of this program in that office his value will become more and more apparent.

(6) In a memorandum of May 26, to Mr. Charles S. Bell (copy attached), I made certain suggestions concerning recruiting and character investigating for the tax drive. Yesterday I received from the Civil Service Commission a list of 151 names of experienced investigators who are being dropped because of lack of appropriation. This communication has also been forwarded to Mr. Bell.

I plan to submit to you within a day or two an additional memorandum outlining further suggestions I have to make with respect to the Bureau of Internal Revenue.
May 26, 1945

TO: Mr. Charles S. Bell
FROM: Elmer Irey

I have the following suggestions to make with respect to recruitment of personnel to engage in the current tax drive:

There are 9,000 Deputy Collectors engaged in field investigations. These men have all been investigated and through service have pretty generally demonstrated their loyalty and ability. They would require no further character investigation. While I understand that some few are being withdrawn from these positions and transferred to the Intelligence Unit as Special Agents, I believe that this could be done to a greater extent. I think that it would be best to make an effort to recruit the force of Special Agents almost entirely from this group, inasmuch as the leadership in the tax drive rests with the Special Agents, and it is in that organization that the best available men should be employed. The newly appointed employees could be assigned to the positions of Deputy Collector.

To some extent, transfers might also be made from the positions of Revenue Agents of those who have shown aptitude for criminal investigative work. The same conditions would apply with respect to these employees.

In recruiting for positions either as Deputy Collectors, Revenue Agents, or Special Agents, it is thought that Army demobilization centers might well be visited, examination made of the records of those being demobilized, and effort made to secure as appointees those appearing to be qualified. In addition, it is noted that the FBI has had a substantial reduction in its appropriation, and it is possible that there may be some qualified men in that organization who will be released. I feel also that emphasis might be placed on the recruitment of women, especially for the

Deputy Collectors' positions. Also, it has occurred to me that, in view of the importance of this drive, a levy, say of 10%, might be placed on all the other Treasury Enforcement Agencies to help complete the roster of those engaged in the tax drive. It might also be well to consult with the Bureau of the Budget for any government agencies which are being compelled to reduce forces and available material might possibly be secured there. Also, the Coast Guard has developed a very efficient intelligence service; some of these men undoubtedly are available at this time and consideration might be given to that group, as well as other intelligence groups in the military services.

With respect to the character investigations of those brought into the service from the outside, I feel that it would be sufficient to secure fingerprint reports on the individuals and, if favorable, that they be put on duty at once. While, under present circumstances, it is difficult to get such a report from the FBI within a short time, arrangements should be made with that organization to give 24 or 48 hour service on such fingerprint reports, so that there would be no delay in putting the appointees to work. With respect to special agents and revenue agents, a streamlined character investigation should be made, cutting out all unimportant inquiries, but this should be done only after the employees have gone on duty.

With respect to Deputy Collector appointees, it would probably be sufficient, in addition to the sworn application, fingerprint clearance and anti-subversive oath, for them to be subjected to further character investigation by the Collector by means of letter or telephone communication from the appointee's last two employers, or to his last employer only, if his work there covered the most of his five years. In doubtful cases the Collector could make direct request of the District Coordinator or his assistant for immediate further inquiry.

With respect to all employees appointed from the outside, the names should be checked against the FBI records and the Disbursing Committee records to determine whether there are any allegations of subversive activities. This should be done, of course, after the appointees have gone to work.
The veteran will get more than the Civil Service preference. He will get top priority. There are desk jobs for the disabled and field jobs for the others.

This should be followed by a special recruiting campaign among these men. If a few heroes can be picked up, each will be good for a story.

Proper publicity on this will add to public acceptance of the entire program. It is the old hero and villain theme.

A corollary publicity program can stress the value of this program in the re-orienting of veterans. Opinions of leading psychologists and psychiatrists can be sought and published.

The theme here is: These jobs, although temporary provide a transition from war to routine peacetime jobs. Also they keep men busy until the re-conversion program is under way and they can be employed on a permanent basis by industry.
collecting upwards of 45 billion dollars a year from
approximately 50 million taxpayers.

As the tax burden increases there is more and more
incentive by pressure on the greedy and dishonest to evade their
taxes, and it is to the problem of enforcement of our
tax laws against that strain of individual that I wish
to address myself.

We in the Treasury have been conscious of the
seriousness of our problem for some time, but I would
be less than frank if I did not admit that recent dis-
closures have persuaded me that our sights have been
too low.

I am not so myopic as to fail to recognize the
patriotic and willing response of our nation of taxpayers
to the increased demands placed upon them for war
finance. The reports of increased revenues show that
there has been no general breakdown of our tax laws.
But in all earnestness I am alarmed at the evidence
of too common evasion and concealment, especially by
those who seek to grow rich through war-swollen profits
and illicit black market operations in foodstuffs and
short commodities. To combat that situation, about
two months ago I initiated what we will call, for want
of a better term, "a special enforcement drive."

Starting with a nucleus of a couple of hundred
special agents of our Intelligence Unit, men trained
to detect criminal tax evasion, we have presently
assigned to this special drive some 1600 Bureau of
Internal Revenue employees, almost all of them drafted from other work. And it is of the results of the work of that group, and the implications of what they have disclosed, that I wish to tell you.

I have personally reviewed the weekly reports made by the men in charge of the special squads working in various sections of the country, and the situation disclosed has left me aghast. The group has under active investigation some 3000 cases indicating substantial tax evasion, and at the rate they are turning over that number of leads have been turned up and are awaiting only available manpower to investigate them. In other words, with over 1600 people devoting their full time to this work, our back-log of profitable leads turned up in 60 days is more than double the amount our people can handle.

I would like to give you something of an insight into what I have been learning in recent weeks. We are finding "pay dirt" in transactions involving food, liquor, automobiles, furs, jewelry, gambling and cabarets, just to mention a few. Many cases combine black-market operations with a criminal concealment of income—many involve a criminal failure to report honestly income which was earned in a legitimate fashion. Some of the most striking cases—and I will give you the details—are what we refer to as "currency" cases. By that we mean cases in which the malefactor made a practice of conducting his dealings in cash, usually his bills, in order
better to conceal the nature and scope of his operations.

If I were to attempt to relate in detail all of the cases now pending, I would be here until this Congress adjourns. But I know you are interested in specific cases and before coming over here today I selected a few.

An investigation now underway in California indicates concealment of between $10 million and $12 million taxable income in raisin operations, in which food intended for the armed forces was diverted to wineries. Because military requirements for raisins are so heavy, the War Food Administration requires that raisins be sold only to the United States Government or under permit. A price ceiling of $186 a ton was placed on raisin grapes. No ceiling, however, was set for culls and wastage, which normally run about 6 per cent of the crop, with wastage

is also an income tax case. In one instance $60,000 was deposited in a New York bank for transfer to a man in a Southwestern state. Of this total, fifty $1,000 bills were identified by serial numbers as having been issued at Richmond, the first indication of extensive operations of the syndicate in Virginia. In another instance, an agent of this syndicate deposited in a bank the contents of a paper-covered package which he called "lettuce".

The deposit, it developed later, consisted of nearly $300,000 in $50 and $100 bills.

In another case a collector for a liquor syndicate traveled with a Gladstone bag completely filled with large denomination bills. When he received another payment of $12,000, his bag was so full that he had
You and I know how the men who have been fighting in Europe and those who are fighting in the Pacific will react to these things. The service men knows that war requires personal sacrifices from the man in the field, and money from the people at home. And no group should be more helpful in running down tax cheats than the men who risked their lives in battle. I hope we will be able to enlist many veterans discharged under the 85 point rule in our drive against tax evaders.

I have endeavored to give you only the highlights in a deplorable situation. I want your support in this drive to ferret out and bring to book those who have not only profited from the bloody business of war but who have also ignored their responsibilities as citizens.

Specifically, I should like to have the approval of Congress of our pending request for a supplemental appropriation amounting to $16,800,000 for the fiscal year 1946. In addition, to be sure you understand the entire scope of which we are trying to meet our problem, I wish to stress your willingness is our intention to expend at an accelerated rate the money available from our regular 1946 appropriation in order to build the law enforcement staff necessary to carry out this public protection program.

With this understanding we can go forward immediately with our program to recruit the 5000 investigators we so urgently need.

We feel that the time is rapidly approaching when competent talent will be available from which we can draw qualified personnel. Cut-backs in military pro-
duction and the release of men from the armed forces will be material factors in our recruiting program.

If it is possible for us to recruit the number of people needed during 1946, I will have to come back to your committees with a request for about $20,000,000 in addition to the $16,000,000 estimate now before the House Appropriations Committee. The supplemental request now pending did not contemplate this greatly expanded law enforcement work, but I should like to make it clear at this time that I have no intention of continuing to request money for these or any other positions in the Treasury Department beyond the period of time required to perform the necessary work.

I need not dwell on our Government's need for revenue,
nor upon the absolute necessity for our doing everything within our power to see to it that the burden of wartime taxes is borne by each and every one of us according to his ability to bear it -- under the law. I need not point out that respect for law is based in major part upon the belief of the average man that it operates evenly and fairly upon all who are subject to it. A belief, even ill-founded, that many of our people are able successfully to avoid their obligation to pay taxes will breed disrespect for the law and make for more widespread evidence of it.

If we do less than everything we can to enforce, without fear or favor, the wartime tax laws of the United States, we will not keep faith with people who...
Official

MAY 31, 1945

To Presidents, Federal Reserve Banks:

Boston, Mass.
New York, N. Y.
Cleveland, Ohio
Richmond, Va.
Atlanta, Ga.

Chicago, Ill.
St. Louis, Mo.
Minneapolis, Minn.
Kansas City, Mo.
Dallas, Texas
San Francisco, Calif.

At my regular press conference at 10:30 this morning
I am giving out copies of the statement wired you today,
having to do with unusual currency transactions. I
would appreciate it if you would also have a press
conference and give out a statement urging the banks in
your district to cooperate wholeheartedly. Would you
please send me any newspaper clippings pertaining to
this matter.

Henry Morgenthau, Jr.
Comm. Nunn

Asst. Comm. Sherwood

Asst. Comm. Vacant

Deputy Comm. White, Fore B. Berkshire

Deep Comm. Bliss

Dep. Comm. Self (E.H.)

Self. (Deakin, Acting)

Hambrooks
H. R. 3352

IN THE HOUSE OF REPRESENTATIVES

May 29, 1945

Mr. Sargent of Ohio introduced the following bill; which was referred to the Committee on Coinage, Weights, and Measures

A BILL

To increase the reserves of Federal Reserve banks and to reduce the Federal debt by utilization of gold certificates representing the free gold in the stabilization fund to purchase a corresponding amount of Government securities from the Federal Reserve banks.

1 Be it enacted by the Senate and House of Representa-
tives of the United States of America in Congress assembled,
2 That for the purpose of increasing the reserves of the Federal
3 Reserve banks and to reduce correspondingly the Federal
4 debt, the Treasury shall utilize gold certificates, representing
5 all the free gold held in the stabilization fund provided for
6 in section 10 of the Gold Reserve Act of January 30, 1934
7 (Public, Numbered 87, Seventy-third Congress, H. R.
H. R. 3352

A BILL

To increase the reserves of Federal Reserve banks and to reduce the Federal debt by utilization of gold certificates representing the free gold in the stabilization fund to purchase a corresponding amount of Government securities from the Federal Reserve banks.

By Mr. Smith of Ohio

May 20, 1945
Referred to the Committee on Currency, Weight, and Measurements
Because of the enthusiastic response to the Iwo Jima flag-raising symbol of the 7th War Loan, a number of cities, including New York, made full-relief reproductions of the 6 Marines raising the flag. In Times Square, for example, we have a statue 50 feet high.

Because of the numerous uses that groups all over the country wanted to make of this historic event, we secured, through the U. S. Marine Corps and the U. S. Navy, the services of Felix de Weldon, who is a world famous sculptor and has just finished an original model -- one-quarter life size (40" long and 52" high) -- for which the 3 survivors posed. Mr. de Weldon, on behalf of the Services he represents, and himself personally, would like to offer, through you, this memorable piece of work to the President of the United States.

It is not too large to be an attractive and appropriate piece for the President's office. If the President would like to accept it, then we would like to have you set the time for the presentation.
TREASURY AGREES WITH DOUGHTON BILL TO ALLOW DEDUCTION OF OIL COSTS

WASHN -DJ- TREASURY DEPARTMENT TODAY IS TRANSMITTING TO CONGRESS A REPORT ON THE DOUGHTON BILL CALLING FOR ENACTMENT INTO LAW OF INTERNAL REVENUE REGULATIONS GOVERNING DEDUCTIBILITY FOR TAX PURPOSES OF INTANGIBLE OIL AND GAS DRILLING AND DEVELOPMENT COSTS.

THE TREASURY AGREES IN ITS REPORT THAT THE ENACTMENT OF THE REGULATIONS WOULD CORRECT THE PROBLEM CREATED BY THE CIRCUIT COURT OF NEW ORLEANS DECISION INVALIDATING TREASURY REGULATIONS WHICH PERMITTED OIL COMPANIES TO MAKE SUCH DEDUCTIONS - THE DOUGHTON BILL SIMPLY GIVES STATUTORY BACKING TO THESE TREASURY REGULATIONS.

HOWEVER THE TREASURY IS SAID TO STICK TO ITS VIEW THAT THE ORIGINAL LAW SHOULD BE AMENDED IN SOME RESPECTS - THESE DETAILS WILL BE MADE PUBLIC AFTER THE WAYS AND MEANS COMMITTEE OF THE HOUSE TAKES UP THE MEASURE FOR ACTION - COMMITTEE MEMBERS LOOK FOR FAVORABLE ACTION ON THE BILL WITHOUT PUBLIC HEARINGS IN THE NEAR FUTURE.

CHAIRMAN DOUGHTON INTRODUCED LATE LAST MONTH THE RESOLUTION RESTORING REVENUE BUREAU REGULATIONS COVERING DRILLING COSTS.

REPRESENTATIVES OF THE OIL INDUSTRY SAY THAT PASSAGE OF THE DOUGHTON MEASURE WILL MEET THE OIL INDUSTRY'S PROBLEMS ARISING FROM THE NEW ORLEANS DECISION IN THE F H E OIL COMPANY CASE.

- v -
I am here today to place before the Appropriations Committee of Congress a request for additional funds to perform the most important law enforcement job in the country. In recent weeks I have personally reviewed some of the most outrageous cases of tax evasion developed in the history of the Treasury Department. Every day brings startling new disclosures and literally hundreds of fresh leads. Since my attention was directed to this deplorable situation about sixty days ago, we have developed over 10,000 hot leads and are actually working on 9,000 investigations. We have already referred eighteen cases to the Justice Department with the recommendation for immediate prosecution. We have been compelled to delay important regular functions of the Bureau of Internal Revenue in order to divert 1,600 employees to the task of running down these brazen evaders of the revenue statutes.

Cases are coming up from many sources. We have them developing from currency transactions, large deals in food, automobiles, liquor, furs, jewelry, gambling and cabarets. To do this law enforcement job properly, I must recruit 5,000 additional investigators and about 6,000 technical
office employees to do supporting work. By conservative estimate, based on the facts before us, this campaign will net the Federal Treasury over $1,000,000,000 and blot out war profiteering which is far more widespread and threatening to the national welfare than were the racketeers of prohibition days.

To me this problem has an importance beyond the protection of the revenues. I think it important that the Congress and the American public be fully informed of the situation. I need not remind you gentlemen that the housewives and legitimate businessmen of the country have suffered greatly as a result of unsavory "black market" operations. These unwholesome and illicit profits uncovered by tax investigations have a direct relationship to the scarcity of food products available for the vast majority of law abiding citizens.

If I were to attempt to relate to you all of the details of the cases now pending, I would be here until this Congress adjourns. But I know that you are interested in specific cases and before leaving the Treasury I selected a few that are typical. I would like to give you the story on these examples. You have no doubt already observed many of the stories in the public press, one local case is that of the wholesale meat dealer who, in addition to chiseling on the national price policy through violations of OPA regulations, was attempting to defraud his Government of an estimate of $400,000, in income taxes for the year 1944 alone. We have over 750 cases of this type ready for investigation throughout the country.

We have under investigation many cases involving the evasion of the Federal excise tax on furs. Typical is that of a New York dealer who at no time prior to December 1944, filed returns or paid tax on his fur transactions. The additional taxes and penalties in this case aggregate $81,000.

Representatives of such large and reputable establishments as Esopus, Gimbel's and J. J. Fox have recently complained to us that their businesses have been materially damaged by illicit, non-taxed sales by disreputable fur dealers. These legitimate dealers have a real personal interest in having the tax evading merchant apprehended.

A scrap and junk dealer in Ohio was found to have evaded his income taxes for the years 1940 and 1943. His
case is now with the Justice Department with a recommenda-
tion for criminal proceedings. In the meantime, he has
deposited $126,000 with the Collector of Internal Revenue at
Columbus to cover additional taxes and penalties.

A retail merchant in Pennsylvania with substantial
income from mortgages, real estate, etc., was indicted on
March 2 for attempting to evade income taxes from the
years 1936 to 1940. Taxes, penalties and interest in this
case will amount to about $111,000.

In Boston a well established jewelry concern has
deposited $250,000 in payment of taxes and penalties
covering heretofore unreported sales of items subject to the
Federal Excise Tax.

An Atlanta automobile dealer conveniently omitted
reporting income from extremely large transactions in used
motor vehicles which will ultimately result in the assessment
of over $100,000 in additional taxes and penalties.

An investigation of a Chicago cabaret operator who was
formerly associated with the Al Capone gang will result in
the assessment of $500,000 in additional taxes and the
recommendation for criminal prosecution.

Another fruitful source for leads to tax evaders has
been found in investigations of the use of large deno-
nation bills.

After consulting the President, I worked out a plan for
developing information on the use of large denomination
bills. Using the Federal Reserve Banks and other financial
institutions as reporting points, we are sure to develop
many hundreds of leads to tax evaders. It should be pointed
out that this registration of large bills is not designed to
curb the legitimate use of this type of currency, but rather
- to discourage chisellers, racketeers, etc., attempting to hide
their ill-gotten gains through the use of large notes.

A shocking case is now under investigation in
California which indicates the concealment of between 10
and 12 million dollars of income through the use of large
currency taken as profit in transactions which diverted
grapes to wineries rather than selling the fruit to the Armed
Forces as required by the War Food Administration.

A depositor in a Kentucky bank noted the man ahead of
him in line deposit $17,000 in $1,000 and $500 dollar bills.
This observation led to the revelation that a man, whose
apparent income was about $10,000 a year, had just made a
single premium payment of $174,000 on a life insurance policy.

We now have under investigation more than 1400
"currency cases." Another outstanding one is that of the
Longchamps Restaurant Chain. This investigation will
undoubtedly result in additional taxes running into hundreds
of thousands of dollars and perhaps criminal penalties as
well. Cases of this type are developing far more rapidly than
they can be investigated by our present force.

We have encountered alarming diversions of war materials
to domestic sales with resultant illicit profits. Included
in this group is a doctor in New York who manufactured
surgical bandages and was thus able to buy millions of yards
of cotton textiles. Much of this material was diverted to
domestic channels at a selling price of 30 to 35 per cent above
ceiling. This taxpayer pleaded guilty to violations of the
Price Control Act and we still have a tax case against him.

We found in New York a manufacturing concern getting a
very liberal allowance of sugar for the stated purpose of
making jam and jelly for the Navy and then diverting much of
it into the manufacture of soft drink syrup. The sales of

this syrup were unreported. Approximately two million dollars
in additional taxes, interest and penalties will be forthcoming in this case, as well as criminal prosecution.

I have endeavored to give you only the highlights in a
deporable situation. I want your support in this drive to
ferret out and eliminate every black marketer who has not
only profited from the bloody business of war but who has
also ignored his tax responsibility and his citizenship
responsibilities.

Any of you who may be interested in details regarding
particular cases or concerning our operating methods should
feel at liberty to call upon me for any further
information you desire. Our General Counsel, Mr. O'Connell,
and the Commissioner of Internal Revenue, Mr. Munan, are
thoroughly familiar with every phase of this campaign.

Specifically, I should like to have the approval of
Congress of our pending request for a supplemental
appropriation amounting to $18,000,000 for the fiscal year
1946, and also your authorization to me to expend at an
accelerated rate the money available from the 1946
appropriation in order to build the law enforcement staff
necessary to carry out this public protection program.
We feel that the time is rapidly approaching when competent talent will be available from which we can draw qualified personnel. Cut-backs in military production and the release of men from the armed forces will be material factors in our recruiting program.

If it is possible for us to recruit the number of people needed during 1946, I will have to come back to your committees with a request for about $20,000,000 in addition to the $12,000,000 estimate now before the House Appropriations Committee. The supplemental request now pending did not contemplate this greatly expanded law enforcement work and I should like to make it clear at this time that I have no intention of continuing to request money for these or any other positions in the Treasury Department beyond the period of time required to perform the necessary work.

Your Chairman, Senator, was kind enough to afford me this opportunity to discuss informally with your Committee a situation which has been causing us in the Treasury increasing concern, and which, I am sure, will be of interest to you gentlemen, not only as members of the House Committee on Appropriations, but as individual citizens and taxpayers.

As you all know, wartime needs for revenue have resulted in a tremendous broadening of the tax base and a great increase in the number of taxpayers, as well as a great increase in the rates of tax. Where before the war we were collecting not more than $4 billion in taxes a year from 4 or 5 million taxpayers, we are now
collecting upwards of 45 billion dollars a year from approximately 50 million taxpayers.

As the tax burden increases there is more and more pressure on the greedy and dishonest to evade their taxes, and it is to the problem of enforcement of our tax laws against that stripe of individual that I wish to address myself.

We in the Treasury have been conscious of the seriousness of our problem for some time, but I would be less than frank if I did not admit that recent disclosures have persuaded me that our sights have been too low.

I am not so myopic as to fail to recognize the patriotic and willing response of our nation of taxpayers to the increased demands placed upon them for war finance. The reports of increased revenues show that there has been no general breakdown of our tax laws. But in all earnestness I am alarmed at the evidence of too common evasion and concealment, especially by those who seek to grow rich through war-swollen profits and illicit black market operations in foodstuffs and short commodities. To combat that situation, about two months ago I initiated what we will call, for want of a better term, a special enforcement drive.

Starting with a nucleus of a couple of hundred special agents of our Intelligence Unit, men trained to detect criminal tax evasion, we have presently assigned to this special drive some 1600 Bureau of
Internal Revenue employees, almost all of them drafted from other work. And it is of the results of the work of that group, and the implications of what they have disclosed, that I wish to tell you.

I have personally reviewed the weekly reports made by the men in charge of the special squads working in various sections of the country, and the situation disclosed has been against. The group has under active investigation some 3000 cases indicating substantial tax evasion, and at the same time over twice that number of leads have been turned up and are awaiting only available manpower to investigate them. In other words, with over 1600 people devoting their full time to this work, our back-log of profitable leads turned up in 60 days is more than double the amount our people can handle.

I would like to give you something of an insight into what I have been learning in recent months. We are finding "pay dirt" in transactions involving food, liquor, automobiles, furs, jewelry, gambling and cabarets, to mention a few. Many cases combine black-market operations with a criminal concealment of income — many involve a criminal failure to report honestly income which was earned in a legitimate fashion. Some of the most striking cases — and I will give you the details — are what we refer to as "currency" cases. By that we mean cases in which the malefactor made a practice of conducting his dealings in cash, in order
better to conceal the nature and scope of his operations. If I were to attempt to relate in detail all of the cases now pending, I would be here until this Congress adjourns. But I know you are interested in specific cases and before coming over here today I selected a few.

An investigation now underway in California indicates concealment of between $10 million and $12 million taxable income in raisin operations, in which was intended for conversion into raisins for the armed forces was diverted to wineries. Because military requirements for raisins are so heavy, the War Food Administration requires that raisins be sold only to the United States Government or under permit. A price ceiling of $156 a ton was placed on raisin grapes. No ceiling, however, was set for culls and wastage, which normally run about 6 per cent of the crop, with wastage sold at $15 to $45 per ton.

The 1944 crop has now been largely marketed and indications are that 40 per cent of the crop was sold as "wastage" at prices ranging from $325 to $440 per ton. So here we have the astounding situation of "wastage" selling for more than twice the price of the product, because there is a ceiling on the product and none on the waste. Our investigation thus far indicates a widespread conspiracy, involving the use of large amounts of currency and fictitious names. We already have between twenty and thirty cases involving individuals but we have thus far only scratched the surface. The Treasury and the War Food Administration are cooperating closely in a thoroughgoing investigation of this entire subject.
Another shocking case of diversion from war uses, accompanied by an attempt to cheat the Government of its revenue, has been turned up in the New York district. A preserving company got approximately 30 million pounds of sugar for the avowed purpose of making jams and jellies for the United States Navy. So far as we can learn, not one pound of the sugar was used for those purposes. The evidence indicates that most of the sugar was diverted to beverage concerns. To conceal its sales the company required payment to be made in cash in many cases and in other cases cashed checks outside of the usual banking channels. By these methods the company sought to conceal sales of more than $1,200,000. With fraud, penalties and interest the Government expects to collect approximately $2,000,000. There will also be a recommendation for criminal prosecution.

The Treasurer of a New York corporation selling products to baking companies was discovered recently to have been cashing, through check cashing agencies, some substantial checks made out to his corporation, instead of putting the checks through regular channels. It was also discovered that the proceeds of these checks were not being entered on the books of the corporation. During the progress of the investigation, this man and his attorney offered to make a full disclosure of these omissions, stating that they would total over $300,000. Treasury investigations continued, however, disclosing tax evasions more than double the $300,000 figure. Last
week the corporation formally notified the Treasury that the company had transferred more than $600,000 in currency, which had been held in safe deposit vaults, to a bank, the transfer being made by armored car. The money has been put in a special account for the specific purpose of paying any deficiency tax assessments which may be levied against the corporation.

Operators in black market liquor have been particularly brazen in their use of currency of large denominations and in unusual amounts. Cash payments of nearly $2,000,000 in "side money" -- that is, money paid on the side, above the ceiling price which appeared upon the books recording the transactions -- have been traced by the Treasury in one black market case which is also an income tax case. In one instance $60,000 was deposited in a New York bank for transfer to a Southwestern state. Of this total, fifty $1,000 bills were identified by serial numbers as having been issued at Richmond, the first indication of extensive operations of the syndicate in Virginia. In another instance an agent of this syndicate deposited in a bank the contents of a paper covered package which he passed "lettuce". The deposit, it developed later, consisted of nearly $300,000 in $50 and $100 bills.

In another case a collector for a liquor syndicate traveled with a Gladstone bag completely filled with large denomination bills. When he received another payment of $12,000, his bag was so full that he had...
extreme difficulty in stuffing the additional money inside. Another collector, when temporarily confined to a hospital, carried on business from his bedside. When a nurse entered the room, after a visitor had brought in bills which covered the bed as they were being counted, she thought a robbery had taken place, and started to call the police. It later developed that the bills spread on the bed for counting amounted to $80,000. It was a robbery, but not exactly the kind that the nurse imagined.

There are literally all kinds of cases, large and small.

We have almost completed one case against a Midwestern war contracting concern which is expected to net almost $5 million in taxes, interest and penalties -- plus prosecutions. Only last week a merchant in a Pennsylvania town of less than 7,000 people was convicted, and the taxes and penalties that the Government will collect in this case will approximate $110,000. You gentlemen undoubtedly have read in the papers recently of the meat dealer whose undeclared income, on black market sales in the Washington area, will approximate $400,000, and of the conviction of the Brooklyn physician who diverted millions of yards of textiles, which he was supposed to be using in producing surgical bandages for the Army and Navy, to the black market. We have an income tax case against this doctor, too, and we are particularly interested in his investments in Florida and Atlantic City and elsewhere.
But one statement, in the sordid mass of reports that come in week by week, struck me with particular force, because it is so symptomatic. One of the largest automobile dealers in a Southern state, a man who has profited exceptionally through used car dealings through the war years, was discovered to have omitted more than $100,000 from his tax returns and to have instituted an elaborate system of secret records. While this man was being examined, under oath, one of the agents asked what prompted him to begin his evasion.

And the answer speaks volumes as to the spirit pervading all too many people today. The man said:

"(It was) the desire to evade taxes; (we were) making such enormous profits; more than we had ever made in our lives -- that is the truth."

I wonder how the men who have been fighting in Europe and those who are fighting in the Pacific will react to these things. The service man knows that war requires personal sacrifices from the man in the field, and money from the people at home. And no group should be more helpful in running down tax cheats than the men who risked their lives in battle. I hope we will be able to enlist many veterans discharged under the 86 point rule in our drive against tax evaders.

I have endeavored to give you only the highlights in a deplorable situation. I want your support in this drive to ferret out and bring to book those who have not only profited from the bloody business of war but who have also ignored their responsibilities as citizens.
Specifically, I should like to have the approval of Congress of our pending request for a supplemental appropriation amounting to $16,300,000 for the fiscal year 1946, and, in addition, to be sure you understand that it is our intention to expend at an accelerated rate the money available from our regular 1946 appropriation in order to build the law enforcement staff necessary to carry out this public protection program. With this understanding we can go forward immediately with our program to recruit the 5000 investigators we so urgently need.

We feel that the time is rapidly approaching when competent talent will be available from which we can draw qualified personnel. Cut-backs in military pro-

duction and the release of men from the armed forces will be material factors in our recruiting program.

If it is possible for us to recruit the number of people needed during 1946, I will have to come back to your committees with a request for about $20,000,000 in addition to the $16,300,000 estimate now before the House Appropriations Committee. The supplemental request now pending did not contemplate this greatly expanded law enforcement work, but I should like to make it clear at this time that I have no intention of continuing to request money for these or any other positions in the Treasury Department beyond the period of time required to perform the necessary work.

I need not dwell on our Government's need for revenue,
nor upon the absolute necessity for our doing everything within our power to see to it that the burden of wartime taxes is borne by each and every one of us according to his ability to bear it -- under the law. I need not point out that respect for law is based in major part upon the belief of the average man that it operates evenly and fairly upon all who are subject to it. A belief, even ill-founded, that many of our people are able successfully to avoid their obligation to pay taxes will breed disrespect for the law and make for more widespread evidence of it.

If we do less than everything we can to enforce, without fear or favor, the wartime tax laws of the United States, we will not keep faith with our people who willingly meet their obligations, nor with our 85,000,000 bondholders, nor with the millions of our young men and women who bear the brunt of fighting this war.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE 31 May 1945

TO
Secretary Morgenthau

FROM
Mr. Gaston

We haven't yet heard from the Army what is to become of eight out of the ten men who were transferred from the White House Detail except that one man, Roger Williams, who is now 38, will be given his release. A list of the men was given to Colonel Walker of the General Staff last week and we hope to hear from him within a day or two. It is possible that the men will be assigned to Army duties. The Chief tells me that when they were sworn in to the Army they were told very definitely that they could not be given any assurance that they would remain on the White House Detail and were told further that if they were taken off the Detail the Army could use them as it pleased. Mike Reilly is on the list, as his age is 34. He has turned in his equipment and has collected $1,050 as accrued leave.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE May 31, 1945.

TO
Secretary Morgenthau

FROM
Charles S. Bell

If there was no shortage of personnel it would take the Treasury Department and the Civil Service Commission a minimum of one year, under the normal procedure, to recruit five thousand agents, to say nothing of the six thousand additional employees covered in Revenue's earlier estimate. Because of your direct interest in this project and the need for an all-out accelerated plan of recruitment entirely different from any recruitment program heretofore undertaken by the Department, I felt it incumbent upon me to underline this responsibility and saddled it on this office.

This program contemplates the following:

1. A strong top committee consisting of an official of the Civil Service Commission, a top man at Revenue, and a strong man from this office.

2. An announcement to be gotten out immediately on a nation wide scale by the Civil Service Commission through its regional offices to the press, educational institutions, Army discharge centers, commercial establishments, and government bureaus.

3. Revenue to set up in each city recruitment committees of its own men who will view applications and coordinate and review with Civil Service Commission regional offices, making possible appointments within twenty-four hours.

4. Character investigations to be cut to fingerprinting only for the present, subject to a streamline character investigation subsequently.

5. Qualified personnel in Revenue to be available on a basis of promotion from within.
6. Civil Service procedure to be revamped to contemplate lowering age limits to 50, lowering qualifying requirements, providing for oral interviews as part of the examination, twenty-four hour appointment service, to recognize Treasury men as Civil Service representatives, and for us to provide the Commission with personnel to do this job as required.
TO: Secretary Morgenthau
FROM: Charles Bell

Subj.: RECRUITMENT CAMPAIGN FOR INTERNAL REVENUE

DATE: May 30, 1946

In accordance with your instructions there follows an outline of the plan to be used in recruiting 11,000 additional employees, including 5,000 more Law Enforcement Agents, for the Bureau of Internal Revenue.

POLICY DIRECTION

For purposes of policy direction there will be established a Coordinating Committee of three people made up of: (1) A representative of the Office of the Secretary, (2) A representative of the Bureau of Internal Revenue, and (3) A representative of the United States Civil Service Commission.

This policy group shall have the responsibility for deciding questions arising under the detailed program plans set forth below. It shall be responsible for over-seen the entire project, adapting established plans to meet specific problems and developing methods for overcoming obstacles. The Committee shall be responsible for the effective, day-to-day liaison between the Treasury Department, the Bureau of Internal Revenue, the Civil Service Commission, and all sources of applicants. It shall also be responsible for the preparation of a weekly report to the Secretary showing, by offices, and grades of employees, the progress being made throughout the country on this campaign.

OPERATING METHODS

The Bureau of Internal Revenue has established standards for all levels of jobs to be filled. These standards, along with a statement of controlling Civil Service Law and locations at which applications may be filled, will be made part of a general, nation-wide Civil Service announcement to be distributed through Civil Service Regional Offices to educational institutions, Veteran facilities, Army discharge centers, commercial establishments and governmental activities. This blanket announcement will cover the range of positions available from CAP-5 to CAP-12, however, at the same time recruitment for lower grade jobs will be carried on through all available avenues.

Prior to the issuance of a general Civil Service announcement, the Bureau of Internal Revenue will establish the following procedure by appropriate instruction to field service officials:

(A) In cities where there is a Collector's Office, a Revenue Agent's office and an Intelligence Unit headquarters office, a three man board composed of one representative from each office shall be established to screen all applications received, selecting for personal interview those which on paper appear to justify further inquiry.

(B) Insofar as practicable, two man boards shall be employed in those cities having Collectors' offices and Revenue Agents' offices.

(C) In cities where there is only a Collector's office, it shall be the Collector's representative, the Deputy Collector level may flow to the nearest Revenue Agents' organization, or Intelligence Unit office, depending upon the nature of the position sought.

(D) Applicants selected for personal interviews will be called in by the representative of the office primarily interested. Since this interview represents an integral part of the examination process, it will be conducted jointly by the Internal Revenue representative and the local Civil Service representative wherever possible.
(K) If the applicant is acceptable to the local Revenue official and to Civil Service he may be appointed at once, subject to character investigation, without prior clearance from Washington except for higher grade positions.

(P) In any areas where there may develop a surplus of qualified applicants who indicate a willingness to leave the locality for employment in another part of the country, the applications, after interview, shall be forwarded to Washington under cover of a standard referral memorandum.

CHARACTER INVESTIGATIONS

To expedite placing recruits on the rolls without exhaustive character investigations a procedure will be worked out with the F.B.I. to supply a 24 to 48 hour service on fingerprint examinations. This will be the only step taken prior to appointment. With respect to Special Agents and Revenue Agents, a streamlined character investigation will be made, eliminating all unimportant inquiries, but this will be done only after the employee has gone on duty.

PROMOTION FROM WITHIN

Wherever feasible, preference will be given to qualified applicants now occupying lower grade positions in the Revenue Service. Experienced personnel will be transferred and promoted from one branch of the service to another whenever such action will not result in serious damage to the organisational unit giving up the employee. It is hoped that in this fashion the Bureau can achieve the highest possible degree of utilization of employee skills.

CIVIL SERVICE PARTICIPATION

Many of the procedural steps enumerated above are contingent upon the willingness of the Civil Service Commission to adapt existing procedures to the special service requirements of this undertaking.

In addition to participating with Treasury personnel on the top policy committees, the Civil Service Commission will be specifically requested to approve the following changes in practice:

(a) Lower maximum age limits (40 for Revenue Agents, 50 for Special Agents).

(b) Lower the previously established requirements for Special Agent, Intelligence Unit.

(c) Make the oral interview an integral part of the examination for Special Agent, and Zone Deputy Collector.

(d) Grant authority for Internal Revenue to receive applications directly, select applicants who meet the Civil Service requirements, and secure immediate approval of Civil Service Regional Director as applicants are selected.

(e) Provide as many field officers as possible throughout the country to work with the Joint Reviewing Committee to be established by Internal Revenue.

(f) Designate Internal Revenue field officers to serve as temporary Civil Service representatives to work in teams with Regional Civil Service representatives.

The above plans have been developed by the Bureau of Internal Revenue working in conjunction with this office. We will meet with the Civil Service Commission this week in an effort to secure their approval of the program, and their all-out participation in it.

Concurred in:

Commissioner of Internal Revenue

General Counsel

Approved:

Secretary of the Treasury
May 31, 1945

THANK YOU FOR THE PRESIDENT.

There is transmitted hereewith a check in the amount of $4,002.25 for your salary as President of the United States for the month of May, computed as follows:

- Gross monthly salary ................. $4,000.00
- Less deduction on account of withholding tax for month of May 1945 .......... 1,063.00
- Add adjustment due to excess withholding tax deducted during month of April 1945. .... 18.90
- Net salary for month of May 1945 ..... $4,003.18

The above adjustment of $19.90 was brought about by the fact that your salary for the period April 15 to 30, 1945, was computed before receipt of Form 44, showing exemptions.

Future monthly salary payments will be in the net amount of $4,003.18, the amount deducted for withholding tax being $1,063.00.

(Signed) H. Morgenbau, Jr.

May 31, 1945

My dear Mr. Brand:

Thank you very much for the information contained in your letter of May 9th. Mr. Theodore Gamble, National Director of the War Finance Division, has the French Exhibition in hand, and you will be interested to know that we have sent two men to France to find out just what they want.

Sincerely yours,

(Signed) H. Morgenbau, Jr.

Mr. R. H. Brand,
United Kingdom Treasury Delegation,
Box 899,
Benjamin Franklin Station,
Washington, D.C.
UNITED KINGDOM TREASURY DELEGATION

Dear Mr. Secretary:

You spoke to me the other day about Mr. Eleven’s invitation to you to visit Paris in connection with a War Loan Exhibition.

I communicated with London on this matter, and had yesterday a cable from Sir Milfrid laby at the Treasury, saying that Lord Kinnearley would be glad to go to Paris, provided that a convenient date could be arranged. I fear, however, from meet I have received to-day that this may be impossible. I have had cables to say that Kinnearley has had a bad heart attack, and is very seriously ill. I am hoping for the best, but in any case I should imagine that it must be a good many weeks before he will be able to make such an effort.

It may be of interest to you if I say that according to Sir Milfrid laby the Treasury in London are awaiting news from Paris as to the details of the demonstration. It is understood that it will probably take the form of an exhibition showing methods of savings propaganda and of the organisation used during the war and to be used in the transitional period, and also of demonstrations of the value of savings during the war.

Sir Milfrid laby adds that the National Savings Committee is ready to co-operate fully, and that the Treasury, strongly supports the French proposal as a help in combating inflation. I should suppose, therefore, that, if Lord Kinnearley cannot go, someone will be appointed to take his place.

If there is any further information that would be of use to you I shall be very glad to get it.

Yours sincerely,

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

My dear Senator Wagner:

I write to acknowledge and thank you for your letter of 30 May, in which you recommend the reappointment of Harry M. Wagner as Collector of Customs at the port of New York. I shall be happy to see that this matter is given prompt attention.

Sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable Robert F. Wagner
United States Senate
United States Senate
WASHINGTON, D.C.


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

My dear Mr. Secretary:

It gives me genuine pleasure to heartily recommend Harry H. Burnham for reappointment as Collector of Customs, Port of New York, the post which he has so satisfactorily filled since 1933. His present term of office expires on July 31, 1945.

Kindest regards.

Sincerely yours,

Robert F. Wagner.

Robert F. Wagner.
SECRETARY OF STATE
Washington,

5512, Thirty-first
FOR DEPARTMENT END AND CARL LARRISON

Executive Committee of Inter-Governmental Committee on Refugees today at Twelfth meeting approved Inter alia proposals for operational expenditure in France, Belgium, Spain and Portugal. Letters from PONPPP and Embassy to Director ICO concerning voluntary contributions from member governments to operational expenditure were brought to attention of Executive Committee. Director will address invitation to member governments to contribute pointing out that the matter has been brought to the notice of the committee. Minutes of meeting will be airmailed. Next meeting of Executive Committee will probably be called for June 13 in view of request just received by Director from French Government that ICO should take over protection of Spanish