DIARY
Book 854
June 11-13, 1945
June 11, 1945
9:30 A.M.

HJVr: Hello.
Miss Barrows: Hello, Mr. Secretary.
HJVr: Miss Barrows?
B: Yes, sir.
HJVr: What's happened to Mr. McKim and Mr. Connelly?
B: Mr. McKim, I think, is in Omaha, and Mr. Connelly's mother wasn't very well and he flew up Saturday - Sunday morning to Clinton, Mass. He will be back sometime today, I think, if she got better, and I think she did.
HJVr: So you are the "works."
B: Well, Mr. and I are here at the moment.
(laughs)
HJVr: Well, this is what I would like to get from President Truman.
B: All right.
HJVr: I'm very much interested if Mr. Pauley has sent back a report on Germany, see?
B: Yes.
HJVr: Cause I saw his interview Saturday, and I imagine there must be a report on what he found, see? And I would like to for my own eyes, and I'll treat it very confidentially, to read what Mr. Pauley found in Germany.
B: You think he did make a report to the President?
HJVr: Well, I imagine so.
B: All right. I'll find out, sir, and we'll let you know.
HJVr: And if he didn't, then I'd like to send a cable over and get a copy of his report.
B: All right.
HJVr: So if he hasn't, I'd like a cable to go and say I would like to see it. I'm intensely interested.
B: Yes, sir, all right, we'll do what we can.
HJVr: Thank you.
B: All right, sir. Goodbye.
June 11, 1945
9:36 A.M.

HMJr: Hello.

Justice Felix
Frankfurter: Henry, hello.

HMJr: Good morning.

F: Good morning. How is Elinor?

HMJr: She is making very good progress and she's home.

F: She's home? She's here in town?

HMJr: Yes.

F: Well, I hope she isn't going to stay long in this stinking weather.

HMJr: Well, this is most pleasant compared to Florida.

F: Considering the fact that you are here anyhow. Henry, I very much hope that you are free to lunch with me here at the court either Thursday or Friday or this week - for two reasons. Deshund Agrunski, whom you do not know, but who is an old friend of mine and who is the Editor of the admirable English newspaper in Jerusalem. He is just here from the San Francisco business on his way back to Palestine. He is a capital fellow, and I'm very anxious to have you see him.

HMJr: Well, I'd love to, Felix, but my trouble is I'm going up Wednesday to the country to broadcast and I'm going to stay there until Sunday.

F: Until Sunday?

HMJr: Yes.

F: Will you be back next week?

HMJr: Yes.

F: Well, when could you lunch with me next week? Monday or Tuesday?

HMJr: Any day next week.

F: Monday or Tuesday?

HMJr: Monday or Tuesday.

F: Let me see if I can bag you in.

HMJr: Either one.

F: Well, in any event I want you to lunch with me because I'm leaving - we're leaving that week and I'd like to see you before I go.

HMJr: Well, do you want to say now or do you want to leave it open?

F: I'll say now Tuesday.

HMJr: Tuesday. I'll be delighted.

F: A week from tomorrow.

HMJr: Yes, sir.

F: You name the time.

HMJr: Well, I'll come up there at one o'clock?

F: One o'clock, fine.

HMJr: And you'll give me one of those delicious luncheons.

F: Don't be of poor people, of poor relatives.

HMJr: Yeah, that's all right. I'll be up there Tuesday.

F: With that billion dollar table of yours, et cetera.

HMJr: Yeah.

F: Your Seventh is going very well, isn't it?

HMJr: Yes, it is.

F: And as for Breton Woods, heavens!

HMJr: That was nice.

F: Oh, that was so encouraging.

HMJr: Yeah.

F: My love to Elinor and I'll see you on Tuesday.

HMJr: Thank you.

F: Bye.
Look. Grew. I've been getting reports from some of my Jewish friends, and they are very much worried about how the Jews are being treated in Europe. Hello?

Mr. Joseph Grew: Yes.

HN Jr.: And I wondered if you could give five minutes to John Pehle today, hello?

G: Yes.

HN Jr.: And our thought was to let Carl Harrison go over and have a look at the thing. Carl Harrison is the American delegate on the Intergovernmental Committee.

G: Yes.

HN Jr.: And make a study and find out what the facts are. They say they are being treated just as badly as they were before we defeated Germany.

G: Yes.

HN Jr.: I don't know whether that is true or not, but I think we had better find out the facts.

G: Well, that is something we will have to clear with Eisenhower in the first instance.

HN Jr.: I know, but it is a question of a cable, and I thought if you could see Pehle for five minutes you could decide what kind of a cable to send.

G: Pehle, you say.

HN Jr.: John Pehle, you know him.

G: Yes. All right. The only thing is I'm tied up almost every hour today. Would it be all right if Pehle had a talk with Bill Phillips, who is running that side of the show.

HN Jr.: Yes, if Phillips can act and get off the cable.

G: Well, I'll ask him to talk to Pehle, and, of course, he will have to let me know if it is all right.

HN Jr.: I'd like to get it off today if possible.
June 11, 1945
10:10 A.M.

HMJr: I talked to Drew, and he said he was awfully busy today, but these things were handled by William Phillips. He's going to have William Phillips call you.

Mr. John Fehler: Right.

HMJr: But I said I wanted a cable to go today.

P: I see.

HMJr: Authorizing Earl Harrison to go.

P: Yes.

HMJr: And he said he would tell that to Phillips, see?

P: A cable to whom, Mr. Secretary?

HMJr: Well, to whoever it is necessary - he said it would be to Eisenhower.

P: I see.

HMJr: He said, of course, he thought the cable should be first cleared with Stimson, so I thought that was right.

P: Right.

HMJr: But the cable will go to Eisenhower.

P: Right.

HMJr: Now, if Earl Harrison is around, it might be good to have him go over them with you.

P: Yeah, I think he is in Philadelphia, but I'll find out.

HMJr: But leave word with the operator if Phillips calls you take the call.

P: Right.

HMJr: Phillips is a very good man.

P: He was good on the India thing wasn't he?
June 11, 1945
10:30 A.M.

NM Jr: Hello.
Judge Patterson: Hello, Henry.
NM Jr: How are you, Bob?
P: Fine.
NM Jr: Bob, I spent a little time yesterday afternoon with Bob Allen.
P: Yeah.
NM Jr: And he seemed terribly upset that the hospital out there was not adequately prepared to do things for boys that needed arms and legs, and very, very critical.
P: Walter Reed, he meant.
NM Jr: Yeah. And I'm supposed - I wondered if by any chance you wanted to see some of the boys out there.
P: Yep.
NM Jr: Bob talking - he didn't suggest it - the idea of dropping into the ward where he is and seeing and listening - you hear the boys out there are very bitter because the Army lets them think there's going to be this and that, and there's nothing there for them.
P: Yep.
NM Jr: So, I hope you don't mind my...
P: Not a bit. I'm glad that I...
NM Jr: I know that you are very devoted to him.
P: Yes, I am.
NM Jr: And I thought if possible.....
P: Is he out there now?
NM Jr: He's there every day. He comes home in the evening to be with his wife, but he is out there and he said if you came out there you would get an earful.
June 11, 1945
11:47 A.M.

HMJr: Yes.
Dr. T. V. Song: Hello, Mr. Secretary.
HMJr: How are you?
S: Fine, thank you. Mr. Secretary, I've just arrived, and I'm leaving for home in two days. May I call on you and have a good not-business talk, a personal talk before I go.
HMJr: Surely.
S: Sometime - how would sometime Wednesday suit you?
HMJr: Well, I can't promise, Dr. Song, Wednesday on account of, you see, I'm getting ready today for Bretton Woods and I'm testifying tomorrow in the Senate.
S: Yes, I see. How about Thursday?
HMJr: I won't be here. It would have to be - you couldn't come around 3:30?
S: Today?
HMJr: Yes.
S: Surely, I can.
HMJr: Could you?
S: Yes, I will do so.
HMJr: I will look forward to seeing you.
S: Thank you very much.
HMJr: Thank you.
S: Goodbye.
HMJr: Goodbye.

June 11, 1945
12:48 P.M.

HMJr: Hello.
G. Joseph Grew: Hello, this is Grew speaking.
HMJr: Yes.
G: Look, I took the matter up with T. V...
HMJr: Yeah.
G: And he said that he didn't think he would have much time to do any negotiations before he leaves Washington on the 15th, but that he was going to see you shortly, did he say this afternoon or tomorrow?
HMJr: This afternoon.
G: This afternoon, and that he would discuss the matter with you. In the meantime, he said he would just like to think it over. That's the way it was left. So he expressed no decision.
HMJr: I see.
G: So I think if he says to you that he wants to do it, o.k., if he hasn't got time I guess the other gentleman comes into the picture.
HMJr: Well, but you got no 'yes' or 'no' on it?
G: No, 'yes' or 'no'.
HMJr: (Laughs)
G: That's all I could do.
HMJr: Well, I'll wait and if it doesn't work out right, I'll let you know.
G: All right. Well, I think all you can do is ask him point-blank what he wishes. After all, he is practically Prime Minister of China, he ought to have the say.
HMJr: I'll do that. Thank you.
G: All right. Goodbye.
June 11, 1945 2:03 P.M.

HMJr: Morgenthau talking.
Mr. Chester Bowles: Hello, Henry. How are you?
HMJr: O.K. We didn't hear from you about your enforcement man.
B: Well, I told them to call, and I understood they were calling.
HMJr: No.
B: Well, I'll get right after - George Moncharsh and Jim Rogers were going over to see you.
HMJr: Well, now, I'd kind of like to see them myself.
B: You would.
HMJr: Yeah, to get this thing started.
B: All right, all right.
HMJr: Now, if they could come over here - oh, a few minutes after three, I'd be ready.
B: Let me see if I can get them then. Tell you, if I don't call you back within the next ten or fifteen minutes, you'll know that's all right.
HMJr: Yeah. Now, what's their names?
B: Jim Rogers. Rogers.
HMJr: Well, Rogers, isn't he the man in-the advertising agency fellow?
B: Used to be with O.W.I.
HMJr: And used to be with Bowles and something.
B: Yeah.
HMJr: Right.
B: And he's Deputy administrator, and then George Moncharsh.
HMJr: George - how do you spell that?
B: Moncharsh.
June 11, 1945
2:10 P. M.

HM Jr: Hello.
Miss Rose Conway: This Secretary Morgenthau?
HM Jr: Speaking.
C: This is Miss Conway.
HM Jr: Yes.
C: Did you call Miss Barrows this morning with regard to an article or a report on Germany by Pauley?
HM Jr: Yes.
C: May I ask in what paper that appeared this morning. I don't seem to be able to run it down.
HM Jr: No, I guess the transmittal was confused.
C: Oh.
HM Jr: What I said was I had seen that Mr. Pauley had had a press conference in Paris.
C: Yes.
HM Jr: And that he was leaving.
C: He was leaving.
HM Jr: To go to -- there was quite an article about an interview with Mr. Pauley.
C: Yes.
HM Jr: And that he was leaving for Moscow.
C: Was that in the morning paper?
HM Jr: I think it was yesterday. If you want me to get it, I'll send it over to you.
C: Well, I just -- when I checked with the papers I had, I couldn't find anything that agreed with what Miss Barrow said you were wanting, so...

HM Jr: No, I don't want that. I've read that. What I wanted was...I said if Mr. Pauley sent a report to the President about his trip through Germany...
C: Oh, I see.
HM Jr: ...as to how he found conditions, you see?
C: Yes.
HM Jr: That I would like to see if the President would let me see it.
C: I see. Well, then I'll check again with the President later, Mr. - Secretary Morgenthau.
HM Jr: You see, I imagine Mr. Pauley - he said in this article - made a whole trip through Germany.
C: Yes.
HM Jr: And if he had made a report to the President.
C: That's what you are interested in.
HM Jr: That's what - not the newspaper article but it's the report to the President. And I said if they sent it over to me I would treat it highly confidential.
C: I see.
HM Jr: Does that make sense?
C: Yes, indeed, it does. I'm perfectly straight on it. (Laughs)
HM Jr: And you don't want to see the newspaper article?
C: No, no, that is quite all right. I'm perfectly straight on that.
HM Jr: It was reading the newspaper article and realizing he had completed his trip that made me want to see any report that came through, because I spent so much time on it and I'd be interested in Mr. Pauley's comments.
C: Surely.
HM Jr: That was the thing.
C: Well, I can call you later then on this.
HMJr: Right, or if I'm not available, ask for Mrs. Klots: K-l-o-t-s.
C: Klots?
HMJr: Yes.
C: I'll be very happy to.
HMJr: Thank you so much.
C: Thank you very much.

HMJr: Hello.
Mr. Joseph Grew: Hello, Mr. Morgenthau?
HMJr: Yes.
G: I just wanted to tell you that I have sent a telegram to Ambassador Murphy asking him to take up immediately with General Eisenhower the matter of getting permission for Earl Harrison to go right over there.
HMJr: Oh, I'm delighted.
G: And conduct a survey.
HMJr: I'm delighted.
G: I said I feel that this is a matter that should have our wholehearted support, and I should be grateful if he would take it up immediately with General Eisenhower with the view to securing his permission.
HMJr: Well, I'm delighted.
G: So I hope it goes through. That is all we can do really.
HMJr: Well, I think that is all that is necessary.
G: Yeah. O. K.
HMJr: Thank you.
June 11, 1945
3:15 p.m.

PRE-PRESS

Present: Mr. D. W. Bell
Mr. Floung
Mr. Sheaffer
Mr. Fehle
Mr. Sauble
Mr. O'Connell
Mr. Fussell
Mr. White

H.M.JR.: Harry, T. V. Soong says that Kung should handle the payment of the Army in China.

(To Stenotypist) Make a note that I handed Mr. White a letter from Mr. Kung.

As far as he knows, Kung is not the Head of the Central Bank in China, but he will let him do this thing.

MR. WHITE: Just this once or at least this once.

H.M.JR.: At least this once, and, John Pehle, they called me--I don't know whether Mrs. Klotz had a chance to tell you--and the cable has gone and they are sending me a copy of it.

MR. PEHLE: Wonderful!

H.M.JR.: And I asked Mrs. Klotz to notify Mr. Kung and you notify me, but the cable has gone.

MR. WHITE: We are ready to make a recommendation on this.

H.M.JR.: They came in and I was kind of embarrassed. They talked about eight billion Chinese dollars and I said, "How many United States dollars," and he said that was for me to decide, so, when you decide, let me know.

MR. WHITE: Eight billion.

H.M.JR.: Then I will be glad to see you.

MR. WHITE: We are ready.

A thousand to one it's eight billion dollars.

H.M.JR.: You changed chairs.

MR. BELL: No.

H.M.JR.: It's not fair.

MR. BELL: I always sit here in the press conferences. At nine-thirty I sit over there.

H.M.JR.: All right. Is everybody happy?

MR. FUSSELL: Here's one thing that just came over the ticker, Mr. Secretary, that you might be asked about.

H.M.JR.: A gold mine?

MR. BELL: What?

MR. FUSSELL: The gold mine.

MR. BELL: That's old, isn't it?

H.M.JR.: I don't know anything about it. That's a trick of the Silver Senators. What else?

MR. FUSSELL: That's all.

H.M.JR.: All right, let's go.
TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Monday, June 11, 1945.

Press Service
No. 48-55

Mr. Morgenthau today expressed to the nation's banks the Treasury's appreciation for the "fine spirit of cooperation and the attitude of understanding" with which the Department's recent order requiring the reporting of unusual transactions in currency has been made effective.

In a letter addressed to some 15,000 financial institutions, Mr. Morgenthau stressed the importance of such information to the success of the current drive against tax evaders, and promised that the Treasury will follow a common-sense policy toward the banks in administering the reporting requirements.

"It takes no argument on my part to convince you that notorious tax evaders and concealers of income and wealth who have been previously paying their income taxes in cash, may prefer to be paid in bonds or in currency, and therefore require proof of income or wealth during the passes of such currency."

Mr. Morgenthau expressed the hope that each banker will regard the new instructions as being his protection in the performance of his patriotic duty to assist his Government.

He said the Treasury had no wish to impose unnecessary administrative burdens on the banks, and that no bank or banker is going to find it difficult in its relations with the Government for accepting or traveling in such transactions. He added that the Treasury will follow a common-sense policy toward the banks in administering the reporting requirements.

In making the letter public, Secretary Morgenthau emphasized that the contents apply not only to banks but to all classes of financial institutions covered by the order. He also said that he wishes to encourage voluntary reporting by persons and organizations not covered. He stated that any voluntary reports should be sent to the nearest Federal Reserve Bank.

The order requiring financial institutions to report unusual currency transactions has been in effect nine days, and the attitude of understanding and cooperation already displayed by banks and bankers has been gratifying. There have been a few isolated instances of adverse criticism which in my judgment stem from an inadequate understanding of the considerations and policies which underlie the order.

The abnormal use of currency in business transactions has become one of the principal devices for income tax evasion and concealment. Banks and other financial institutions have been unavoidably made the channel through which such transactions flow. I know of no segment of our business community more interested in the integrity of our tax and fiscal systems than banks and bankers. It takes no argument on my part to convince you that notorious tax evaders and concealers of income and wealth who have been previously paying their income taxes in cash, may prefer to be paid in bonds or in currency, and therefore require proof of income or wealth during the passes of such currency.

Of necessity we must avail ourselves of every practical source of information, and the enlistment of the cooperation of banks through the reporting requirements of the order is novel only in its design to counteract a growing technique of abnormal currency transactions for tax evasion purposes.

Prior to the order some financial institutions, perturbed by the explosive and abnormal use of currency, voluntarily reported unusual transactions to the Treasury Department. Several of the most shocking and revolting of the recently publicized tax frauds were discovered through such cooperation. The implications of these discoveries gave both public officials and many prominent members of the financial community with whom I discussed the problem an concern that it was decided an authoritative order of general application was required, not only to protect the public revenues but also to relieve banking institutions of the private responsibility for voluntary reporting.

The many communications we have had with banks and bankers since the order was issued have reflected not only a fine spirit of cooperation but also a good sense of proportion and judgment in interpreting the basic purpose and
requirements of the order. The order took the form it did only after sympathetic consideration of the relationship between banker and customer and of the onerous administrative burdens that excessive reporting requirements would impose.

I want to make it very clear that the Treasury Department intends to follow a common-sense policy towards banks in administering the reporting requirement. We do not want to be swamped with insignificant reports any more than we want to fail to receive significant ones. We do not want to impose unnecessary administrative burdens on the banks any more than we want banks to fail to report to us significantly abnormal transactions. No bank or banker is going to find himself in difficulties with the Government because he makes a mistake in judgment. Rather, we hope, he will regard the new instructions as being his protection in the performance of his patriotic duty to assist his Government in its determined drive against those who see fit to cheat in a time of national crisis.

Suspicion of tax guilt is not the basis for determining the abnormality of transactions for reporting requirements. The reporting of a transaction in no sense implies prejudgment by the bank of revenue violations. Significant abnormal transactions to be reported under protection of the order are expected to take their place in the flow of information from many other sources in the normal course of tax surveillance by public officials.

Helpful suggestions have already been received, particularly as to the form of reports. On the basis of these suggestions the Treasury has already taken steps to eliminate the requirement of reporting the reasons for believing a particular transaction is unusual. It will, of course, be our purpose to eliminate any further burdensome requirements to the fullest extent practicable.

My purpose in writing you this letter is to give you a general description of the situation which made the order necessary, and to express my appreciation of the cooperation and good judgment displayed by the banking community.

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SECRETARY MORGENTHAU

FOR IMMEDIATE RELEASE
Washington

Secretary Morgenthau today expressed to the nation's banks the Treasury's appreciation for the "fine spirit of cooperation and the attitude of understanding" with which the Department's recent order requiring the reporting of unusual transactions in currency has been made effective.

In a letter addressed to some 15,000 financial institutions, Mr. Morgenthau stressed the importance of such information to the success of the current drive against tax evasion, and promised that the Treasury will follow a common-sense policy toward the banks in administering the reporting requirements.

"It takes no argument on my part to convince you that notorious tax evaders and tax cheats if left unchecked threaten the very life of our tax laws and cast their shadows upon the credit of the United States," the letter says.

Mr. Morgenthau expressed the hope that each banker will regard the new instructions as being his protection in the performance of his patriotic duty to assist his Government.

He said the Treasury had no wish to impose unnecessary administrative burdens on the banks, and that no bank or banker is going to find himself in difficulties with the Government because he makes a mistake in judgment. He welcomed helpful suggestions, and said that on the basis of such suggestions already received, steps have been taken to eliminate one requirement that might be considered burdensome, that of reporting the reasons for believing a particular transaction is unusual. He said the reporting of a transaction in no sense implies prejudgment by the bank of revenue violations.

In answering the letter public, Secretary Morgenthau emphasized that its contents apply not only to banks but to all classes of financial institutions covered by the order. He also said that he wishes to encourage voluntary reporting by persons and organizations not covered. He stated that any voluntary reports should be sent to the nearest Federal Reserve Bank.

Text of Secretary Morgenthau's communication to the financial institutions follows:
The order requiring financial institutions to report unusual currency transactions has been in effect nine days, and the attitude of understanding and cooperation already displayed by banks and bankers has been gratifying. There have been a few isolated instances of adverse criticism which in my judgment stem from an insufficient understanding of the considerations and policies which underlie the order.

The abnormal use of currency in business transactions has become one of the principal devices for income tax evasions and concealments. Banks and other financial institutions have been unavoidably made the channel through which such transactions flow. I know of no segment of our business community more interested in the integrity of our tax and fiscal systems than banks and bankers. It takes no argument on my part to convince you that notorious tax evasions and concealments if left unchecked threaten the breakdown of our tax laws and cast their shadows upon the credit of the United States. Certainly they bring open resentment from the millions of honest taxpayers who stand ready faithfully to contribute their share to war finance.

Of necessity we must avail ourselves of every practical source of information, and the enlistment of the cooperation of banks through the reporting requirements of the order is novel only in its design to counteract a growing technique of abnormal currency transactions for tax evasion purposes.

Prior to the order some financial institutions, perturbed by the excessive and abnormal use of currency, voluntarily reported unusual transactions to the Treasury Department. Several of the most shocking and revolting of the recently publicized tax frauds were discovered through such cooperation. The implications of these discoveries gave both public officials and many prominent members of the financial community with whom I discussed the problem such concern that it was decided an authoritative order of general application was required, not only to protect the public revenues but also to relieve banking institutions of the private responsibility for voluntary reporting.

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My purpose in writing you this letter is to give you a general description of the situation which made the order necessary, and to express my appreciation of the cooperation and good judgment displayed by the banking community.
June 11, 1945
4:50 P. M.

HMJr: Hello.
Mr. Will
Clayton: Hello, Henry. Will Clayton.
HMJr: Yes, Will.
C: Dean told me about his talk with you at lunch about the bank - the export-import bank.
HMJr: Yes.
C: We feel that it is very important that we get that legislation, that bill in soon so that they can, if possible, get some action on it before they adjourn. They are going to adjourn around the middle of the month from now and will be gone all summer until perhaps the middle or latter part of September. In spite of everything we can do, Henry, why I think it is going to be a long time yet before the international bank is set up and ready to do business and the management, the personnel and everything, and the money and the money can make investigations of loans and put the money out. It is just going to take a long time to get it set up, and meantime we just haven't got anything. The bank is pretty well up to its limit, as you know.
HMJr: Yeah.
C: And, we, from our point of view, we would feel very badly if the Treasury couldn't go along with us on that.
HMJr: Well, we haven't said we would.
C: No, I know you haven't said you wouldn't, but I got the impression from what Dean said...
HMJr: No, I raised the question that I thought that it might be helpful as far as Lend-Lease and Bretton Woods was concerned to postpone it.
C: I think that myself... I know if we could do it why we don't want to give...
HMJr: I'm not going to make an issue out of it.
C: Yes.

If you feel strongly on it, we'll go along.

Fine. I think Bretton Woods is just in the bag. There's still going to be argument and some are going to have to do some work.perhaps in the Senate, but I wish I felt as well about the Trade-Agreements program as I do about the Bretton Woods. I think the vote in the House was so overwhelming that it just shows...

Will, if you feel strongly about it, we'll go along.

Fine. Well, thank you ever so much. That's mighty nice. Hope to see you soon.

Hope to see you.

Bye.
June 11, 1945

I called up Clayton yesterday and asked him what he thought of the idea of the so-called Informal Committee on Germany, consisting of Clayton, Crewe, McCoy, Hard and myself going to Germany to see how the directive known as IP 801 is being carried out. I did not get a very good reception from Clayton, who said he would think it over and call me back.
BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON
OFFICE OF THE CHAIRMAN

June 11, 1936.

Dear Henry:

Your thoughtful note of June 9 in regard to the overwhelming acceptance by the House of the Bretton Woods Agreements is very much appreciated. It was most fortunate that the vote was so heavily in favor of the Agreements and was on a bi-partisan basis, signifying to all the world this Nation's desire for international cooperation.

It is gratifying that you feel the suggestion concerning the Advisory Council was helpful in obtaining the widespread support which the House gave to the enabling legislation.

Sincerely yours,

[Signature]

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

I appreciated very much your thoughtful letter of June 9th regarding the action of the House Banking and Currency Committee in connection with the Bretton Woods plan.

May I say in turn that a great deal of the credit for the success of this measure rightfully belongs in your own Department and to the many individuals, including yourself, Dr. White and Mr. Laxford who so ably and patiently presented the case.

Sincerely yours,

[Signature]

George F. Outland.

Honorable Henry Morgenthau Jr.
Secretary of the Treasury
Washington, D.C.
IMMEDIATE ACTION AND MERELY SETTING ASIDE THE FUND WILL IN MY OPINION HAVE LITTLE MATERIAL EFFECT. IT IS STRONGLY MAINTAINED BY THE CHINESE THAT THE SALE OF GOLD TO ABSORB LARGE AMOUNTS OF CURRENCY ISSUED TO COVER BUDGETARY DEFICITS IS AN ESSENTIAL PART OF THE ANTI-INFLATIONARY PROGRAM. I AGREE WITH YOU THAT THERE IS LITTLE EVIDENCE TO SUPPORT SUCH A CLAIM AND UNTIL THERE IS A RADICAL CHANGE IN THE PRESENT POLICY LITTLE CAN BE EXPECTED, FOR THE GOVERNMENT TO SELL GOLD AT A FIGURE FAR BELOW THE OPEN MARKET PRICE IS A DENTAL OF THE OBJECTIVE TO ABSORB PRINTING PRESS CURRENCY IN THE MAXIMUM AMOUNT AND FURTHERMORE IT HAS GIVEN RISE TO VICIOUS SPECULATION AND MUCH UNFAVORABLE PUBLICITY IN THE SO-CALLED GOLD SCANDALS OF WHICH YOU HAVE BEEN ADVISED. WHEN THE OFFICIAL PRICE OF GOLD WAS RAISED FROM CN DOLLARS TWENTY THOUSAND TO CN DOLLARS THIRTY-FIVE THOUSAND ON MARCH 30 THE OPEN MARKET PRICE WAS APPROXIMATELY CN DOLLARS FIFTY THOUSAND. NOTWITHSTANDING YOUR ANNOUNCEMENT SOME THREE WEEKS AGO THAT GOLD IN THE AMOUNT OF TWO HUNDRED MILLION UNITED STATES DOLLARS WOULD BE SHIPPED TO CHINA OVER THE NEXT FEW MONTHS THE OPEN MARKET PRICE HAS BEEN SPIRALING UPWARDS. ACCORDING TO THE COMMERICAL DAILY NEWS OF JUNE 3 AFTER (BRISK TRADING) GOLD CLOSED AT CN DOLLARS ONE HUNDRED ONE THOUSAND FIVE HUNDRED PER OUNCE ON JUNE 2, THE OFFICIAL GOVERNMENT PRICE IS STILL CN DOLLARS THIRTY-FIVE THOUSAND PER OUNCE. THUS THOSE NOW FORTUNATE ENOUGH TO BE ABLE TO MAKE GOVERNMENT PURCHASES DERIVE AN IMMEDIATE BOOK PROFIT OF APPROXIMATELY ONE HUNDRED NINETY PERCENT ON THEIR INVESTMENT, AN UNCONSCIONABLE BENEFIT WHICH SHOULD ACCRUE TO THE GOVERNMENT.

THIS IS A DEMORALIZING SITUATION. IT APPEARS THAT THE UNITED STATES HAS RESERVED NO POWER TO CONTROL THE SITUATION IN ITS GOLD COMMITMENT TO CHINA. THE DOLLARS GOLD TWO HUNDRED MILLION COMMITMENT WAS APPARENTLY MADE WITHOUT CONDITION. YOU STATE THAT THE TREASURY HAS COMMITTED ITSELF ON THE $200,000,000 IN GOLD TO CHINA WITHOUT HAVING
PROCURED A COMMITMENT FOR THE ESTABLISHMENT OF A $500,000,000 FUND TO COMBAT INFLATION. BUT YOU state THAT YOU SUGGESTED THE ESTABLISHMENT OF SUCH A FUND. MY REACTION TO THAT PART OF THE TRANSACTION IS THAT IF YOU WANTED A STABILIZATION FUND TO BE INSTITUTED YOU SHOULD HAVE MADE THAT A CONDITION PRECEDENT ON WHICH YOU WOULD SUPPLY THE DOLLARS GOLD TWO HUNDRED MILLION TO CHINA. THEN YOU WOULD HAVE BEEN IN A POSITION TO TRADE OR NOT TO TRADE. NOW YOU ASK ME TO ADVISE YOU WHAT MY REACTION IS TO YOUR REITERATION OF YOUR SUGGESTION THAT CHINA CONSTITUTE $500,000,000 FUND FOR COMBATING INFLATION AND STABILIZING CURRENCY. NO ONE HAS MORE RESPECT FOR THE POWER OF SUGGESTION THAN I. IN THIS INSTANCE, HOWEVER, I WOULD HAVE RELIED ON THE POWER OF DOLLARS GOLD TWO HUNDRED MILLION. I AM CONVINCED OF CHINA'S FRIENDSHIP FOR THE UNITED STATES. I BELIEVE THAT CHINA INTENDS TO REPAY THE UNITED STATES IN THE YEARS TO COME. CHINA DREADS BECOMING WHAT HER LEADERS REFER TO AS (A BEGGED NATION). I AM SATISFIED THAT THERE MUST BE SOME GOOD REASON FOR HAVING MADE THE COMMITMENT WITHOUT HAVING OBTAINED CHINA'S AGREEMENT TO CONSTITUTE A $500,000,000 FUND FOR THE PURPOSE SUGGESTED BY YOU. THIS IS REINFORCED BY THE FACT THAT YOU STATE THE DECISION WAS MADE AFTER FULL DISCUSSION WITH THE STATE AND WAR DEPARTMENTS AND THE FEA. I SAY TO YOU FRANKLY, HOWEVER, AND WITHOUT CRITICISM THAT I WOULD HAVE FELT MUCH BETTER ABOUT THE SITUATION IF YOU HAD ASKED MY REACTION ON YOUR SUGGESTION BEFORE YOU WERE COMMITTED TO THE TRANSACTION RATHER THAN AFTER IT HAD BEEN COMPLETED, IF YOU WILL FURNISH ME WITH SUFFICIENT BACKGROUND TO ENABLE ME TO FORMULATE AN INTELLIGENT OPINION I WILL CERTAINLY COOPERATE WITH YOU.

SECRETARY OF TREASURY...ACT

NAVY...SECRETARY OF STATE....
in your memorandum of May 11, 1945 and is making arrangements with the bank to carry out the shipments of the gold according to that schedule. The preliminary arrangements to ship the requested amount for the month of May have already been made. These steps are being taken in accordance with our Financial Aid Agreement of March 1944 and my letter to Dr. King of July 27, 1944.

QUOTE: at this time it seems to me necessary and desirable to point out that the purpose of the $500 million of financial aid to China, and particularly the agreement in July 1943 to ship gold to China, was to assist in an anti-inflationary program which would strengthen confidence in the Chinese Government and its finances and thereby help maintain the Chinese economy. As you know, it is my opinion that the sale of gold by China has not proved effective in combating inflation, and I am doubtful that it will prove effective. Also as I have told you, the manner in which the gold sales have been conducted and the resultant public criticism of them in China are not conducive to achieving the purpose for which our financial aid was granted.
Therefore, I would respectfully ask the Chinese Government to consider carefully the matter proposed to you in my memorandum of May 8, 1944. In particular, I would reiterate my suggestion that China constitute a $500 million fund for combating inflation and stabilizing the currency from its foreign exchange assets. I think that this step would be of considerable short and long-run benefit to China and would inspire confidence in the Chinese Government's handling of its difficult economic situation.

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

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

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

Part II

1. I would very much appreciate receiving your reactions to our proposal that China institute a $500 million fund from her existing dollar balances. The uses to which this Currency Stabilization Fund would be put would be in a broad, concerted program for combating inflation and for currency stabilization and these uses would be subject to joint agreement. The time at which the Fund's operations would start would be discussed at a later date. This proposal for a $500 million Fund was made with the concurrence of State, War and P.M. Dr. Soong has referred the proposal to the Centralissimo.
2. The Chinese schedule of gold shipments referred to in my letter to Dr. Soong calls for the shipment of about $80 million by air and about $100 million by boat during the next eight months.

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

ORE
(Acting)
(GL)

PHILIP McGUIRRE 5/19/45  CL  FZ
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE June 11, 1945

TO Secretary Korgentau
FROM J. W. Fehle

I saw William Phillips this morning at 10:30 a.m. for about fifteen minutes. I described to him the suggestion which you had made for a survey of the problem of displaced persons, particularly Jews, in Germany and liberated Europe.

Mr. Phillips was entirely in agreement with this suggestion and dictated, in my presence, a cable to Robert Murphy, a copy of which will be sent to you as soon as it has been cleared. The cable makes it clear that the State Department would like such a survey made and asks Murphy to get the necessary permissions from Eisenhower. The cable should be dispatched today.
Below are the current estimates of the amounts Congress will be requested to provide in connection with the Bretton Woods Agreements, the Export-Import Bank, Land Lease and UNRRA. These figures include the latest data available through the State Department and the Bureau of the Budget but it should be emphasized that some of them will probably require revision.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount (Millions of dollars)</th>
</tr>
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<tbody>
<tr>
<td>1. Bretton Woods Agreements (Investment)</td>
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</tr>
<tr>
<td>(a) U.S. subscription to Fund</td>
<td>$3,760 million</td>
</tr>
<tr>
<td>(b) U.S. subscription to Bank</td>
<td>3,175</td>
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<tr>
<td>2. Export-Import Bank (Investment)</td>
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<td>Proposed increase in capital (subject to revision upwards in light of additional requirements)</td>
<td>1,500</td>
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<tr>
<td>3. United Nations Relief &amp; Rehabilitation (UNRRA) (Authorised but not yet made available for expenditure)</td>
<td>900</td>
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<tr>
<td>4. Land Lease (for expenditure)</td>
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<tr>
<td>Additional funds requested for the fiscal year 1946</td>
<td>1,975</td>
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<tr>
<td>TOTAL</td>
<td>$10,300</td>
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</table>

1/ $1,800 million of the $3,980 million will be transferred from the U.S. Stabilization Fund.

Footnotes continued:

2/ The only figure publicly discussed to date has been the figure of $1,800 million. However, present indications are that the figure may be increased to possibly $2,800 million. These figures represent proposed increases in the Bank's capitalization and are in addition to its present capital of $700 million.

3/ Congress authorized $1,250 million as our contribution to UNRRA. Of this amount Congress appropriated $450 million and authorized Land Lease and the Army to use an additional $850 million from their appropriation if available. To date the Land Lease appropriation has not been used and it is presently doubtful whether funds from this source will be available. Accordingly, the only figure that can be inserted is the figure of $850 million which represents the balance of the sum Congress authorized to be appropriated but which has not been made available for expenditure.

4/ In addition to this figure ($1,250 million) it is anticipated that FIA will have an unexpended balance from fiscal 1946 of somewhere in the neighborhood of $1,450 million which will be made available for fiscal 1946. This makes a total of $4,375 million for use by Land Lease for fiscal 1946. This figure does not include Army expenditures for military lend lease.
STATEMENT ON FOREIGN TRADE AGREEMENTS

The Trade Agreements Act of 1934 authorizes the President—(1) to make trade agreements with foreign governments and (2) to modify (reduce or increase) existing duties to carry out agreements under the Act. No modification may exceed 50 percent of the duties prescribed in the Tariff Act of 1930.

The authority to enter into such agreements expires June 15, 1945. The pending legislation, already approved by the House, extends the authority for an additional three years, and makes the present duties the basis for the maximum modification of 50 percent.

During the past eleven years, reciprocal trade agreements have been concluded with 22 countries, including 8 of our 10 best customers. Over 66 percent of our trade is carried on with trade agreement countries. Our exports to trade agreement countries rose by 63 percent, to non-agreement countries by only 32 percent from 1934 to 1939. Our imports from trade agreement countries increased by 23 percent, from non-agreement countries by only 13 percent.

The authority to reduce duties by 50 percent has been completely exhausted on 42 percent of our dutiable imports, and partially exhausted on an additional 20 percent of our dutiable imports. Of the remaining authority, a considerable portion relates to items produced chiefly in Germany and Japan.

Renewal of the Trade Agreements Act with the power to modify present duties (as distinguished from 1930 duties) by 50 percent is an essential part of the program of expanding our trade.
no agreement for an International Monetary Fund on the terms of the original statement of experts will be approved either by the Senate or the House*.

Senator Taft made the following specific criticisms:

1) The United States should not assume the principal burden of supporting weak currencies under a plan which gives us only a minority vote.

2) The proposal is not large enough to deal with the emergency and too large for normal needs.

3) To set up an International Exchange Fund now is to put the cart before the horse.

4) "All the real assets of the Fund will come from the United States .... It will not be long before all of our assets are gone and the Fund is entirely made up of weaker, worthless currencies."

5) The Fund would "require our Government to regulate, restrict and regiment transactions in foreign exchange in the United States and impose complete Government control of all international transfer of funds".

6) The Fund "places power in some representative of the President, without approval of Congress, to change the gold value of the dollar."

Senator Taft proposes as a substitute that the United States should make direct loans to foreign nations for reconstructions during the emergency period and should make individual stabilization agreements with countries beginning with the British. He called this the "easy-countries" approach.

August 1, 1944, New York World Telegram

Senator Taft supported the movement to delay action on the Bretton Woods proposals until after the election in order to divorce the issue from politics.

May 4, 1945, New York Daily News

Taft attacks the Treasury as conducting a propaganda campaign for Bretton Woods. He specifically states that the Treasury "fails to mention the little fact that the Bretton Woods plan would cost us $6 billion — nor that the borrowers would be a majority of the votes on the Board of Directors of the proposed International Bank."

Regraded Unclassified
Taft Suspicious Of Proposal to Stabilize Money

APR 3 1943

The Immediate Problem After War Will Be One of Relief, He Says

By CHARLES B. DODGERS. United Press Chief Correspondent

WASHINGTON, April 3—Dwight H. Eisenhower today disclosed with the expression of interest.

President Truman opposed the stabilization plan which Secretary Morgenthau submitted in Congress.

Mr. Taft, a member of the Senate Banking and Finance Committee, as well as of the special committee with jurisdiction over the plan, said it now of future "interesting," but will still after the war "shaming."

Secretary of State Hull speaks out in support of the stabilization plan while its possible implications for international trade agreements are considered.

Supporters of the Keynes plan believe it would be beneficial to the world economy by reducing the value of some currencies, promoting greater international trade, and stabilizing exchange rates. Opponents argue it would lead to a decrease in investible funds and a rise in the cost of living.

The Keynes plan, named after its proposer, John Maynard Keynes, is seen as an alternative to the more traditional gold standard. It advocates for a system of managed currencies, where international trade can proceed without the constraints of fixed exchange rates.
Treasury Currency Plan Finds Taft Suspicious

By ROBERT A. TAFT (R., O.), today greeted with "enthusiasm" a four-point Treasury proposal for post-war international currency stabilization which Treasury Secretary Morgenthau is expected to present to Congress Monday.

Taft is a member of the Banking and Finance Committee as well as of the special committee on post-war economic planning.

He thought a preliminary study now of future monetary problems would be "interesting," but added: "The immediate problem after the war will be one of relief, not purchasing."

"But it is clear," he said, "if we are to prevent a recurrence of economic instability, we must develop plans to stabilize the currencies involved."

Supporters of the Keynes plan said it was logical to extend the same principles of economic stability in international transactions that have been applied to domestic financial arrangements.

"The purpose of the Keynes plan is to provide a system of international finance that will ensure the balance of payments among participating countries," they said. "It would establish a fund for international transactions, and would stabilize currencies by means of a pool of international reserve currency."

Morgenthau has been asked to present his proposal to Congress Monday. Taft said he will be in Washington then.

Taft's plan calls for establishment of an international clearing union based on a reserve issue of a new international reserve currency to be known as "star." He said it would be accorded the status of negotiable securities and would be accepted in place of gold by international trade agreements.
SENATE REPUBLICANS
OPPOSE WORLD BANK

Tutt Sees a New Deal Program
of Deficit Spending

WASHINGTON, D.C., Dec. 11—
Republican opposition to the Ad-
ministration’s proposal for a world
bank developed in Congress today.
Senator Tutt of Ohio said he would
carry the fight to the Senate floor
with a denunciation of the plan as
“part of the general New Deal
program to create new methods of
spending.”

Mr. Tutt, who is a member of
the Senate Banking Committee
which heard Secretary Morgenthau
explain the bank plan at a recent
meeting, said: “It appears to me an
opposite to making loans to other
countries in the guise of in-
vestments.”

“It clearly,” he said, “all the
money made available by the
bank would come from the United
States. It seems to me that after
the war we are going to have to
make emergency loans to other
countries for working capital and
rehabilitation of industries and
that these loans must be made di-
rectly by the Government under
authority of Congress.”

As outlined by Mr. Morgenthau,
the international bank would have
$10,000,000,000 in capital
of which the United States
would furnish $3,500,000,000, Great
Britain $3,500,000,000 and other
countries the rest.
TAFT FIGHTS PACT ON WORLD MONEY

Says It Would Be Like 'Pouring Our Cash Down a Sewer'—Suggests Separate Deals

WASHINGTON, June 18—Republican opposition to any commitments on a world currency stabilization program at the United Nations monetary conference was expressed today with an assertion by Senator Robert A. Taft of Ohio that American involvement would be "like pouring money down a sewer.

Senator Taft, who heads the Republican post-war advisory committee, is chairman of the Senate Committee on multinational currency stabilization, and a member that he was opposed to the principle of setting up any fund "in which we commit the effort of our army and our economy to the stabilization of currency values not only incidental to the rehabilitation of foreign economies after the war, but also to the maintenance of currency without making any other step necessary to get a country on an expediting basis, as the Treasury's plan apparently contemplates. It would be like pouring money down a sewer.

Going to Congress Vote

Plains for $12,000,000,000 world stabilization funds will be held be the conference, which opens at Bretton Woods, N. H., July 1.

The Treasury has emphasized that any agreement reached at the conference would be subject to Congressional approval.

As announced by the Treasury, the plan, agreed to in principle by the monetary experts of thirty-five nations and associated nations, involved the establishment of a permanent fund to contribute about $1,500,000,000 to the fund. Each nation would pay about $1,200,000,000, with the United States paying about $1,500,000,000, and the plan in accordance with a compulsory formula.

While this would be calculated to make all nations participants, Senator Taft said, the practical fact would be that America would take in the only gift-capped security.
U.S. Delegation To Money Talks Still Not Filled

Administration Can't Seem To Find a Republican to Senate Willing to Serve

By Tom Twitty
WASHINGTON, June 16—Of the 20 U.S. delegation in the United Nations monetary conference in the U.S. Department of the Treasury building in New York City, N.Y., is being held. It was indicated today, because for some reason a Republican Senator has not been chosen who will accept

Inquiry into the situation revealed that nothing was done to attach the representational status of a Senate member to the monetary conference, which was held in New York last week. It was indicated by the Republican to whom the inquiry was made that the Republican Senator would not accept the invitation.

The Senate, it was learned, is now considering the appointment of a Senator who will accept the invitation. The Senate, it was also learned, will accept the appointment of a Senator who will accept the invitation.

The Senate has not yet announced its decision on whether or not to accept the invitation. The Senate has not yet announced its decision on whether or not to accept the invitation.

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New York World-Telegram
AUG 1 1944

Tatt Joins Move to Delay Action on Monetary Plan
Supports Wagner Aim to Shelve Program During Coming Months of Campaign

By the United Press.

WASHINGTON, Aug. 1. — The powerful support of Robert A. Tatt, chairman of the Senate Republican Steering Committee, was added today to a Democratic proposal to delay until after the election any Congressional action on the Bratton Woods international monetary agreement. Senator Robert A. Tatt (R., Wash.), chairman of the Committee on Foreign Relations, has been a persistent advocate of a nationalistic program, and has been a outspoken opponent of the Bratton Woods agreement.

Senator Tatt, whose record of foreign policy is well known, is expected to support the move for delay. His position on foreign affairs is generally regarded as representing the views of the Republican party, and his support of the Bratton Woods agreement is likely to be received with favor by the Senators who will consider the proposal to delay action on the agreement.

Thus, the move to delay the agreement will have the backing of the Senate Republican leadership, and it is likely to encounter little opposition from the floor of the Senate. The agreement, which is aimed at establishing a new international monetary system, has been the subject of extensive debate in both the House and the Senate, and it is expected that the delay will allow more time for further discussion and consideration.

The delay will also give the Presidential administration an opportunity to study the effects of the agreement on the nation's economy and to consider the implications of the agreement for the conduct of the war.

Senator Tatt's support will be welcomed by the proponents of the Bratton Woods agreement, who have sought to gain the support of influential Senators in order to ensure the agreement's passage. The support of Senator Tatt will strengthen their position and make it more likely that the agreement will be approved in the near future.

The delay will also have implications for the conduct of the war. The agreement, which is designed to provide for the sale of gold and foreign exchange to countries in need of funds, will be crucial to the financing of the war effort. The delay will allow time for the Presidential administration to consider the impact of the agreement on the nation's economy and to ensure that the agreement is consistent with the needs of the war effort.

In conclusion, the move to delay the Bratton Woods agreement has the backing of the Senate Republican leadership and is likely to encounter little opposition. The delay will allow time for further discussion and consideration, and it will give the Presidential administration an opportunity to study the effects of the agreement on the nation's economy and to consider the implications of the agreement for the conduct of the war.
State Dept. Reports Attacked in Congress

By RUTH MONTGOMERY

Washington, D. C., May 3.—Congress today blew the lid off its informal agreement not to discuss controversial international questions during the San Francisco Security Conference, and had a field day castigating the State Department.

With Majority Leader Allen W. Dulles, the Senate's permanent investigating group, infighting is common. However, Dulles has taken the initiative and has now demanded action on the "alleged policy of international propaganda adopted by the State and Treasury Departments.

In a speech yesterday the direction of AdmiralMarc Garand, Assistant Secretary of Defense, and it is aimed directly at Secretary of State Hull. "We are strongly opposed to it," he said. "If we do not put a stop to it, we may very well see propaganda as a weapon of war. But it is now time to put an end to the theory that these methods can be neglected and we can proceed as if no restrictions and our own Congress.

Says Facts Ignored.

The two departments, he said, are distributing "propaganda and not facts" about the Marshall Plan and what we are doing in the world. He said he was opposed to these methods of conducting international affairs, through reciprocal trade agreements.

Citing government pamphlets, radio broadcasts and similar devices, he said, "We should remember the little fact that the European Recovery Program would cost an estimated $25 billion—out of the tax revenues of the people in this country to further the interests of the American people.

He said he has been asked to support the American plan, but he would not.

He said the Marshall Plan is the best way to end the cold war.

Addressing the Senate, Senator Robert A. Taft denounced "propaganda." He said, "We are trying to avoid another world war, but we are not doing the right thing."

The Postmaster General said, "We have been told that the people are not interested in the war."

Senator Taft, members of the Administration to send troops to Poland, without Russian interference.

Urges Aid for Small Nations.

"Further, we cannot afford to lose the small nations," Senator Taft said.

Senator Taft said, "If we continue to support the Marshall Plan, we will lose the war."

Senator Taft said, "We have been given the task of defeating the enemy."

Senator Taft said, "We cannot afford to lose the war."

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Senator Taft said, "We cannot afford to lose the small nations."
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

TO Secretary Morgenthau
FROM Joseph J. O'Connell, Jr.

Date 11 June 1945

Attached is a chart showing the voting records on selected important bits of war legislation of the 16 Republican Congressmen who voted against the Breton Woods legislation.

As it might have been expected, most of them have been uniformly against such things as the extension of the draft act, lend-lease, the manpower mobilisation bill, etc.

Attachment

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1/ Voted against original law.
2/ Voted against 1944 extension
NC - Not Member of Congress.
NV - Not Voting.

Regraded Unclassified
Secretary Morgenthau 11 June 1945
Joseph J. O'Connell, Jr.

Attached is a chart showing the voting records on selected important bits of war legislation of the 18 Republican Congressmen who voted against the Bretton Woods legislation.

As it might have been expected, most of them have been uniformly against such things as the extension of the draft act, lend-lease, the manpower mobilization bill, etc.


Attachment

cc Luxford

JJO's 11-6-45
<table>
<thead>
<tr>
<th>Name</th>
<th>Draft Act (1941)</th>
<th>Requisition Act (1941)</th>
<th>Lend-Lease Act (1944)</th>
<th>Lend-Lease Extension (1944)</th>
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1/ Voted against original law.
2/ Voted against 1944 extension
NC - Not Voting of Congress.
EV - Not Voting.
Dear Mr. Pehle:

I am sending you a copy of the telegram which has already gone to Mr. Murphy and which I think covers the situation as you presented it to me this morning.

Sincerely yours,

William Phillips

Enclosure:
Copy of telegram.

Mr. John W. Pehle,
Room 3420, Treasury Department,
Washington, D.C.
June 11, 1945

My dear Gill:

It was very kind of you to cable me your congratulations on Bretton Woods. All of us here were delighted. In the earlier stages, we weren't even sure that we had enough votes to get the legislation out of the Committee, and we worked very hard. Therefore, we were pleasantly surprised at the fact that we only had 18 votes cast against it. I hope that we fare as well in the Senate, but I have my doubts.

If your son, John, is in Washington, I hope he will look us up. You must be very happy over his release.

With kind regards,

Sincerely yours,

(Signed) Henry

Honorable John G. Winant,
United States Ambassador to
Great Britain,

June 11, 1945

My dear Gill:

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If your son, John, is in Washington, I hope he will look us up. You must be very happy over his release.

With kind regards,

Sincerely yours,

(Signed) Henry

Honorable John G. Winant,
United States Ambassador to
Great Britain,
CONGRATULATIONS ON THE OVERWHELMING SUPPORT FOR BRETTON WOODS LEGISLATION IN THE HOUSE. THANKS FOR KIND MESSAGE ON JOHNS RELEASE. HE IS RETURNING HOME THIS WEEK.

JOHN G WINANT.
June 11, 1945

Dear Fred:

I have just read your letter of June 8th. Maybe we ought to go back to the old days of the troubadour, and dress you up in tights, and send you through the highways and byways of America, singing my praises with a harp under your arm and with golden curls rolling down over your shoulders.

Any way, Ed Fussell has been after me to clear some of the material he has ready for you, and I have promised to do it not later than 9:30 tomorrow morning.

Mrs. Morgenthau is back home and is making real progress.

With kind regards,

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Fred Smith,
The Blue Network,
30 Rockefeller Plaza,
New York 20, New York.

June 11, 1945

Dear Fred:

I have just read your letter of June 8th. Maybe we ought to go back to the old days of the troubadour, and dress you up in tights, and send you through the highways and byways of America, singing my praises with a harp under your arm and with golden curls rolling down over your shoulders.

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Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Fred Smith,
The Blue Network,
30 Rockefeller Plaza,
New York 20, New York.
The Blue Network
BLUE NETWORK COMPANY, INC.
35 ROCKEFELLER PLACE - TELEPHONE CIRCLE 5-800
NEW YORK 20, N. Y.

June 8, 1945

Mr. Henry Morgenthau, Jr.
Secretary of the Treasury
Main Treasury Building
Washington, D. C.

Dear Mr. Secretary:

I wish you might be interested in the fact that I had lunch yesterday with Bert Lipsonnortz, of the Philadelphia publishing house. During the course of the luncheon I told him my story about you and what you have done.

When I asked his opinion of you, he said, "If you could write that story into a book as well as you tell it, it is my opinion that Morganthau would emerge as one of the great men of our time."

I thought you would be interested in his reaction because I simply related facts, and some of our experiences on War Bond drives, and he journeys, which seems to convey the impression to people that you are really a very wonderful man being after all, which they never suspected.

This bears out my contention that the real story can be written and will be received enthusiastically.

Sincerely,

Fred Smith

Mr. Henry Morgenthau, Jr.

Exec. Director

OFFICE OF THE EXECUTIVE DIRECTOR

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD
WASHINGTON 25, D. C.

JUN 11 1945

My dear Mr. Secretary:

There is enclosed for your information a copy
of a memorandum signed by President Truman transferring
the over-all responsibility for the Emergency Refugee
Shelter at Oswego, New York, from the War Refugee Board
to the Department of the Interior.

Very truly yours,

William O'Dwyer
Executive Director

The Honorable,

The Secretary of the Treasury.

Enclosure.
June 1, 1943

Hon. Harold L. Ickes
Secretary of the Interior
Executive Director of the
War Refugee Board

In view of the contemplated early termination of the War Refugee Board, the over-all responsibility for the Emergency Refugee Shelter at Oswego, New York, is hereby transferred from the War Refugee Board to the Department of the Interior.

[Signature]
May 11, 1945

I spoke to Doughton from Florida, and he told me he and George went to see the President on the Reciprocal Trade Agreements Act, and that they told the President that as far as taxes were concerned everything was all right.

Doughton said, "Henry, you deserve all the credit for getting us together." He was a little bit bothered about the article in the Washington Post because it wasn't on the first page, and that was why he tried to reach me this morning. He sounded in a grand humor. He asked me whether they should introduce a tax bill now, and I didn't answer him because I didn't know what the answer was.

************
11 JUN 1945

Dear General Simpson:

I want to thank you most sincerely for the excellent statement you made available to the Treasury for our use in promoting the 7th War Loan Drive. The newspapers of the nation gave it splendid front page coverage, and I am sure it will be helpful to us in reaching our high quotas for the drive.

Sincerely,

(Signed) H. Morgenthau, Jr.

Lieut. General William H. Simpson
Commanding General, Ninth Army
The Pentagon
Washington DC, D.C.

S.O. 87
6-9-45

11 JUN 1945

Dear Admiral Stark:

I want to thank you most sincerely for the excellent statement you made available to the Treasury for our use in promoting the 7th War Loan Drive. The newspapers of the nation gave it splendid front page coverage, and I am sure it will be helpful to us in reaching our high quotas for the drive.

Sincerely,

(Signed) H. Morgenthau, Jr.

Admiral Harold R. Stark
Commander, U.S. European Naval Forces
Navy Department
Washington DC, D.C.

S.O. 87
6-9-45
11 JUN 1945

Dear General Spaatz:

I want to thank you most sincerely for the excellent statement you made available to the Treasury for our use in promoting the 7th War Loan Drive. The newspapers of the nation gave it splendid front page coverage, and I am sure it will be helpful to us in reaching our high quotas for the drive.

Sincerely,

(Signed) H. Morgenthau, Jr.

General Carl Spaatz
Commanding General, U. S. Strategic Air Forces
The Pentagon
Washington 25, D. C.

SOLsteb
6-9-45

11 JUN 1945

Dear Admiral Purlong:

I want to thank you most sincerely for the excellent statement you made available to the Treasury for our use in promoting the 7th War Loan Drive. The newspapers of the nation gave it splendid front page coverage, and I am sure it will be helpful to us in reaching our high quotas for the drive.

Sincerely,

(Signed) H. Morgenthau, Jr.

Beg, Admiral William N. Purlong
Commandant, Navy Yard, Pearl Harbor
Navy Department
Washington 25, D. C.

SOLsteb
6-9-45
11 JUN 1945

Dear General Patton:

I want to thank you most sincerely for the excellent statement you made available to the Treasury for our use in promoting the 7th War Loan Drive. The newspapers of the nation gave it splendid front page coverage, and I am sure it will be helpful to us in reaching our high quotas for the drive.

Sincerely,

(Signed) H. Moogenthaler, Jr.

General George S. Patton, Jr.
Commanding General, Third Army
The Pentagon
Washington 25, D. C.

11 JUN 1945

Dear General Krueger:

I want to thank you most sincerely for the excellent statement you made available to the Treasury for our use in promoting the 7th War Loan Drive. The newspapers of the nation gave it splendid front page coverage, and I am sure it will be helpful to us in reaching our high quotas for the drive.

Sincerely,

(Signed) H. Moogenthaler, Jr.

General Walter Krueger
Commanding General, Sixth Army
The Pentagon
Washington 25, D. C.

9 Jul 45

9-9-45
Dear Mr. Morgenthau:

Thank you so much for your letter regarding the material which the Treasury was kind enough to let us use on the March of Time. I am glad you thought the program was a success, and I am conveying your much appreciated commendation to Mr. Call and Mr. Hart.

The Treasury material recently used on TIME VIEWS THE NEWS concerned the astonishing total of free will gifts to the Treasury. Mr. Hart told me that he expects that we may have more stories out of the Treasury on TIME VIEWS THE NEWS in the future. I am delighted with this relationship and feel sure that it will be mutually beneficial.

Sincerely,

...[Signature]...

Frank C. Norris
Director
TIME Inc.
Radio Programs Department

Re: Henry Morgenthau Jr.,
The Secretary of the Treasury
Washington 25, D.C.

11 June 1945

Dear Joe:

I spoke to President Truman about getting a report from Mr. Pauley on what he found in Germany. He agreed and is going to ask for a report.

I am passing this on to you for your information and guidance.

Sincerely,

[Signature]

Josiah E. Dubois, Jr.
United States Treasury Representative
American Embassy
Minsk, U.S.S.R.

P.S. Hope everything goes well with you.
(In by's handwriting)
PRESS CONFERENCE

(1) Delinquent and amended returns. Last Thursday you told the conference that as a result of publicity on the tax evasion drive, collectors had reported receipt of voluntary delinquent and amended returns bringing in more than $6,000,000. (The figure was actually $2,300,000.) During the last week voluntarily submitted delinquent and amended returns, attributed by collectors to publicity on the tax evasion drive, brought in an additional $2,780,000. This brings the total on these delinquent and amended returns to more than $9,000,000.

(Wolf has not received enough reports on cases under investigation to give a figure for this category.)

(2) Veterans. All commanding officers at discharge points (numbering approximately 400, including hospitals) have been acquainted with need of Treasury for qualified men as agents, deputy collectors and for clerical work. In addition, the Civil Service Commission will assign its own representatives immediately to the important separation centers where most of the men will be discharged under the 85 point rule.

(3) Kansas situation. Covered by memo submitted earlier today. I suggest that this be NOT used unless question is asked about this, on the basis of Pearson's broadcast or your own.

(4) Schedule. Do you want to tell about your appointments for this week?

10:30 tomorrow morning before Senate
Banking on Bretton Woods
10:30 Wednesday night broadcast (Blue)
from Pawling
3:30 next Sunday afternoon from Central Park -- labor (Mental"

The Nation's gold mines, idle for nearly three years, will be ordered back into operation within a few days, it was learned.

6/11 - 1:34 pm

Principal problems facing full resumption of gold mine operations will be the shortages of manpower and machinery, a WPA spokesman said.

Few gold mines have been allowed to operate since the fall of 1942. Most production was from those which produced a predominance of other, more critical metals.

6/11 - 1:36 pm

Regarded Unclassified
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

TO: Secretary Morgenthau
FROM: J. W. Pehle

DATE: 11 June 1945

A suggestion:

Under section 3702 of the Internal Revenue Code and T. D. 5379, a copy of which is attached, the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, is authorized to pay such sums as he may deem necessary (not exceeding in the aggregate the sum appropriated therefor) for information that shall lead to the detection and punishment of persons guilty of violating the internal revenue laws. Rewards may in no case exceed 10% of the net amount of taxes, penalties, fines and forfeitures which are collected by reason of the information furnished.

In order to stimulate the furnishing of information in the current tax drive, I suggest that an appropriate case be selected in which the information furnished has resulted in the collection of substantial funds by the Government and that the person furnishing the information receive his reward in a public ceremony to be held in your office in the presence of the press.

Incidentally, I believe that not in excess of $100,000 is available for rewards under existing appropriations. Moreover, if this amount is exhausted, I am of the opinion that additional funds could readily be obtained from Congress.

Attachment
The rewards hereby offered are limited in their aggregate to the sum appropriated therefor and shall be paid only in cases not otherwise provided for by law.

Claims for reward under the provisions hereof shall be made on Form 211, which may be obtained from Collectors of Internal Revenue or from the Bureau at Washington 25, D. C.

Treasury decision 5183, approved November 24, 1942, is hereby revoked.

(This Treasury decision is issued under the authority contained in section 3792 of the Internal Revenue Code (53 Stat. 467).)

JOSEPH D. NuHAN, Jr.,
Commissioner of Internal Revenue.

Approved: June 22, 1944.

JOHN L. SULLIVAN,
Acting Secretary of the Treasury.

(Filed with the Division of the Federal Register June 23, 1944, 2:13 p.m.)

Information relative to violations of the internal revenue laws, furnished by persons desiring to claim rewards under the provisions of Treasury decision 5379, may be submitted in writing to the Commissioner of Internal Revenue, Washington 25, D. C., or to the office of the Intelligence Unit, the Technical Staff, the Internal Revenue Agent in Charge or the Collector of Internal Revenue, in the locality in which the informant resides, or it may be given in person to the office of the Chief of the Intelligence Unit in Washington, D. C., or to any of the above-mentioned field offices.

If the information is given in person, either orally or in writing, the name and official title of the person to whom it is given should be ascertained, and the date, together with the date on which the information was given, must be included in the formal claim for reward when filed.

An informant who intends to claim a reward should notify the person to whom he gives his information, of such intention, and should file formal claim therefor as soon thereafter as practicable. Formal claims for reward should be on Form 211—Revised, should be executed before a notary public or other officer duly authorized by law to administer oaths, and should be transmitted to the Commissioner of Internal Revenue, Washington 25, D. C., for the attention of the Chief Counsel.

The amount paid as a reward under the provisions of Treasury decision 5379 is based upon the amount of taxes, penalties, fines and/or forfeitures actually recovered as the result of information submitted by the claimant. No reward is paid until the taxes, penalties, fines and/or forfeitures, with respect to which it is to be paid, have been paid into the United States Treasury, and all the right to recover them, whether by suit or otherwise, has been lost.

JOSEPH D. NuHAN, Jr.,
Commissioner
Federal Reserve Bank of San Francisco
San Francisco 20, California
June 11, 1945

Mr. Henry Morgenthau, Jr.,
Secretary of the Treasury,
Treasury Department,
Washington 25, D. C.

Dear Sir:

We are enclosing newspaper clippings,
on the reporting of unusual currency transactions,
which have come to our attention since mailing you
our letter of June 7, 1945.

Yours very truly,

[Signature]

Vice President.

Enclosure.
Banks Must Keep
Records of Big Bills

WASHINGTON, May 31.—All financial institutions must keep records beginning June 1 of transactions involving extraordinary amounts of large denomination bills, the Treasury Department announced today. It said most transactions in currency transactions in amounts of $50 or $100 in denominations by order

Black market cash deals hit by order

HENRY MORGENTHAU JR.

Tax money's boys snappy

WASHINGTON, June 1.—In his first address to the House appropriations committee, Treasury Secretary Henry Morgenthau, Jr., today said he would not try to bring bank tellers and other clerks who handle large amounts of cash to the Treasury at all times. Under penalty of $100 fine and six months in jail, he said, the Treasury would have to do something about the handling of large amounts of cash. "At least," he said, "we have to look out for ourselves." He added that the Treasury would have to do something about the handling of large amounts of cash. The Treasury would have to do something about the handling of large amounts of cash. The Treasury would have to do something about the handling of large amounts of cash. The Treasury would have to do something about the handling of large amounts of cash.
SUMMARY OF NEWS ITEMS RELATING TO TREASURY ORDER
REGULATING COUNTERFEIT TRANSACTIONS

Favorable
1. Secretary's move is a step forward. However, suggests that he go further by calling in all large bills and invalidate them as a medium of exchange.
   Philadelphia Record
   1 June 1935

2. Treasury has taken steps which should be helpful. These found guilty of stealing from the Government in time of national emergency should be dealt with without leniency.
   South Carolina State
   5 June 1935

3. Treasury order belongs in the category of class legislation with an altitude that leaves most of us breathing easy. States that the Secretary has struck at the most vulnerable spot of the tax evaders.
   St. Louis Globe-Democrat
   5 June 1935

4. Suggests Treasury go even further and follow plan adopted by the Bank of England in 1933 when it discontinued issuance of notes of 40 or higher.
   Miss. North Star Telegram
   31 May 1935

Unfavorable
1. Though sympathetic with efforts to uncover deliberate tax evasion, objects to methods being used - that of infringing on present confidential relations between bankers and depositors. Also feels one Government regulation leads to another - this one gives out of GRR regulations creating the Black Market.
   Wall Street Journal
   4 June 1935

2. "The whole plan is absurd and unfair." Makes a policeman out of every bank. Is a new step in regimentation by intimidation from Washington. Tends to destroy sacred relations between bankers and depositors. Bitingly represented by Indiana bankers.
   Indianapolis Star
   4 June 1935

3. Treasury order may change methods of tax-evaders but is not likely to produce additional revenue. Raises question of whether the Government is justified in using its war emergency powers to transact activities which have nothing to do with the war. Suggests that in order to stop black markets, the Government should end the intolerable practice of subsidizing certain commodities and permitting to hold down at the retail end and by controlling prices.
   Oakland (Calif.) Tribune
   3 June 1935

Comments of Local Authorities Quoted in News Items

Favorable
1. Quoted President Williams (FED Philadelphia) assurance that bankers in his district will accept this additional task and help Government to curb the misuse of currency and to distribute the war burden equitably among all citizens.
   Philadelphia Record
   3 June 1935

2. Quoted President Leach of FED Richmond - Treasury order will prevent tax frauds against the Government and thus lighten the burden of all honest taxpayers.
   Richmond News Leader
   3 June 1935

3. Banking officials report that new program should prove helpful, "providing too many technicalities are not encountered". Most commercial banks want to maintain friendly relations with customers and do not wish to interfere with legitimate tax collections. Quoted President Leach's (FED Kansas City) request for full cooperation of all banks if program is to succeed.
   Kansas City Star
   3 June 1935

4. Bankers contacted by President Gilbert of FED Dallas all said they would cooperate fully in the order.
   Dallas Morning News
   1 June 1935

5. President Gilbert quoted as being certain all financial institutions concerned will aid the movement to the limit.
   Dallas Daily Times Herald
   3 May 1935

Unfavorable
1. Chicago bankers, through Harry G. Hoaman, Secretary of Illinois Bankers Assn., express resentment over Treasury order - object to policing methods. Recent being placed in a position of deciding legitimacy of customers' transactions. Recent attention being called to heavy fines for violations. Object to extra work involved.
   American Banker
   5 June 1935

2. City and State bankers vigorously oppose the Treasury order. Quoted Harry G. Hoaman, Secretary of Illinois Bankers Assn., who said the order would lead to ill feelings between bankers and their customers. Protesta were made to President Truog of FED Chicago, who promised to forward objections to the Treasury.
   Daily State (Champaign, Illa)
   31 May 1935
The Wichita grand jury opened with a bang this morning.

To avoid the possibility that witnesses might flee the jurisdiction, approximately 75 grand jury subpoenas were issued and a group of special agents, internal revenue agents, alcohol tax agents and deputy collectors, all sworn in as deputy U.S. Marshals, started serving them ten days ago, when it was announced that a grand jury would be convened on June 11.

The majority of these subpoenas were served when the grand jury convened today, however, two important witnesses were not present and Judge Helvering issued bench warrants for them.

Judge Helvering opened the grand jury session with a talk upon the necessity of enforcing the tax laws. Unless they are enforced, he pointed out, our fighting men will be denied the money for the equipment they need. He added that any evasion cast an unfair burden upon the honest taxpayers.

Earlier and more complete report on this case attached.

Cases SI-19360-F, SI-19382-F and SI-21301-F, involving R. I. Carmahan, Max I. Cohen and Lee Young of Wichita, Kansas, which cases involve substantial currency transactions and the control of night clubs, slot machine operations and the importation of liquor into the central part of legally dry Kansas, and the payment to public officials for protecting these racketeers, are scheduled to be presented to a grand jury on June 11, 1945.

An order for the impaneling of a grand jury was signed late on June 1 by Federal Judge Guy T. Helvering. Simultaneously with the announcement of the Judge’s order for a grand jury, approximately seventy-five grand jury subpoenas were in the hands of a selected group of special agents, internal revenue agents, deputy collectors and alcohol tax agents, sworn in as deputy United States Marshals, to prevent Cohen and Carmahan from inducing some of the witnesses to leave the state to avoid grand jury subpoenas being served on them. In the past these racketeers have been successful in preventing grand juries from questioning important witnesses because marshals were unable to locate them.

Carmahan and Cohen operate a very pretentious night club and gambling establishment at Wichita. They serve prime Kansas City steaks, allegedly obtained from black market sources, at high prices. They control the importation and distribution of all
liquor into the Wichita area and they likewise control the retail price of liquor at black market prices. Persons who attempt to operate without paying Carnahan and Cohen are raided by state officers. Those who do pay off are not molested but operate openly. The prices charged by the retail dealers who operate under the protection of Cohen and Carnahan are $7.50 per pint, $12.50 per fifth and $14.00 per full quart, all bonded liquors. Last week I personally visited several places selling liquors openly in Wichita at the above-mentioned prices. The shelves of these dealers were filled with an assortment of several well-known brands of bonded liquors. Inasmuch as it has been about a year since bonded liquor of any type has been on display in Kansas City or St. Louis, it seems logical to conclude that a great part of the present supply of bonded liquors is being sent to dry states where black market prices may be had.

The cases of Cohen and Carnahan, et al., have been under investigation for approximately two and a half years, but are being considered as a part of our present drive against black market operators because the individuals are alleged to be involved in black market transactions in meat, tires, gasoline and liquor, as well as the extensive use of currency in transacting their business affairs. The evidence will show that Cohen and Carnahan have evaded substantial taxes during the past five years. If we are successful in breaking these and several related cases against "smaller fry" additional taxes totaling approximately $500,000 will be recommended for assessment and several prosecution cases should result.
June 11, 1946

Mr. Fussell

H. H. Bernstein

Secretary Morgenthau

I understand the two of you are responsible for the very nice remarks that Congressman Fallman made about me on the floor, and I want to thank you very much.

June 11, 1946

Mr. Fussell

Secretary Morgenthau

At my press conference last Thursday, you remember I spoke about a Chicago-Indianapolis case. I wish you would check and see whether the Chicago and Indianapolis papers used it or not. Fussell's memo in 10/15.

Regraded Unclassified
Mr. O'Connell
Secretary Morgenthau

I would suggest that through the head enforcement
man in OPA you inquire whether we can get any leads
from the Retail Fruit Dealers Association and the
Associated Retail Food Merchants. Please let me
have an answer. I'll call the WP.
June 11, 1945

Mr. O'Connell

CONFIDENTIAL

Secretary Morgenthau

I understand that we have a tax case against Gerald K. Smith. Will you please look into it and let me know what the facts are? - ore O'Connell memo 6/11/45
June 13, 1945

Secretary told me to tell Pehle to work this out with O'Connell and Charles Bell.

TO Secretary Morgenthau
FROM J. W. Pehle

A suggestion:

In the weekly report from Arthur A. Stone, Special Agent in Charge in St. Paul, Minnesota, the following paragraph appears:

"In efficiency ratings of both deputies and revenue agents the number of cases examined, additional taxes disclosed, and changes made, loom large. Those field officers are accordingly reluctant to enter into the slower moving fraud cases which usually require a great deal more detailed investigation. The result is that the evidence of fraud, where recognized, frequently are disregarded and the cases closed without fraud penalties and without the cooperation of special agents having been requested. Frequently also examining officers, more particularly deputies, make no reference to the fraud features because of failure to understand that they are authorized to recommend fraud or negligence penalties without the cooperation of this Unit."

This situation may be dealt with as follows:

(a) Have the Bureau of Internal Revenue send a memorandum to all appropriate employees indicating that exceptional work on fraud cases will be given special weight in determining efficiency ratings.

(b) Have the Bureau select a tax case in which the Internal Revenue investigator has done a particularly competent and imaginative job. Such investigator should be called to Washington and presented with a certificate of merit at a ceremony in your office, together with a meritorious promotion.

[Signature]
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE 11 June 1945

TO Secretary Morgenthau
FROM E. B. Fussell

In response to your memorandum asking what Chicago and Indianapolis papers did with the Chicago-Indianapolis case discussed at your press conference last Thursday:

The Chicago Sun used the story, as per attached clipping.

The Chicago Tribune did not use it.

We have not yet received the Chicago News for 8 June.

We do not subscribe to the other Chicago papers or to the Indianapolis papers. We get our coverage on them through OWI, and probably will receive clippings on this story within the next couple of days.

Our copy of the Chicago News probably will come in later today. They probably used the story, because all the papers of this string previously used a very good series on black markets and tax evasion, on material we provided to Paul Leach.
3 Face Tax Suit
In Black Market
Liquor Dealings

Government Charges $500,000 Is Due from Chicago Operators

Three men who ran a $500,000 in liquor business in Chicago were indicted by a federal grand jury in Chicago today. The three are charged with evading federal income taxes, false statements, and tax evasion. They are: William Morganhan, 53, of 2333 N. Raine St., Chicago; Max Smith, 45, of 2501 N. Homan Ave., Chicago; and Max Smith, 45, of 2501 N. Homan Ave., Chicago.

Morganhan was charged with evading federal income taxes, false statements, and tax evasion. Smith was charged with evading federal income taxes and tax evasion. The three were arrested by the IRS and transported to the federal courthouse in Chicago.

The tax evasion charges were filed by the United States District Attorney for the Northern District of Illinois. The charges were filed on behalf of the United States of America.

The trial is scheduled to begin on January 1, 2024. The maximum sentence for tax evasion is five years in prison and a fine of up to $100,000.

Regraded Unclassified
National income payments decline

The war-time expansion in national income payments appears to have been reversed in recent months, partly as a result of a decline in wage payments growing out of the cancellation or completion of war contracts. After reaching a record high of $164.7 billions in February, the annual rate of income payments declined to $154.0 billions in March and to $152.6 in April. (See Chart I.) Despite a further rise in payments for Government salaries and wages, total salary and wage payments declined about 1 percent on a seasonally-adjusted basis.

Factory employment in April reflected the decreasing activity in shipbuilding and various other war industries, declining 2.1 percent below month-earlier levels, while factory payrolls showed an even greater drop of 2.5 percent. Estimated average weekly earnings of factory workers during the month fell to the lowest level since last November, doubtless showing the efects of decreased overtime payments, but weekly earnings were still only about 1 percent below the war-time high attained last January. (See Chart II.)

In addition to the decline in the manufacturing industries, salary and wage payments in the distributive and service industries also decreased, due in part to the customary post-Easter drop in retail trade. Interest and dividend payments in April, as was to be expected, fell substantially below the heavy disbursements of the previous month. However, they were also slightly below the corresponding month last year.

Cash farm income around last year's levels

Cash income from farm markets increased in April, but the rise was slightly less than seasonal due to a smaller than usual contribution in receipts from livestock marketing. Crop sales during the month were featured by unusually large offerings of vegetables and some varieties of dried crops, but the rapid movement of wheat after additional freight cars were made available.

Preliminary estimates indicate that cash receipts from farm markets in May fell slightly below the previous month. In the first 5 months of this year, receipts have been less than 1 percent below last year's level, with a rise in receipts to be expected in June.

Commodity prices: The general price level continues to move gradually higher. The A.L.S. All-commodity index in the week ended 2 June rose 0.2 point to a new war-time high at 106.1. Important factors in the rise were higher ceiling prices for steel mill products, upward adjustments in soft coal prices and rising prices for a wide range of agricultural commodities. The A.L.S. Futures index last week showed a further moderate advance to a new war-time high.
Department store sales in May moderately above 1944 level

Retail trade has slackened noticeably since the first quarter of the year, although unseasonal weather, merchandise shortages, and unusually heavy pre-Easter buying are frequently cited as reasons for the decline. However, actual or anticipated declines in income as a result of outbacks in war industries appears to have been a contributory factor in some areas.

After declining sharply in April, the FMB adjusted index of department store sales rose last month to 182. However, sales during the month in dollar value were only 4 percent above the previous year's level, as compared with a gain of 17 percent in the first quarter of the year.

Regional variation in department store sales

On the basis of preliminary data, seasonally-adjusted department store sales in most Federal Reserve districts showed a moderate improvement during May, in line with the national average. However, reference to Chart I will disclose that adjusted sales in the Chicago district (which includes Detroit), and in the Richmond district, showed further moderate declines.

During the week ended 2 June, nation-wide department store sales were 4 percent above last year's level, thus showing the same sales gain as for the month of May. Changes from the corresponding week last year ranged from a gain of 16 percent in the St. Louis district to a decline of 3 percent in the Boston district.

Department store sales this year previous to V-E Day (through the week ended 5 May) averaged 13 percent above year-earlier levels. This compares with a corresponding sales gain of only 3 percent in the 4 weeks after V-E Day, and with a gain of 4 percent in the latest week reported. The comparisons for those three periods by Federal Reserve districts are shown in the following table:

Percent change from corresponding period in 1944

<table>
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<tr>
<th>Federal Reserve District</th>
<th>Year to 4 weeks preceding:</th>
<th>Latest week V-E Day:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston</td>
<td>+11</td>
<td>-1</td>
</tr>
<tr>
<td>New York</td>
<td>+14</td>
<td>+9</td>
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<td>Philadelphia</td>
<td>+9</td>
<td>+1</td>
</tr>
<tr>
<td>Cleveland</td>
<td>+5</td>
<td>+3</td>
</tr>
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<td>+1</td>
</tr>
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<td>Atlanta</td>
<td>+17</td>
<td>+6</td>
</tr>
<tr>
<td>Chicago</td>
<td>+3</td>
<td>-1</td>
</tr>
<tr>
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</tr>
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<tr>
<td>Kansas City</td>
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<td>+6</td>
</tr>
<tr>
<td>Dallas</td>
<td>+13</td>
<td>+7</td>
</tr>
<tr>
<td>San Francisco</td>
<td>+13</td>
<td>+10</td>
</tr>
<tr>
<td>U. S. Total</td>
<td>+13</td>
<td>+3</td>
</tr>
</tbody>
</table>

Note: Not shown separately but included in U. S. total.

Refrigerator and washing machine production authorized

Further important steps toward reconversion of industry to civilian production were taken last week when the WPB authorized the production of domestic mechanical refrigerators and domestic washing machines be resumed in the third quarter of this year. Priorities assistance will be given manufacturers to produce 265,000 refrigerators and 350,000 washing machines during the quarter. In connection with refrigerators, however, it should be noted that the limitation order controlling their sale and delivery remains in effect, and all refrigerators that can be produced are expected to be added to the existing stockpile for distribution for essential needs such as military requirements and hospitals. The WPB has also recently revoked virtually all controls on the installation of facilities by electric, gas and water utilities. Revocations of controls over installations of communications facilities is reported to be imminent. The Office of War Utilities estimates that as a result of the revocations, utility expenditures for plant expansion in 1946 will be approximately twice as large as in 1943 and 1944. However, because of the long time needed to manufacture equipment for utility expansion, additional expenditures during the remainder of 1945 are expected to be relatively small.
Uncertainties over material supplies continue

One of the greatest uncertainties over nearby re-convertion prospects is that of material supplies. In an effort to clarify the situation, the MRS is now carrying out a survey to be concluded by the middle of the month, whereby it expects to know the amounts of various materials which will be made available for civilians as a result of recent cutbacks.

Cancellations of orders for steel have apparently failed to keep pace with cutbacks in war orders, and the MRS recently opened a drive to obtain prompt cancellation of all orders originating from war contracts that have been put back. In addition to current efforts to speed up cancellations, the relatively tight steel supply situation may be eased by a drop in new business. Thus the Iron Age reports that new steel orders last week were the lightest this year, with the volume in some instances running as much as 65 percent below earlier 1945 peaks.

Meanwhile, steel operations thus far in June have steadied around 91 percent of capacity following last month's decline. Preliminary reports indicate that steel operations in the important Pittsburgh and Chicago districts during the current week are scheduled to show no change.

Stock prices move in narrow range

Although railroad stock prices last week rose moderately to a new high for the year, the Dow-Jones average of 65 stocks showed a very slight net decline for the week as a result of a moderate decline in industrial stocks. (See Chart A.) While trading thus far in June has been quite active, the net advance in average stock prices since the close of May has been considerably less than 1 percent. Meanwhile, industrial stock prices in London have steadied while, industrial stock prices in London were slightly down last month's sharp decline.

Price ceiling increases largely responsible for upward trend of commodity prices

Further gains in the Dow-Jones futures index and the NLB all-commodity index indicate a continuing upward trend in the commodity prices. The many CPA ceiling increases of the past month have been an important factor in the price advances.

The Dow-Jones futures index (see Chart B) has risen 0.5 percent since the first of this month. Although the index declined slightly Saturday, the prevailing level for the week exceeded previous war-time highs. Cotton futures established new highs in anticipation of a ceiling increase for the commodity. Wheat futures, however, were somewhat weaker as the visible supply of wheat increased for the first time in many months, indicating that enough freight cars have been made available to permit the building up of stocks at principal terminals.

Recent price ceiling increases on some fresh fruits and vegetables, wheat, bituminous coal and certain types of lumber had boosted the NLB all-commodity index to the highest level since the war began. For the week ended June 1, further CPA price adjustments for carbon steel products, steel mill manufactures, and shipments were a factor in raising the index of commodity prices 0.5 percent to a new war-time peak. Increasing prices for farm products also contributed to the advance. Higher prices were reported for steers, sheep, wheat, raw cotton, apples, lemons and onions.

Sugar ration out for service industries: Cuban crop 10 percent below last year's production

The tight supply of sugar for domestic use apparently shows no prospect of early improvement. Last week the GPA cut sugar rations for restaurants and hotels in an effort to put public places on the same per meal ration basis as household consumers. For July and August restaurants and hotels will get 20 to 25 percent less sugar than they received in May and June. Further Government action is expected to moderate quotas to industrial and institutional users for the third quarter.

The latest estimate of the 1945 Cuban sugar crop shows that production may be 30 percent below the last year's. Although best sugar production in the United States may be somewhat larger than last year's, the increase is not sufficient to offset the decrease in supplies from Cuba.

The United States has purchased the entire available surplus of the Cuban sugar crop, part of which is earmarked for shipment to Canada, the United Kingdom, and continental Europe. The U.S. purchased the crop at 3.10 cents per pound.
of raw sugar, after paying 2.65 cents for the three previous crops. It is reported in the press that U. S. officials are now in Cuba to negotiate for the purchase of the 1946 and 1947 crops, and that the Cubans will seek higher prices. In the past week, according to trade reports, sugar prices based on sales by Peru rose sharply to 5 cents per pound for raw sugar and 7.2 cents for refined sugar.

**Widespread egg shortage developing**

The general shortage of eggs which became noticeable during May continues unrelieved. Reduced egg production is one factor, with receipts at four markets during May 16 percent below those of last year. At the same time, the demand for eggs has increased due to the scarcity of meat and the large military requirements.

The fact that egg production is just starting its seasonal decline adds to the seriousness of the continuing broad demand. Last year, for example, market receipts were highest during April and May, when a weekly average of about 440,000 cases was received at the four leading markets. Receipts fell off to roughly 150,000 cases by November.

**WPA announces no meat allocations to Great Britain or Russia**

Third quarter allocations of the United States meat supply were recently announced by WPA. Because of the current meat shortage, and the inability to build up reserves in recent months, no meat has been allocated for the quarter for export to the United Kingdom or Russia, nor for relief feeding in liberated areas. For the second quarter, the United Kingdom allocation had been cut to 5 million pounds, while 300 million pounds had been allocated to Russia on previous commitments.

The total supply of meat available for allocation during the third quarter is 9 percent less than that allocated during the second quarter. Civilians will receive slightly less meat than they received in the previous three months, and during this period of seasonally low production their meat supply will be at the lowest level of the war period.

The CPA, in an effort to equalize the incidence of the meat shortage, has reduced meat rations for restaurants and hotels for July and August, when operators are to receive about 20 percent less meats and fats than they received in May and June.
DEPARTMENT STORE SALES
By Federal Reserve Districts

MONTHLY INDEX OF SALES
1935-39=100, Seasonally Adjusted

Office of the Secretary of the Treasury

Regraded Unclassified
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE 11 JUN 1945

TO Secretary Morgenthau
FROM Charles S. Bell

Purchases for the week ended 8 June 1945 affected by the Procurement Division totaled $17,924,600.30 of which $12,000,000 was Land-Lease; $5,924,600.30 was TRRAA, and $474,460.30 was regular.

Unusual requisitions included 5,000 Watthourmeters for China in the amount of $10,000; 16,000 long tons of synthetic rubber required for the manufacture of tires and essential rubber goods for the United Kingdom in the amount of $18,000,000; and 601,701,000 pounds of steel for France in the amount of $18,190,000.

Unusual purchases included 1,876,347 square feet of transparent plastic (methyl methacrylate) in eight different specified thicknesses for the Soviet government in the amount of $1,167,644; 100 electric adding machines and 8,516 typewriters for the Commonwealth of the Philippines; 50 motion picture projectors for the Public Health Service, Atlanta, Ga., in the amount of $2,000; 606 tons of newsprint paper for the Belgian government in the amount of $65,300.

One new assignment was received by Procurement Price Adjustment Board, and one case was disposed of where the Board determined that there were no excessive profits.

Preliminary investigation and report have been completed in regard to a proposal to consolidate the two teletype rooms in the Procurement building as soon as the Office of Surplus Property, Department of Commerce, moves out. It is estimated that savings of approximately $30,000 per annum can be effected by this consolidation.

A meeting was held with representatives of the Maritime Commission, at which meeting was explained the type of service which the Procurement Division's Regional Warehouses and Supply Centers can render and the Commission's representatives agreed to instruct their field offices to take advantage of our service.

The informal arrangements which were recently made with the Office of Surplus Property, Department of Commerce, for that agency to utilize Procurement regional supply service were extended to include leases and public utility contracts.

Investigation of detention of cars containing manganese ore unloaded at Curtis Bay Ordnance Depot during April, 1944 resulted in a deduction of $462,000 in demurrage charges of the Baltimore and Ohio Railroad.

In connection with the Land-Lease Program, the use of 72,260 additional nylon stockings returned by the United Kingdom has been reported by the du Pont Company. This reflects a saving in cost of $38,194.64.

Discussions were had with the Armed Forces of problems in connection with the organization of the Federal Specifications Advisory Board. They approve the organizational steps being taken.

Land-Lease loadings totaled 4,487 cars during the past week. Active contracts totaled 12,500.

The Washington office subscriptions to the Seventh War Loan Campaign are still climbing. Latest report sent in the 28th of May shows this office 146.4% over the top, while the field climbed up to 95.0%. The two together make a combined total of 187.6%. This Division leads all large Treasury Agencies on the Board on display in the Treasury building and there will be no let up in our efforts.
<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>U.S.</th>
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<th>China</th>
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<td>$80.4</td>
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* Deliveries to foreign governments at U.S. ports do not include the tonnage that is either in storage, "in transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.
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Secretary Morgenthau
Charles S. Bell (SIGNED) CHARLES S. BELL

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Unusual requisitions included 8,000 watt-hourmeters for China in the amount of $158,000; 15,000 long tons of synthetic rubber required for the manufacture of tires and essential rubber goods for the United Kingdom in the amount of $12,096,000; and 501,761,600 pounds of steel for France in the amount of $18,190,000.

Unusual purchases included 1,873,847 square feet of transparent plastic (methyl methacrylate) in eight different specified thicknesses for the Soviet government in the amount of $1,067,644; 100 electric adding machines and 2,010 typewriters for the Commonwealth of the Philippines; 20 motion picture projectors for the Public Health Service, Atlanta, Ga., in the amount of $6,000; 506 tons of newspaper paper for the Belgian Government in the amount of $39,320.

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Regraded Unclassified
<table>
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<th>China</th>
<th>Administrative Expenses</th>
<th>Miscellaneous Undistributed</th>
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<td>at U.S. Ports</td>
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## U.H.R.E.A.

**Treasury Department - Procurement Division**

**Statement of Allocations, Obligations (Purchases) and Deliveries to Foreign Governments at U.S. Ports**

As of June 2, 1945

(In Millions of Dollars)

<table>
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* Deliveries to U.H.R.E.A. at U.S. Ports do not include the tonnage that is either in storage, "in transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.
June 12, 1945
9:14 A.M.

HMJr: Good morning. Has anybody found that invitation from the French Government?

Mrs. Johnson: Mr. Secretary, Mr. Grew checked on that last night and he was going to call you a little later in the evening.

HMJr: He did, he did.

J: And told you that it had been delivered to the White House.

HMJr: Yeah, but since then Mr. Monnet called me and said he was going to have a copy at eight o'clock this morning delivered personally to Mr. Grew.

J: Well, I haven't seen it. I can check on that and let you know.

HMJr: Yeah, well, I...

J: Nothing has come in this office this morning.

HMJr: Well, do you mind calling up the French Embassy....

J: All right.

HMJr: ...and see if you can't get a copy, because I expect to see the President sometime after eleven and I'd like to have a copy before I go over there.

J: And he -- he said he was sending it this morning to us?

HMJr: He said he would have it over there between eight and nine this morning and delivered to Mr. Grew personally.

J: All right, I'll check it.

HMJr: If you please.

J: All right, good bye.
B: All right. I'll see that he gets it.

HMJr: I tell you what you do. Supposing you extend to Mr. Wallace an invitation to have lunch with me next week on Wednesday.

B: Next week on Wednesday.

HMJr: Yes.

B: All right, sir.

HMJr: Will you do that?

B: Yes, sir, I will.

HMJr: Thank you very much.

B: All right, sir. Goodbye.

BUREAU OF INTERNAL REVENUE
DECENTRALIZATION

June 16, 1945
10:38 a.m.

Present: Mr. C. S. Bell
Mr. O'Connell
Mr. D. W. Bell
Mr. Fehle
Mr. Oliphant
Mrs. Klots

HMJr: If you men would come in and talk about this suggestion of decentralizing the Appeal Section of the Bureau--talk amongst yourselves and I'll be with you in a minute. Talk about this idea of decentralization, how we do it, how fast, and I'll be with you in a minute.

MR. O'CONNELL: Look, there isn't a whole lot to say.

(The Secretary leaves the conference temporarily.)

MR. O'CONNELL: There are a lot more pros than cons.

MR. OLIPHANT: They are all good, too.

MR. O'CONNELL: And partly because of our tie-in with the Department of Justice with respect to criminal cases, but we have got the framework for decentralization.

MR. D.W. BELL: The pros are in favor of decentralization?

MR. O'CONNELL: Yes. You start out with the proposition we have to have upwards of one hundred and fifty lawyers on this job. Why, a month ago we had fifteen. We have got the investigation workers decentralized, of course. We have got the framework for decentralization. The Review Division of the General Counsel's Office which works on the technical side of civil cases is already decentralized.
MR. D.W. BELL: This would be tied in with that to some extent, or would it be a separate section?

MR. OLIPHANT: We have got Division line-up in each one of the states. There are nine officers with a top lawyer there, and they have got that organization set up, and the thing he is talking about is moving them into that as a separate section.

MR. O’CONNELL: Oh, yes. I was using it as an analogy.

MR. D.W. BELL: Under the top lawyers?

MR. O’CONNELL: In some cases, yes, and in some cases, no, because in some cases you have a top penal man you could put into a particular section of the country and you would--

MR. PFELLE: He would be bigger than the top lawyer.

MR. OLIPHANT: They have these Assistant Division Counsels in each Division Counsel’s Office, and each Assistant Division Counsel handling criminal cases, because now one handles seven hundred and twenty-two, for instance, in the Division Counsel’s Office.

MR. O’CONNELL: The main difficulty is two problems. One is getting arrangements which would be effective with Justice, because unless they extend the principle we have been discussing before about permitting those cases to go direct to the field to the United States Attorney--unless they are willing to go along with something like that or have the comparable decentralization themselves, we haven’t gained as much as we otherwise would.

MR. PFELLE: You still gain a lot though, don’t you? If Clark says he can speed cases through his shop in short order, you can refer to the United States Attorney and he would put Clark on notice, and in the meantime go right on working.

MR. O’CONNELL: You can’t refer them to the United States Attorney.

MR. D.W. BELL: After they get--

MR. PFELLE: Even assuming that he still wasn’t going to decentralize, Joe, but he gave you permission to refer them directly.

MR. O’CONNELL: That’s what I say. We have got to deal with Justice, either have arrangements that we can refer them direct to the United States attorney, or Clark is going to have to decentralize his own group or we don’t gain very much.

MR. PFELLE: Didn’t the job used to be done this way?

MR. OLIPHANT: Yes, but--

MR. D.W. BELL: He won’t do that.

MR. OLIPHANT: No. One problem is the rivalry between the United States Attorney and the Department of Justice. The other is criminal tax cases are handled by Sam Clark in the Tax Division, whereas other criminal cases are handled in the Criminal Division.

MR. PFELLE: Alcohol taxes are.

MR. O’CONNELL: Tax--

MR. PFELLE: Counterfeiting cases are referred directly to the United States Attorney.

MR. D.W. BELL: After you decentralize, Joe, and you run these cases through your decentralized organization, and you fix them up and are satisfied there is a case and they have to be tried in a court, they have to come to Washington and be tried in the Department of Justice?

MR. O’CONNELL: Unless Justice changes the present procedure, when we have done the job on a decentralized basis in our shop, they go to Sam Clark.
MR. D.W. BELL: You haven't gained anything.

MR. PEHL: You have gained a lot.

MR. O'CONNELL: It depends on what we actually do in the Penal Division. We are not going to have a Penal Division that is going to operate in all of these cases the way we are operating in the Lustig case, because the manpower proposition is impossible. In other words, you can't have--unless you are going to have five thousand lawyers, you are not going to be able to have a joint operation the way we have in the Lustig case, generally, where you have the United States Attorney sitting in, practically on the case while it is being developed and having the Penal Division lawyer sit in on it while it is being developed, because you don't have that many lawyers.

MR. PEHL: But you do gain, don't you, Joe, by having the person who is going to pass on it right there working in the same region with the investigator, and if the investigator's case is any good--

MR. O'CONNELL: We gain--

MR. D.W. BELL: We gain a little, but we have got a worse bottleneck in the Department of Justice if you rush your cases through.

MR. PEHL: That's inevitable. Justice has to gear up to this thing.

MR. O'CONNELL: The Justice's job here in Washington--Sam Clark talks about being a twenty-four hour proposition. That is true only if the investigator has a good case, or if our Penal Division does the job which Sam Clark's Division otherwise would have to do.

The function of the lawyers in the field is done ninety-nine percent by the Penal Division and one percent by the lawyers in the Department of Justice. Isn't that right?

MR. O'CONNELL: That's right.

MR. O'CONNELL: If Sam Clark gives us forty-eight hour service, it's because we have an airtight case. He reviews the case and if we don't, all his outfit does is send it back.

MR. OLIPHANT: We gain this way. The biggest job in the Penal Division is winnowing out the cases we can't prosecute. Now, assuming we get the right kind of attitude in the Penal Division on cases, we still gain as far as the Bureau and the Department are concerned, because that winnowing will be done in the field, whereas John says the man can talk to the Division counsel man like they have done in some cases.

MR. O'CONNELL: There are several advantages as to the decentralization, whether we get anything out of Justice or not. One is on the simple proposition of recruitment. If you are going to have to recruit one hundred or one hundred and fifty lawyers who have had some District Attorney experience, Assistant District attorney or some type of criminal law experience, I think we can do a much better job recruiting in New York, Chicago, San Francisco, and such places to work in the field rather than try to bring them in here, because you haven't enough to offer them in the first place.

MR. D.W. BELL: Suppose the Department of Justice did not decentralize their Criminal Division down here? Could you make arrangements with Clark whereby the United States Attorney in that district would sit in on the case?

MR. O'CONNELL: Well, that I don't know.

MR. D.W. BELL: And if you never came to trial, you would have not lost anything; on time. You would be that much ahead if you could do that.

MR. O'CONNELL: We have been able to do that in a couple of cases, but Sam is going to be reluctant to give us a blank check to work with the United States Attorneys, because that in effect abolishes the Tax Division of the Department of Justice.
MR. D.W. BELL: The United States Attorney has to try the case, doesn't he, when it goes back to the court?

MR. O'CONNELL: Yes.

MR. D.W. BELL: Some place along the line your attorneys may say, 'This looks like a good case and we can bring it to trial.' Couldn't he designate somebody as liaison to work with your local office, who, from that point, would sit in—somebody with the necessary education and the background? He would make no decision as to the trial, and it would come here, and you would have gained all that time. That man would have that background.

MR. O'CONNELL: It does involve the Tax Division of the Department of Justice. We can get enough out of this to make it worth our while, because there are positive advantages of decentralization from our point of view, even though they all come to the Tax Division after our decentralized operations.

MR. D.W. BELL: You have gained a lot of ground if you can have a fellow sit in and get background experience.

MR. PEEL: When the case goes to the United States Attorney the copy of the same case goes to Sam Clark directly from the Postal Division in the field, and then the matter between Sam Clark and the United States Attorney, that's their affair. If Sam Clark wants to review a case, and has any special feelings, he would tell the United States Attorney that.

MR. OLIPHANT: One fact we might as well know about and that's the way these cases are handled. The United States Attorney's Office is subject to pressure. The Attorney General doesn't have political pressures or local pressures, and it works time and time again. See, if the United States Attorney gets a hot case, tomorrow he will get Sam Clark to have somebody come out from Washington to try the case. The day by day turnover is no small amount. There's a local political factor involved and the United States Attorney's Office is subject to it.

MR. PEEL: The same is true in the political pressure down here.

MR. OLIPHANT: It is not so strong.

MR. O'CONNELL: A Tax Division is a positive advantage in the over-all accounting of these cases.

MR. OLIPHANT: That's right.

MR. O'CONNELL: Because they tend—

MR. PEEL: When was the ruling changed that these cases went into Washington instead of being tried in the field?

MR. OLIPHANT: When the Executive Order was written putting the cases in the Department of Justice.
MR. FEHLER: When was that?

MR. CLIFTON: In '33, 6166, but that--I mean, it might look like a minor factor, but it's not. I have seen innumerable in these cases. The United States Attorney won't do this or that. He doesn't want to do this or that. I am talking about cases that I saw when I was over there working, strictly income tax cases, over in the Bureau.

You had lots of cases that the Department of Justice will have to say, "You go ahead and do it." There has been all kinds of that going on in this big Burton case on trial in Louisiana, which is important from a criminal tax standpoint. That was tried once and they had a hung jury on it, and the pressure on that was tremendous. The United States Attorney was mixed up in it.

There is all kinds of stuff in the United States Attorney's office, and that you will find when you talk to Sam Clark, that that is going to be one of the big factors he is talking about.

MR. O'CONNELL: Dan, there's another point. I am not too clear on that and Charlie can correct me. Your suggestion that at some point before the investigation is completed and maybe at the time our lawyers think we have got a pretty good case, to bring the United States Attorney people in in order to familiarize them with it--I am not sure that would gain very much. I think we ought to complete our cases, complete investigation, and complete legal examination in order to have enough to go on so we are sure we have got a case and are prepared to recommend prosecution before we bring the United States Attorney in.

MR. D.W. BELL: You would save the time he would take after the case went back to him for study and consultation with you.

MR. O'CONNELL: Once he is on the job there isn't much left except to present it to the Grand Jury.

MR. D.W. BELL: He must have to read an awful lot of stuff before he goes before a court, doesn't he?

MR. CLIFTON: As a matter of fact, it sounds like it's that way, but what happens, the way these cases are really tried, is this: The exhibits come in with the Special Agent's report. Those exhibits go to Justice and most of them are all of the run cases, and then Justice says, "We'll prosecute." They send it to the United States Attorney. The United States Attorney gets hold of the Special Agent who worked the case, or the Revenue Agent. Nine out of ten of the cases are tried right on those exhibits, and, as a matter of fact, the trial work isn't anything like as involved a job as it would seem to be, and that's just the point. If we get these tax cases built right, a lot of those cases try themselves, and maybe it's eight out of ten will try themselves on the Special Agent's report. See what I mean?

MR. O'CONNELL: In the same way, Sam Clark can give us forty-eight hour service on a case when we do a good job on it. The District Attorney doesn't have to spend a lot of time except to be ready for the Grand Jury to hear it, if we do the job we have traditionally done. I think we ought to continue to do that job in two steps, although we can telescope the two steps quite a bit, investigation and legal examination, and review and preparation of the necessary documents to go to Justice--not documents, but reports--which is a brief to the Grand Jury. I don't think that we will gain much in time or otherwise to complicate that by bringing in the United States Attorney and his people before that point. Take the Luptig case as an example. We had a big meeting in New York with the District Attorney, Department of Justice people, and our investigators, and the Secretary has an idea everybody, including the United States Attorney's Office and Sam Clark's Division, are working like beavers. That
isn't true. They are completing the investigation and the
Penal Division lawyers are working with them, as much as
they can, and the United States Attorney is waiting
until we have the case prepared to the point he can
present it to the Grand Jury.

MR. D.W. BELL: When do you think it will be
presented?

MR. O'CONNELL: They thought a week ago it would
be three weeks. I'll know pretty well at the end of
this week. I'm going to New York Friday and I'll go
to see McWilliam and talk to our people, but unless
they made a bad guess, it will be within the next two
weeks.

MR. D.W. BELL: He hasn't committed suicide yet,
I see.

MR. PFEHT: Did he say he was going to?

MR. OLIPHANT: One man did, Armentano, the fellow who was
diverting the King Syrup. He jumped out of a hotel
window.

MR. O'CONNELL: The week after our investigation of
Lustig started, out at Jamaica he bet five thousand dollars
on one race and ten thousand dollars on another.
(Secretary enters the conference.)

(Discussion off the record)

H.M.JR: Now, is everything fixed, everything lovely?

MR. O'CONNELL: We're pretty much agreed that there
are very positive advantages to decentralization of the
Penal Division. In order to get the maximum advantage
we would probably have to work out an arrangement with
the Department of Justice that differs from the one we
now have, but even if we aren't able to effect that,
there are advantages enough, we think, in decentralizing
our Penal Division from the standpoint both of recruitment
and the expeditious processing of the cases, to justify
our going ahead on the decentralization, and discussing
with Justice their bringing their procedure more in line
with our new change.

H.M.JR: When we decentralized the Bureau before,
on the rest of this stuff, didn't we do one thing first
and try it out and cut our teeth, and then did the whole
thing?

MR. OLIPHANT: That's correct. We tried it in
one division first.

H.M.JR: Am I not right? I have a funny memory.

MR. OLIPHANT: We tried it in one area first. We
decentralized procedure whereby the man in the field would
have charge of tax cases, and then moved to--

MR. D.W. BELL: Here you have already got decentralization
and you have a top lawyer who would be over this section.

MR. PFEHT: Everything has been decentralized except
the Penal Division?

MR. O'CONNELL: No, but what we have decentralized
on are the Review Divisions and the Technical Staff.

MR. OLIPHANT: There is one further advantage to
decentralization, and that is the rest of the tax cases
are handled in the field so that the fraud men never see
them. There are lots of cases which are developed in the
field. Well, now, the men in our Division Counsel's
Office, if they are fraud minded, are going to pick up a
lot of cases for the fraud penalty; fifty percent additional
tax they are going to pick up in a lot of cases.

H.M.JR: Would you shoot the works, or do one
district at a time?
MR. D. W. BELL: Maybe the whole thing.

MR. O'CONNELL: I think we could agree on the principle of decentralization. We would have to concentrate, I think, on the point of the timing, without necessarily delivering a decision on decentralization. We probably would have to put emphasis on the decentralized process in New York and then fan out because we actually only have about fifteen lawyers experienced enough in Penal work. I'd be happy to have them in charge and have final say with respect to determination of criminal cases at this point. While it isn't as big a job in numbers as the job of recruiting five thousand Agents, it's a little different in that it probably will be pretty difficult. We'd like a little time to get one hundred or one hundred twenty-five lawyers who will be experienced enough to have final say for the Department on whether a case should go to Justice.

H.M.JR: Between now and Monday, when I come back, if it won't be asking too much, I'd like this thing settled and begin to move on it.

MR. O'CONNELL: It's not asking too much at all.

H.M.JR: To begin to move.

MR. O'CONNELL: Sure.

H.M.JR: Because I think if we do it, we shouldn't overlook the publicity angle of it. It has a publicity angle, and a good one. Well, then, we'll leave it this way. When I come back Monday you'll be able to report progress and possibly even set one district up, huh?

MR. O'CONNELL: Yes. I don't know about the district being set up and people working, but we'll certainly be able to tell you we have something worked out.

H.M.JR: And in this thing, will you use this fellow Lesser in one of those districts?

MR. O'CONNELL: Well, he certainly would be a good man to use in one of those districts. My only difficulty is this: Larry would be better in some place else in the Penal Division because the way this thing operates the investigation is done before it ever gets to the Penal Division. The Penal Division, even though they do an important legal job, does essentially a review job.

(Secretary holds telephone conversation with Dr. Kung.)

H.M.JR: Now, listen. All I want to say is this: I think that from all accounts this fellow Lesser is good, see?

MR. O'CONNELL: No question about that.

H.M.JR: You think it over, where you can use him best. I don't want to tell you, but I certainly would use him in this setup. You may even want to bring him in your own shop.

MR. O'CONNELL: Maybe. I don't know.

H.M.JR: Make the best use of his talent. That's all I'm going to say. Now we've got this decentralization. While I've got this gang together is there anybody else wants to suggest to me to do while I'm gone? I don't want you fellows to be loafing.

MR. O'CONNELL: This isn't a suggestion, but I may be gone a day while you're gone, because I want to be in New York on Saturday. I can spend my time to advantage there, but I have something I want to do.


(Discussion off the record.)

(Secretary holds a telephone conversation with Mr. Bifflle.)
H.W.JR: Is there anything else now? Everything in order? I'll start with you. Have you anything as far as the Bureau law enforcement, OPA black market, are concerned that you want me to raise? Is your wife getting all the meat she wants?

Mr. D.W. BELL: No, no. We haven't had any for three weeks.

H.W.JR: I see.

Mr. D.W. BELL: We got a piece day before yesterday and it think it just came off the cow's back. It was fresh. Couldn't eat it, it was terrible.

H.W.JR: Yes. Charlie, any suggestions?

Mr. C.S. BELL: On the black market occurrences?


Mr. C.S. BELL: The Bureau. No, sir.

H.W.JR: Charlie?

Mr. OLPHANT: No, sir.

H.W.JR: John Peile?

Mr. Peile: Nothing.

Mr. O'CONNELL: John and I had a talk the other day about this much debated question about the deduction of Congressmen's expenses for income tax purposes, and I'm having some further work done on it. It's pretty complicated, legally, and I'm having a little difficulty seeing how, legally, we can reverse the position the Bureau has taken. It's been a long time about the deduction of expenses here, these many years about the deduction of expenses here. And, anyhow, I'm having some work done on it and by the time and you get back, John and I will have had a talk and maybe you get back, John and I will have had a talk and maybe we'll make some progress. I'm a bit the moment, against it, but I'm open. Even so, I'm waiting to see what comes out.

Mr. D.W. BELL: Haven't you a pending case? That's one of the problems which can be distinguished, probably.

Mr. Peile: It's not a Congressional case.

Mr. D.W. BELL: Yes, it's along that line.

Mr. O'CONNELL: The only decision we have on the point is a congressional, but it's only a Tax Court case and the problem of reversing the Bureau regulation is pretty complicated, partly because Jere Cooper on the Floor of the House, and Senator George in the Senate, have already defended the Bureau regulation, and we'll be ready next week.

H.W.JR: All right.

Thank you.

Mr. Peile: Before you get away we'll have a letter supporting the OPA thing for your signature.

H.W.JR: You're going to have to move fast.

Mr. Peile: When is the time limit?

H.W.JR: Right now, between now and eleven-thirty.

(Discussion off the record.)
June 12, 1945
3:11 P.M.

HMJr: Mr. Reams, Mr. Jean Monnet is coming in here at four o'clock to see me. Hello?

Operator: (they were cut off)

HMJr: (they were cut off)

Operator: Operator.

HMJr: I'm not talking to him.

O: Just a second. I've been cut off. I'll call right back again.

(Pause)

HMJr: Hello.

Mr. Reams: Hello. What happened?

HMJr: I don't know. Jean Monnet is coming in at four o'clock to see me.

R: Yes.

HMJr: I understand that an invitation has arrived over in the State Department from France.

R: Oh, I haven't seen that.

HMJr: I wondered if you could run it down and let me know before four o'clock. You see?

R: I'll do that.

HMJr: I'll tell you what it is about. They want us to show a War Bond exhibit over there in Paris, you see?

R: Yes.

HMJr: And they've asked England, Russia, China, and us to do it. I know England has accepted, and it is... When Pleven was here he spoke to President Truman about it and he got encouragement from him, and we sent two men over there last week to look over the ground. They brought the maps back and everything else.

R: Yes.

HMJr: I'd like to show it to you. But supposing you - do you think you can run it down between now and four o'clock?

Operator: (they were cut off)

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Operator: Operator.

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(Pause)

HMJr: Hello.

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HMJr: (they were cut off)

Operator: Operator.

HMJr: I'm not talking to him.
R: I'll do my very best.
    I should be able to.

HMJr: And then I want to find out what Mr. Grew is
gong to do about it.

R: Quite. I'll get on it immediately.

HMJr: Thank you.

R: Not at all.

HMJr: Hello.

Mr. R. Borden

R: Speaking.

HMJr: I have called Mr. Grew's office - he's out -
but none of the people in his office know any-
thing about this matter.

R: I see.

HMJr: I called Mr. Matthews and he knew nothing about
it, and the man on the French desk and he knew
nothing, so I'm having the code room make a
check at the moment.

R: Well.

HMJr: And if I can get anything I'll call you back,
but I thought I'd give you this preliminary
report.

R: Well, when he comes in he'll most likely tell
me, and I'll let you know.

HMJr: Righto.

R: Thank you.

HMJr: Thank you. Goodbye.
June 12, 1945
4:22 P. M.

HM Jr.: Hello.
Operator: Mr. Grew.
HM Jr.: Hello.
Mr. Joseph Grew: Yes, hello.
HM Jr.: Morgenthau.
G: Yes.
HM Jr.: Look, Mr. Grew, Jean Monnet just left here, and he said that Saturday evening the French Embassy delivered to your protocol an invitation from the French government asking the President whether he would send me over to France early in July to open a War Bond exhibit there.
G: Yes.
HM Jr.: Mr. Pleven, when he was here, spoke to President Truman about it, and President Truman liked the idea.
G: Yes.
HM Jr.: Now, I asked Reams earlier if he knew anything about it - he couldn't track it down - your man, Reams.
G: Yeah.
HM Jr.: Now, I'm leaving town tomorrow on a little War Bond trip and I'll be gone for several days. If the State Department approved of my going, I wondered whether you and I couldn't see the President tomorrow morning because we've had two men over there in Paris and they've shown us what they want, you see - War Bond people.
G: Yes.
HM Jr.: And if we are going to do anything on it, we'd have to begin at once to send the material over. Great Britain is going to send stuff, and China is, and Russia have - they've all agreed to send material over. I would like to go.
G: No, I think I can track this down and it seems perfectly simple to me. But I'll attend to it and then if - see about making an appointment and call you back. How late will you be in your office?

HMJr: Well, I'll either be here or at home. On account of my wife being back, I go home a little earlier. I can get you then either here or there.

G: But the point is I'm leaving at noon tomorrow.

HMJr: All right, I'll follow it right up and let you know.

HMJr: Now, if you've got a moment, hello?

G: Yes.

HMJr: I talked to Clayton the other day, see?

G: Yes.

HMJr: And I told him that I thought that it would be good if this so-called committee on Germany, see, you know Clayton is Chairman.

G: Yes.

HMJr: Can you hear me?

G: Yes, perfectly.

HMJr: If we had a look at Germany - at the Ruhr, the Saar, particularly, and saw what was happening there, you see? Hello?

G: Yes.

HMJr: Now, Clayton gave me no reaction. Of course, if he would go at the same time and the others would go, I think it would be particularly worth while. We spent all this time getting out this directive, and then we haven't got any idea what is happening to it. But I'm just mentioning that because I don't know whether Clayton wants to go or not, see?

G: Well, I'll look in to that too.

HMJr: But if he doesn't, while I'm over there I'm going to ask the President if I go just with my War Bond people to let me go up into the Ruhr and the Saar and see what is going on.

G: I see.

HMJr: But I wanted to put all of my cards on the table.

G: Right.

HMJr: So that you knew just what I had in mind.

G: I see.

HMJr: But the two things could be done together, or they could be done separately.

G: Yes.

HMJr: Now, of course, I'm not going to leave the country until the Bretton Woods legislation passes the Senate.

G: Yes.

HMJr: But immediately after that I would be free to go.

G: I see. All right....

HMJr: And one other thing, please. The War Bond people sent two men to Paris and they've come back with the plans, and they've seen the building where it is to be and all that.

G: Yes.

HMJr: And the other thing, the story they brought back - they were quite shocked to find that the British have got a tremendous exhibit over there on how the British won the war, and we haven't got a damn thing! These people we sent over are people that have to do with setting up an exhibit, you see, they are experts in that line. Here they found this whole panorama and all this equipment - most of it American - all under British supervision.

G: Oh, hell!

HMJr: ...showing how Montgomery what he did, and how he won - and there isn't a damn thing there to show what the Americans have done.
That's typical.

Now these people I'm taking with me are all people who are accustomed to putting on exhibits.

You'll get there too late to put on exhibits, won't you, if you are going there just for the opening?

Well, what are they going to do, if the President approves this thing tomorrow, they'll begin to send this exhibit over immediately, you see?

I see.

On War Bonds.

Yeah.

They can get over there in time, but the French say that they wouldn't open it until I got over there. And I even did speak to President Truman about it when he was here.

All right, you've given me the story and I'll look into it and call you back sometime this evening.

It is supposed to be in your protocol section now.

I'll look it up.

I thank you.

All right, thank you.

Hello, Mr. Secretary.

I'm fine, thank you. I've been trying to get through to you, but your line has been busy.

Oh, I'm sorry.

Oh, no.

What I wanted to say, Mr. Bifflle, is that we got off to a good start this morning.

I understand you made a wonderful statement.

Well, that I don't know, but we got off to a good start and to my amazement Mr. Taft was very weak.

I see - ahum. I expect that vote in the House had something to do with his attitude.

I would think so. Now, have you any suggestions? Or have you heard anything that I ought to know?

Not at this time, we have been working on the G.P.A. and now have up the Reciprocal Trade Agreement.

Yeah.

Resolution.

Well, this thing may go much faster, you see, we're not planning to put on hardly any witnesses ourselves.

Well, I've been encouraging Senator Wagner to conclude the hearings this week if he can.

Well, I gather from the speed of what they are doing that they might conclude them this week.

We'd like to take it up and dispose of it immediately after the disposition of the Reciprocal Trade agreement.

Well, will you keep in touch with me?
B: I'll be very happy to.

HMJr: And if there is anybody up there that we should see or do something about, you let me know.

B: All right, fine. I'll keep in close touch with you on it.

HMJr: Will you do that?

B: Yes, sir.

HMJr: Thank you.

B: Goodbye.
HEADQUARTERS
EUROPEAN THEATER OF OPERATIONS
United States Army
Office of the Chief of Staff

12 June 1945

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

Dear Mr. Secretary:

General Eisenhower, who is absent in England and will shortly be enroute to the United States, has asked me to acknowledge your letter of 6 June 1945 and to advise you that the requisite instructions have been issued for the prompt return to civilian status of the personnel listed in the enclosures with your letter.

The War Department will be advised as these men are returned to civilian status so that the requisite adjustments may be made with the Treasury Department.

Both General Eisenhower and I are gratified with the support we are receiving from the Treasury Department in providing adequate personnel for the investigations under Colonel Bernstein.

Sincerely yours,

[Signature]

LUCIUS D. CLAY
Lieutenant General, U.S.A.
Acting Deputy Chief of Staff

cc: To General Hilldring
Congress of the United States
House of Representatives
Washington, D.C.

June 12, 1945

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

Dear Mr. Morgenthau:

Your letter of June 7th was very much appreciated.

I did not say near as much as I should have in behalf of such a worthy public servant as yourself.

I am always glad to cooperate with you.

Sincerely yours,

Wright Patman

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

My dear Mr. Secretary:

It was very kind of you to write to me following the Bretton Woods vote. We were very happy, of course, over the outcome. I want you to know that we are very grateful to you and your staff for your highly effective service and splendid cooperation at all stages of the discussion.

Sincerely yours,

Brooks Haye
The Speaker's Room
House of Representatives H. R.
Washington, D.C.

June 12, 1945

Dear Henry:

Thank you very much for your most generous letter regarding the House vote on the Bretton Woods bill and for what you say about my work. I indeed appreciate your kind thoughts.

With every good wish, I am

Sincerely yours,

Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D.C.
Congress of the United States
House of Representatives
Washington, D.C.

June 13, 1945

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

My dear Mr. Morgenthau:

I appreciate sincerely your letter with reference to my support and assistance in securing the passage of the Bretton Woods legislation. I was highly honored and pleased to have even a small part in the adoption of this important step toward international cooperation.

Sincerely,

[Signature]

[Handwritten note: '34']
June 12, 1945

INFORMATION FOR THE FILE

Subject: Settlement for U.S. Army Expenditures in China Fourth Quarter 1944.

Pursuant to the Secretary's instructions, I rang Dr. Kung and Dr. Chi and explained as follows:

The Treasury technical staff had recommended to the Secretary that the settlement with the Chinese for the U.S. Army expenditures in the fourth quarter should be $43,900,000. (See memorandum to the Secretary of June 12 for the basis of this.) The Secretary had wanted me to tell the Chinese that much was our recommendation. If they wished to pursue the matter further, they should get in touch with Mr. White, while the Secretary was away. We would be back on Monday, and would be prepared to discuss the matter with Dr. Kung at that time if the latter so desired.

Dr. Chi wished to know whether this recommendation had been accepted by the Secretary. I replied that there had been no occasion for him to accept or reject it, that he had simply been consulted as to the amount which he regarded as fair. He had also wanted to know at what time the Secretary was leaving tomorrow. I said I knew he would be here in the morning but did not know the exact time. I explained to Dr. Kung that the Secretary had testified before Congress this morning and that this afternoon was the first opportunity he had had in the last two days to deal with this matter. I explained to Dr. Kung that it might be possible for the Secretary to see him today or tomorrow and that if Dr. Kung desired this he should telephone the Secretary direct. Dr. Kung said that he would telephone the Secretary from New York tomorrow.

I explained to Dr. Kung that Dr. Chi was familiar with the conditions which we were attaching to this recommendation and specifically to the various sums of Chinese money for which we were not prepared to make any settlement.

Frank Cee  F.C.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE 12 June 1945

TO  Secretary Mengdenhan

FROM  Mr. Cee F.C.

Subject: Settlement for U.S. Army expenditures in China during last quarter of 1944.

1. We owe the Chinese for C$820 billion of advances to the U.S. Army during the last quarter of 1944. This excludes C$900 million for taxes and C$110 billion for procurement which was, in effect, for the Chinese Army, and we have made clear to the Chinese that we do not intend to reimburse them for these expenditures. However, even if the Chinese accept our contentions in principle, they can dispute the exact amounts involved and this matter will have to be settled later.

2. We are recommending a figure of US$4,000 million to settle these advances totaling C$820 billion. We think, however, that a good case could be made for settling for anything up to US$500 million, while if we wish to take into consideration that the Chinese provide food and lodging for an ever-increasing number of troops at a time when their economy is seriously deteriorating, an even larger figure could be justified. We have discussed this with Mr. White and he agrees with this approach and our approximate figures.

3. We arrived at our figure of US$4,000 million on the basis of the third quarter offer of US$800 million for C$80 billion which we adjusted for price increases during the fourth quarter. We used the price index computed by the U.S. Army in the field since it was most favorable to the United States side. A settlement at the basis of our figure would mean that per U.S. dollar, the U.S. Army would have acquired the same amount of goods and services in the fourth quarter of 1944 as in the previous quarter.

4. The Chinese can point out, however, that by the use of some other price index, a settlement figure more favorable to them would result. We feel, however, that the use of an index which is favorable to our side is justifiable since other factors in addition to prices must be taken into consideration. Thus, it may be argued that the third quarter offer of US$800 million for C$80 billion on which we are basing our present offer, did not reflect the comparative price situations in the two countries. Moreover, the black market rate for U.S. currency during the
fourth quarter of 1944, rose sharply, and a settlement based on
these black market rates would be in the neighborhood of about
US$20 million as compared with our recommendation of US$1.9
million. We, of course, feel that the black market rates for
U. S. currency do not reflect the actual situation in China,
but, nevertheless, we cannot ignore the fact that even a settle-
ment for US$1.9 million would give, in effect, a rate of
C$1 per US$, while during this period the black market rates
for U. S. currency ranged from C$1.05 to C$1.10 per US$.

5. We are attaching hereto a series of tables summarizing the most
pertinent data and statistics on this matter.

List of Appendices

Table I. Retail Prices & Cost of Living for China & the United States,
January - December, 1944

Table II. Wholesale Prices in China & the United States,
January - December, 1944

Table III. Previous Settlement and Offers to China for U. S. Army
Expenditures

Table IV. Chinese Billion Expenditure Adjusted for Price Increase Over
Previous Quarter

Table V. Possible U. S. Dollar Amounts for Settlement of 4th Quarter
of 1944 Expenditures and Resulting Settlement Rates for
4th Quarter

Table VI. Yuan Value of the U. S. Dollar on the Black Market in China
in 1944

Table VII. Comparison of U. S. Army and Chinese Figures on U. S. Army
Expenditures in China for Last Quarter of 1944

Table VIII. Yuan Value of the U. S. Dollar in Chungking in Terms of
U. S. Currency, Gold and Different Dollar Instruments

Regraded Unclassified
Table I.

Retail Prices & Cost of Living for China & the United States, January - December, 1944
(January, 1944 = 100)

<table>
<thead>
<tr>
<th></th>
<th>Cost of Living in the United States 2/</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>100.0</td>
</tr>
<tr>
<td>February</td>
<td>96.7</td>
</tr>
<tr>
<td>March</td>
<td>98.7</td>
</tr>
<tr>
<td>April</td>
<td>100.2</td>
</tr>
<tr>
<td>May</td>
<td>100.7</td>
</tr>
<tr>
<td>June</td>
<td>100.9</td>
</tr>
<tr>
<td>July</td>
<td>101.5</td>
</tr>
<tr>
<td>August</td>
<td>101.8</td>
</tr>
<tr>
<td>September</td>
<td>101.8</td>
</tr>
<tr>
<td>October</td>
<td>101.8</td>
</tr>
<tr>
<td>November</td>
<td>101.9</td>
</tr>
<tr>
<td>December</td>
<td>102.2</td>
</tr>
</tbody>
</table>

Table II.

Wholesale Prices in China & the United States, January - December, 1944
(January, 1944 = 100)

<table>
<thead>
<tr>
<th></th>
<th>Chungking &amp; Kanto 1/</th>
<th>United States 2/</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>February</td>
<td>126.4</td>
<td>100.3</td>
</tr>
<tr>
<td>March</td>
<td>147.6</td>
<td>100.5</td>
</tr>
<tr>
<td>April</td>
<td>163.7</td>
<td>100.6</td>
</tr>
<tr>
<td>May</td>
<td>187.9</td>
<td>100.7</td>
</tr>
<tr>
<td>June</td>
<td>204.8</td>
<td>101.0</td>
</tr>
<tr>
<td>July</td>
<td>204.9</td>
<td>100.8</td>
</tr>
<tr>
<td>August</td>
<td>207.3</td>
<td>100.6</td>
</tr>
<tr>
<td>September</td>
<td>221.9</td>
<td>100.7</td>
</tr>
<tr>
<td>October</td>
<td>237.9</td>
<td>100.8</td>
</tr>
<tr>
<td>November</td>
<td>258.1</td>
<td>101.1</td>
</tr>
<tr>
<td>December</td>
<td>281.9</td>
<td>101.3</td>
</tr>
</tbody>
</table>

1/ This index is an average of the Chungking index which is compiled by Bank of China, Chungking, and the Kanto index which is compiled by the University of Tokyo, Kanto.


1/ Source: Farmers' Bank of China. Beginning May, 1944, the figures are for nine cities, the other five having been captured by the Japanese.
<table>
<thead>
<tr>
<th>For U. S. Army Expenditures:</th>
<th>CN Obligation (Millions)</th>
<th>U. S. Dollar Offers &amp; Final Settlement (Millions)</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to June 30, 1944</td>
<td>2861.9</td>
<td>$126.0</td>
<td>CN11 to U.S. 51</td>
</tr>
<tr>
<td>July 1 - Sept. 30, 1944</td>
<td>286.6</td>
<td>$98.5</td>
<td>CN11 to U.S. 51</td>
</tr>
<tr>
<td></td>
<td>287.4</td>
<td>$185.8</td>
<td>CN11 to U.S. 51</td>
</tr>
<tr>
<td>Plus the increment to settle</td>
<td>282.7</td>
<td>$216.0</td>
<td>CN107 to U.S. 51</td>
</tr>
<tr>
<td>Description</td>
<td>Price Index</td>
<td>USD Million Adjusted for Price Increase</td>
<td></td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>-------------</td>
<td>----------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Army computed index of price increase</td>
<td>134.8</td>
<td>5.96</td>
<td></td>
</tr>
<tr>
<td>Retail prices in 14 leading cities of China 1/</td>
<td>136.2</td>
<td>6.15</td>
<td></td>
</tr>
<tr>
<td>Retail prices in Chongqing 2/</td>
<td>126.0</td>
<td>6.35</td>
<td></td>
</tr>
<tr>
<td>Cost of living in Chengtu 3/</td>
<td>124.7</td>
<td>6.42</td>
<td></td>
</tr>
<tr>
<td>Wholesale prices in Chongqing 4/</td>
<td>138.2</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Average increase in price indexes</td>
<td>126.3</td>
<td>6.51</td>
<td></td>
</tr>
</tbody>
</table>

1/ Arithmetic average for the 2-month period.
2/ Farmers' Bank of China.
3/ Farmers' Bank of China.
4/ University of Banking, Chengtu.
5/ Hanko University, Chongqing.
<table>
<thead>
<tr>
<th>Basis of Computation</th>
<th>Expenditure Deflated for Price Increase (Billions)</th>
<th>U.S. Dollar Amount on Basis of Third Quarter of 1944 Settlement Rate (Million Dollars)</th>
<th>Resulting Settlement Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Army computed index</td>
<td>CNY5.96</td>
<td>US$41.9</td>
<td>CNY1.31 to US$1</td>
</tr>
<tr>
<td>Retail prices in 14 leading cities of China</td>
<td>CNY6.15</td>
<td>US$43.4</td>
<td>CNY1.84 to US$1</td>
</tr>
<tr>
<td>Retail prices in Chungking</td>
<td>CNY6.35</td>
<td>US$45.4</td>
<td>CNY1.79 to US$1</td>
</tr>
<tr>
<td>Cost of living in Shanghai</td>
<td>CNY6.42</td>
<td>US$47.8</td>
<td>CNY1.77 to US$1</td>
</tr>
<tr>
<td>Wholesale prices in Chungking</td>
<td>CNY6.77</td>
<td>US$49.5</td>
<td>CNY1.67 to US$1</td>
</tr>
<tr>
<td>Average increase in price indexes</td>
<td>CNY6.32</td>
<td>US$50.5</td>
<td>CNY1.60 to US$1</td>
</tr>
</tbody>
</table>

1/ The settlement rate for the third quarter was CNY1.31 to US$1, derived from CNY6.5 billion for US$50 million.

2/ Expenditures in the fourth quarter totalled CNY6 billion and settlement rate is derived by dividing CNY6 billion by U.S. dollar amount.
Table VII.

**Yuan Value of the U. S. Dollar on the Black Market in China in 1944**

(In yuan per U. S. dollar)

<table>
<thead>
<tr>
<th>Year</th>
<th>Chungking</th>
<th>Nanking</th>
<th>Shanghai</th>
</tr>
</thead>
<tbody>
<tr>
<td>1944</td>
<td>78-96</td>
<td>90-300</td>
<td>-</td>
</tr>
<tr>
<td>January</td>
<td>97-230</td>
<td>190-220</td>
<td>-</td>
</tr>
<tr>
<td>February</td>
<td>216-290</td>
<td>190-220</td>
<td>-</td>
</tr>
<tr>
<td>March</td>
<td>305-220</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>April</td>
<td>170-200</td>
<td>190</td>
<td>215</td>
</tr>
<tr>
<td>May</td>
<td>160-195</td>
<td>190</td>
<td>215</td>
</tr>
<tr>
<td>June</td>
<td>180-215</td>
<td>190-220</td>
<td>-</td>
</tr>
<tr>
<td>July</td>
<td>180-215</td>
<td>190</td>
<td>215</td>
</tr>
<tr>
<td>August</td>
<td>190-230</td>
<td>190</td>
<td>215</td>
</tr>
<tr>
<td>September</td>
<td>215-240</td>
<td>225</td>
<td>240</td>
</tr>
<tr>
<td>October</td>
<td>235-280</td>
<td>250-300</td>
<td>-</td>
</tr>
<tr>
<td>November</td>
<td>280-320</td>
<td>290</td>
<td>320</td>
</tr>
<tr>
<td>December</td>
<td>475-545</td>
<td>490</td>
<td>545</td>
</tr>
</tbody>
</table>

**Source:** Bank of China fortnightly Letter, Treasury Disbursing Officer in China, and Treasury Attache in China.

---

Table VII.

**Comparison of U. S. Army and Chinese Figures on U. S. Army Expenditures in China for Last Quarter of 1944**

<table>
<thead>
<tr>
<th>Description</th>
<th>Chinese Claim (billion yuan)</th>
<th>Army Report (billion yuan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Advances to U. S. Army</td>
<td>6.00</td>
<td>6.00</td>
</tr>
<tr>
<td>Expenditures made on behalf of the Army:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>By Chinese Engineering Commission</td>
<td>3.64</td>
<td>3.64</td>
</tr>
<tr>
<td>By Chinese Aviation Commission</td>
<td>1.02</td>
<td>0.26</td>
</tr>
<tr>
<td>Gross Expenditures</td>
<td>10.66</td>
<td>9.90</td>
</tr>
</tbody>
</table>

**Less:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (billion yuan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes</td>
<td>1.10</td>
</tr>
<tr>
<td>Procurement for Chinese</td>
<td>0.80</td>
</tr>
<tr>
<td>Net Expenditures</td>
<td>8.40</td>
</tr>
</tbody>
</table>
Table VIII.

True Value of the U.S. Dollar as Chequeing in Terms of U.S. Government Gold and Different Dollar Instruments (in CH dollars per U.S. dollar)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1944</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>78-96</td>
<td>90-110</td>
<td>40-60</td>
<td>—</td>
<td>—</td>
<td>394-412</td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>97-120</td>
<td>100-140</td>
<td>60-120</td>
<td>—</td>
<td>—</td>
<td>432-711</td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>210-250</td>
<td>130</td>
<td>120</td>
<td>—</td>
<td>—</td>
<td>583</td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>195-220</td>
<td>100-110</td>
<td>94-99</td>
<td>—</td>
<td>—</td>
<td>583</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>120-200</td>
<td>110</td>
<td>95</td>
<td>—</td>
<td>—</td>
<td>555</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>100-150</td>
<td>120-130</td>
<td>91-105</td>
<td>105-110</td>
<td>555</td>
<td></td>
<td></td>
</tr>
<tr>
<td>July</td>
<td>180-195</td>
<td>—</td>
<td>110</td>
<td>115</td>
<td>540</td>
<td></td>
<td></td>
</tr>
<tr>
<td>August</td>
<td>170-180</td>
<td>130</td>
<td>—</td>
<td>130</td>
<td>626-631</td>
<td></td>
<td></td>
</tr>
<tr>
<td>September</td>
<td>230-260</td>
<td>140-155</td>
<td>110-120</td>
<td>160-170</td>
<td>512-653</td>
<td></td>
<td></td>
</tr>
<tr>
<td>October</td>
<td>230-260</td>
<td>170-185</td>
<td>102-122</td>
<td>—</td>
<td>654-602</td>
<td></td>
<td></td>
</tr>
<tr>
<td>November</td>
<td>200-250</td>
<td>190-250</td>
<td>113-220</td>
<td>—</td>
<td>705-732</td>
<td></td>
<td></td>
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<td>December</td>
<td>470-465</td>
<td>310-330</td>
<td>190-236</td>
<td>300</td>
<td>896-1046</td>
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1/ Sales did not begin until June, 1944.

2/ The figures were arrived at by dividing the CH price per oz. by the U.S. price for an oz. of gold, namely, 835.
In reply refer to ES 800.813/8-3146

June 12, 1945

My dear Mr. Secretary:

I have your letter of May 31, 1945, suggesting that this government formally approach the Portuguese Government with respect to the purchase in May 1945, of certain German vessels.

I am in thorough agreement with you that this matter be given immediate consideration. You will recall that the American Embassy at Lisbon suggested in an earlier despatch that no use be made of the information regarding the apparent failure of the Portuguese Government to block the purchase price of the vessels, without prior agreement with the British Government. The Department is in entire agreement with the Embassy’s suggestion in this connection and believes that any approach to the Portuguese Government should be made jointly with representatives of the British Government.

Accordingly

The Honorable
Henry Morgenthau,
Secretary of Treasury,
Accordingly, the Department has despatched cables to the American Embassies at Lisbon and London suggesting immediate consultation with the British Government in connection with this matter with a view to registering a joint protest to the Portuguese Government in the event that such action may be taken without compromising the British source of information.

I shall be very glad to communicate with you further when replies have been received to these cables.

Sincerely yours,

[Signature]

Acting Secretary
TO: Secretary Morgenthau  
FROM: Mr. Coo (X)  
Subject: Grew's Cable to Hurley  

DATE June 12, 1945

We have looked over the paraphrase of this cable. We particularly like the last sentence in this cable which seems to make it clear that you bear no blame for any lack of information to Hurley.

If you make a separate answer to Hurley's telegram I should recommend that you make it a formal one stating that you understand the State Department has already given him a reply.
June 12, 1945

Secretary Morgenthau
Mr. Cox

Subject: Grom's Cable to Hurley

We have looked over the paraphrase of this cable. We particularly like the last sentence in this cable which seems to make it clear that you bear no blame for any lack of information to Hurley.

If you make a separate answer to Hurley's telegram I should recommend that you make it a formal one stating that you understand the State Department has already given him a reply.
DEPARTMENT OF STATE
WASHINGTON

June 11, 1940

My dear Mr. Secretary:

I am enclosing a paraphrase of a telegram I have sent to Ambassador Hurley in Chungking. I fully agree that his telegram dated June 6 to you should not be permitted to go unanswered.

Sincerely yours,

[Signature]

Acting Secretary

Enclosure:

Paraphrase.

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

Paraphrase

An information copy of your telegram to Secretary Morgenthau replying to his background message on the supply of gold to China has come to my attention. I feel that you should know that the decision reached by State, Treasury and other interested agencies was made only after full consideration of all factors involved and on the basis of all available information. Any possible shortcoming upon this matter arises out of the fact that the Department did not send progress reports on conversations.
By dear Mr. Secretary:

I refer to my letter of 18 May 1945 concerning the availability of certain officers and enlisted personnel for assignment to work in the financial administration of the U.S. Army in Germany. The preliminary reports of the results of the investigations of certain financial institutions being undertaken by the Finance Division of the U.S. Group Control Council for Germany and the Finance Division of NAVO have demonstrated both the importance and urgency of this work and the need for a greatly increased staff. The Treasury Department, at the direction of the President, has recently been attempting to recruit suitable personnel on a considerably larger scale than was previously contemplated.

I have your letter of 29 May 1945 and appreciate your assignment of Mr. Lawrence G. Hoover, U-12, TSO, to supram Headquarters in order that he may be available for this work. I note that the other personnel requested in my letter of 18 May 1945 are presently in assignments from which they could not appropriately be transferred. The name of大桥 Joseph H. Murphy in, however, omitted from your letter of 29 May 1945. In his assignment to NAVO it is not possible for the same reasons that apply to the others named in your letter it would assist in completing our records if you would advise on accordingly.

In our search for trained personnel we have found the names of a number of additional men, currently in the Navy, whom we would like, if possible, to make available to the Finance Division of the U.S. Group Control Council. As stated in my previous letter it is not my intention to request the reassignment or release of naval personnel presently in combat duty. If some of the personnel named in the attached list are actually in combat duty, their inclusion is due to the fact that the Treasury Department's information is unavoidably incomplete on such matters.

Inasmuch as the Army authorities in charge have advised us that the technical and professional personnel engaged in this work are very much more effective in civilian status than in the status of junior officers or enlisted men, the Treasury Department has agreed
to place on its payroll any such personnel requested by this Department for assignment to this work for which the military services will authorize the discharge or otherwise restore to civilian status. If it would be possible to work out such an arrangement for the naval personnel in the attached list and others which have been or may be assigned to the Treasury Department or to the European Theater of Operations for this work, I would appreciate it if you would advise me in order that appropriate officials of our respective Departments may work out the details.

Sincerely yours,

[Signature] H. Morgenstern, Jr.

The Honorable

The Secretary of the Navy

Enclosure
Abrams, M. A. (Lt.)

Ballack, Jules (2-3/0) 636-80-47
Ship Service Department
Naval Air Station Annex
Camp Allen, Norfolk, Virginia

Cabby, David (Sp 3 L/C) 636-81-77
Classification Center
N.S. Smith Annex
Norfolk, Va, Virginia

Cotton, Eugene (1/7 2c) 637-19-77

Kohen, L. K. (Lt.)

Feinstein, Louis (RF 36 Glass) C165 No. 370, UH-1B
Fort Myers, Florida

Geiser, Victor, Pharmacist Mate
U.S. Naval Hospital
Philadelphia, Pennsylvania

Marshall, Wilbur J. (1a, Jnc.)
Lake Champlain Detachment 37-37
Newport, R.I.

Maltser, Bernard (Ensign)
Penobscot Building

Pressman, H. B. (Ensign) 455169
Ross Manhattan Armed Guard
P.O. B.O. N.Y.

Shapiro, H. (Lieut.,)
U.S. Naval Training Center
Room 297, Administration Building
Great Lakes, Illinois
The Honorable
The Secretary of the Treasury

My dear Mr. Secretary:

I am well aware that your letter of 18 May, 1945, concerning the availability of certain officers and enlisted personnel for assignment to the Finance Division of SHADE. I am also aware of the fact that the present assignment to duty is not available for such officers. Lieutenant Lawrence C. Moore, B(3), 75380, is on duty in the European theater and is available for assignment to SHADE. He will be so ordered.

For the purpose of supplying up-to-date information for your records, the following men requested are assigned as follows:

BIRDS, Martin Lieut. B(1) 297761
Has had training in the Japanese language and is now at Pearl Harbor.

KIRBY, John J. B'Se V-2 906-89-39
Duty aboard the U.S.S. WILKES BARRE

LAMM, Joseph A. Ensign JN(2) 382793
Duty aboard the U.S.S. SOUTH DAKOTA

PARKER, Paul C. Lt. (jg) SC(1) 247105
Duty aboard the U.S.S. SAVO ISLAND

PROCTOR, James E. Lt. (jg) S(1) 335455
Duty aboard the U.S.S. HANILA BAY

SCHWARTZ, Richard C. Lt. (jg) D 275629
Duty aboard the U.S.S. ACHIGE

SCHWARTZ, Robert J. 1st Lieut. USEC 6914
Headquarters Squadron 35, Marine Aircraft Group 35, Marine Corps Air Station, El Centro, California. He has been trained for special duties and is scheduled for imminent assignment overseas to

THE SECRETARY OF THE NAVY
WASHINGTON

MAY 20, 1945
I appreciate the urgency of the request of the War Department upon the Treasury Department for assistance in furnishing financial experts to assist SBAP in its work, 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,

[Signature]
June 12, 1945

My dear Mr. Prime Minister:

Mrs. Morgenthau and I were so pleased to read in the papers today that the Canadian people have given you their approval once more.

We realize the great service you have rendered during your term of office, and we are so happy that you will continue as Prime Minister of Canada. In the difficult days to come, the world needs your kind of statesman to guide us through the stormy seas ahead.

With kind personal regards, I remain

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The Right Honorable,
W. L. MacKenzie King, C.M.G.,
Prime Minister of Canada,
Ottawa, Canada.

June 12, 1945

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(Signed) H. Morgenthau, Jr.

The Right Honorable,
W. L. MacKenzie King, C.M.G.,
Prime Minister of Canada,
Ottawa, Canada.
June 15, 1948

Honorable Henry Morgenthau, Jr.
The Secretary of the Treasury
Washington 25, D. C.

Dear Mr. Secretary:

Mr. Morris left for a short trip to Europe on the day that your letter to him about our article on Bretton Woods reached us. This is to thank you. Frank Garvey, who wrote the article, is especially pleased to have your approval.

Sincerely yours,

Kenneth Littenberg
Executive Editor

KL/JA
TREASURY DEPT.

INTER OFFICE COMM.

TO
Mr. Luxford, Mr. White, and Mr.

FROM
The Secretary

For your information I am attaching a
clipping which appeared in yesterday's New York
Times.
TO  Mr. Laxford, Mr. White, and Mr.
FROM  The Secretary

For your information I am attaching a
clipping which appeared in yesterday's New York
Times.
TREASURY DEPARTMENT
INTRA OFFICE COMMUNICATION

DATE 6/12/45

TO Mr. Luxford, Mr. White, and Mr. Pohle
FROM The Secretary

For your information I am attaching a clipping which appeared in yesterday's New York Times.
June 12, 1948

MEMORANDUM FOR THE FILES:

Lt. Colonel Morris J. Jackson of Hillsboro, Texas, and the Post War Planning Committee of the American Cotton Shippers Association, as well as representatives of the Texas Cotton Association, Southern Cotton Association and Atlantic Cotton Association, called on the Secretary this afternoon. Those present were:

A. B. Davis, Newnan, Georgia
A. L. Smither, Houston, Texas
Ben J. Williams, New Orleans, Louisiana
Robert Sayer, Dallas, Texas
A. N. Fell, Charlotte, North Carolina
J. M. Lucas, Houston, Texas
Harry Anthony, Dallas, Texas
L. T. Murray, Naco, Texas
John C. Wise, Memphis, Tennessee

Present from the Treasury were Secretary Morgenthau, Treasurer, Fohle and Limore.

Colonel Jackson stated that the purpose of their call was to congratulate the Secretary on the excellent handling of the Bretton Woods legislation and to inform him that the Cotton Shippers Association were prepared to throw their full support behind getting the legislation through the Senate. Secretary Morgenthau expressed his appreciation for their offer of cooperation and said that the Cotton people had done an admirable job in supporting the legislation.

One of the party stated that he was anxious to see the Export-Import Bank legislation pushed forward as early as possible since it formed an important part of our international economic program of which the Bretton Woods and reciprocal trade agreements were other facets. Secretary Morgenthau advised the group off the record that he and Will Clayton had discussed the Export-Import Bank legislation only yesterday and that he expected the legislation would be introduced in the House very shortly. The party was very happy to learn of this development.
June 12, 1945

Dear Oscar:

Receiving a letter from you is like a voice from the dead. Where have you been? I have missed you.

We had a good team working in behalf of Bretton Woods, and the results were most gratifying.

Hope to see you soon.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Oscar Cox,
Foreign Economic Administration,
Washington, D.C.

June 12, 1945

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Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Oscar Cox,
Foreign Economic Administration,
Washington, D.C.
FOREIGN ECONOMIC ADMINISTRATION
WASHINGTON

OFFICE OF THE ADMINISTRATOR

June 7, 1945

Dear Secretary Morgenthau:

I have been meaning to tell you for some time what a wonderful job I think you are doing on the Bretton Woods proposals.

The sustained courage and sticktoitiveness which you have shown over several years in connection with these proposals ought to chalk up some good marks for you.

Sincerely yours,

[Signature]

The Honorable Henry Morgenthau, Jr.
Secretary of the Treasury.
Secretary Morgenthau
Charles S. Bell

13 June 1945

Last December you expressed an interest in the plan for giving meritorious promotions to Treasury employees in especially deserving cases, and since that time this office has endeavored to promote this plan through the heads of Bureaus and Divisions.

It was our idea to put the meritorious promotion procedure on a basis that would contemplate bringing together at one time during each quarter all persons, who, in the opinion of a committee appointed by you, had deserved such promotions, and have you hand them letters and make a brief little talk.

This plan has not worked out for the reason that the procedure for granting these promotions as promulgated originally by the Bureau of the Budget, passed by the Congress, and controlled by the Civil Service Commission, is so involved that Bureau heads are reluctant to recommend their employees for the meritorious promotions for fear of criticism before the Appropriation Committees, to say nothing of possible criticism on the part of the Bureau of the Budget.

The result has been that instead of giving meritorious promotions for particularly deserving employees, the Bureaus are advancing them to the next highest positions, which is far more lucrative and much easier to obtain.

Perhaps you would like to discuss this with me at your convenience.

CSB:Je

MORGENTHAU: It is my privilege now to introduce to you a great lady -- known to all of you -- who has been sitting across from me throughout this broadcast. She has been a good friend and neighbor to my wife and to me for the past thirty years. Indeed, she has been a neighborly friend to all America. And the title she held as first lady, of the land, will continue to hold in the esteem and the affection of millions of her countrymen -- Mrs. Franklin D. Roosevelt.
MRS. ROOSEVELT: (cont.)

There are those who could give you the reasons to buy Bonds if they could but speak. Who are they? They are our war dead. The gallant young men who now lie silent beside the mountain streams. Some lie asleep beneath the tropic skies. They lie in green fields, in volcanic ash, they lie beneath the seven seas. They lie there in the sleep of heroes, and it is for us to keep faith with them. We who stay at home can do that by the loyalty we exhibit in the Seventh War Loan.

And yet sometimes people ask, "Why do we need War Bond Drives?" We need them only because we have so little contact with the actual war itself. We need them to make good on what our men died for - the full freedom man has ever struggled for. The heavy price God puts upon freedom is clear - and there is no way of bargaining. There are no shortcuts to peace - and no bargain rates for freedom.

One soldier up here said, "I don't see why people have to be sold on buying War Bonds. I've got a glass eye out of this war -- ten
MRS. ROOSEVELT: (cont.)
years from now those people who buy Bonds
can collect every penny plus a generous
return -- ten years from how I'll still have
only one eye." That boy wasn't bitter --
he was simply puzzled. Buying Bonds to him
seemed as simple and as necessary to life as
digging a foxhole is to the soldier on the
beach, and as one soldier here put it. "When
you are on the beach you dig your foxhole fast.
If you knew there was a thousand dollars at
the bottom of it you couldn't dig any faster
than you were already digging."

That is the way it should be with War Bonds.
(MUSIC SNEAK) Some of these boys here at
Pawling have artificial legs -- some have
lost a hand -- others an eye. All they have to
show for their demonstration of faith in their
country are the medals and ribbons plus the
War Bonds each of these men owns. For they, too,
buy and hold War Bonds. We can do no less to
show our own faith than to continue to follow
the example of faith in their country which they
have set for us overseas and here at home.
Re: Price Ceiling on Currants

The situation with respect to prices of currants in substantially the same this year as last year. There has been some talk about placing a ceiling on sales by growers but no ceiling is now in effect, and I am informed that none is officially under OPA consideration. There is also no ceiling on the sale of currants for fresh consumption. There are ceilings on sales of frozen currants and on sales of the juice obtained from pressing the berries (for use in jellies) which would, of course, as a practical matter, affect the price obtainable by the grower.

(Initialled) J. J. O'Connell

June 12, 1946

C. B. Bell
Secretary Morgenthau

Send me in a report on Lesser, the attorney, today.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

TO Secretary Morgenthau
FROM Randolph Field

Subject: Tax Investigation Program

I recommend that you employ a competent publicity man to devote his full time exclusively to the tax evasion investigations. He need not be a policy man. He should work under Russell. I will, of course, be glad to advise him on policy and techniques as long as I am here, and afterward, for that matter.

I have discussed this with Fehl and he agrees.

R.F.
When I appeared before the House Committee on Banking and Currency to discuss this legislation, I told the Committee that in my opinion, "the Bretton Woods Agreements are good for every American citizen" and that "the program we are advocating is definitely good business for the United States."

In that statement I discussed the importance of Bretton Woods to world trade. Before the war, we were the largest exporting nation in the world. We needed exports to maintain jobs, to absorb part of the output of American factories and farms. We were also a large importer, the second largest in the world. We needed imported raw materials for our industries and scores of imported products to meet the everyday demands of our consumers.

After the war, we will have even more reason for exporting and importing, for expanding trade. To make this possible, the producing and trading power of many countries must be restored and developed; the currency restrictions and discriminations that stifle trade must be relaxed and removed. And that - in substance - is what the Bretton Woods proposals are about.

I want to emphasize another aspect of the Bretton Woods Agreements no less important to American business - that of establishing a world in which international trade and international investment can be carried on by businessmen on business principles.
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I want to emphasize another aspect of the Bretton Woods Agreements no less important to American business - that of establishing a world in which international trade and international investment can be carried on by businessmen on business principles.

You can't do business in an environment of disorderly currencies. Carl Wynne, President of the Chicago Exporters Club, told the House Committee that arbitrary exchange practices make it difficult to import or export without taking risks that are too big for the ordinary businessman.

As you know, during the 1930's a number of countries began to use their currency systems for the purpose of securing unfair advantages in international trade. Germany in particular, developed numerous devices for exploiting her creditors and competitors. The use of these tricks by Germany forced other countries to adopt similar measures in self-defense. The result was an era of currency warfare that virtually destroyed international trade and investment and prepared the way for total war.
American businessmen have demonstrated that they are more than willing to take their chances in fair competition with the businessmen of any country. All they ask is an opportunity to sell a better product at a better price. But they can't trade if the marks or the pesetas they collect for their automobiles and their movies are arbitrarily changed in value, or cannot be sold for dollars.

That's what happened to many American companies when they sold goods to Germany. They could either take blocked marks or some commodity that Germany was willing to offer in payment. The American commercial attaché in Berlin reported that one company had to take 8,000,000 mouth organs in payment for petroleum, another 200,000 canaries for a large press for making automobile bodies, and a movie company was bamboozled into taking a live hippopotamus for its films.

This was only one of the many currency tricks widely used in the 1930's. Germany had more than 35 different kinds of marks, some selling at discounts up to 50 per cent. She had about 40 bilateral clearing agreements under which exports to Germany were paid for only if the country took German imports. This country couldn't and wouldn't do business on that basis.

I should add that this country was the principal victim of these unfair currency practices. Between 1928 and 1936 the value of our exports fell by nearly one-half while world trade fell by one-third. We know a country cannot always keep the same export markets. But we believe that changes in trade among countries should result from productive efficiency, not from exchange restrictions.
With such currency practices as these, international trade and investment can no longer be conducted along business lines. They become a matter of international politics, and they may become an international racket.

One might suppose that when Nazism is destroyed, its strong-arm currency practices will be destroyed, too. But this will not necessarily happen. Many countries had to adopt similar measures in self-defense. They still have them. And now, as these countries look on their shelled, bombed and pillaged lands, as they contemplate the difficulties of reconstruction, there is real danger that they may be tempted to continue and to extend these practices.

If we do nothing to help establish orderly exchanges, to help these countries get foreign capital for reconstruction, they will feel compelled to revert to barter deals, clearing agreements, competitive exchange depreciation and multiple currencies. And these devices will be used with greater ingenuity and with greater effectiveness than ever before.

Rebuilding and restoring the devastated countries, as I see it, is primarily a job for their domestic industries. Certain basic essentials, however, will have to be imported. These include transportation equipment and industrial and agricultural machinery. If private investors abroad will not lend the necessary capital on reasonable terms, countries will be forced to seek help in other ways.
Foreign loans might then be arranged on a political basis. This could only mean the rule of power politics in international economic relations.

I repeat, the businessmen of this country do not want to do business that way. The extension of these tactics must mean in the end the domination of international trade and investment by governments. This country has the greatest interest in seeing that international trade and investment are determined by economic and not by political considerations.

We in the Treasury have been aware of these dangers. In 1941, we began to work on post-war currency and investment problems. We prepared a tentative proposal for a World Fund to set fair currency rules and to help countries abide by these rules.

We also prepared a tentative proposal for a World Bank to encourage private investors to make sound and productive foreign loans, the risks to be shared by all countries.

Our discussions showed that other countries were convinced that our proposals offered a practical basis for the solution of common monetary and financial problems. That conviction explains the cooperative spirit at the Bretton Woods Conference. All the 44 countries were determined to protect their own interests - the United States no less than others - yet all were aware that their own well-being depends on international cooperation. On some points, national differences had to be reconciled; and I may add that Senator Wagner and Senator Tobey, both delegates to the Conference, rendered conspicuous service in this delicate task.
Personally, I take pride in the fact that in spite of all the obstacles and pitfalls, we did get an agreement on the basis of the proposals submitted by this government. We had to compromise - of course we did - that is the democratic way. But it's one thing to compromise on details, on procedures; and it is quite another to compromise on fundamental principles. That is where we draw the line.

One aspect of the Bretton Woods Agreements deserves special emphasis, their relation to peace. Peace is more than a political problem. It is a complicated structure that can be built only upon the solid foundation of economic order and prosperity in all countries. Peace and prosperity are two sides of the same problem. We can't neglect one without endangering the other.

We all know how horrible war can be, and we are all determined to do everything possible to prevent these horrors from happening again. But you and I know that if peace is to endure, there must be jobs, there must be hope of economic betterment. Otherwise, men fall easy victim to the rabble-rouser, to the quack with a dangerous nostrum.

It is much the same with nations as with men. In either case, scuffling, pushing and shoving soon lead to blows. And when blows are struck in a crowd, there is likely to be work for the police riot squad.

There was no riot squad on duty to prevent World War II. There were no rules of the game to prevent pushing and shoving; and the economic scuffling of the 1930's developed the gangsters who finally discarded their economic blackjacks and brass knuckles in favor of the tanks and bombs that bathed Europe, and most of the world, in blood.
International monetary and financial problems have been a source of conflict for a generation. We must see that after this war they do not become the basis for new conflicts. That will be possible if international trade and investment are put on a business rather than a political basis. In my opinion, the Bretton Woods proposals give us the opportunity to decide whether international trade and investment will be carried on through private enterprise on the basis of fair currency rules or through governments on the basis of bilateral agreements.

International cooperation is a continuing and difficult task. But we are making progress. The overall job of building a world security organization is being worked out at San Francisco.

Despite the obstacles to final agreement, the Conference nevertheless moves on. It will succeed because the people of all countries insist that it must succeed.

The fact that at Bretton Woods we were able to get representatives of 44 nations to agree on proposals for a monetary and financial program is evidence that with care, patience and understanding, we can get agreement on all international problems.

The people of this country have shown that they are eager to have our Government take the leadership in dealing with international economic and political problems.
There is no difference of opinion among Americans, no partisan division in Congress on this policy. Action by this Committee approving the Bretton Woods Agreements will be an inspiration to war-weary and hungry people everywhere, to people who have faith that the United Nations can and will work together to bring about a better world.

Statement of Secretary Morgenthau before the Senate Committee on Banking and Currency
Tuesday, June 12, 1945
The Bretton Woods Agreements

When I appeared before the House Committee on Banking and Currency to discuss this legislation, I told the Committee that in my opinion, "the Bretton Woods Agreements are good for every American citizen" and that "the program we are advocating is definitely good business for the United States."

In that statement I discussed the importance of Bretton Woods to world trade. Before the war, we were the largest exporting nation in the world. We needed exports to maintain jobs, to absorb part of the output of American factories and farms. We were also a large importer, the second largest in the world. We needed imported raw materials for our industries and scores of imported products to meet the everyday demands of our consumers.

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possible, the producing and trading power of many countries must be restored and developed; the currency restrictions and discriminations that stifle trade must be relaxed and removed. And that—in substance—is what the Bretton Woods proposals are about.

I want to emphasize another aspect of the Bretton Woods Agreements no less important to American business—that of establishing a world in which international trade and international investment can be carried on by businessmen on business principles.

You can't do business in an environment of disorderly currencies. As a Chicago exporter testified before the House Committee, arbitrary exchange practices make it difficult to import or export without taking risks that are too big for the ordinary businessman.

As you know, during the 1930's a number of countries began to use their currency systems for the purpose of securing unfair advantages in international trade. Germany in particular, developed numerous devices for exploiting her creditors and competitors. The use of these tricks by Germany forced other countries to adopt similar measures in self-defense. The result was an era of currency warfare that virtually destroyed international trade and investment and prepared the way for total war. And demonstrated that they.

American businessmen are more than willing to take their chances in fair competition with the businessmen of any country. All they ask is an opportunity to sell a better product at a better price. But they can't trade if the marks or the pesetas they collect for their automobiles and their movies are arbitrarily changed in value, or cannot be sold for dollars.

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I should add that this country was the principal victim of these unfair currency practices. Between 1926 and 1938 the value of our exports fell by nearly one-half while world trade fell by one-third. We know a country cannot always keep the same export markets. But we believe that changes in trade among countries should result from productive efficiency, not from exchange restrictions.

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If we do nothing to help establish orderly exchanges, to help these countries get foreign capital for reconstruction, they will feel compelled to revert to barter deals, clearing agreements, competitive exchange depreciation and multiple currencies. And these devices will be used with greater ingenuity and with greater effectiveness than ever before.

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I repeat, the businessmen of this country do not want to do business that way. The extension of these tactics must mean in the end the domination of international trade and investment by governments. This country has the greatest interest in seeing that international trade and investment are determined by economic and not by political considerations.

We in the Treasury have been aware of these dangers. In 1941, we began to work on post-war currency and investment problems. We prepared a tentative proposal for a World Fund to set standards of fair currency practice and to help countries abide by these standards. We also prepared a tentative proposal for a World Bank to encourage private investors to make sound and productive foreign loans, the risks to be shared by all countries.

Our discussions showed that other countries were convinced that our proposals offered a practical basis for the solution of common monetary and financial problems. That conviction explains the cooperative spirit at the Bretton Woods Conference. All the 44 countries were determined to protect their own interests—the United States no less than others—yet all were aware that their own well-being depends on international cooperation. On some points, national differences had to be reconciled; and I may add that Senator Wagner and Senator Tobey, both delegates to the Conference, rendered conspicuous service in this delicate task.

Personally, I take pride in the fact that in spite of all the obstacles and pitfalls, we did get an agreement on the basis of the proposals submitted by this government. We had to make concessions—of course we did—that is the democratic way. But it's one thing to compromise on details, on procedures; and it is quite another to compromise on fundamental principles. That is where we drew the line.
One aspect of the Bretton Woods Agreements deserves special emphasis, their relation to peace. Peace is more than a political problem. It is a complicated structure that can be built only upon the solid foundation of economic order and prosperity in all countries. Peace and prosperity are two sides of the same problem. We can't neglect one without endangering the other.

We all know how horrible war can be, and we are all determined to do everything possible to prevent these horrors from happening again. But you and I know that if peace is to endure, there must be jobs, there must be hope of economic betterment. Otherwise, men fell easy victim to the rabble-rouser, to the quack with a dangerous nostrum.

It is much the same with nations as with men. In either case, scuffling, pushing and shoving soon lead to blows. And when blows are struck in a crowd, there is likely to be work for the police riot squad.

There was no riot squad on duty to prevent World War II. There were no rules of the game to prevent pushing and shoving; and the economic scuffling of the 1930's developed the gangsters who finally discarded their economic blackjacks and brass knuckles in favor of the tanks and bombs that bathed Europe, and most of the world, in blood.

International monetary and financial problems have been a source of conflict for a generation. We must see that after this war they do not become the basis for new conflicts. That will be possible if international trade and investment are put on a business rather than a political basis. In my opinion, the Bretton Woods proposals give us the opportunity to decide whether international trade and investment will be carried on through private enterprise or through bilateral agreements between governments... the basis of bilateral agreements.

International cooperation is a continuing and difficult task. But we are making progress. The overall
job of building a world security organization is being worked out at San Francisco. Despite the obstacles to final agreement, the Conference nevertheless moves on. It will succeed because the people of all countries insist that it must succeed.

Meanwhile, the United Nations are ready to go ahead on the Bretton Woods proposals. The fact that we were able to get 44 nations to agree on a monetary and financial program is evidence that with care, patience and understanding, we can get agreement on all international problems.

The people of this country have shown that they are eager to have our Government take the leadership in dealing with international economic and political problems. There is no difference of opinion among Americans, no partisan division in Congress on this policy. Action by this Committee approving the Bretton Woods Agreements will be an inspiration to war-weary and hungry people everywhere, to people who have faith that the United Nations can and will work together to bring about a better world.
12 Jun 1945

(Typed) February 9, 1948

My dear Admiral Taffinder:

During your tour of duty as its Commandant, the Thirteenth Naval District established an enviable record in the Navy War Bond Program. Your recent assignment as Commander, Service Force, Atlantic Fleet insures the continued sound growth and expansion of the Bond Allotment Plan among Atlantic Fleet personnel.

Your keen appreciation of the significance of War Bonds as an ideal medium whereby individuals can accumulate savings to assure their future financial well-being has been of vital aid to the success of the Navy Bond Savings program.

In recognition of the able leadership and whole-hearted support which you have given to the Program, this citation is presented to you. With it go my warm thanks and sincere appreciation.

Sincerely,

(Signed) M. Morgantin, Jr.

Vice Admiral Taffinder, USN
Commander Service Force, Atlantic Fleet
C/O FPO, Norfolk, Virginia

CJS:06/17/48

Regraded Unclassified
TO  Secretary Morgenthau
FROM Charles S. Bell

Herewith is a chronological sheet showing data abstracted from the personnel file of Lawrence Lessar.

I have always been impressed with Lessar's high degree of intelligence and on one occasion suggested to Harry White that he might use Lessar as top man in Germany before it was decided to send Orvis Schmidt.

I think he would be good in almost any post where a bit of law and financial economics are involved.
Secretary Morgenthau
Charles S. Bell

Hereewith is a chronological sheet showing data abstracted from the personnel file of Lawrence Lesser.

I have always been impressed with Lesser's high degree of intelligence and on one occasion suggested to Harry White that he might use Lesser as top man in Germany before it was decided to send Orville Schmitt.

I think he would be good in almost any post where a bit of law and financial economics are involved.

Lawrence S. Lesser
Chief Counsel, Office of Surplus Property, Commerce Department, P.D., $6,000

Age: 38
Married
Legal Residence: New York

Education: A.B. Yale, 1928; LLB Harvard, 1931

Salary

Treasury Experience:

5 Feb. 1943 Appointed Head Attorney, P-7 $6,500
18 May 1944 Transferred to War Refugee Board as Assistant Executive Director, P-7
1 Feb. 1945 Appointed Chief Counsel, Procurement Division, P-8 $8,000
1 May 1945 Transferred to Commerce Department with Office of Surplus Property, P-8 $8,000

Other Experience:

17 June 1937 to Attorney, Securities and Exchange Commission $4,600 to $6,000

4 Feb. 1943

1934 to 1937 Special Deputy Assistant to District Attorney, New York County $4,000 to $5,000

1935 to 1936 Associate Lawyer, House, Holthausen & McCluskey, New York $3,700

1937 to 1932 Legal assistant, Joint Legislative Center to Investigate the Affairs of the City of New York $2,160

June to Oct. 1930 Law Clerk, Conder Brothers, New York $960

A favorable character investigation was submitted in 1942.

Abstracted
12 June 1945
My dear Admiral Kelly:

During your tour of duty as Commander of the Navy Yard, New York, that activity led all Navy yards in Cash War Bond sales during the Treasury War Loan Campaign. In addition, civilian workers of the yard were among the leaders in participation in the Payroll Savings Plan.

In your new assignment as its Commandant, the Third Naval District led all districts in the Treasury Sixth War Loan Campaign and the Navy Pearl Harbor Day "Extra" Cash sale.

These consistently high records evidence the fine leadership and wholehearted support which you have given to the Navy War Bond Program. They are also evidence of your appreciation of the significance of war bonds to the Government in financing current war needs and to the individual in financially preparing himself for the readjustments and opportunities of the future.

This citation is presented to you in recognition of your distinguished leadership and your zealous interest in the program. My thanks, and those of the Treasury Department, are extended to you.

Sincerely,

(Signed) H. Morgenstern, Jr.

Beg Admiral Monroe Kelly, USN
Commandant, Third Naval District
90 Church Street
New York, New York

My dear Admiral Jacobs:

The wise guidance and support which you, as Chief of Naval Personnel, have given in formulating the policies of the Navy War Bond Program, have played a significant part in the splendid success of the program.

Your recognition of the importance of systematic savings to the present and future welfare of Navy personnel and your further recognition of the fact that the war bond allotment plan affords Navy personnel an ideal medium for voluntarily investing in future individual security, are of benefit to all Navy personnel.

This citation is presented to you in recognition of the able support which you have given the Navy Bond Program. My sincere thanks and deep appreciation are extended to you.

Sincerely,

(Signed) H. Morgenstern, Jr.

Vice Admiral Randall Jacobs, USN
Chief of Naval Personnel
Room 9070, Arlington Annex
Arlington, Virginia
(Typed) February 9, 1945

My dear Admiral Monroe:

Wherever you have been in Command, the Navy War Bond record has been a distinguished one. This has been true of the Naval Districts of which you were Commandant.

You were among the foremost to recognize the vital part which the War Bond Program plays in financing the current war needs of the Government, in waging the fight against inflation, and in enabling individuals to save substantial sums for their future use.

In your new duty as Commander, Fourth Fleet, I know that you will continue your effective support of the Navy War Bond Program.

This citation is presented to you in recognition of your able leadership and wholehearted cooperation. Sincere appreciation and warm thanks are extended to you on behalf of the Treasury.

Sincerely,

(Signed) H. Morgenstern, Jr.

Vice Admiral W. B. Munroe, USN
Commander, Fourth Fleet
FDP, New York, New York

12 JUN 1945

(Typed) February 9, 1945

My dear Admiral Bellingham:

Highlighting the distinguished Navy War Bond program is the record of the Air activities.

As Commander, Air Force, Atlantic Fleet you were one of the first, and continue to be one of the staunchest supporters of the Bond program. Your early recognition of the importance of systematic savings through War Bond purchases to the morale and future financial security of the personnel in your command has been a most influential factor in the growth of the Navy War Bond Savings Program.

This citation is presented to you in recognition of the continued leadership and personal interest which you have given the Navy Bond program. I extend heartfelt appreciation to you.

Sincerely,

(Signed) H. Morgenstern, Jr.

Vice Admiral F. B. L. Bellingham, USN
Commander Air Force, Atlantic Fleet
Fleet Post Office
New York, New York
My dear Admiral Stark:

Leadership in its true sense must be all-embracing.

That you have given such leadership to the Naval Forces in Europe is evidenced not only by the unexcelled combat record established by the units in your command, but by the splendid results obtained in the Navy War Bond Program.

Your warm interest in the present physical and moral well-being of European Fleet personnel is equalled by your interest in their future financial well-being.

This citation is presented to you in recognition of your wholehearted support of the Navy War Bond Program. I extend warm personal thanks and appreciation.

Sincerely,

(Rigged) H. Morganston

Admiral H. R. Stark, USN
Commander U. S. Naval Forces in Europe
Fleet Post Office, New York

My dear Admiral Calhoun:

From the inception of the Navy War Bond Program in the Pacific Ocean areas, you have been its warm advocate and supporter.

Under you, as Commander, Service Force, Pacific Fleet, the War Bond Program was planned, organised, and put into successful operation. Through your personal interest and support, War Bond Issuing Agencies and the services of War Bond Promotional Officers were made available in the Far-Flung advanced bases of the Pacific.

This citation is presented to you in recognition of your wise leadership and support of the Navy War Bond Program, through which Pacific Fleet personnel are enabled to assure their future financial security. My heartfelt thanks are extended to you.

Sincerely,

(Rigged) H. Morganston

Vice Admiral William L. Calhoun, USN
Commander Service Force, U. S. Pacific Fleet
Fleet Post Office, San Francisco, California
My dear Captain Wakefield:

Since the inception of the Navy War Bond Program, you have played a significant role in its success. You pioneered the Payroll Savings Plan in the Fourth Naval District and the Philadelphia Navy Yard. Following this, you became the able Deputy to the Coordinator for War Bonds, a position which you held with distinction until your recent detachment for other important duties.

As Deputy Coordinator for War Bonds, you evidenced keen understanding of the many phases of the program, you exercised sound judgment in helping formulate basic policies, you used great tact and diplomacy in your dealings with other Bureaus of the Navy and with the Treasury Department, and in all respects carried out your duties with credit to yourself and the Navy.

This citation is presented to you in recognition of your distinguished services and important contributions to the Navy and the Treasury War Bond Program. I extend warm personal thanks and sincere appreciation to you.

Sincerely,

(Rigged) H. Morgenthau

Captain W. H. Wakefield, SC USNR
Officer in Charge, Finance Group
Bureau of Supplies and Accounts
Navy Department

(Typed) February 9, 1945

My dear Admiral Opyan:

The Navy War Bond Program has been fortunate in having the benefit of your sound guidance and generous support. During your tour of duty as its Commandant the Navy Yard, Norfolk, Virginia, won the Secretary of Navy’s War Bond Honor Flag for outstanding achievement.

In your new assignment as Commandant of the First Naval District, I know that the Bond Program of the activities in your command will continue to expand and to climb to new levels of success.

This citation is presented to you in recognition of the wise leadership and determined support which you have given to the program. On behalf of the Treasury Department, I extend heartfelt thanks to you.

Sincerely,

(Rigged) H. Morgenthau

Dear Admiral Felix X. Opyan, USN
COMMANDANT, First Naval District
150 Causeway Street
Boston, Massachusetts

(Typed) June 1943

OJP: 020140
My dear Admiral Furlong:

Since the very inception of the Navy War Bond Program, the Pearl Harbor Navy Yard has been in the forefront among all Navy activities. This leadership is typical of the record of your command in all phases of the war effort.

As Commandant of the Navy Yard, Pearl Harbor, you have been one of the most generous and personally interested supporters of the Bond Program. The outstanding records made by the personnel in your command, particularly during the Treasury War Loan Campaigns, have been inspirational examples to the entire nation. The unique position which Pearl Harbor holds in the minds and hearts of our nation gives added significance to these accomplishments.

This citation is presented to you in recognition of the continued wise and friendly direction which you have given to the Navy War Bond Program. I am particularly pleased to have this opportunity of extending thanks and warm personal regards to you.

Sincerely,

(Signed) H. Morgenthau, Jr.

Rear Admiral William B. Furlong, USN
Commandant Pearl Harbor Navy Yard
Fleet Post Office, San Francisco, California

My dear Admiral James:

Under your leadership as Commandant, the Sixth Naval District and the Navy Yard, Charleston, South Carolina, have been in the forefront in the Navy War Bond Program. I am informed that the Charleston Navy Yard leads all other Yards in percentage of gross payroll pledged under the Payroll Savings Plan.

You have been among the first to recognize the importance of the War Bond Program to the war effort. The systematic purchase of war bonds has been of vital aid to the Treasury Department in financing the current war needs of the Government. Furthermore, it is an ideal means whereby the individual can save today for the needs and opportunities of tomorrow.

In recognition of your splendid leadership and personal interest in the program, this citation is presented to you. It is accompanied by my sincere thanks and warm appreciation.

Sincerely,

(Signed) H. Morgenthau, Jr.

Rear Admiral Jules James, USN
COMMANDANT, Sixth Naval District
Fort Sumter Hotel
Charleston, South Carolina
From: 7th War Loan News Desk
War Finance Division
Treasury Department
Washington 25, D.C.

RELEASE FOR ANN AND FRE WEDNESDAY, JUNE 12

WASHINGTON, D.C., June 12 (or 13) — To answer some of the questions Americans are asking about the rehabilitation program for the wounded, Secretary of the Treasury Henry Morgenthau, Jr., will conduct a special broadcast Wednesday night, June 13, from 10:30 to 11:00 p.m., EST, from the Army Air Forces Convalescent Hospital at Paula, N. Y.

The Secretary will interview patients who are being restored to useful civilian life through facilities whose cost is covered by the sale of war bonds. The men will relate their own experiences on the road back to rehabilitation.

Mrs. Eleanor Roosevelt, who will also visit the hospital, will deliver a special message to the nation on this program.

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ASSOCIATED PRESS

WASHINGTON, D.C., June — Carrying the mail on a route serving only 200 patrons, Mrs. Mary Jane Clark, rural letter carrier of Bahson Park, Florida, has sold more than 200 war bonds to more than 200 persons for a total of $66,006.25. Bahson Park has a population of 611. The War Finance Committee of the Treasury Department has made Mrs. Clark the second four-star general in Florida's Blue Star Brigade of 7th War Loan bondsmen.
Treasury Department
Fiscal Service
Washington

12 June 1945

TO THE SECRETARY:

In response to your oral request, I am sending you herewith the weekly report relating to payments to veterans.

VETERANS PAYMENTS UNDER ART. I. BILL OF RIGHTS

<table>
<thead>
<tr>
<th>Week ended 12 June 1945</th>
<th>Cumulative</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Number of recipients</td>
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<tr>
<td>Unemployment benefits</td>
<td>29,310</td>
</tr>
<tr>
<td>Self-employed</td>
<td>1,459</td>
</tr>
<tr>
<td>Students' subsistence allowances</td>
<td>10,349</td>
</tr>
<tr>
<td>Tuition and fees for students</td>
<td>12,400</td>
</tr>
<tr>
<td>Total</td>
<td>38,617</td>
</tr>
</tbody>
</table>

1/ $20 a week; four weeks' allowance for each month of active service, not to exceed 22 weeks.
2/ Difference between monthly earnings and $100.
3/ $50 a month without dependents; $75 with dependents.
4/ Limited to $500 per annum.

[Signature]

Regraded Unclassified
12 June 1945

TO THE SECRETARY:

In response to your oral request, I am sending you herewith the weekly report relating to payments to veterans.

VETERANS PAYMENTS
UNDER
9. L. BILL OF RIGHTS

<table>
<thead>
<tr>
<th>Week ended 1 June 1945</th>
<th></th>
<th>Cumulative</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Amount</td>
<td>Number</td>
</tr>
<tr>
<td></td>
<td>residents</td>
<td></td>
<td>Amount</td>
</tr>
<tr>
<td>Unemployment benefits</td>
<td>$25,310</td>
<td>$528,614</td>
<td>760,309</td>
</tr>
<tr>
<td>Self-employed</td>
<td>$1,639</td>
<td>$150,371</td>
<td>$22,387</td>
</tr>
<tr>
<td>Students' subsistence allowances</td>
<td>$10,349</td>
<td>$955,513</td>
<td></td>
</tr>
<tr>
<td>Tuition and fees for students</td>
<td>$1,113</td>
<td>$137,578</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$36,617</td>
<td>$1,442,077</td>
<td>$784,636</td>
</tr>
</tbody>
</table>

1/ $20 a week; four weeks' allowance for each month of active service, not to exceed 24 weeks.
2/ Difference between monthly earnings and $100.
3/ $50 per month without dependents; $75 with dependents.
4/ Limited to $500 per annum.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

TO | Secretary Morgenthau
FROM | J. W. Pehle

DATE | June 12, 1945

The following is a summary of significant developments in the Surplus Property and Procurement Offices for the week ending April 28, 1945.

SURPLUS PROPERTY:

The War Food Administration accepted our invitation to assign to this office two liaison officers to work with us in matters involving surplus disposal to farmers and rural areas. It is felt that by this collaboration programs of mutual interest can be implemented more effectively and expeditiously than in the past.

Following the issuance by the Surplus Property Board of Regulation 2, establishing priorities of government agencies and state and local governments, preparatory steps were taken in connection with circulating the agencies concerned pursuant to the provisions of the Regulation.

An additional 20,000 pairs of "as is" Army shoes were sold to a relief organization in this country for shipment to Czechoslovakia.

Approximately $89,816 worth of clothing, shoes, and bedding was transferred to Lend-Lease for use in its relief programs.

To avoid rehandling a small quantity of outdated sensitized materials produced by various photographic manufacturers, we are negotiating with the Eastman Kodak Company for the sale of these goods, which were shipped to Eastman along with goods of their own manufacture which Eastman contracted to purchase during 1944.

After considering all aspects it has been agreed that Canadian firms requesting the Surplus Reporter may now be placed on the mailing list. However, such firms will continue to obtain the approval of the War Assets Corporation before purchasing surplus property for export to Canada. Distribution of the Reporter to Canadian firms will be centralized in the Chicago and Seattle regional offices.

In view of the proposed transfer to the Interior Department on May 1 of responsibility for surplus disposal in the territories and possessions, efforts are being made to complete pending problems in those areas in which responsibility was previously assigned to this office.

In accordance with our plan to proceed with paid advertising of construction equipment on a test basis, quarter-page advertisements of a sale to be held in the Boston region were forwarded to ten newspapers.

Assistance was given to a writer for the Washington Star in the preparation of an article discussing surplus property disposal operations for the first year period.

PROCUREMENT:

Total purchases for the week amounted to $27,971,136.68, including $27,500,000.00 for Lend-Lease (schedule attached) and $41,131.65 for regular purchases.

Carloadings of Lend-Lease materials totaled 4,633 cars; and active contracts totaled 15,400.

Unusual requisitions for the week included 66,000,000 lbs. of Reinforcing bars for France; 3,000 S. T. Butyl Alcool for Russia and 60 each - Cranes, Gentry, with-swinging boom, electric-powered with 60 sets of spare parts, for Continental France. Of the 1800 cranes located in France Harbors before the war, only about 300 will be in
usable condition after necessary repairs. The balance were either removed by the Germans or were destroyed in their retreat.

Unusual purchases for the week included 261,594 lbs. of Oakum for delivery to Liberated Areas; 15,000,000 gallons of Ethyl Alcohol for the Soviet Government; 1,940 lbs. of lactic acid (used for infant feeding) and 10,000 gallons cod liver oil. These products are to be used in the manufacture of medicine by the Egyptian Government for the public health; 4,165,778 lbs. of cooper sulphate for UNRRA for the treatment of plant diseases in the Liberated Areas; 55,000 short tons of rock salt. The purpose of this sale is for brining fish. There is a clause in the requisition to the effect that shipping space will not be requested for this shipment in the event salt from German mines is available; and three prefabricated steel warehouses from the Bethlehem Steel Export Corporation for erection on the Island of Guadeloupe in the French Caribbean Group, to improve the harbor facilities.

In connection with the development of a better purchasing plan for warehouse stock replenishment there was completed a tabulation of data showing the price, quantity, location of vendor and other pertinent information in connection with the last purchase made of each of 500 representative items by each of our Regional Warehouse and Supply Centers.

Initial plans were laid to absorb the War Food Administration warehouse at Chicago into our own Regional Warehouse and Supply Center at that location.

ADMINISTRATION:

In preparation for the transfer of the Office of Surplus Property to the Department of Commerce, general instructions were prepared and released to the field concerning the transfer of property with personnel. A more detailed procedure is in process and will be released as soon as the accompanying exhibits are completed.
<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>U. K.</th>
<th>Russia</th>
<th>China</th>
<th>Administrative Expenses</th>
<th>Miscellaneous &amp; Undistributed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Allocations</strong></td>
<td>$206.9</td>
<td>239.6</td>
<td>$246.8</td>
<td>$195.4</td>
<td>$16.9</td>
<td>$246.6</td>
</tr>
<tr>
<td></td>
<td>(206.9)</td>
<td>(239.6)</td>
<td>(246.8)</td>
<td>(195.4)</td>
<td>(16.9)</td>
<td>(246.6)</td>
</tr>
<tr>
<td><strong>Requisitions</strong></td>
<td>$104.1</td>
<td>24.4</td>
<td>15.2</td>
<td>14.2</td>
<td>7.4</td>
<td></td>
</tr>
<tr>
<td>In Purchase</td>
<td>(104.1)</td>
<td>(24.4)</td>
<td>(15.2)</td>
<td>(14.2)</td>
<td>7.4</td>
<td></td>
</tr>
<tr>
<td><strong>Requisitions not</strong></td>
<td>$62.4</td>
<td>17.7</td>
<td>25.2</td>
<td>7.1</td>
<td>134.1</td>
<td>$497.6</td>
</tr>
<tr>
<td>Cleared by W. E. B.</td>
<td>(62.4)</td>
<td>(17.7)</td>
<td>(25.2)</td>
<td>(7.1)</td>
<td>134.1</td>
<td></td>
</tr>
<tr>
<td><strong>Obligations (Purchases)</strong></td>
<td>$120.1</td>
<td>120.1</td>
<td>270.7</td>
<td>118.1</td>
<td>118.1</td>
<td>$477.5</td>
</tr>
<tr>
<td></td>
<td>(120.1)</td>
<td>(120.1)</td>
<td>(270.7)</td>
<td>(118.1)</td>
<td>(118.1)</td>
<td>(477.5)</td>
</tr>
<tr>
<td><strong>Deliveries to Foreign</strong></td>
<td>$30.9</td>
<td>106.4</td>
<td>667.2</td>
<td>30.0</td>
<td>30.0</td>
<td>$307.0</td>
</tr>
<tr>
<td>Governments at U. S.</td>
<td>(30.9)</td>
<td>(106.4)</td>
<td>(667.2)</td>
<td>(30.0)</td>
<td>(30.0)</td>
<td>(307.0)</td>
</tr>
</tbody>
</table>

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

*Note:* Figures in parentheses are those shown on report of April 21, 1945.
AMOREST.

GEROSING

900

Hays Organization has informed Dept US distributors willing to accept Finance Minister's 10 percent remittance proposition at 20 to one exchange rate (UNLESS 777, May 14) if effective immediately and you think impossible to obtain higher percentage.

Hays requests your urgent cooperation for better conditions and asks also that negotiations with Govt re forgiving not (repeat not) be notified to US film managers Chongqing.

GHFR

(Acting)

(USA)

EDGAR CANFIELD 6/9/45 CA

efscopy

(190-45)
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking via Navy
TO: Secretary of State, Washington
DATED: June 12, 1945
NUMBER: 969

CONFIDENTIAL

PRIORITY.

The Minister of Finance gave information directly to the effect that the decision to raise price of gold to on dollars 50,000 per liang (on 32nd of a kilogram) was reached on the evening of the 7th of June in his discussion with the Generalissimo. Early next morning instructions were sent out to the banks. There has been no scandal as far as we can determine and the Minister declares there will be no scandal.

The price for gold deposits had been on dollars 35,000 per liang until the morning of the 8th of June. This rate had been in effect from 30th of March. The amount of Chinese currency required as deposit against delivery of gold after six months is represented by this price. On May 30 the government banks ordered sales of gold for delivery when available discontinued.

The price of on dollars 50,000 was arrived at through rough calculation of the current worth, at present interest rates, of a right to receive one liang of gold six months hence, the current black market price of gold for spot delivery being taken at approximately

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June 13, 1945
9:46 A.M.

HMJr: Hello.
Mr. Jean: Hello, good morning.

HMJr: Monnet speaking.
M: Right.
HMJr: You tried to get me last night?
M: Yes. Let me tell you what happened. I forget what time it was, but it was around eight o'clock. Mr. Grew called me, and I'll repeat my conversation with him.
HMJr: Yes.
M: He said he tried to get the French Ambassador. He tried to get the Counselor, he tried to get the First Secretary, and he finally got a stenographer.
HMJr: Yes.
M: And he asked them where was this document. And then he said it turned out that the messenger had delivered the document directly to the White House, and had never delivered it to the State Department.
HMJr: Well, last night after I spoke to you, Monnet called me and he said that he had found out -- whether it was through Grew or how I don't know -- but that he had found out that through some the name of the President was on the envelope. The letter had been delivered at the White House.
M: Yeah.
HMJr: Now this morning there is being delivered to Mr. Grew now a copy of the invitation.
HMJr: Yeah, I thought you were going to get it there by eight o'clock.
M: Well, (Laughs) I couldn't -- eight o'clock -- I talked to them last night and they said they would deliver it the first thing in the morning.

HMJr: Yeah.
M: It may be there by now for all I know, but I telephoned again and it had gone. Now whether it was there at eight or soon after, but it should be with him now.
HMJr: Yes, because I'm seeing the President at quarter to eleven and nobody knows what is in that document. I'm seeing him at quarter to eleven.
M: Would you like to have a copy of it?
HMJr: It would be very helpful.
M: Well, it will be -- what time are you leaving your office?
HMJr: 10:30.
M: Fine, then I will see to it that you get one at once.
HMJr: Be wonderful.
M: All right.
HMJr: You know I work at the Treasury.
M: (Laughs) All right.
HMJr: (Laughs) All right.
June 13, 1945  
10:22 A. M.

HMJr: Thanks for arranging for my appointment.
Miss Roberts: You are welcome, sir. You know you had asked the President about that thing because I had asked Mr. Latte and he didn't know and I hadn't seen it.

HMJr: Yes.
B: I'd just ask him.

HMJr: Pardon?
B: You'd better ask the President.

HMJr: Well, I've got a copy of it. Haven't they got it over there yet?
B: Well, they may have, but I couldn't find out where it was. Mr. Latte didn't know, and he would be the one it would come to.

HMJr: Gee, you don't -- they say they delivered it over there Monday morning.
B: Monday morning, huh. Well, we are always having trouble with them and where they delivered and who got it.

HMJr: Who?
B: I suppose it is around and, no doubt, the President has it. If he has it there is no way we can go in and find out.

HMJr: Oh.
B: But you could ask him.

HMJr: Well, you have no copy?
B: No copy?

HMJr: You don't know whether he -- I have a copy here.
B: Oh, I imagine he has it, Mr. Secretary.
HMJr: Oh, you think he has it?
B: I think he has.
Hello.

Dr. Kung in New York.

Just a moment, please.

Hello.

Dr. Kung?

Yes.

How are you?

Well, I got to New York late today, and thank you very much. How are you?

Oh, I'm all right.

I understand that you are going to make a trip today, eh?

Make a what?

You are going to take a trip?

A train?

No, you are going to make a trip? You are going to leave Washington?

I'm leaving Washington at lunchtime today, yes.

Ahuh. I'm glad to hear that your wife is better, is that correct?

Yes.

And Dr. Chel reported that conversation he had with Mr. Goe and Mr. Friedman. I think they have reported to you.

Mr. Goe has kept me posted, yes.

Yes. I don't want to engage you in a long telephone message because I know you are busy. I think there are several points we should clear, therefore I'm asking(?) T. V. Soong and Dr. Chel to make a trip tomorrow.

Yes.

To make a trip to Washington and to get in touch with Dr. White and Mr. Goe and anybody you name.

Well, it would be Mr. White and Mr. Goe.

Yes. The only thing I want to remind you is that we don't want to give any wrong impression. This is a time when both America and China are cooperating in fighting a common war against Japan. We appreciate the past assistance you have rendered to China. Now the Army, UNRRA and FDA - everybody is trying to help China and you - the Treasury.

Yeah.

We want you to get the credit, and we don't want anybody trying to sponge. And that is why I am a little concerned.

Well, listen, Dr. Kung.

I don't mind -- anything you say is O. K. with me.

Yeah. Well, I'm almost exhausted from helping China after the gold and the 4,000 trucks and 45 million yards of cotton goods.

Yes, I know, you have done wonderful.

I almost used up all my influence that I have to get that for you.

Well, I know you have much more influence than that.

Well, I have to rest a little bit after that.

(Laughs) Well, Mr. Secretary, anything you say is O. K. with me, and I suppose I ought to the three gentlemen who are coming down to Washington tomorrow have another talk with your men.

Good.

Then next week, if necessary, I may see you again.
Well, all right, at lunch?

Fine. In the meantime, take care of yourself but don't go to any more of these vegetarian hospitals.

All right. Thank you.

All right.

How is Mrs. Morgenthau?

She is getting along nicely, thank you.

Well, I'm glad to hear that.

Right.

Well, good bye.

Bye.

Have a good trip.

Thank you.
Mr. Leslie
Biffle: Good morning, Mr. Secretary.
HMJr: How are you?
B: Fine, thank you.
HMJr: Look, Mr. Biffle, one fellow that I don't know where he stands is Senator Bankhead.
B: Bankhead?
HMJr: Yeah.
B: I'll find out.
HMJr: Would you find out?
B: I'll be glad to. He is going home in a day or two.
HMJr: Pardon?
B: He's leaving the city either today or tomorrow.
HMJr: Yeah, you see all of the exporters are for this thing and importers, but, of course, you know Bankhead is just interested in one thing and that is a higher price for cotton.
B: That's true. (laughs)
HMJr: And where he stands on this, I don't know.
I'm out of town but I call up every day, and if you have a message for me you tell my operator you want to talk to me.
B: All right, Mr. Secretary, I'll find out about this.
HMJr: And the other thing, yesterday at the hearing the Senator from Arkansas, Senator Fulbright, he kind of acted like a colt - he was kind of playful and kidding me and one thing and another, you know. Hello?
B: Yes, sir.
HMJr: And you might have a little talk with him if you see him.
B: All right, well....

HMJr: Because he was talking about the Argentine, and scrap iron to Japan, and he brought in everything but the democratic ghost. Hello?

B: Yes, sir. I'll get busy on him.

HMJr: He could be very useful if he would settle down and become a real horse on this thing.

B: Well, I'll have him in here today and talk to him because, as you suggest, he can be very useful.

HMJr: Yeah, well, he was kicking up his heels like a young colt. I told him - I said, off the record I don't mind having my leg willed, but I don't think it does much good. I said that publicly up there at the committee.

B: Oh, yes, well, I'll have him in here today.

HMJr: He's very friendly, but he was just having a good time at my expense which is all right. But I don't think he helped the hearing any.

B: Well, I'll have him here today and talk to him and let you hear from me later today or tomorrow morning.

HMJr: O.K.

B: Bye.

HMJr: Thank you.

HMJr: Hello.

Mr. Joseph Crow: Hello, good morning.

HMJr: You just caught me with my hat on - I'm on my way to the White House.

G: Oh, I'm sorry. I just wanted to tell you that elusive document has just this minute come to my hands by the French Ambassador. Now, you have it, have you?

HMJr: I have a copy of it.

G: O.K. I just wanted to tell you...

HMJr: Have you got the original?

G: I have a copy of it given me by the French Ambassador. The original went to the White House.

HMJr: I see. Well, all I can say is (laughs) I hope not all of your stuff is handled that way.

G: Well, fortunately not. Their messengers apparently got tangled up. The Ambassador told me how it happened. All right, I just wanted you to know that.

HMJr: Well, I appreciate the courtesy of your calling me.

G: Well, I did the best I could on it. (laughs)

HMJr: Well, thank you so much.

G: All right, good bye.
June 13, 1945
11:39 A.M.

HJr: Hello.
Operator: Senator Fulbright.
HJr: Hello.
Senator Fulbright: Hello.
HJr: Morgenthau speaking.
F: Good morning. How are you?
HJr: I just wanted to say I enjoyed the exchange of wit with you yesterday, although I don’t know whether I was up to it.
F: (laughs)
HJr: But I hope that we can count on you when the going gets heavy.
F: On this Bretton Woods?
HJr: Yeah.
F: Oh, certainly.
HJr: Good. I just didn’t know what you were trying to do – whether it was pull my leg, as I said.
F: Well, no, I wasn’t in the beginning, what I did have to say, of course, didn’t relate directly to Bretton Woods, it is the overall coordination of our whole foreign policy. That’s what I had in mind.
HJr: Well, I was wholly in sympathy worried with you, but I was a little bit embarrassed.
F: Well, you see my point is that this – because this is an essential part – and it is only a part of the overall policy, and I think it should be related directly to our political policy, and that the two should work closely together.
HJr: You know there is an advisory committee to the Bretton Woods people.
F: Yes.
HJr: In the legislation.
F: Well, I know there is that position, of course, in Bretton Woods that they should consult with and work under or with an international organization. I only saw your statement there that seemed to imply that we are going to do this now without any regard to politics.
HJr: Well...
F: Of course, you know we politicians are a little bit sensitive about everybody wanting to exclude politics as if it is something illegal.
HJr: Yes, now well there’s politics and politics.
F: That’s right. Well, I try to use...
HJr: What I couldn’t say was – I was trying to get over – that at Bretton Woods we’ve really taken the little nations into camp.
F: Yeah.
HJr: And I was afraid you would have me on the spot comparing what we had done there and what they are doing at San Francisco.
F: Yes.
HJr: And I was afraid of that.
F: I see. Yes, of course, on there – taking the whole picture – it seems to me, while I wouldn’t want to say it in public and I don’t think we should – I think we should evidence the greatest friendship to all of the collective nations – on the other hand I think we should be conscious of the underlying struggle between the two and treat that in a friendly way, but be conscious of it.
HJr: Well, we are conscious of it.
F: I think it is our policy and, I think the Congress is to blame a great deal – it’s been the opposite, that we are inclined to assist them in a material way and belabor them in public. I think we ought to be more friendly in public and be careful of our interests in private.
HMJr: Well, as I say, I was afraid the first thing I know, I'd be ending up possibly criticizing San Francisco, and that was what I was worried.

F: Oh, I see.

HMJr: See?

F: Well, I didn't want to do that. I just - as a matter of fact, it was just a hunch there from one of those remarks about politics being excluded, and actually we know we do have to deal with politics all the time, and the only solution is that we have better politics.

HMJr: Now, the other thing is - we need real help from you because some of the members senior to you, a little bit on the oldish side,...

F: Yeah.

HMJr: So if you will interest yourself in this, particularly when we get on the floor, I would appreciate it very much.

F: Well, I certainly expect to do it if I am able to do it.

HMJr: Well, I know you are.

F: I feel considerable inadequacy with regard to - especially the technical side of it.

HMJr: Well, our people are available anytime you want to spend an evening with them.

F: I - right now - Dean Acheson is in there - of course, the trouble is the bickering that goes on makes it difficult to get much advantage out of his testimony. I mean not through his fault, through the fault of the committee.

HMJr: Is he having heavy going now?

F: Oh, yes, with the same person though.

HMJr: Oh, with the same person?

F: Oh, yes, he's just holding the thing up.

HMJr: I got off easy yesterday.

F: Yes, you did.

HMJr: Well, the whole purpose is that we do need help, and I would like to feel we can count on you particularly when we get on the floor.

F: Well, I expect to do my bit - all I'm able to do.

HMJr: Well, thank you so much.

F: Thank you very much.
Congress of the United States
House of Representatives
Washington, D. C.
June 17, 1945

PERSONAL

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

My dear Mr. Morgenthau:

I have been engaged in the CPA Extension bill that I have not had time or opportunity to keep up with my correspondence. I acknowledge receipt of your very kind letter of June 9 expressing your appreciation of my efforts in connection with the Bretton Woods proposal.

I shall keep your letter as a memory. I feel, however, that the thanks and congratulations are to be extended to you and your splendid staff for the very efficient handling of the subject which made it possible for us to come through with a successful result. Withal, I am very proud of the accomplishment.

With all good wishes,

Sincerely yours,

[Signature]

John H. Folger

June 17
June 13, 1945

Dear Nathan:

I was very pleased to receive your letter of June 11th enclosing a copy of the broadcast, "Halls of Congress." This is an excellent broadcast, and I compliment you on its production.

Elinor is getting along fine, and we are planning to move to the country on or about the 1st of July.

With affectionate regards to Helen and yourself,

Sincerely yours,

(Harold) Henry

Mr. Nathan Straus,
WACA,
1657 Broadway,
New York 19, New York.

June 13, 1945

Dear Nathan:

I was very pleased to receive your letter of June 11th enclosing a copy of the broadcast, "Halls of Congress." This is an excellent broadcast, and I compliment you on its production.

Elinor is getting along fine, and we are planning to move to the country on or about the 1st of July.

With affectionate regards to Helen and yourself,

Sincerely yours,

(Harold) Henry

Mr. Nathan Straus,
WACA,
1657 Broadway,
New York 19, New York.
June 18, 1945

Dear Nathan:

I was very pleased to receive your letter of June 11th enclosing a copy of the broadcast, "Halls of Congress." This is an excellent broadcast, and I compliment you on its production.

Elinor is getting along fine, and we are planning to move to the country on or about the last of July.

With affectionate regards to Helen and yourself,

Sincerely yours,

(Signed) [Name]

Mr. Nathan Straus,
WCA,
1657 Broadway,
New York 19, New York.

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June 11, 1945

Dear Henry:

Hearty congratulations on the passage of the Bretton Woods Agreement by the House. You ought to be very proud of your successful leadership in this difficult and, at the outset, seemingly hopeless fight.

I am enclosing a copy of our "Halls of Congress" broadcast which concerns itself generally only with Congressional debate. However, we thought that your statement, hailing the passage of the bill through the House, was of unique importance and therefore, as you will note, it is the highlight of the broadcast.

I hope Eli is getting along. I have not heard any news for the last few days.

Helen joins in love to both.

As ever,

(Signed) [Name]

Herr Henry Morgenthau, Jr.
2029 Connecticut Avenue, N.W.
Washington, D.C.
HALLS OF CONGRESS
HARLAN WATCH CO.

OPENING

ANNR: (COLD) It is now 3:30...HARMAN WATCH TIME.

SOUND: VOICES UP...GAVEL BANGS TWICE...VOICE CONTINUE IN B.G.

VOICE 1: MR. SPEAKER, I ASK UNANIMOUS CONSENT.

VOICE 2: THE GENTLEMAN IS NOT IN ORDER.

SOUND: GAVEL

VOICE 1: MR. SPEAKER! MR. SPEAKER!

SOUND: GAVEL

VOICE 1: WILL THE GENTLEMAN YIELD?

SOUND: (GAVEL - AND VOICES FADE OUT)

ANNR: THE HALLS OF CONGRESS! PRESENTED BY HARMAN WATCH COMPANY....EVERY TIME PIECE A MASTERPIECE!

MUSIC: THEME UP AND UNDER

ANNR: EACH WEEK AT THIS TIME, HARMAN WATCH COMPANY FAMOUS FOR ACCURATE TIME-KEEPING FOR OVER A QUARTER OF A CENTURY TAKES ITS LISTENERS TO A FRONT ROW SEAT IN THE GALLERIES OF THE HALLS OF CONGRESS, AS DRAMATIC MOMENTS OF THE PAST WEEK OF CONGRESSIONAL DEBATE ARE RE-ENACTED, THUS PROVIDING FOR YOU A LIVING PICTURE OF YOUR CONGRESS IN ACTION...THIS WEEK YOU WILL HEAR.......

SUNDAY, JUNE 10, 1945
3:30-4:00 P.M.

VOICE: HOW CAN BRETTON WOODS EFFECT YOUR FUTURE.

MUSIC: CHORD

VOICE: AND...WHAT IS THE FUTURE OF THE F.R.P.O.

ANNR: ALL THE DIALOGUE IS TAKEN DIRECTLY FROM THE CONGRESSIONAL RECORD AS HARMAN WATCH COMPANY BRINGS YOU.....THE HALLS OF CONGRESS.

MUSIC: THEME PLAY OFF
HALLS OF CONGRESS (BRETTON WOODS)

NAR:

VOICE 1:
INTERNATIONAL POLITICAL RELATIONS WILL BE FRIENDLY AND CONSTRUCTIVE ONLY IF SOLUTIONS ARE FOUND TO THE DIFFICULT ECONOMIC PROBLEMS WE FACE TODAY. THE CORNERSTONE FOR INTERNATIONAL ECONOMIC COOPERATION IS THE BRETTON WOODS PROPOSALS.

NAR:
AND ON TUESDAY OF THIS WEEK, PRESIDENT TRUMAN, IN A LETTER ADDRESSED TO THE CHAIRMAN OF THE HOUSE COMMITTEE ON BANKING AND CURRENCY WROTE:

VOICE 2:
"THE PROMPT ENACTMENT OF THE BRETTON WOODS LEGISLATION IS OF PARAMOUNT IMPORTANCE IN THE ESTABLISHMENT OF A SOUND ECONOMIC FOUNDATION FOR LASTING PEACE."

NAR:
IT WAS ON TUESDAY THAT THE LONG ANTEPID DEBATE ON THE BRETTON WOODS AGREEMENTS ACT BEGAN. REPRESENTATIVE SABATH, DEMOCRAT FROM ILLINOIS, SPEAKING FOR THE PROponents OF THE BILL STATED:

SABATH:
THE PRINCIPLE UPON WHICH THIS BILL HAS BEEN DRAWN IS AGREED TO BY 44 NATIONS. I KNOW THAT SOME GENTLEMEN WILL CLAIM THAT THEY DO NOT KNOW WHETHER OUR SHARE OF CONTRIBUTIONS IS NOT GREATER THAN THAT OF SOME OTHER NATIONS, BUT, AS I UNDERSTAND, THE AGREEMENT WAS REACHED THAT THE CONTRIBUTIONS AND ADVANCES SHOULD BE MADE IN ACCORDANCE WITH THE WEALTH OF EACH NATION.

SOUND:
(MEMBER OF VOICES)

SABATH:
MR. SPEAKER, AT THIS POINT, I DESIRE TO INSERT SOME EXCERPTS FROM AN APPEAL BY THE UNION OF DEMOCRATIC ACTION, A NATIONAL ORGANIZATION WITH HEADQUARTERS IN NEW YORK, AS FOLLOWS: HERE IS THE SIMPLE A B C OF BRETTON WOODS... QUESTION: WHAT IS THE BRETTON WOODS PLAN? ANSWER: IT IS A PLAN AGREED UPON BY 200 FINANCIAL EXPERTS REPRESENTING 44 NATIONS TO AID IN POST-WAR RECONSTRUCTION AND TO STABILIZE CURRENCIES FOR INTERNATIONAL TRADE... QUESTION: WHY SHOULD WE CARE ABOUT OTHER COUNTRIES AFTER THE WAR?... ANSWER: IF THE ECONOMIC FABRIC OF EUROPE FALLS APART, CHAOS AND WORLD WAR 3 WILL ENSHRINE US ALL. MORE IMMEDIATELY, WE NEED A MARKET FOR OUR PRODUCTS IF WE ARE TO AVOID UNEMPLOYMENT AND DEPRESSION AT HOME... (CONT.)
SABATH: QUESTION: HOW DOES THE PLAN OPERATE? ANSWER: THROUGH A
WORLD BANK AND A MONETARY FUND. THE BANK WILL HAVE A
CAPITAL OF 9 BILLION ONE HUNDRED MILLION DOLLARS, TO WHICH
EVERY NATION CONTRIBUTES IN PROPORTION TO ITS WEALTH. OUR
SHARE IS 3 BILLION 175 MILLION DOLLARS. VOTING POWER AND
CONTROL CORRESPOND TO CONTRIBUTIONS. THE BANK WILL APPROVE
AND GUARANTEE LOANS FOR RECONSTRUCTION AND DEVELOPMENT OF
COUNTRIES RUINED BY THE WAR. THE FUND IS AN INTERNATIONAL
STABILIZATION POOL OF 8 BILLION 8 HUNDRED MILLION DOLLARS,
TO WHICH WE CONTRIBUTE 2 BILLION 750 MILLION DOLLARS. THE
FUND IS A NEW APPROACH TOWARD CONTROLLING THE EVILS OF
CURRENCY MANIPULATION, SPECULATIVE TRADING, IN CURRENCIES,
AND ECONOMIC WAR-FARE WHICH IS THE DREAD PRECURSOR OF
SHOOTING WARFARE.

SOUND: (VOCES.....UP AND PAUSE AS HE RESUMES)

SABATH: MR. SPEAKER, THIS MAY NOT BE A PERFECT BILL. NO LEGISLATION
OR TREATIES ARE PERFECT, AND THERE CANNOT POSSIBLY BE
EMBODIED IN THEM EVERY CONCEIVABLE PROVISION TO COVER ALL
SITUATIONS IN ANTICIPATION OF FUTURE HAPPENINGS...I AM
AWARE THAT SOME OUTSTANDING BANKERS AND THE BANKERS "FUND"
ARE OPPOSED TO THIS LEGISLATION BECAUSE IT WILL PREVENT
THEIR MANIPULATION OF FOREIGN CURRENCY AS THEY HAVE
EXERCISED IT IN THE PAST....AGAIN, MOST OF THE ISOLATIONISTS
FIND FAULT WITH RUSSIA'S CONTRIBUTION TO THE FUND AS NOT
BEING AS GREAT AS OURS OR THAT SHE WILL DERIVE CERTAIN
ADVANTAGES. (CONT.)

SABATH: THESE STATEMENTS ARE UNJUSTIFIABLE AND UNWARRENDED AND ARE
MADE ON THE PART OF ISOLATIONIST GROUPS, AND SOME GENTLEMEN
FOR THE PURPOSE OF CREATING FRICTION BETWEEN OUR COUNTRY AND
RUSSIA.....SURELY WE HAVE AIDED RUSSIA, BUT NO ONE CAN DENY
THAT WITHOUT RUSSIA IT WOULD HAVE REQUIRED THE LIVES OF ONE
MILLION OF OUR BOYS TO BRING ABOUT THE DEFEAT OF HITLER...
WE SHOULD SEEK TO OBTAIN THE COOPERATION OF RUSSIA WHICH IS
IN A BETTER AND STRONGER POSITION TO AID US THAN GREAT
BRITAIN.....I FEEL THAT WE SHOULD DESIST IN UNNECESSARY
ATTACKS AND CRITICISMS OF PEOPLES OF OTHER COUNTRIES AND
SEEK TO RETAIN THE FRIENDSHIP AND GOOD WILL OF ALL....

SOUND: (VOCES...HOLD THROUGH END)

NAR: MISS JESSIE SUMNER, REPUBLICAN, AND REPRESENTATIVE FROM
ILLINOIS, OPPOSED TO THE BRETTON WOODS AGREEMENTS, OBTAINED
THE FLOOR.

SUMNER: THIS BILL RAISES THE QUESTION; WHO LOST THIS WAR? THE
AMERICAN PEOPLE?...IT IS OF COURSE, THE WORST SWINDLE IN
WORLD HISTORY...WITH ALL OUR RESPECT TO THE AMATEUR
DIPLOMATS WHO WENT TO BRETTON WOODS FROM CONGRESS, IT SEEMS
TO ME THEY WERE BAKED LOST IN THE BRETTON WOODS...MAYBE IT
IS OLD-FASHIONED TO THINK SO, BUT AFTER THIS EXPERIENCE I
THINK THAT WHEN IT COMES TO CONFERENCES, A MAN'S BEST PLACE
WHEN HE IS A CONGRESSMAN IS IN THE HOUSE.....THE BEST
QUALIFIED EXPERTS IN THE UNITED STATES HAVE WARNED YOU THAT
THE BRETTON WOODS AGREEMENTS ARE SO CLUTTERED UP WITH
LOOFOLKS THAT THE MONETARY ORGANIZATION WOULD OPERATE TO
PREVENT AND FINANCE THE VERY SAME VIOLENT PRACTICES IT IS
INTENDED OR SUPPOSED TO PREVENT. (CONT.)
SUNNER: THIS IS A SCHEME TO GET AMERICAN MONEY UNDER FALSE PRETENCES.

ROUNDS: (VOICES...HOLD BRIEFLY, THEN PAUSE AS SHE RESUMES)

SUNNER: THERE ARE NO REAL STRINGS IN THIS DICTATOR-CONTROL ORGANIZATION. DEGAULLE'S GOVERNMENT, NOW USING AMERICAN AID IN THE WAR, COULD USE THE $50 MILLION DOLLARS WHICH THIS SCHEME GIVES HIM. WHO IS TO PREVENT RUSSIA FROM GENERATING WARS ALL OVER THE WORLD WITH THE BILLION AND A HALF DOLLARS WHICH THIS DICTATOR-CONTROL ORGANIZATION GIVES TO RUSSIA AND THE RUSSIAN PUPPET GOVERNMENTS?

ROUNDS: (VOICES...)

SUNNER: THIS SWINDLING, WAR-BREEDING BRENNING WOODS PROPOSAL WOULD, IN MY JUDGMENT, AND IN THE JUDGMENT OF REALLY COMPETENT PEOPLE, THE MOST COMPETENT PEOPLE IN THE UNITED STATES, THROW AWAY OUR CHANCE TO DO THE THINGS WE WANT TO DO IN THE FUTURE. THIS IS FORCING THE AMERICAN PEOPLE TO PAY TRIBUTE TO FOREIGN GOVERNMENTS. IT WILL MAKE THE AMERICAN PEOPLE THE ECONOMIC SLAVES OF FOREIGN GOVERNMENTS...MR. SPEAKER, I AM SAYING NOW WHAT MULTITUDES OF AMERICANS WILL BE SAYING IF YOU PUSH THIS THING MUCH FURTHER.

ROUNDS: (VOICES...HOLD THROUGH PAR.)

SUNNER: MR. SPEAKER, WILL THE GENTLEWOMAN YIELD?

ROUNDS: I YIELD TO THE GENTLEMAN FROM PENNSYLVANIA.

SUNNER: REPRESENTATIVE RICH, REPUBLICAN FROM PENNSYLVANIA.

ROUNDS: (VOICES...HOLD THROUGH PAR.)

RICH: THE UNITED STATES, WITH SIX PERCENT OF THE POPULATION AND 7 PERCENT OF THE AREA OF THE WORLD IS SUPPOSED TO PAY INTO THIS BANK AND STABILIZATION FUND 25 PERCENT OF THE AMOUNT TO BE SUBSCRIBED. WHY ARE WE ASKED TO PAY THAT ENORMOUS AMOUNT AS OUR PROPORTIONATE SHARE?

SUNNER: WELL, I SUPPOSE IT IS BECAUSE OF THE KIND OF PUBLIC OFFICIALS WE HAVE, AND THAT WE SEND THEM TO THESE INTERNATIONAL CONFERENCES. WE ARE LIKE THE MAN WHO TRIED TO BE HIS LAWYER. HE HAD A POOL FOR A CLIENT....

ROUNDS: (VOICES...HOLD THROUGH PAR.)

SPEAKER: THE TIME OF THE GENTLEWOMAN FROM ILLINOIS HAS EXPIRED.

ROUNDS: (ONE GAVEL RAP)

SABATH: I YIELD TEN MINUTES TO THE GENTLEMAN FROM TEXAS.

NAR: REPRESENTATIVE PATMAN, DEMOCRAT FROM TEXAS, A PROPIETOR OF THE BILL.

PATMAN: MR. SPEAKER, THIS IS THE FINEST, THE LONGEST, THE NEXT STEP THAT HAS EVER BEEN ATTEMPTED BY THE CONGRESS TO SECURE PEACE IN THE WORLD IN THE FUTURE AND TO ENCOURAGE AND RESTORE INTERNATIONAL TRADE...IF WE HAD ADOPTED PROPOSALS LIKE THIS AFEER THE FAT WAR IT IS UNLIKELY THAT THIS PRESENT WAR WOULD HAVE OCCURRED.

HALLECK: MR. SPEAKER, WILL THE GENTLEMAN YIELD?

ROUNDS: (VOICES...HOLD THROUGH PAR.)

PATMAN: I YIELD TO THE GENTLEMAN FROM INDIANA.

NAR: REPRESENTATIVE HALLECK, REPUBLICAN FROM INDIANA.
HALLECK: If the gentleman had discovered this, why did he not immediately after 1933 promote and adopt this policy?

PATMAN: Secretary Morgenthau commenced in 1934, which was pretty soon after 1933 and he has been working on it ever since. You cannot quickly agree with 44 governments. I believe that he has made just as much progress as could have been made by any Secretary of the Treasury....I heard some reference of criticism about Russia a while ago. I am not going to criticize Russia. It is my belief that a million fighting men will come back across the Atlantic to the United States and take their places in the vacant chairs in the homes of America because of what Russia did. So I am not just about to get into any fight with Russia in view of what she has done in the recent past, to help save the world, as well as help save the United States.

SOUND: (VOICES... HOLD THROUGH NAR.)

OUTLAND: Mr. Speaker, will the gentleman yield?

PATMAN: I yield to the gentleman from California.

NAR: Representative Outland, Democrat from California.

OUTLAND: Does the gentleman think that a great deal of the criticism about Russia that is taking place in the press and over the air and in certain other places is doing a great deal of harm toward the building of an International Peace Organization.

PATMAN: It certainly is.

THOMAS: Mr. Speaker, will the gentleman yield?

PATMAN: I yield, for a question.

THOMAS: Does not the gentleman think that if Russia enters the war against Japan it may also save another million men?

SOUND: (VOICES)

PATMAN: We have people looking after that for us, and I am going to let them do so. I believe they will do a better job if we keep ourselves out of it....This is a bill to regulate the selfishness and restrain greed among the nations of the world. It will prevent International Cheaters, Chisellers, Racketeers, and International Desperadoes.

SABATH: Mr. Speaker, will the gentleman yield?

SOUND: (VOICES)

PATMAN: I yield.

NAR: (QUICKLY) Representative Sabath.

SABATH: Consequently, the opposition that we hear on the part of a few comes from these bankers who did not get everything they desired, although some say that we have yielded more to them than they were entitled to.

PATMAN: We have not yielded to the International Bankers.

SABATH: I am glad to hear that.

SOUND: (VOICES)

PATMAN: There is an International Banking ring with headquarters in this country, that is opposing this legislation with all their power. In every way possible they are opposing it. (CONT.)
PATMAN: It is against their selfish, greedy interest for this bill to become a law. They do not want these agreements. It is against their interests. They are the vultures that sit around waiting for some country to get into trouble so that they can help bail it out at a big price and to the disadvantage of the rest of the world. They are the ones who are fighting this bill....I know the opponents of this legislation point to the fact that it will cost the United States 6 billion dollars. It will not cost the United States anything because we are not going to lose anything....But let us suppose for the sake of argument that we will lose the entire amount. How much is 6 billion dollars?

SOUND: (Voices...slightly)

PATMAN: We spend more than that on the cost of the war in one month. It is less than we are spending on the war in 30 days. So can we not afford to risk the expenditures of one month of war to make it possible for us not to have World War III?

MUSIC: (Transition up and fade for)

NAR: On Wednesday the House resumed debate on the Bretton Woods agreements. The high point of the session was an amendment proposed by Representative Gurney of Illinois, which would have meant withholding United States backing from the proposed International Monetary Fund, which is planned to be used to stabilize world currencies. The effect of this would have been nullification of our participation in the Bretton Woods proposals, since a nation must belong to the fund in order to belong to the international bank. Miss Summer, in supporting her amendment, stated:

SUMMER: I regard the fund as a swindle and a fraud for one reason outstanding above all others---that it promotes and finances the very purposes and practices it is supposed to correct....As a person who has been in the banking business, and still is, I cannot conceive of anybody wanting to put his capital in any kind of a sound bank and at the same time set up some kind of corporation or fund or monetary agreement, or whatever you may call it, which would finance currency depreciation, debt refundation, and exchange control, and ruin the credit of the institution lending the money....The sound bank, if it is sound. For this reason I would not vote for the bank unless the fund were deleted from this bill.

SOUND: (Voices...hold through nar.)

NAR: Representative Spence, Democrat from Kentucky, and chairman of the committee on banking and currency, rose in opposition to the summer amendment.

SPENCE: This proposed amendment is not a frontal attack on the bill, it is an attack from ambush....Under the agreement one of the prerequisites to joining the bank is that the country must be a member of the fund; it was the main objective of the conference. In the agreement it is provided that in order to become a stockholder in the bank, one must be a member of the fund. If you pass this amendment you destroy the agreement, you destroy all the work we have done. It is an effort, an amendment to strike out the enacting clause of the bill...(cont.)
SPENCE: WE HAVE DEBATED THESE MATTERS IN THE COMMITTEE AND THE COMMITTEE REPORTED THIS BILL 23 TO 3. THIS AMENDMENT GOES TO THE VERY FUNDAMENTALS OF THE PROPOSALS, AND I ASK THAT IT BE VOTED DOWN.

SOUND: (VOICES...HOLD THROUGH NARR.)

BARRY: MR. SPEAKER, WILL THE GENTLEMAN YIELD?

SPENCE: I YIELD TO THE GENTLEMAN FROM NEW YORK.

BARRY: REPRESENTATIVE BARRY, DEMOCRAT FROM NEW YORK.

SPENCE: UNLESS WE STABILIZE WORLD CURRENCIES, WILL IT NOT BE VERY UNCERTAIN AS TO WHAT KIND OF INTEREST WE GET BACK ON THEIR BANK LOANS?

SPENCE: OF COURSE, THAT IT TRUE; AND FURTHERMORE, IF YOU STRIKE OUT THE FUND YOU STRIKE OUT THE VERY BASIS OF THIS LEGISLATION AND MAKE IT IMPOSSIBLE EITHER TO HAVE A FUND OR A BANK. IT WOULD BE NECESSARY TO HAVE ANOTHER CONFERENCE. IT WOULD BE NECESSARY TO HAVE THE CONFERENCES COME FROM THE FOUR CORNERS OF THE EARTH. IT WOULD BE IMPOSSIBLE TO GET THEM TOGETHER AGAIN.

BARRY: WILL THE GENTLEMAN YIELD?

SPENCE: I YIELD TO THE GENTLEWOMAN FROM ILLINOIS.

BARRY: I DO NOT MISUNDERSTAND YOU. I THINK IT IS FOR THE BEST INTERESTS OF THE UNITED STATES TO USE THE BANK; I WOULD NOT EVEN BOTHER TO MAKE A SPEECH AGAINST IT. I WOULD HAVE NO OBJECTION TO IT EXCEPT FOR THIS FUND.

SPENCE: I DO NOT KNOW WHAT THE GENTLEWOMAN'S IDEAS ARE IN INTRODUCING THIS AMENDMENT, BUT IT BOUTTLES THE WHOLE THING.

SOUND: (VOICES...HOLD.)


MORGANTHAU: THE HOUSE OF REPRESENTATIVES, IN VOTING OVERWHELMING APPROVAL OF THE BRETTON WOODS LEGISLATION HAS SPOKEN FORCEFULLY FOR THE PRINCIPLE OF INTERNATIONAL COOPERATION. THE ACTION WILL INCREASE A FEELING OF GREAT CONFIDENCE THROUGHOUT THE WORLD AT A TIME WHEN IT IS IMPORTANT THAT WE CONCENTRATE OUR EFFORTS UPON THE ACHIEVEMENT OF WORLD SECURITY AND PEACE. IT IS PARTICULARLY ENCOURAGING TO OBSERVE THAT DEMOCRATS AND REPUBLICANS WORKED TOGETHER FOR THE PASSAGE OF THE LEGISLATION AND THAT THE VOTE REPRESENTED A STRONG MAJORITY IN EACH PARTY. THE AMERICAN PEOPLE AND THE PEOPLES OF THE WORLD WILL WELCOME THIS EVIDENCE OF STATESMENSHIP IN WORLD AFFAIRS. IT PROMISES AN ERA OF WORLD COOPERATION WHICH WILL LEAD FOR PROSPERITY FOR ALL.
June 18, 1945

Chief Wilson
Secretary Morgenthau

I have a letter from Mrs. Roosevelt in which she says that Shafer, the Secret Service man who used to look after the President personally, has been most helpful to her and she wants to thank you and to thank him for all he has done.

She asked me whether he cannot be kept in Washington. Please speak to me personally about it. My own impression about Shafer is that he is a very good man. I would like to see you about it before noon.

June 18, 1945

Cliff Mack
Secretary Morgenthau

Mrs. Roosevelt would like to have two more rolls of wire netting. If they don't have the 40 inch, she will take the 36 inch. I don't have the memoranda with me that you gave me. If they haven't got it, be sure to let me know before 12:00 today.
13 June 1945

My dear Mrs. Karr:

Mr. Nathan Straus sent me the script of the broadcast, "Halls of Congress," for June 10th. I have written Mr. Straus that I think the script was unusually good.

A little birdie has told me that you are the author of this script, and I would like to compliment you on its excellence.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mrs. David Karr
Carlyn Apartments
2500 Que Street, N.W.
Washington, D.C.
19 June 1945

My dear Mrs. Karr:

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3200 One Street, N. W.
Washington, D. C.

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(Signed) H. Morgenthau, Jr.

Mrs. David Karr
Carlyln Apartments
3200 One Street, N. W.
Washington, D. C.

13/6/45
My dear Mrs. Carr:

Mr. Nathan Straus sent me the script of the broadcast, "Halls of War Congress," for June 10th. I think this was particularly good, and I have written him so. Mr. Straus told me that the script was unusually good.

A little birdie has told me that you are the author of this script, and I would like to compliment you on its excellence.

Sincerely yours,

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

TO Secretary Morgenthau
FROM J. W. Fehle

As I told you, the suggestion to decentralize the Penal Division came from Cliff Neck, who made the suggestion to me both orally and in a memorandum which I asked him to prepare.

It would be very nice if you could call him on the telephone or drop him a note telling him how much such suggestions are appreciated.
18 Jun 1945

Dear Mr. Doughton:

I have your letter of 13 June 1945, addressed to Secretary Morgenthau, with respect to the recent publicity given a tax deduction allegedly taken by John A. Hartford for a debt owed by Hartford to Brigadier General Elliott Roosevelt, and charged off by Mr. Hartford as a bad debt in 1942.

The statements referred to, so far as they relate to action by the Treasury Department, are untrue.

Our records show that in 1942 Mr. Hartford claimed losses from "uncollectible notes" of $225,000, but none of the item has been allowed by the Bureau of Internal Revenue as a proper deduction. To the contrary, the bureau has questioned the propriety of the deduction and, on 30 May 1944, in connection with its pending examination of Mr. Hartford's returns for 1943, requested its field office to investigate this item.

Sincerely,

(Signed Joseph J. O'Connell, Jr.
Acting Secretary of the Treasury

To:

Mr. Doughton,

House of Representatives.

JJSOS/jfa

14 June 1945

Dear Miss Barrows:

The Secretary has asked me to send to you the attached exchange of letters between Congressman Doughton and the Department, with the suggestion that you call them to the attention of the President.

Mr. Doughton is to explain the situation, from the Treasury Department point of view, on the floor of the House today, at which time the letters will be released by him.

Sincerely,

(Signed Joseph J. O'Connell, Jr.
Acting Secretary of the Treasury

Miss Roberta Barrows,

The White House

Enclosures

JJSOS/jfa
CONGRESS OF THE UNITED STATES
House of Representatives
Washington, D. C.

June 13, 1945.

Dear Mr. Morgenthau:

Certain statements have been made by Members of the Congress and several articles have appeared in the newspapers with regard to an alleged transaction between Brigadier General Elliott Roosevelt and John A. Hartford, resulting in a loss to the latter, which loss was allowed by the Treasury Department as a deduction for 1942 tax purposes.

Please advise me as to whether or not these statements are true.

Sincerely,

/s/ R. L. Boughton
R. L. Boughton

Hon. Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.
SCRIPT FOR BROADCAST FROM PAWLING, NEW YORK
OVER THE BLUE NETWORK
10:30 to 11:00 PM, June 13

ROUTINE
1. SECRETARY MORGENTHAU...OPENING
2. LT. JAMES GLADSTONE
3. THERAPIES ROUNDUP
4. LT. DORIS AMBROSE AND LENT
5. CORPORAL GERALD REYMAN AND LT. CHESTER NELSON
6. SGT. WILLIAM VIEREK
7. MAJOR THEODORE BACCHIANI AND STAFF SGT. SUMNER R. COHEN
8. SGT. MORTON MESTEL
   SHIRLEY MESTEL
9. COLONEL ROBERT H. TODD
10. CAPTAIN ROBERT SELLER
11. SGT. JOSEPH BAROS
12. MRS. ROOSEVELT...CLOSING
MUSIC: (STING ... SWELLS UP AND FADES UNDER)

ANNOUNCER: (cont'd)

Here to report to you eighty-five million bondholders is your Secretary of the Treasury, the Honorable Henry Morgenthau, Jr.

(MUSIC: OUT)

(over)
MORGENTHAU: As I sit before this microphone here in this auditorium, I cannot but wish - earnestly wish - that you could personally share this experience with me and with Mrs. Franklin D. Roosevelt who is here beside me.

I'm only sorry Mrs. Morgenthau couldn't be here too - for she's always wanted to visit Pawling, but she is ill at home ... Men who have felt the impact of war are by our side. Airmen. Across from us is a young man - By his side are his crutches.

Here and there is an empty sleeve ... These days we are engaged in another great demonstration of our united determination to force complete defeat upon our enemy. We are doing that through the Seventh War Loan. Few of us can share the actual immediacy of war. We can only feel war by seeing what it does -- through pictures and through the looks, the words, the actions of the fighting men who return to us - we in the Treasury deal in facts and figures. But there is another side to the war - the human side.
MORGENTHAU: And behind every fact and figure are people. You - me - and the young men with me. (MUSIC SNEAK) Tonight, here at this convalescent hospital in the green Berkshire hills of Pawling we are going to take you behind the facts and figures, behind the quotas, behind the E Bonds. We are going to see, together, war Bonds at work.

MUSIC: SWELLS HERE. THEN DOWN UNDER

MORGENTHAU: As you round the crest of a hill you get your first view of Pawling. You see the vine-covered buildings. You see young men in Air Force uniforms on an archery range.

GLADSTONE: Others are on the green lawn playing volley ball. As you come through the door you see a group of Air Force patients lounging in the lobby. (MUSIC -- OUT) And the first person you'd meet would be an officer of the Convalescent Services Branch -- Lt. James Gladstone.

GLADSTONE: Yes sir, Mr. Secretary. Some two thousand patients have arrived at Pawling and done just that.
GLADSTONE: All these men are heroes and have seen all kinds of thrilling action. Yet, can you imagine such a hero saying the greatest thrill of the war came to him when he could turn a doorknob without any help? Is that typical?

MORGENTHAU: Yes, sir. It's not so much the physical achievement as it is the spirit of independence these men seek. For example -- One day I was sitting in my office when I heard a tapping against my door. I opened it. There was a young chap -- his hands hanging limp and useless.

He'd been kicking the door. "Sorry I had to do that," he said. He stood there. He'd had both wrists shattered by machinegun slugs. He said to me, "Lieutenant, think there's any chance of patching up these mits of mine?" I told him we'd certainly do our best. Frankly, I didn't feel hopeful, but we gave him various types of physiotherapy and individual exercises. Finally, came the day when he called at my office and turned the doorknob with his own hand ... "You may not believe it," he said, "but this is the biggest day in the war for me."
GLADSTONE: (cont'd) It means I can really go home - open my own front door - myself!...

Yes, Mr. Secretary, I’ve seen about two thousand Air Force men come to Pawling. And WONDERFUL EXPERIENCE, seeing them leave under their own steam!

MUSIC: CURTAIN - SOFT SONG

(over)

MORGENTHAU: You know in the old days a hospital wasn’t the place it is today. Now emotional and mental needs are cared for. And today, when you walk through a place like the Pawling Convalescent Hospital you are constantly impressed by the lengths to which the doctors go to speed a man’s full recovery. (MUSIC OUT)

Here are just a few of the kind of things Pawling does to put its patients on the road back:
S/Sgt. Seymour Mills FROM THE BRONX

I'm taking a class called Backyard Exploration. I always lived in a big city and so I never knew the simplest things about trees and flowers and birds. But I'm learning now and I was surprised to find out what you can learn about nature right in your own backyard.

B: I'm taking a course in how to use the slide rule. What for? Well, it's a short cut to multiplying, dividing and other tricky calculations. After the war, I figure maybe it'll help me understand my wife's household budget.

C: I'm Staff Sgt. Sumner Cohen FROM Boston. I'm learning something about plastics, their chemical background and the things they can be used for. I think I'll be ready for that postwar world we keep hearing about.

(Over)
MOMENTHAW: There is one more truly unusual
Therapy I want you to know about. And
I've asked Miss Jane Sickler
Pawling Red Cross to tell you about it.

SICKLER: Some months ago I sat down to talk
with an Air Force gunner. He was a
huge fellow. He always seemed morose and uneasy and
I knew he was suffering from combat
fatigue. I asked him if there was
something I could do for him.
"Lady" he said, "you'd die laughing
if I told you what I wanted." I coaxed
him to tell me.

Finally, he blurted out, "A French
poodie - a little, white poodie is
what I want!" I got it for him the
next day ... and you should have seen
that soldier change. He had a friend -
someone who wouldn't ask too many
questions - and his recovery was rapid.

(MUSIC SNEAK) We've found that four
legs, a wagging tail, and a friendly
bark can do wonders. Anyone at Pawling
who wants a dog gets one - and the kind
he wants, too. And when he leaves, the dog
leaves with him.

MUSIC: SWEETS AND THEN GOES UNDER
(COVER)
As you walk on through Fawling you come to a door. On that door are the words "Physio-Therapy Section." You enter. And you are confronted with a strange world, for before your eyes is a great array of unfamiliar-looking machines. I saw that they all have one simple purpose: to help nature in her own job of healing.

(MUSIC OUT) When I was up there, I met Lieutenant Doris Ambrose who supervises treatment for many of the men.

AMBROSE: Mr. Morgenthau, he wanted to be able to smile - but he couldn't.

MORGENTHAU: What had happened to him, Lieutenant?
AMBROSE: A bullet had struck him on the left side of his head and his facial muscles were paralyzed. We gave him heat, MASSAGE, and MUSCLE RE-EDUCATION for forty minutes a day and now he's beginning to be able to control the left side of his face. Nothing he could do meant so much to him - and to me - than one day last week when he finished a treatment, looked at me, and actually managed a smile.

AMBROSE: We speed up nature's own process of healing injuries, Mr. Morgenthau. Once life is restored to an injured part, a man can exercise himself to hurry along his recovery.

MORGENTHAU: And how about men who've sustained serious leg injuries, Lieutenant?

AMBROSE: I can give you an expert witness on that point, Mr. Morgenthau: Lieutenant Richard W. Lent.
LENT: I was a navigator in a heavy bomber, Mr. Secretary, and last December after I'd flown fifty missions, our plane was hit over Yugoslavia. We had to bail out. When I hit the ground, I had bad luck. I broke both my legs. I was taken prisoner by some Germans but they kept me with them for only an hour; they couldn't carry me along and still move as fast as they wanted to. So they left me in a field.

(continuation)

MORGENTHAU: Do you think you'll suffer any permanent disability?

LENT: I don't think so, sir. I'm only twenty-three and I'm pretty strong. On top of that, the treatments and exercises I'm taking here have strengthened my legs so I'm not worried. In another few months I expect to be running, walking and dancing just as well as I ever did.

Music: Sneak

(over)
MORGENTHAU: Thank you, Lieutenant Lent. With your spirit, and what they're doing for you here at Pawling, you have good cause not to be worried.

MUSIC: SWELL AND FADE UNDER

MORGENTHAU: It's a strange thing about casualties. We're all well aware that some men lose their lives, that hundreds of thousands have been wounded, and that others are prisoners and missing. But soldiers are just like other people. Sometimes they just get ill. Those men have to be taken care of just the same as our wounded are cared for. (MUSIC OUT)

For example, here is Corporal Gerald Rayman of Mt. Vernon, New York who served with the 12th Air Force in Italy. Corporal, why were you hospitalized?

RAYMAN: Mr. Secretary, I contracted infantile paralysis in Italy. My arms and legs were of no use to me at all - I pretty much lost all hope. My very lowest moment came on the transport when I was being shipped back to the States. The man next to me was paralyzed from the neck down by a bad wound, and both of us knew that if the ship was torpedoed, we'd have no chance of escaping by ourselves.
REYMAN: So we got hold of a cribbage board and agreed to sweat out the sinking by playing cribbage.

MORGENTHAU: That really must have been tough.

REYMAN: It was. But three weeks after I arrived here I could discard my crutches for leg braces. I got rid of those last January and since then I've been taking at least four hours of exercise a day.

MORGENTHAU: What kind of exercise, Corporal?

REYMAN: Jumping on a trampoline table.

MORGENTHAU: Trampoline table?

REYMAN: Yes, sir. You've probably seen trampoline acts in the circus.

MORGENTHAU: When you go jumping on it, you go bouncing up in the air. It's great exercise and a lot of fun.

MORGENTHAU: I see, Corporal. Will you be able to go back to duty?

REYMAN: Yes, sir, I'm going tomorrow.

MORGENTHAU: How do you feel about it?

REYMAN: Well, sir, I can honestly say that I'm glad to go back.
Being something of a farmer myself in this neighborhood, there is one place here among the rolling hills of Pawling that was of special interest to me today. That's the 540 acre farm property run by, and for the patients of this amazing Convalescent Hospital. Here -- most any day -- you can see men in Air Force Fatigue uniforms going about -- doing the farm chores -- milking cows and feeding chickens and all the rest. (Music Out) --

... Take a man like this smiling soldier beside me.

MORGENTHAU:  

CORPORAL REYMANN: YOUR story shows that our men have as much courage in overcoming handicaps as they showed in combat. I believe our listeners would be willing to pay anything to see that our men get all they need. And yet, our military hospitalization costs us only $2 per patient per day. Paraphrasing the words of Winston Churchill, we can truthfully say there never was so much of the best provided for so many of the best, for so little cost.

MUSIC: CURTAIN AND SOFT SEGUE -- STAYS UNDER

(OVER)
CLARK (In LT. George Clark, corporate manager of New York City): They tell me you're a very enthusiastic worker out there on the fields of farming.

MORGENTHAU: It took me a long time to catch on.

Because I'm from the sidewalks of New York. I was raised thinking milk came fresh in the bottle from the milk wagon and no questions asked. But up here - I said, "I like the open air. And this farming business is something different." So all day I carry mash for the chickens, pull up rhubarb stalks and so on. I'll tell you one thing. You get to value food all the more.

(COVER) [over]
Of all the words you hear applied to patients at an army hospital, none seems more mysterious to people than - combat fatigue. But it's no mystery to the medical experts of Army hospitals such as these. (MUSIC OUT) I'd like the officer here beside me - Captain D. K. Wallis, Chief of Psychiatric Service to tell you how he and the men in his department help those patients. How do you define combat fatigue, Sir, combat fatigue is the popular term for an emotional state rising out of the stress and strain of battle.

I'd like to make it very clear such reactions are perfectly natural.

Everyone of us, at one time or other is affected in a similar way. It is only a question of degree. Riding through a barrage of flak over Tokyo is a far greater strain than most civilians ever experience.

Just what do you define, Sir, can Captain?
WALLIS: 

TO TELL

I would like you people to listen to the story of one man who has actually come through combat fatigue.

He was a tail gunner. He got along okay until he flew his ninth mission over Munich. Then he got so he couldn't keep anything on his stomach. On his 17th mission he saw the nose gunner killed by German machine gun bullets. After that he couldn't sleep but a few hours each night. It got worse as time went by. On August 12th of last year he flew his last mission - number 48. His plane raided the invasion coast of Southern France, and made a crash landing. His best friend died in that crash. After that he'd keep dreaming. He always had the same nightmare — about how his friend died there in the wreckage of his plane. It got so he could hardly sleep at all. He couldn't sit still. He felt all the time like he used to when he was riding thru heavy flak - nervous, with the pains of his hands sweating and his face twitching. 

MURDOCH: I see. How has he done here at Pauling, Captain?

WALLIS: He's on the up-grade. He's sleeping better. He doesn't have that nightmare all the time like he used to. He feels calmer. And he gets a kick out of playing soft ball with the boys. He's getting a thrill ... because he used to think he'd never enjoy anything again. He's shooting for one goal — to get back in the fight.

MURDOCH: I know from his spirit he'll make the grade again, and I know every American joins me in saluting his and wishing him a speedy recovery.

MURDOCH: CURTAIN AND SOFT CLOSE -- OVER.

(over)
Here at Pawling if you walk down the
gravel path you're sure to see a soldier
walking arm in arm with a smiling young
lady. The soldier looks a bit drawn —
but if you look in the face of the
young woman — you see only joy and
kindliness. For she is an American wife.
The staff here at Pawling encourages these
visits, because — after all — there's
nothing like the friendly smile of a
soldier's wife to speed his recovery.
(MUSIC OUT) One such couple is beside
me now.

MEETEL: I'm 20-years old from Brooklyn, New York.
        Sergeant Morton Mestel.

SHIRLEY: Staff Sergeant. You mean Staff Sergeant —
        Morton.

MESTEL: That's right. Staff Sergeant Morton
        Mestel.

MORGENTHAU: When did you enter the service, Sergeant?

MESTEL: In May, 1943, Mr. Morgenthau. My outfit
        went to the Southwest Pacific. We saw
        plenty of action, but right now, I feel
        like I'm missing the real thing. I want
to get back.

MORGENTHAU: Mrs. Mestel, how do you feel about that?

SHIRLEY: I want Morton to do what he wants to do —
        and I'm very proud of him.

MORGENTHAU: How do you like it out here
        in Pawling?
SHIRLEY: Mr. Morgenthau, it's heaven. I never dreamed Morton and I could be together in this grand place.

MORGENTHAU: How did you decide to come here and stay nearby?

SHIRLEY: I wanted to be with my husband. When he wrote he was being shipped back and that he'd lost 50 lbs., I was plenty worried. But they told me I could see him if I came up here. So I did.

MESTEL: And believe me that was the best medicine of all when I saw Shirley coming up the drive.

(over)

Mrs. Mestel, you're doing as much to aid your husband's recovery as any doctor at the hospital. (PAUSE) Ladies and gentlemen, sooner or later every patient here at the Convalescent Center gets to know one man. The Commanding Officer -- 32 year old Lt. Colonel Robert H. Todd, a veteran Flight Surgeon and overseas returnee. Each airman here comes to think of him in a very real sense as a friend. And the reason is plain to see. I tell all the men at Padsing they have one obligation -- Mr. Secretary -- and that is to get well. To help them achieve this objective we have done many other things in addition to our normal procedures. For instance, we try to make the men's quarters look like home. They live in attractively decorated, cheerful rooms -- other unusual features include...
MORGENTHAU:

Most of the young men up here have
had truly amazing experiences. In fact,
their experiences make most fiction really
palpitating by comparison. The record of the
young man beside me is a good case in
point. (MUSIC OUT) He is Captain Robert
Sellmer of Milwaukee, Wisconsin. In one
minute he told me enough this afternoon
to fill a book. Captain, suppose you
tell our listeners what you told me?

SELLMER:

Well, sir, after I finished college at
Dartmouth I went to Europe in 1937.
I reported then on German plans for
aggression. I got beat up in Memel
because I refused to salute some Storm
Troopers.
SELLMER: (cont'd)

When England and France went to war, I joined the French Foreign Legion as a Private. I helped cover the retreat of French troops. The Germans were shooting all Legionnaires rather than taking them prisoners. I had been wounded and taken to a hospital. But my life was saved by a nurse who changed the papers at the foot of my bed.

Finally, I escaped to unoccupied France and made my way to England. I enlisted in the RAF and piloted an attack bomber in England and later in Africa. Later I was transferred to the American Air Force in Italy. There I had a crackup and lost the use of my right arm.

(OVER)
SELLMER: Someday I hope to find a career open in the art world, and I can thank the Convalescent Hospital for opening that new world to me.

MUSIC: CURTAIN AND SOFT SONG - UNHER

(Over)
BOROS: Well, Mr. Secretary, I was an aerial engineer in a Flying Fortress and we were hit by flak over Frankfurt-am-Main a year ago April. A twenty millimeter shell hit us, and shrapnel cut my eyes very badly. We bailed out and were taken prisoner. The first four days I spent with the Germans were pretty bad; my eyes were swollen out like a red beet. But the German doctors didn't do a thing for me. I couldn't even get an aspirin tablet.

MONGENTHAU: Were you sent here at once, Sergeant?

BOROS: No, sir, I wasn't. I was at Balloran Hospital and they put in a glass eye. After a furlough at home in Hildalls, Pennsylvania, I came here. Just a month ago.

(OVER)
MORGENTHAU: Exactly what benefits were you sent here to get, Sergeant?

BOROS: The doctors seem to think I need lots of rest, Mr. Secretary.

MORGENTHAU: And are you getting it?

BOROS: Yes, sir, I am. This is the most wonderful vacation a man could have.

I can just fish and fish and fish.

MORGENTHAU: I would say -- you've well earned that privilege.

MUSIC: CURTAIN -- SOFT SONG -- UNDER

(OVER)

It is my pleasure now to introduce to you a great lady -- known to all of you -- who has been sitting across from me throughout this broadcast.

She has been a good friend and neighbor to me, my wife and to me for the past thirty years. Indeed, she has been a neighborly friend to all America.

No one in all our history has been more universally loved by the people of the United States than Mrs. Franklin D. Roosevelt.

APPLAUSE:

MRS. ROOSEVELT: Thank you, Henry ... and thank you, men and officers at Ft. Leibing. It's glad to be here again and to see what improvements have been made since my first visit more than a year ago. It has been a comfort to me, as it would be to all the mothers listening in, to have seen how well this Convalescent Hospital is operated.

It has not been possible for us at home to stand side by side with our sons in battle. We would like to do that.
MRS. ROOSEVELT: There is probably no parent listening (cont'd) in who would not willingly share THEIR loved one's own danger. Yes, and even THEIR LIVES sacrificed for the safety of THEIR LOVED ONES. Of course, we cannot actually do that in person, and yet in a very real sense we can do it. When we buy War Bonds we put a rifle into our sons' hands. When we buy War Bonds we put planes in the air to protect him as he hits the beach. When we buy War Bonds we put bandages on his wounds. We put tools in the surgeon's hand. We buy the time needed for his recovery.

MRS. ROOSEVELT: Yes, we buy convalescent hospitals like Pawling. There are those who could give you the reasons to buy Bonds if they could but speak. Who are they? They are our war dead. The gallant young men who now lie silent beside the mountain streams. Some lie asleep beneath the tropic skies. They lie in green fields, in volcanic ash, they lie beneath the seven seas. They lie there in the sleep of heroes and it is for us to keep faith with them. We who stay at home can do that by the loyalty we exhibit in the Seventh War Loan.
MRS. ROOSEVELT: And yet sometimes people ask, "Why do we need War Bond Drives?" We need them only because we have so little contact with the actual war itself.

We need them to make good on what our men died for - the full freedom man has ever struggled for. The heavy price God puts upon freedom is clear - and there is no way of bargaining. There are no shortcuts to peace - and no bargain rates for freedom.

One soldier up here said, "I don't see why people have to be sold on buying War Bonds."

MRS. ROOSEVELT: I've got a glass eye out of this war -- ten years from now those people who buy bonds can collect every penny plus a generous return -- ten years from now I'll still have only one eye."

That boy wasn't bitter -- he was simply puzzled. Buying Bonds to him seemed as simple and as necessary to life as digging a foxhole is to the soldier on the beach, and as one soldier here put it, "When you are on the beach you dig your foxhole fast. If you knew there was a thousand dollars at the bottom of it you couldn't dig any faster than you were already digging."
MRS. ROOSEVELT: That is the way it should be with
War Bonds. (MUSIC SNEAK) Some of these
boys here at Pawling have artificial
legs -- some have lost a hand -- others
an eye. All they have to show for their
demonstration of faith in their country
are the medals and ribbons plus the
War Bonds each of these men owns.
For they, too, buy and hold War Bonds.
We can do no less to show our own faith
than to continue to follow the example
of faith in their country which they
have set for us overseas and here at
home.

MUSIC: TO FINISH
You have been listening to a special Seventh War Loan broadcast from the Army Air Forces Convalescent Hospital at Pawling, New York, with Secretary of the Treasury, Henry Morgenthau, Jr., and Mrs. Franklin D. Roosevelt.

This hospital is one of the ten such hospitals under the supervision of the Personnel Distribution Command.

The Treasury Department wishes to thank Richard Dana and Paul R. Milton for assisting Lt. (jg) David Levy in the production of the material presented on this program and for assisting in its production. Our thanks, too, to Lt. Colonel Robert Todd and his staff for their cooperation. Music was under the direction of Mark Warnow. This is the Blue Network of the American Broadcasting Company.
Memorandum for the Secretary's desk:

The things I want to go to France for are

1. To open up the War Bond Exhibit in Paris.
2. To visit General Clay and see how his outfit is functioning in governing Germany.
3. To have an opportunity to see something of Germany, particularly the industrial section and the Ruhr and the Saar. If this is in the English Division, then the Army should arrange with the English that I have permission to go in to see the Ruhr and the Saar.
4. To look into the complaints we are receiving about the French exchange rate and how it affects the American soldier.
5. I also want to get some idea as to how much it is going to cost in Germany for the next year. While I am there I also want to visit some of the ports of embarkation there.
6. I would like to visit Berlin.
7. Arrange with General Marshall so that he would arrange transportation for me over and back at least as good as he did for me last August when I visited Normandy.
8. Also a note to Grew that the American diplomatic officers abroad should extend to me every courtesy and my party.
Dear Mr. Spencer:

I am greatly concerned, both as an American citizen and as Secretary of the Treasury, that the existing price control legislation be extended before its expiration on 30 June without amendment of such a character that they would result in increasing the cost of living.

The successful control of prices has, more than any other thing, distinguished the home-front management of this war from that of every other major war in which the United States has been engaged.

This successful control of prices has resulted, and will continue to result, in great benefit to the American people—particularly to the recipients of fixed incomes, including farmers, laborers, and the wage earners who would have certainly lost heavily in a spiral of rising prices and wages.

The success of price control has also resulted in a vast saving to the Government of the United States. The saving due to the greater effectiveness of price control in this war as compared with World War I amounts alone to nearly a hundred billion dollars. This saving reduces by that much the burden which must be shouldered by this and succeeding generations of taxpayers.

Many of the prices paid by the Government for things bought solely or chiefly by it. Others are for the same things as enter into the cost of living of the people. If the cost of living is permitted to rise, moreover, it would not merely increase directly a large proportion of Government expenditures, but would inevitably result in upward pressures on the cost of everything else purchased by the Government.

The maintenance of effective control over the cost of living is also vital in order to assure a sound civilian economy during the remainder of the war and the transition period. If prices rises which are caused only by temporary wartime pressures are permitted to occur, they will not merely upset the cost-price structure of today, but they will intensify the difficulties of adjustment to the more normal supply-demand situation which will prevail after the war.

The maintenance of present price levels is also of great importance to the expansion of the postwar export trade of the United States and to the promotion of domestic full employment. An increase in prices in this country would make it more difficult for us to export on a commercial basis, and would make it more difficult for the rest of the world to acquire those commodities which are indispensable for world economic recovery.

For these reasons, I should like to urge as strongly as I know how that your Committee recommend, and that the Congress approve, the continuance of the existing price control legislation without any amendments which would result in a significant increase in the cost of living.

Very truly yours,

[Signature]

H. Morgenthau, Jr.

Secretary of the Treasury
15 June 1945

Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington 25, D. C.

Dear Mr. Secretary:

I was even more pleased than surprised to receive your heartening letter congratulating me on the President's action. It is good to know that they still leave you enough leisure to do things of that sort.

You asked whether there is anything that you can do to help. The only thing that I can think of now is to give me an opportunity, when your immanent Mrs. Morgenthau's health permit, to see something of you in the months to come.

Very Sincerely yours,

[Signature]

Paul H. Nitze
Lieutenant, USNR

13 June 1945

Dear Mr. Secretary:

I was pleased and encouraged to have your note of congratulations on my appointment as Administrator of the Veterans Administration. I hope that we shall be able to justify your confidence in Army leadership and bring to the returning veterans the consideration they have earned.

On my return from Germany this summer I shall look forward to meeting you again and renewing our friendship.

Sincerely,

[Signature]

O. L. Bradley
General, U.S. Army

The Honorable
The Secretary of the Treasury

Regraded Unclassified
June 13, 1945

My dear General Meyers:

I certainly was highly flattered to receive your very kind letter of June 6th. I thought that the work I had done in those early days had been forgotten, but evidently not by you.

I know how hard you worked to get the air program started, and I think when history is written you should occupy a very important place. I don't know of anybody who deserves more credit than you do.

I hope that the fact that your letter was written from the hospital at Coral Cables means that you are convalescing and not that you are ill. If you should be coming through Washington at any time, please be sure to drop in to see me.

Again with many thanks for your very kind letter,

I am

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Major General Bennett E. Meyers, M.D.
AAF Reg & Conv Hospital,
Biltmore Unit,
Coral Cables 34, Florida.

June 13, 1945

My dear General Meyers:

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I am

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Major General Bennett E. Meyers, M.D.
AAF Reg & Conv Hospital,
Biltmore Unit,
Coral Cables 34, Florida.
Dear General Giles,

I want to thank you most sincerely for the excellent statement you made available to the Treasury for our use in promoting the 7th War Loan Drive. The newspapers of the nation gave it splendid front page coverage, and I am sure it will be helpful to us in reaching our high quotes for the drive.

Sincerely,

(Signed) H. Morgenthau, Jr.

Lieut. General Barney N. Giles, AAP, Commanding General, Pacific Ocean Areas
The Pentagon
Washington 25, D. C.

30 June 1945

Regarded Unclassified
19 JUN 1945

Dear Admiral Towers:

I want to thank you most sincerely for the excellent statement you made available to the Treasury for our use in promoting the 7th War Loan Drive. The newspapers of the nation gave it splendid front page coverage, and I am sure it will be helpful to us in reaching our high quotas for the drive.

Sincerely,

(Signed) H. Morgenthau, Jr.

Vice Admiral J. H. Towers, USN
Deputy Commander in Chief, Pacific Fleet
Navy Department
Washington 25, D. C.

SGLubb
6-11-45

13 JUN 1945

Dear Admiral Kirk:

I want to thank you most sincerely for the excellent statement you made available to the Treasury for our use in promoting the 7th War Loan Drive. The newspapers of the nation gave it splendid front page coverage, and I am sure it will be helpful to us in reaching our high quotas for the drive.

Sincerely,

(Signed) H. Morgenthau, Jr.

Vice Admiral Alan G. Kirk, USN
Commander, U. S. Naval Forces, France
Navy Department
Washington 25, D. C.

SGLubb
6-11-45
13 JUN 1945

Dear General Handy:

I want to thank you most sincerely for the excellent statement you made available to the Treasury for our use in promoting the 7th War Loan Drive. The newspapers of the nation gave it splendid front page coverage, and I am sure it will be helpful to us in reaching our high quotas for the drive.

Sincerely,

(Signed) H. Morgenthau, Jr.

General Thomas E. Handy
Deputy Chief of Staff, U. S. Army
The Pentagon
Washington 25, D. C.

8-11-45

13 JUN 1945

Dear Admiral McCain:

I want to thank you most sincerely for the excellent statement you made available to the Treasury for our use in promoting the 7th War Loan Drive. The newspapers of the nation gave it splendid front page coverage, and I am sure it will be helpful to us in reaching our high quotas for the drive.

Sincerely,

(Signed) H. Morgenthau, Jr.

Vice Admiral John S. McCain, USN
Commander, Carrier Task Force Third Fleet
Navy Department
Washington 25, D. C.

8-11-45
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE 13 June 1945

TO Secretary Morgenthau
FROM E. R. Fussell

Attached are:

A 20-page summary of the Treasury's principal activities in connection with the war, through 1940, plus a summary of Lend-lease development up to the period of establishment of the Lend-lease administration. I am retaining a carbon of this material, for further checking.

Ribbon and carbon copy of your letter of Oct. 17, 1938, to President Roosevelt. I am retaining no copy of this letter.

If the 20-page summary is along the line of what Fred Smith requires, I plan to carry on this narrative account of the Treasury's participation in the war effort, also to develop similar (but much briefer) accounts of the Treasury's interest in food stamps and housing. That is all that I have in sight beyond what I have previously given Fred in memo form, but I'll be glad to have further assignments along this line.
October 17, 1938.

Dear Mr. President:

The events of the past weeks have brought home to all of us the increasing effectiveness of the forces of aggression. Since 1931 we have seen, succeeding each other with briefer and briefer intervals between, the fall of Manchuria and the invasion of China, the conquest of Ethiopia, fomented unrest in Latin America and in the Near East, armed intervention in Spain, the annexation of Austria, and the dismemberment of Czechoslovakia -- all in seven short years.

How can we expect aggression to end there? Japan at first wanted only Manchuria; then North China; now she will not be content with less than the whole of China. Italy wanted only Ethiopia; now she wants control of North Africa. Germany wanted only equality in armaments, then the realignament of the Rhineland, then Austria, then Czechoslovakia, now colonies. The current claim of an aggressor power is always its last -- until the next one.

So well have the aggressor nations mastered the tactics of aggression that a victory in one part of the world is followed by outbursts of aggression elsewhere. Germany's victory in Czechoslovakia is followed with indelent haste by Polish and Hungarian demands. Japan, watching her opportunity, loses no time in attacking Canton, while in Palestine, Arab discontent is fomented to fever pitch.

We should learn the lesson which the history of the last seven years has to teach us. Let us not repeat the short-sighted mistakes of Britain and France. The impact of the aggressor nations upon American life and American interests has so far, to be sure, been more insidious than overt, but it will be too late if we wait until the effects are obvious. Who in France as late as 1930 would have dreamt that in less than a decade that great democratic nation was to become a second-rate power, shorn of influence in central Europe, depending upon a grudging and demanding ally for security? Who would have expected that Great Britain's might would be challenged in the Mediterranean, that her economic interests would be brushed aside in China, and that the Premier of England would hurry to Hitler to plead that he be not too demanding or impatient, and to plead, moreover in humble tones lest the dictator take umbrage and demand more?

Let us while we can peacefully do so try to check the aggressors. Let us not be placed in the position of having to compound with them. Let it not be necessary for the President of the United States to fly to Tokyo and in humble manner plead with the Mikado that he be content with half the Philippines rather than wage war for the whole. Such a possibility may seem ridiculous now, but no more ridiculous than Chamberlain's flight to Berlin would have seemed seven years ago.

In March of this year Winston Churchill called upon England to act, saying "If we do not stand up to the dictators now, we shall only prepare the day when we shall have to stand up to them under far more adverse conditions. Two years ago it was safe, three years ago it was easy, and four years ago a mere dispatch might have rectified the position... Now the victors are the vanquished, and those who threw down their arms in the field and sued for an armistice are striding on to world mastery." The basis for the present humiliation of England was laid in 1931, when England failed to join the United States in disapproval of Japanese aggression in Manchuria. The basis of either humiliation or war for the United States is being laid today by a foreign policy that shuns its eyes to aggression and withholds economic support from those who resist.

I know you are firmly convinced as I am firmly convinced that the forces of aggression must be stopped. By whom if not by us? I believe that we are the only country in the world now in a position to initiate effective steps to stop aggression by peaceful means. Once the United States takes the lead in developing an effective program, democratic forces in all countries -- even those now submerged in the aggressor nations -- will take heart. In England and in France groups within the governments without will be stimulated and encouraged to press for parallel action.

To use our great financial strength to help safeguard future peace for the United States, and to make your "Good Neighbor" policy really effective, we should introduce at once a program of peaceful action on two fronts -- in the Far East and in Latin America. In these two areas we can move most effectively and with the least complication.

Two opportunities are now before us:

1. The extension of credit to China. It is yet possible for us not to be of decisive help. If, as seems to be the case, I am forced to the view that without substantial financial aid given promptly the Chinese resistance may soon disintegrate. By means of aid of more than the cost of one battleship we can give renewed vitality and effectiveness to the Chinese. We can do more than that. By our action we can further the struggle of democracy against aggression everywhere.
I am pleading China's cause with a special urgency because you have on numerous occasions told me to proceed with proposals for assistance to China. All my efforts to secure immediate substantial aid for China have proved of no avail against the adamantly foreign policy of doing nothing which could possibly be objected to by an aggressor nation. I need not tell you that I respect the integrity and sincerity of those who hold the belief that a course of inaction is the right one, but the issues at stake go beyond any one of us and do not permit me to remain silent. What greater force for peace could there be than the emergence of a unified China?

2. The extension of credit to Latin American countries. Our neighbors to the south are sorely in need of capital and commerce to enable them to develop their resources free from foreign intervention. Unless we assist them they will become a helpless field for political and economic exploitation by the aggressor nations. Already some inroads have been made in that direction. Now, after the Munich agreement, we may expect that Germany, Italy and Japan will become bolder and more effective in their attempts to establish areas of economic and political support to the south of us. We can stop that penetration by an intelligent use of a small proportion of our enormous gold and silver holdings.

The measures we may adopt can be developed as the specific occasions requiring assistance may arise. We have several such occasions before us right now: Brazil, Cuba, Mexico, Peru. The details of the assistance can be worked out in conjunction with the representatives of those governments; but it is first necessary that we accept in principle the need for positive action of this kind as a part of our "Good Neighbor" policy.

European events of the last month have made me feel more certain than ever of the wisdom of initiating a positive program of assistance along the lines indicated above. Reports from China convince me that the need for quick action is urgent.

Sincerely,

The President,
Hyde Park, N. Y.