Following is survey of Soviet press for week May 20 through 26.

This week Inter-Allied relations particularly with regard to Germany, Poland and Yugoslavia were main preoccupation of press. The press voiced criticism not merely of Anglo-American reactionaries but of elements within the Allied Governments, especially UK. The usual editorial on anniversary of Anglo-Soviet alliance did not appear in press. Talanov published defiant article on that day defending Soviet policies in occupied nations against criticism of the press of UK.

Also, the allies was shrilling regarding the Allied war against Japan which virtually disappeared from the press.

Articles by Gorbachev in RED STAR charging London Polish Government with organising propaganda and even armed struggle against USSR was reported prominently. Free quotes Gorbachev as critical of British Government for subordinating activities of London Government. The RKO STALIN, the army paper, reported alleged plans in London for transferring large Polish Army to British occupation zone and mentioned privileges which "Polish Fascists" enjoyed in this zone already. The statements lately made by General Ur in London were attacked by INFORM, reiterating that he was a criminal and INFORM declared that Henryk Dmowski was beginning to understand character of adventure with which they were dealing and asked how long it would be before the others understood degrading pace they were playing with the emigrant.
emigrant government of Poland.

It was charged that the sixteen Poles whom Soviets arrested for alleged disloyal actions were Romanowski's followers.

Regarding Polish question, statements, especially in Romanowski's statement at San Francisco, placed renewed stress on necessity of friendly Polish Government which would not lend itself to policy of cordial neutrality directed against Russia from standpoint of Soviet Union's security. Russia had some requirement in reference to Poland as Britain had with respect to Belgium, Romanowski asserted.

The antipathetic attitude toward USG of Warsaw Provisional Government was contrasted with machinations of Poles in London. Big play was given to delegation of Polish coal miners who brought trainload of coking coal to Moscow as gift. Polish Protests Congress was given complete coverage. In speech at Congress, Groskle Romanowski stressed loyalty of Poles to Warsaw Government, their gratitude to Government for land reform and related actions and their friendship for USG.

Items of news calculated to indicate increasing prestige of Warsaw Government in international relations appeared, such as agreement on exchange of nations with the Government of Italy.

Regarding the German question, the press began week with continued criticism of Allied policy regarding Benito and his group accusing certain circles in Allied nations of wishing to use German necessities for their own selfish purposes. Also, articles continued to appear concerning prominence of industrial magnates in Germany whose connections with Anglo-American business was given emphasis. The press denounced punishment of war criminals including Fascist leaders, militarists and industrialists.

Publication without consent by mid-week of brief news item concerning arrest of Benito and his government in presence of Soviet representative put an end to agitation over Benito's role.

Although foregoing material indicated concern in connection with certain aspects of Allied German policy was published by press, the depiction of positive developments in portion of Germany occupied by Russia was continued. Not only were Soviet actions in furnishing material requirements of populace described in several reports from Potsdam and Berlin, but the inauguration of a vigorous program by the Soviet to convince Germans (especially intellectuals) of respect of the Soviets for culture of Germany was indicated also. The Soviets are popularizing Russian films and music, at the same time.

Story concerning architect Werner's election as Oberbürgermeister of Berlin was published by Moscow NGL. This story was previously broadcast over domestic radio. Reference was made in several items in Russian language press to the election of Oberbürgermeister but Werner was not mentioned in them.

The re-establishment of food manufacture, theatrical and musical life, trade, and employment exchanges was described in stories and photographs.

The claim was made that new spirit was arising among Germans in Russian occupied area. The statement that Berlin, no longer Fascist, had entered new path was made in one story. Some Berliners shared joyous spirit of men of the Red Army, according to Moscow NGL. The awakening of Germans from Fascist propaganda and their realization of the false picture Nazis gave of Russians
of Russia was emphasized in articles above all.

Concerning any arrests or trials of Soviet war criminals or disposition being made of Soviet prisoners, nothing was said.

More concern appeared on San Francisco conference than at any period since it started. A series of articles by S. Makov, correspondent for INSTHEA, comprised the majority of this content.

In connection with voting procedure, Makov implied that insufficient determination to force Oderes formula's adoption was being shown by Anglo-American (and especially British) delegations. He said that the votes of delegations sensitive to British policy might be influenced by this hesitant attitude.

Concerning trustworthiness, disappointment in extensive American circles was reported by Makov because the British position favoring "self government" rather than "independence" for mandated and colonial territories had seemingly been accepted by America. He explained that commercial considerations motivated the critical attitude of American toward colonial and old mandate systems.

The skeptical attitude of Israel Feldin concerning practicality of any security organization was criticized severely by Makov. Feldin's thesis that war is rooted in human psychology was opposed by Makov. Fear in product of social relations, according to Soviet view. He said that most of the American press consent was skeptical concerning security organization's practical value.

The most substantial general criticism of American scene which has been published in daily press since Soviet Union's entry in the war was presented by FRAMA and INSTHEA through special correspondents at San Francisco. The article

article "Price" by Serguev presented a bookcase displaying jumbled collection of literature ranging from baldly lustful through pornography to "NEE BEEP as typical of American civilization. He also identified most of the products of Hollywood as trash and criticized the American press for distracting readers' attention from serious events.

In effort was made by Makov to refute the idea that politics do not interest "average American" and proved his case by concrete unheard in trolleyco and on park benches. Makov's article implied that average American is disgusted by a press which offers reactionary poison such as anti-Soviet slander to him, rather than representing his interests.

In addition Makov attached critical reaction he saw at work in conference at San Francisco and concluded week with an article endeavoring to reveal how journalists are slaved through capitalism control of press.

In one of his San Francisco articles, Makov referred to reports that the balance of power principle might again be the British foreign policy. Makov published at the end of the week a vitriolic criticism of elements in British press who contrasted western methods with those of Russia. He asserted, after refuting Soviet thesis that thesis represents the highest form of democracy, that western methods might be those of the Anglo-Soviet treaty or of Hitler and be ended by warning that Russia was strong enough now to assure not only her own security but the security of the peoples of Europe as well.

Announcement was made of the arrival of Ambassador Harriman and Mr.赖尔森.

Friendly accounts were published in the press of enthusiastic response of American servicemen to such an amateur show and of several Makov's presentation of
lations with Soviet Union, an event at Tash meeting which honored the Twenty-Fifth Anniversary of Soviet Azerbaijan that the ties between Iranian and Azerbaijani peoples were indissoluble.

Position of the Muslim Church in Azerbaijan was explained to visitors by Azerbaijani religious leader.

Most brilliant domestic event of week, high lighting Kishov, was large
Kremlin reception for leaders of Soviet Union. Increased prestige of Army
leaders in Soviet society was emphasized by this assembly of Soviet notables.
Pointing out that good foreign policy could be more valuable than two or
three smiles, Stalin, at the same time, reminded them of the role of political
leadership by a toast to flexible.

Among those sending greeting to CECQOL newspaper on its twenty-fifth
anniversary the name of Povis, LIV, chief who has been accorded the largest
play this spring since before the war, was again prominent.

Stalin's enthusiastic and frank recognition of role of Muslims as foremost
among equals in Soviet family of peoples was a notable feature of reception
for the Kishovs. Historic greeting of Russian people, including fact that
they gave Lenin's ideas to the world, was acclaimed.

Over and over and forcefully, the necessity of additionally strengthening
and perfecting military might of country continue to be proclaimed.

Large scale rural housing project was announced by Khrushchev, party
leader of Ukraine. He implied that more complex kind of housing than simple
cottages would be built for first time since revolution.
TO: Secretary Morgenthau  
FROM: Mr. White  
SUBJECT: Bank for International Settlements  
  
You suggested eliminating from the letters concerning the ISB addressed to the Bretton Woods signatories the sentence "I do not contemplate answering the letter addressed to me."

After considering the matter further we feel that this sentence is essential to the objectives which we have in mind in sending these letters. The most important point to get across to the other Bretton Woods signatories is that we intend to treat the ISB as though it would soon go out of existence. Refusing to negotiate or discuss matters with the ISB is our most potent weapon at the moment and it is essential that the other governments be advised that this is what we are doing.

We still feel that the letters should include the sentence in question.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

TO: Secretary Morgenthau
FROM: H. D. White

An important issue has arisen concerning the Bank for International Settlements.

You recently received two letters from Ha.itchick of the BIS. One transmitted a copy of a letter to the Chancellor of the Exchequer setting forth the BIS position under the treaties establishing the bank and asserting, in effect, its immunity from politics—i.e. the war. The second letter is a statement of the need for resuming service on the German International 5% loan of 1930 guaranteed by various German state revenues, and is addressed to the governments on whose behalf this loan was issued under the Young Plan, and to governments of countries in which substantial parts of the loan are held. We are in the latter group.

The Hitchrick letters are "for the record" and do not require a reply. We propose, however, to write letters to other Bretton Woods signatories. Attached are three model letters for your signature. These letters are based on the following position:

1. Bretton Woods Resolution No. 8 calls for the liquidation of the BIS at the earliest possible moment. We do not want to appear to be retracting in the slightest from this resolution. On the other hand, we do not want to precipitate a direct battle with BIS until the Bretton Woods legislation is enacted and other countries have adhered to it.

2. Hitchrick's letters are part of an obvious effort to stake out a claim for the BIS in the post-war world. As such, they are, in effect, a challenge to Bretton Woods. This is particularly true of the letter to the Chancellor of the Exchequer which was probably cleared with the British Treasury before it was sent.

3. The other signatories to the Bretton Woods Act should be advised of the BIS action, should be reminded of Bretton Woods Resolution No. 8, and should be advised that we are not answering...
the letters. It will thus be obvious to them that we do not intend to negotiate with the U.S. Such letters from us may stiffen the backs of countries which would like to liquidate the SDR but hesitate to take any initiative.

4. The Chancellor of the Exchequer should be advised of our action, reminded of Bretton Woods Resolution No. 5, and asked what he is doing about the letters addressed to him.

If you approve these letters, those for the other Bretton Woods signatories will be prepared immediately. You will note that the letters differ slightly because of the fact that some of the Bretton Woods countries also got letters from the U.S. and some did not.
Excellency:

I recently received two letters from Mr. McKittrick of the Bank for International Settlements, each dated May 3, 1945. I note from one of these letters that you received a similar communication.

I do not contemplate answering the letters addressed to me. Since you likewise participated in the United Nations Monetary and Financial Conference, which unanimously recommended the liquidation of the Bank for International Settlements at the earliest possible moment, I would appreciate your advising me how you expect to treat this communication.

Very sincerely yours,

Henry Morgenthau, Jr.

Secretary of the Treasury

His Excellency Rene Pleven
The Minister of Finance
Paris, France

Excellency:

I recently received from Mr. McKittrick of the Bank for International Settlements, a letter, dated May 2, 1945, and a copy of a letter of the same date which Mr. McKittrick sent to the British Chancellor of the Exchequer.

I do not contemplate answering the letter addressed to me. Since you likewise participated in the United Nations Monetary and Financial Conference, which unanimously recommended the liquidation of the Bank for International Settlements at the earliest possible moment, I am sending herewith copies of these letters to you for your information.

Very sincerely yours,

Henry Morgenthau, Jr.

Secretary of the Treasury

His Excellency,
Mr. Arthur de Sousa Costa,
The Minister of Finance,
The United States of Brazil,
Rio de Janeiro, Brazil.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE June 22, 1945

TO Secretary Morgentau

FROM Mr. Goet V.C.

This letter from Joe Dubois came in last night. About half the Mission, including Dubois, was left in Germany when Pauley and Lubin went to Moscow. Joe does not think Lubin has been helpful.
REGRADED UNCLASSIFIED

UNITED STATES OF AMERICA
TREASURY DEPARTMENT

Embassy of the United States
Paris, June 11, 1915

Personal and Confidential

Mr. Harry D. White,
Assistant Secretary of the Treasury,
Washington, D.C.

Dear Harry:

I am sending you this letter through Ted Dell.

It is very difficult to make any sound judgment as yet as to where this Mission is headed for, but on the basis of what I have learned to date, things could be a lot worse. Here is a brief summary of events to date:

(1) Pauley and the first group spent a couple of days in London during which time they talked to Hidice and his boys, but, according to Pauley, did not have any conversations with the British. This is contrary to a press report which appeared here saying that Pauley had discussed reparations with the British while in London. Pauley was very disturbed about this report, which he said was completely untrue.

(2) After that Pauley et al spent over a week touring Germany. In my talks with Pauley and other members of the group it is clear that they all came away with the definite impression that a large part of German industry is either intact or can readily be repaired within a few months. They "discovered" this to be the case after they had been led to believe by those on top that nothing was left. In fact, as you may have seen, Pauley held a press conference here in which he stated that this was the case. Incidentally, it Commend Joe Fisher (formerly of Treasury and since working with Demie), who is in contemplation will shortly be attached to the reparations group in Frankfurt, helped show the members of the group around in Germany and was extremely helpful in seeking to it that they saw many of the large plants which have been untouched.

(3) Pauley and his group returned to Paris last Tuesday. During the week following I had a number of talks with Pauley and the rest of the members of his staff. I lent the reading material which we prepared in the Treasury on the German problem to several key people. They were greatly impressed and I feel that the material has already paid considerable dividends— all of which emphasizes that the sooner this material is made available to more people, the greater will be our chance of success. Both Marshall and Soundrett said that the material was extremely convincing.

Pauley has made several remarks to me personally, and to the group as a whole, which certainly indicates that he is heading in the right direction. For example, at a meeting of all members of the staff—which, by the way, now includes about 35 people, 26 of whom are on the policy level and 10 on the administrative level—he made the remark that he wanted everyone to understand that, as he interpreted his instructions, the policy of the U.S. Government was to deindustrialize Germany. In talking to me, he said that it was not his intention to side with the British or the French, and that he thought there was much more reasonable chance that we and the Russians could get together on a program. He said he hoped to have some informal discussions with the Russians in Moscow before the British arrived. He also said that he felt that Russia had suffered so much in this war that they were entitled to most anything they might want out of Germany.

(4) On Monday, June 11, 21 of the Mission proceeded to Moscow, leaving 15 behind to proceed to Frankfurt tomorrow. Where it is contemplated that they will spend about "two or three weeks" before proceeding to Moscow. The group which went to Moscow included Pauley and wife; Lord; Patten, from the Federal Reserve Bank in Texas; Dublin; Marshall Hailer, a so-called industrialist who, I gather, is a good friend of Draper; Col. Fugelsom, who, as far as I can tell from talking to him, has the right line; Adams, a lawyer from New York; Joes Bergan, a publicity man whom, I am sure, you know; Tonne, whom I spoke to you about; Bergan and Abravinita, who are both OSS men; Wilson of FBI; and Rosensum of State, who is the "librarian."

The group who have been left temporarily behind includes Spruill; Captain Folsom, who is rather innocent; Soundrett, who is a very able and outspoken lawyer from New York and who has the right line; Captain Colquhoun, an "industrial expert"; Richardson, who is Dottie Richardson's dad; Col. Burdson, classified as a "transportation expert"; Loethinger and Rubin of State; and myself.
I have definitely ascertained that the reason I (as well as Beandrett) was not included in the first group going to Moscow was Lubin's decision and not Fauley's. I might say at this point that I am disgusted with the way Lubin has acted to date. In many ways he has tried to discredit Treasury people. For example, Fisher was sore at you and the Treasury when I first started talking with him. Lubin had told Fisher that the reason he had not taken Fisher on previously was because, when he mentioned Fisher's name to you, you had said, "Why the hell do you want that guy Fisher?" I have straightened Fisher out completely. Again, Lubin spread the word about that Bernstein's division was disorganized and was unwilling to share their information with others. I have also straightened this out and arranged for Omis Schmidt to have dinner with Fauley. Fauley was greatly impressed with Omis and the work his men are doing.

I do not feel discouraged about spending some time in Germany. Fauley has asked me specifically to gather full information on what the Army is doing and report it to him, so that he can take the necessary steps to correct what is obviously a stickinig situation. From what I saw and heard in two days in Germany, it is worse than I imagined. What Bernis told us is an understatement.

I have no illusions about what we can accomplish. The road ahead is a long one, with many hills and mountains to climb. However, you can be sure I will keep fighting in my small way, often under cover, until I feel it is useless to fight any longer.

I sure wish you were around where I could seek your advice and depend on you to deliver your knockout punches.

Sincerely,

Joe Dubois
Mrs. Henriette Klots,
Treasury Department,
Washington, D.C.

Dear Mrs. Klots:

I am sending you a copy of a letter I received from Mr. Feinmann. There is a reference in it to Falkiner (which means H.M.). I wish you would show it to him.

Sernen Agronsky, who, incidentally, has been staying in my house during his enjour in this country was very much impressed with your boss when he had lunch the other day with F.F.

Tomorrow I am seeing Mr. Earl Harrison, in Philadelphia.

As always,

Yours,

[Signature]
UNITED STATES OF AMERICA
TREASURY DEPARTMENT
EMBASSY OF THE UNITED STATES

OFFICIAL BUSINESS

VIA AIR MAIL

Mr. Harry D. White
Assistant Secretary of the Treasury
Washington, D. C.

Personal and Confidential
As from:

77 Great Russell Street,

E.G. I

7th June, 1945

My dear Mayer,

This is about one of the first days that I begin to feel more or less normal. I have unfortunately had a long period of enforced idleness — one unpleasant thing after another. The worst was, perhaps, the impossibility of using my eyes. I could not read or write, and just had to sit about. But I think everything is now well on the way to being in order again. I am returning to London for a day or two, and shall then go away to the country again for ten days or a fortnight, to complete my convalescence. After that, I come back to normal life, and some work.

As you will have seen for yourself, news from here is confusing, and the Syrian business may have repercussions on our own affairs. It is still not clear whether good or bad; it may be that Mr. Churchill will now turn to the Arabs and tell them that he has done so much for them that he expects them not to hinder him in his efforts to do something for the Jewish National Home. But it is really difficult to know where all these complications are likely to lead. We stand, too, before a General Election, and it is impossible to forecast what the next Parliament will be like. However, we are doing what we can to keep our case before the electorate. I understand that the office is contemplating a meeting of Zionist leaders for the end of July, in London. I expect definitely that you will be coming along. There will be nothing for you to do in America at that time of year.

I have just written a long letter to Bargmann which you might perhaps read. In all the uncertainties here, we help from your side would be very welcome. I wonder whether the situation is being made clear to Tel Aviv? The delay in reaching a decision on our question is vexing many Jewish lives from the fear remnant that remains to us, and the longer they wait, the more difficult everything will become. I have not been able to see any of the authorities here since my return, but shall try to do something in the course of the next few weeks. But you have to help from your side, too.

We hope to be in the States in September, and I am looking forward to it, but I am sure we shall see you before then here. We both send you and your family our best love and I remain

Affectionately yours,

(Signed) chats
22 JUN 1945

Dear Mr. Kennedy:

This is to confirm our conversation with reference to the production of a radio program to be built around the case histories of Treasury law enforcement activities. Such a program can be very effective in developing public understanding of this important phase of our work. An enlightened public will be more cooperative, thus making the job of law enforcement less difficult.

As I told you, the Treasury staff will be glad to be of assistance, particularly in making the information available to you. Of course, this information will be given to you with the understanding that I will have the privilege of approving or disapproving the final scripts before they are used.

I am pleased with the constructive point of view you have indicated in connection with the proposed program, and I feel confident that it will be a popular show which will, at the same time, serve a serious purpose.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Jay Richard Kennedy,
265 Madison Avenue,
New York, New York.

Dear Mr. Bowles:

I have your recent letter with respect to cooperation between the Office of Price Administration and the Treasury Department, particularly in connection with the special meata enforcement program.

As you know, I am willing and anxious to cooperate fully with your office in all cases in which black market violators have also been guilty of violating our tax laws.

I am asking Mr. Homan, the Commissioner of Internal Revenue, to send special instructions to his field offices with respect to the meat enforcement program, requesting full cooperation with your local officials.

I agree that it will be helpful to have widespread and well directed publicity on our law enforcement activities, and in this connection I suggest that you have one of your representatives get in touch with my assistant, Mr. Edwin Russell, who will handle the public relations aspects of this matter for me.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Chester Bowles
Administrator
Office of Price Administration
Washington 25, D. C.
OFFICE OF PRICE ADMINISTRATION
WASHINGTON 25, D. C.

The Honorable
The Secretary of the Treasury

My dear Mr. Secretary:

You will recall that recently arrangements were made between the Treasury Department and the Office of Price Administration for closer cooperation between us. Our recent conversations have been very heartening to me, and I feel sure that much will be accomplished.

Following conversations among our respective representatives, we have already issued instructions with respect to a special meat enforcement program in certain selected areas throughout the nation. We have selected these areas because of their major importance in the field of meat production and slaughter.

I want to place before you the general outline of this project because I believe it affords an excellent opportunity for combined action by our respective offices.

Slaughterers are required to report certain price averages on a monthly basis for the live cattle which they purchase. They are required to report these average prices to OA and to Defense Supplies Corporation if they make applications for subsidy payments. If a slaughterer has exceeded his average price he is in violation of the price control regulations. Perhaps more important than these, however, is the fact that in all probability he is selling dressed meat above ceiling prices. In other words, it is important for OA to hold all slaughterers to their proper average for purchase in order to be certain that at this first level the dressed meat moves out within legal ceiling prices. Otherwise, the price pressure will start at that point and magnify through all levels down to the consumer.

We have very good reason to believe that certain slaughterers are falsifying the reports which they file with us and Defense Supplies Corporation. If we are correct in that belief, it inevitably means that they are falsifying their bookkeeping records and are undoubtedly using a technique of combating substantial cash transactions which are not reflected in their books. That being so, we think it is a fair inference that a substantial portion of these cash receipts are not reflected as income for tax purposes.

Our program has already been started in the Newark-New York area, Chicago, Dallas, Oklahoma City, Kansas City, San Francisco, and Los Angeles. Plans are under way for a similar program in Cleveland and Boston. In selecting the slaughterers we have relied upon our accumulation of information on the subject, with the result that we are selecting slaughterers who have a general history of past violations and whose size is such that their activities have a substantial effect upon the condition.
of the industry. For your information some of these squalers have increased their business during the past two years as high as 500 per cent. In the face of the difficulties which law-abiding squalers have had in purchasing livestock within the law, it is fairly evident that such increases in activity are fairly indicative of the fact that improper advantage has been taken.

Our investigators and accountants are now checking these selected squalers. As soon as they have a reasonable indication that the records have been falsified, my people will meet with yours to review the facts as developed. At that time we trust that your people will then lay out a parallel tax program whereby tax investigations will proceed at the same time that our investigations continue.

We are certain that in a great many of these parallel investigations it will be possible to develop substantial evidence justifying criminal prosecution. Despite the work is being done on a highly selective basis and want to develop the greatest deterrent effect in the interest of the entire stabilization program, we will maintain the strictest control of our investigations from Washington and instructions have been issued that no publicity shall be released and no formal steps taken in the field except under our direction from Washington. It is our desire that when these cases break the public will learn of them in their full impact as a major Treasury-DF program to break a black market in food and protect the credit structure of the nation.

I trust that you will agree that this is a constructive step toward the type of results which the nation needs and I should be pleased to have your views with respect to this project.

The excellent work which you are doing in recovering taxes from black market operators is a genuine contribution to the stabilization program and I wish to extend my sincere appreciation for your cooperation and assistance.

Sincerely,

Chester Bowles
Administrator
Dear Admiral Wessche:

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 Russell R. Wessche
USCG Commandant
United States Coast Guard
Washington, 25, D. C.

22 Jun 1945

Dear General Edson:

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.

Brig. General Herrick A. Edson, USMC
Chief of Staff, Fleet Marine Force, Pacific
Navy Department
Washington 25, D. C.

22 Jun 1945

Regarded Unclassified
Dear General Smith:

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.

Brig. General Oliver P. Smith, USMC
Commanding General, Tenth Army
Navy Department
Washington 25, D. C.

6-20-45
TO Secretary Morgenthau  
FROM Joseph J. O'Connell, Jr.

Date June 22, 1945

This refers to your inquiry about the article in this morning's Times Herald to the effect that investigation on the Roosevelt-Hartford loan was being held up by the failure of the Bureau to submit necessary information to the Congressional Committees.

This report is based on information obtained from Mr. Norman Cann who is heading up the field investigation which the Bureau is conducting under arrangements discussed with Chairman Doughton and Representative Knutson of the Ways and Means Committee.

The investigations are proceeding as rapidly as possible in New York, Texas and Washington, D. C. The Committee members have expressed anxiety to get the completed reports as early as possible but at the same time they have an understanding of the scope of the examination required and to Mr. Cann's knowledge have not expressed any dissatisfaction with the Bureau's efforts to date. The orders to the key men in the field have been to the general effect to proceed with all possible dispatch, but at the same time strive earnestly for an adequate report which will give sound support to a decision which must be justified not only in Congressional inquiries, but also possibly before the courts in case of litigation.

Apparently Mr. Stan reported yesterday to members of the Joint Committee. We had no representative present at that time. Mr. Stan did advise Mr. Cann in advance of his report that he would recommend that the Committee await its detailed investigation until the completion of the Bureau's report. There was no indication of any criticism as to the progress being made by the Bureau.

There follows a more detailed statement as to the chronology of events and the character of the investigation under way.

On June 15 Mr. Cann conferred with Messrs. Doughton, Knutson and Stan, advising them that the Bureau would like to proceed with a thorough investigation before formally reporting to the Committee and asking that they be permitted to get all the facts. This was agreed to.

Immediately, one of the key men of the New York office, Mr. Olson, was called to Washington and directed to undertake an investigation of Mr. Hartford's 1942 and 1943 returns.

The agent in charge at Dallas was instructed at the same time to proceed with an investigation of Elliott Roosevelt's returns and, in addition, to investigate the radio company which was the subject of the loan (Texas State Networks, Inc.), the stock of which was pledged as collateral for the loan. The Texas agent was also directed to examine into the properties reported to have been set aside in trust by Elliott Roosevelt.

The New York agent was also directed to investigate the new radio company which was to be organized, known as Transcontinental Broadcasting Company, Inc., which required the securing of information at sources in Pittsburgh, Delaware and Texas.

At the same time a further investigation was directed in Washington, D. C., with respect to the four thousand dollar check reportedly paid in settlement of the bad debt.

Mr. Cann has been in daily communication with both New York and Texas in directing and expediting the investigation.

The New York investigation of Mr. Hartford's returns is proceeding satisfactorily and is expected to be concluded next week. Mr. Hartford has been cooperating with the agents in furnishing all requested information.
The Texas investigation relating to Elliott Roosevelt's returns has encountered greater difficulties, because of inability to locate all necessary records, the fact that he maintained several bank accounts, and the variety of tax advisers who participated in making his returns.

When the report is in order it is intended to take the matter up with you before submitting any information to the Committee.
TO: Mr. O'Connell

The Secretary would like to have
a memorandum answering these charges
by 2:00 o'clock today.

P. B. Mennen

From: Mr. Fitzgerald
Quicker Action Sought in Probe Of Elliott Loan

By W. P. FLYTHE Jr.

Quicker action in the investigation of the Roosevelt-Harford loan and deal deal was demanded by committee members yesterday when it was learned that failure of the Treasury's Internal Revenue Bureau to submit information necessary to the inquiry was holding up the investigation in both House and Senate.

When the Senate Finance Committee and the House Ways and Means Committee demand action, the investigation was expected to go into the case. It was revealed for the first time that the report could not proceed further because the Treasury has not yet complied with the request for highly important details.

Quick Action Urged

Senator Brackett (R.), of New Hampshire, author of the resolution which the Senate Finance Committee is acting on, said that the Senate Finance Committee and the Senate Ways and Means Committee had received a report from the Treasury which declared that they would not be able to submit the report until the Senate Finance Committee had submitted a resolution for the purpose.

The Senate Finance Committee had submitted a resolution which was not acted upon by the Senate Ways and Means Committee.

The report from the Treasury was the result of an investigation of John Harford, head of the AP chain stores, who leased $2,000,000 of Gen. Elliott Roosevelt, of Gen. Roosevelt, and of those men, formerly of the Treasury, who were directors of the company which is now a settlement for Gen. Roosevelt for $2,000.

Some of the questions they were directed to ask and information requested of the Treasury from the act would enable the committee to proceed with the investigation.

Explanations Asked

Harford is to be supplied with an explanation of the types of the "unacknowledged" security at a time when the chain stores of which he is the head were under investigation by the Senate Ways and Means Committee.

He will also be required to tell what, if any, steps he took to collect before declaring the deal a "bad" one.

The "bad" loan of Gen. Roosevelt is expected to reveal that he declared the $2,000,000 be obtained in the deal as a part of his capital gain.

The investigation of the investigations, it was said by committee members, is expected to cause the committee to demand the submission of the Treasury's income tax returns, which would be demanded by the committee.

Reports Necessary

When the committee members demanded the report the Treasury Department and the Senate Ways and Means Committee, and the Senate Finance Committee, appeared to announce that they would not be able to proceed until the investigation was completed.

The investigation is reported to be in the hands of the Senate Finance Committee, and the Senate Ways and Means Committee, who have received a report from the Treasury which stated that they would not be able to proceed until the Senate Ways and Means Committee had submitted a resolution for the purpose.

The resolution was submitted by the Senate Finance Committee, but was not acted upon by the Senate Ways and Means Committee.
22 JUN 1945

Dear General Herale:

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.

 Brig. General Leo D. Herale, USMC
Asst. Division Commander
Fifth Marine Division
Navy Department
Washington 25, D. C.

SM-30b
6-20-45

22 JUN 1945

Dear General Smith:

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.

Major General Julian C. Smith, USMC
Commanding General, Department of the Pacific
Navy Department
Washington 25, D. C.

SM-30b
6-20-45
June 22, 1945

REMEMBER FOR THE SECRETARY

Collector Will R. Smith of Indianapolis called on me today, and he said that nobody had asked him for his resignation.

Does Mr. Hannegan want me to ask him for his resignation?

My dear Colonel McCarthy:

Permit me to thank you for the data on the four Generals submitted in your letter of June 16th in connection with the selection of someone to direct our law enforcement activity in the Treasury Department.

After I have secured certain facts relating to the civilian experience of these gentlemen, I shall be happy to communicate further with you.

Sincerely,

(Signed) H. Morgenstern, Jr.

Colonel Frank McCarthy, CSG
Secretary, General Staff
Office of the Chief of Staff
War Department
Washington 25, D. C.

CSB mbg teg
6/21/45
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

TO: Secretary Morgenthau
FROM: Mr. Gaston

DATE: June 22, 1945

Oscar Ewing, Vice Chairman of the National Committee, who handles most of the northeastern problems, was in to see me a few days ago and called me on the phone yesterday. He said that after consultation with Hennegan he wanted to ask me if I would not request Mrs. Agnes Hodge, Collector of Customs at Minneapolis, to resign so that Mrs. Viola Johnson could be appointed in her place. Mrs. Johnson was the candidate of the Farmer-Labor wing of the party for Collector at Duluth, but the Committee favored Mrs. Clara Sarvela, who was appointed by President Roosevelt as one of his last acts. This appointment, along with that of Donovan of Duluth, local counsel for one of the Steel Corporation subsidiaries, as a Federal District Judge, has stirred up a great deal of resentment among the farmer-labor group. Since the Farmer-Labor group carried the Minneapolis city election recently in an overwhelming way, they are not exactly in an humble mood.

I told Oscar that with your permission I would have an investigation made of Mrs. Johnson and if she seemed all right, I would then request Mrs. Hodge's resignation although her term does not expire until March of next year.
WASHINGTON, D.C., June 21 — Supporting the plea voiced by Secretary of the Treasury Henry Morgenthau, Jr., when the latter stressed the inflationary danger inherent in the present collective purchasing power of the wage-earners of the nation, Benjamin H. Mann, President of the National Retail Dry Goods Association, whose department and specialty store membership covers every section of the country, today urged that "people only buy the merchandise they really need, and invest the money they save in the 7th War Loan."

Pointing out the growing threat of merchandise shortages, which he believes will grow worse before the situation improves, Major Mann emphasized the mounting danger of people with "more money than usual all wanting to buy the same scarce merchandise."

Such an unbalanced supply and demand situation is a powerful factor in the inflationary tide that could easily engulf us all in a devastating avalanche — "making us lose, in a price rise orgy, much of what we are fighting for."

One certain way to keep our economy on an even keel, so that we can be sure of adequate jobs and happy homes after the war, said Major Mann, is to "put every possible dollar into War Bonds."
22 JUN 1945

Dear General Rockey:

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,

[Signature]

Major General Keller E. Rockey
Commanding General, 5th Marine Division, USMC
Navy Department
Washington 25, D. C.

SGL:eb
6-20-45

Regraded Unclassified
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

TO: Secretary Morgenthau
FROM: Mr. 

Subject: Current Developments in the High-grade Security Markets

I. Prices of Taxable Bonds Advance

Prices of taxable Government bonds have continued to advance in recent weeks, extending the rise which has been in progress since the opening of the Seventh War Loan on May 19. The most spectacular gains have been scored by the long-term issues. The restricted bonds have advanced 26/32, on average, during this period of nearly six weeks. The unregistered 2-1/2% of 1967-72 have gained 1-30/32, closing last night at 105-14/32 to yield 4.19 percent. Most taxable bonds are now quoted at or near their all-time highs.

No significant changes have occurred in the market for certificates of indebtedness during the last few weeks. Yields of certificates remain at about the same level as last December, when you asked Chairman Eccles to bring them down into line with the previously established rate pattern.

II. Some Ease in Money Market Follows Opening of Corporation Portion of War Loan

Some easing of the money market is revealed by the condition statement of the Federal Reserve Banks for June 20, 1945, the first statement date to give effect to the opening of the corporation drive on June 19. Although excess reserves of 33,607 million represented little change from the previous week, member bank borrowing declined during the week ended June 20 by $845 million, or by nearly two-thirds of its total amount the preceding week. Another factor contributing to ease in the market was the fact that money in circulation increased by only $3 million during the week.

III. New Issue of 2-1/2 Percent National War Bonds Replaces British 1-3/4 Percent Exchequer Bonds

On June 19, a new issue of British 2-1/2 percent National War Bonds, 1954-56, replaced the 1-3/4 percent Exchequer Bonds, 1950. It will be recalled that the 1-3/4 percent issue was introduced last November to replace the issue of 2-1/2 percent National War Bonds, 1952-54. The new War Bond issue is the sixth of this type which has been offered since June 1940. The first issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years. Each issue had a maximum term of seven years.
Secretary Morgenthau - 3

<table>
<thead>
<tr>
<th>Issue</th>
<th>Time on Sale</th>
<th>Total Subscriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945-46</td>
<td>6</td>
<td>444</td>
</tr>
<tr>
<td>1946-47</td>
<td>9</td>
<td>493</td>
</tr>
<tr>
<td>1947-48</td>
<td>14</td>
<td>714</td>
</tr>
<tr>
<td>1948-49</td>
<td>9</td>
<td>522</td>
</tr>
<tr>
<td>1949-50</td>
<td>14</td>
<td>614</td>
</tr>
</tbody>
</table>

IV. Final Results of Canada’s Eighth Victory Loan

Total sales in Canada’s Eighth Victory Loan, subscriptions to which were accepted until May 13, amounted to $1,569 million, or about 116 percent of the minimum goal of $1,350 million. The total amount raised was some $50 million greater than in the Seventh Loan, and comprised the largest loan ever raised in Canada. Purchases by individuals were also greater than in any of the preceding loans. At $536 million, they were 184 percent of the quota.
suggestion that the danger of the letter development is if
anyway increasing. The experience of the American
voluntary relief organizations now active in Portugal on
account of refugees generally indicates, however, that
when special refugees are able to obtain visas for other
countries, the Portuguese authorities are prepared to
allow them to depart.

3. The United States voluntary organizations which have been
active in Portugal since the autumn of 1943, have found it general
refugee relief program was effective; such relief and assistance as
the circumstances permitted to numbers of opinion
refugees in Lisbon and elsewhere in Portugal. The United
States authorities are now aware that voluntors has been obtained for the issue of visas for
exits for fifty separate refugee families and for ten thousand
fifty individuals. It is estimated that the total number
involved may be approximately per persons. Jailing out
that the cost of transportation and the costs of
the United States authorities and the inter-

governmental committee found that the amount of these
people is large that fails to allow as adequate as possible
because the persons for each one are unable to leave that
the United States authorities, the United committee that its request
has been the approval of the solution, or relief control center.

4. The request of the United States committee
ought, to be sympathetic consideration. It is a proposal for
the United States government to agree to have their
children, because of threat to life or liberty, sent to
or as their
political condition, and the two in fact, and in the
otherwise it is directly related to the primary laws of the
refugees, only in the non-hostile for refugees, since
it is advisable and generally to means the immediate
will be on a normal basis, which would be in accordance
with the various rights of residence and employment.

5. According to information provided to the United
States committee, the average cost of transportation from
Portugal to Latin America is between two and one
person from Latin America, via the United
States is approximately six per person. The United
States of

SURTHER REQUEST:

URGENT
London, 4.00

required is thus approximately £20,000. In the event that it becomes possible to arrange for direct transportation from Lisbon to Mexico and Venezuela, there may be some reduction in these figures.

6. Since these persons have been displaced otherwise than as a result of the war, they are not within the mandate of Cuba.

7. The necessary steps to establish appropriate financial arrangements with the Haitian service committee in respect of these proposals will be undertaken when the funds requested have been approved by the governments of the United Kingdom and the United States of America and the proposal in general has been sanctioned by the Executive Committee.

Mr. Hallion
Mr. Allison
Mr. Johnson
B. A. Johnson, PAH
Ankara

Institution: Special telegrams, (SECRET U)

Date: June 28, 1942

Read at 3:35 p.m., 28th

Secretary of State,
Washington,

668, June 28, 3 p.m.

Ministry for Foreign Affairs states 84 people still under detention in two hotels are divided into two categories: one consisting of 25 persons of former Turkish nationality (only two of whom were over before in Turkey) who were deprived of Turkish nationality under Turkish law before arrival in Turkey; the other consisting of 29 people who are "Heimatlosen" (ECPTS 804, June 16 for DEPT and UNR).

Ministry states further that most of these people now wish to return to their former residences in various European countries (rather than proceed to Palestine) and inquires how they can obtain permission to do so. JDC representative advises current costs now reduced to approximately 500 Turkish pounds (about 275) daily for 70 (report 70) people. List of names being obtained.

Wilson

RB
CABLE TO OLSER, STOCKHOLM, FROM WAR REFUGEE BOARD

Unless you have made other arrangements, War Refugee Board equipment should be held for Treasury pending further instructions from Charles Bell, Administrative Assistant, Treasury.

THIS IS WAR STOCKHOLM CABLE NO. 374

4:00 p.m.
June 22, 1945
Miss Ripple (for the Sen'y), Gohn, Rodal, Hatchison, McDermott, Files.

CABLE TO KCOLELLAND AND HARD, BERN, FROM WAR REFUGEE BOARD

Reference telephone conversation June 22, 1945, War Refugee Board equipment should be held for Treasury pending further instructions from Charles Bell, Administrative Assistant, Treasury.

THIS IS WAR BERN CABLE No. 336

4:00 p.m.
June 22, 1945
Miss Ripple, (for the Sen'y), Gohn, Rodal, Hatchison, McDermott, Files.
Mr. Secretary of State,

Washington,

3297, June 22, 2 p.m.

OUGHTER OF WSB FROM HUGUETLAND

LEG 2670, May 9 and 2863, May 23.

In interest of Discharging Board responsibilities in Switzerland and in absence of instructions from donors of unspent balances of 72,889.45 and 840,550.81 Swiss francs which I am still holding advice as to what should be done with this money would be appreciated.

HARRISON

JT