

PRESS CONFERENCES

BOOK 25:

NOV. 4, 1943 - JUNE 29, 1944

Africa, North

SEE Military Currency - <u>Italy</u> and <u>France</u> - 11/4/43.....	Book 25:	2-22
Allied Military Government		
SEE Atrocities in Italy, German - 11/4/43.....	"	1 & 26-30
SEE Military Currency - <u>Italy</u> and <u>France</u> - 11/4/43..	"	2-22
SEE Military Currency - <u>France</u> - 6/8/44.....	"	228-32
American Delegation to Stabilization Conference		
SEE Stabilization - 6/3/44.....	"	220-21
SEE Stabilization - 6/8/44.....	"	234-40
SEE Stabilization - 6/23/44.....	"	243 & 264-65
Appointments and Resignations		
Walter J. Rothsensies resigned as Collector of Internal Revenue at Philadelphia - 1/15/44.....	"	91-92
Randolph E. Paul resigns as General Counsel - April 25, 1944 - 3/23/44.....	"	125-27
Argentina		
SEE Stabilization - 4/20/44.....	"	172-73
SEE Stabilization - 4/21/44.....	"	180-99
Atrocities in Italy, German		
HWr gives press copy of letter addressed to him, through General Mark W. Clark, US 5th Army, by Col. Edgar E. Hume, Chief, Military Government in Naples, outlining acts of German cruelty and destruction on city and inhabitants - 11/4/43..... (See copy of letter pp. 26-30)	"	1 & 26-30

Bank for Reconstruction and Development, International		
SEE Stabilization - 11/4/43.....	"	24-25
SEE Stabilization - 4/20/44.....	"	135-79
SEE Stabilization - 4/21/44.....	"	180-99
Banking		
"Off the record", HWr has Comptroller of Currency working on plan to establish American Bank in Egypt at request of King Farouk - 11/11/43.....	"	44-46
a) When done will open up new field of banking - 11/11/43.....	"	45-46
1. Lots of money in Egypt and prices at pre-war level.		

- B - (Continued)

Bretton Woods, N. H.		
SEE Stabilization - 6/1/44.....	Book 25:	213
SEE Stabilization - 6/23/44.....	"	255-65 & 268-72

- C -

Capital, "Venture"		
SEE Tax, Corporate - 6/23/44.....	"	249-54
Chicago, Illinois		
SEE Financing, Government, re: 5th War Loan - 6/23/44	"	248-49
China		
SEE Stabilization - 4/21/44.....	"	189-99
SEE Stabilization - 6/23/44.....	"	255-60 & 268-72
Civilian Defense, Office of		
SEE Financing, Government, re: 5th War Loan - 6/23/44	"	248-49
Coins, Mintage of		
US minted small amount of silver coins for Government of Saudi Arabia just as is done for other countries including the Netherlands - 3/23/44.....	"	132-34
Comptroller of Currency		
SEE Banking - 11/11/43.....	"	44-46
Contract Renegotiation, War		
SEE Tax, Legislation - 12/20/43.....	"	55-70
SEE Renegotiation, War Contract - 1/27/44.....	"	102-04
Czechoslovakia		
SEE Stabilization - 4/20/44.....	"	163-64
SEE Stabilization - 4/21/44.....	"	180-99

- D -

Dairy Farming		
SEE Morgenthau, Henry, Jr. - 11/11/43.....	"	31-40

- E -

Egypt		
SEE Banking - 11/11/43.....	"	44-46

Financing, Government

With national income over \$150 billion annually, EDWJ feels now is time to pay for 50% of cost of war through taxes, so returning soldiers will not have to fight war and then bear burden of its cost - 11/4/43..... Book 25: 23

51 Chairmen of Field Offices called to confer on 4th War Loan to improve on last campaign - 11/11/43.... " 40-44

a) In 2nd War Loan 24% of people were solicited; in 3rd, 47% solicited - 11/11/43..... " 40

b) 86% of people liked manner of handling 3rd War Loan and 38% bought 1 or more extra bonds - 11/11/43..... " 41-44

1. 52,577,000 $\text{\$}$ Bonds sold.

2. More emphasis to be placed on individual sales in 4th.

SEN Tax, Alcohol - 11/18/43..... " 47-49

SEN Tax, Legislation - 12/20/43..... " 55-60

\$5 billion of 7/8% certificates sold in 4th War Loan maturing February 1; holders being offered same amount for another year in exchange - 1/15/44..... " 81

a) \$412 million Commodity Credit Corporation, 1-1/8% notes maturing February 15; holders will be offered 7/8% certificates or cash - 1/15/44..... " 82

SEN Tax, Evsnation - 1/15/44..... " 82-88

4th War Loan drive off to good start with better co-operation all around and more workers - 1/27/44.... " 98-99

1 1/2% note due 9/15/59 will be offered for maturities; banks also may convert to 1956-59 2 1/2%, or 1965-70 2 1/2% notes - 3/1/44..... " 106

\$5 billion certificates maturing in April will be financed - 3/1/44..... " 110-11

a) \$17 billion balance in General Fund - 3/1/44.. " 111-12

Goal of 5th War Loan is set at \$16 billion - 3/23/44. " 123

Goal of 5th War Loan announced as \$16 billion; \$6 billion from individuals and \$10 billion from large investors - 5/23/44..... " 247-49 & 266-67

(See Press Service 42-45 for June 26, 1944, pp. 266-67)

a) Drive to run from June 12 - July 8 - 6/23/44.. " 245

b) With dissolution of OGD, since bombing danger is past, Treasury does not have as large number of solicitors - 6/23/44..... " 248-49

- F - (Continued)

Financing, Government (Continued)

1. Chicago to cover every block of "Greater" city regardless of date drive closes.
- e) Offerings to investors will be:
 - 2 1/2% Bonds
 - 2% Bonds
 - 1-1/2% Notes
 - 7/8% Certificates of Indebtedness - 6/23/44. Book 25: 266

Financing, Government

War Savings Bonds and Stamps:

SEE Financing, Government - 11/11/43.....	"	40-44
SEE Financing, Government - 1/27/44.....	"	98-99
SEE Financing, Government - 3/23/44.....	"	123
SEE Financing, Government - 6/23/44.....	"	243-49 & 266-67

France

SEE Stabilization - 4/21/44.....	"	180-99
SEE Military Currency - 6/8/44.....	"	228-32
SEE Military Currency - 6/23/44.....	"	241-43

- G -

Germany

SEE Atrocities in Italy - 11/4/43.....	"	1 & 26-30
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Gold

SEE Stabilization - 11/4/43.....	"	24-25
SEE Stabilization - 4/20/44.....	"	135-79
SEE Stabilization - 4/21/44.....	"	180-99

- H -

Horseshoes

SEE Procurement Division - 3/23/44.....	"	127-31
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Hume, Edgar Erskine, Col., General Staff Corps, USA,
Chief of Military Government, Naples, Italy

SEE Atrocities in Italy, German - 11/4/43.....	"	1 & 26-30
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- I -

International Bank for Reconstruction and Development

SEE Stabilization - 11/4/43.....	"	24-25
SEE Stabilization - 4/20/44.....	"	135-79
SEE Stabilization - 4/21/44.....	"	180-99
SEE Stabilization - 6/23/44.....	"	255-65 & 268-72

- I - (Continued)

International Monetary Fund		
SEE Stabilization - 11/4/43.....	Book 25:	24-25
SEE Stabilization - 4/20/44.....	"	135-79
SEE Stabilization - 4/21/44.....	"	180-99
SEE Stabilization - 6/23/44.....	"	255-65 & 268-72
International Stabilization Fund of United and Associated Nations		
SEE Stabilization - 11/4/43.....	"	24-25
SEE Stabilization - 4/20/44.....	"	135-79
SEE Stabilization - 4/21/44.....	"	180-99
SEE Stabilization - 6/23/44.....	"	255-65 & 268-72
Italy		
SEE Atrocities in Italy, German - 11/4/43.....	"	1 & 26-30
SEE Military Currency - <u>Italy</u> and <u>France</u> - 11/4/43..	"	2-22
- J -		
Jack and Heintz		
SEE Renegotiation, War Contract - 1/27/44.....	"	102-04
Jack, William, President, Jack and Heintz		
SEE Renegotiation, War Contract - 1/27/44.....	"	102-04
Jugoslavia		
SEE Stabilization - 4/20/44.....	"	171-72
SEE Stabilization - 4/21/44.....	"	180-99
- K -		
Kellems, Vivien (Founder and Partner, Kellems Company, Saugtuck, Conn.)		
SEE Tax, <u>Evasion</u> - 1/27/44.....	"	101-02
Kung, H. H.		
SEE Stabilization - 6/23/44.....	"	255-60 & 268-72
- L -		
Liquor		
SEE Tax, <u>Alcohol</u> - 11/18/43.....	"	47-49
Lira, Allied Military Authority		
SEE Military Currency - <u>Italy</u> - 11/4/43.....	"	2-22
- M -		
Mexico		
SEE Stabilization re: Silver - 6/29/44.....	"	273-82

Military Currency

France:

Soon after fighting ceased in North Africa, France paid for all commercial transactions in dollars accumulated from US soldiers' expenditures -

11/4/43.....	Book 25:	8-9
a) "Reciprocal Aid" agreement (Lend-Lease in reverse) made with France - 11/4/43.....	"	9
Invasion money for France (coins and currency) delivered to General Eisenhower - 6/8/44.....	"	228-32
a) HWR will give Press each a coin and a bill - 6/8/44.....	"	229
b) "Off the record", HWR says Treasury is making specially identified currency for French to use, as distinguished from invasion money - 6/8/44.....	"	230-31
c) Rate fixed: 1 franc is worth 2 cents, US - 6/8/44.....	"	232
HWR gives Press samples of French invasion coins and currency - 6/23/44.....	"	241-43

Italy:

Currency used in occupation of Italy divided in 3 groups:

1. AMG Forward: Used by AMG immediately following Army, to look after civilians and reconstruction.		
2. AMG Rear: Used in previously occupied areas.		
3. AMG Brindisi: Used in area where King of Italy and General Badoglio are located by Representative of US Government - 11/4/43.....	"	2-22
a) Food going into liberated areas paid for out of Army appropriations, as strictly military operation; is distributed by local governments and paid for in invasion money. In making final settlement Italians will be charged given amount against which they will make counter-charges for Army's occupation to offset part of debt - 11/4/43.....	"	5-8
1. Being managed on sound business basis.		
b) On tour of Sicily, Italy, and North Africa, HWR found English and Americans satisfied with exchange rate of 100 lira to \$1.00; AMG doing good job on financial end - 11/4/43.....	"	9-10

Military Currency (Continued)

Italy:

c) Generals Hughes and McSherry accompanied H&W on inspection of occupied countries - 11/4/43.....	Book 25: 11
d) Normal Army expenditures charged to Army appropriations; restoration of sewage systems, etc., charged to Italy - 11/4/43.....	" 12-13
e) "Off the record", H&W asks press not to criticize military currency as it would cause serious trouble for Allies - 11/4/43.....	" 14-19
1. While lira have no actual, technical or legal worth, technique was employed to determine what costs will be allocated to Italy, Britain, and US.	
2. British using US printed lira in Italy and being charged for it.	
f) British charge that 70 lira to pound exchange rate prior to war is not comparable to present rate of 400 to pound; incorrect - that figure was fictitious as black markets were selling on such higher rate - 11/4/43.....	" 20-22
 Mintage of Coins	
SEE Coins, Mintage of - 3/23/44.....	" 132-34
SEE Military Currency - <u>France</u> - 6/8/44.....	" 228-32
 Monetary Fund, International	
SEE Stabilization - 11/4/43.....	" 24-25
SEE Stabilization - 4/20/44.....	" 135-79
SEE Stabilization - 4/21/44.....	" 180-99
SEE Stabilization - 6/23/44.....	" 255-65 & 268-72
 Morgenthau, Henry, Jr.	
SEE Military Currency (Italy) re: Eric to Italy, Sicily and North Africa - 11/4/43.....	" 2-22
After visit to War Fronts, H&W says American army as fine body of men as there are in world - 11/4/43.....	" 22

- M - (Continued)

Morgenthau, Henry, Jr. (Continued)

In answer to query why he was selling his thorobred cattle (Jerseys and Holsteins), HMJr stated his dairy business had only broken even since 1916, while his apple orchard was profitable. To have more land for orchard and vegetables he is selling his cattle to breeders (not to butchers) at auction on December 11 - 11/11/43..... Book 25: 31-40

a) Dairy farming not profitable where all labor must be hired - 11/11/43..... " 38-40

Appointed Chairman of American Delegation to Stabilization Conference at Bretton Woods - 6/3/44..... " 220-21

SEE Stabilization - 6/23/44..... " 243 & 264-65

- N -

Naples, Italy
SEE Atrocities in Italy, German - 11/4/43..... " 1 & 26-30

National Income
SEE Financing, Government - 11/4/43..... " 23

Netherlands
SEE Mintage of Coins - 3/23/44..... " 132-34

Neutral Countries
SEE Stabilization - 4/20/44..... " 172-73

SEE Stabilization - 4/21/44..... " 180-99

- O -

Office of Civilian Defense
SEE Financing, Government, re: 5th War Loan - 6/23/44..... " 248-49

- P -

Patterson, Robert F., Under-Secretary of War
SEE Tax, Legislation, re: Renegotiation case of Timken Axle Company - 12/20/43..... " 65-70

- P - (Continued)

Paul, Randolph E., General Counsel		
SEE Appointments and Resignations - 3/23/44.....	Book 25:	125-27
Poland		
SEE Stabilization - 4/20/44.....	"	171-72
SEE Stabilization - 4/21/44.....	"	180-99
Press		
SEE Stabilization - 6/3/44.....	"	219-24
SEE Military Currency, <u>France</u> - 6/8/44.....	"	228-32
SEE Military Currency, <u>France</u> - 6/23/44.....	"	241-43
Procurement Division		
In response to criticism of Procurement's selling horseshoes and month later Army ordered equal amount, H&W says Procurement is a sales agency for other departments and has no control over their purchases - 3/23/44.....	"	127-31

- R -

Renegotiation, War Contract		
SEE Tax, <u>Legislation</u> - 12/20/43.....	"	55-70
William Jack, President of Jack and Heints, charged that "War Contract Renegotiation Board of Internal Revenue" is heading country toward dictatorship - 1/27/44.....	"	102-04
a) Price Adjustment Board, representing all US agencies, handles renegotiations and has no bearing on taxes at all - 1/27/44.....	"	103
Rothensies, Walter J., Collector of Internal Revenue (Philadelphia)		
SEE Appointments and Resignations - 1/15/44.....	"	91-92
Russia		
SEE Stabilization - 11/4/43.....	"	24-25
SEE Stabilization - 4/20/44.....	"	148-51
SEE Stabilization - 4/21/44.....	"	180-99

- S -

Saudi Arabia		
SEE Mintage of Coins - 3/23/44.....	"	132-34

Silver

SEN Mintage of Coins - 3/23/44.....	Book 25: 132-34
SEN Stabilization - 6/25/44.....	" 273-82

Stabilization

While in Europe, HMW conferred with various Finance Ministers re: stabilization and world bank - 11/4/43.....	" 24-25
a) Russia will send experts to study stabilization plan - 11/4/43.....	" 24
HMW gives press copy of statement he will make before Congressional Committees on April 21, concerning International Monetary Fund and International Bank for Reconstruction and Development, as agreed upon by all United Nations at this time, except Russia - 4/20/44.....	" 135-79
a) Believes Russia will concur after studying plan; their delegates late getting to US because of transportation problems - 4/20/44.....	" 148-51
b) If Congress approves plan, President will invite heads of other Governments to send representatives to US to confer on subject - 4/20/44.....	" 151-62
1. When agreement is reached Congress must enact necessary legislation to put plan into effect.	
2. US contribution to fund would be \$2.75 billion in gold; Britain \$1.25 billion; Russia approximately \$1 billion; total fund to be \$8 billion.	
3. \$1.8 billion now in Stabilization Fund will be transferred to International Fund.	
c) To prevent chaos in world markets; permit liberated countries to resume business; and avoid mistakes of last post-war loans, some such machinery is needed to keep business on Governmental basis - 4/20/44....	" 163-84
1. Example: With such program, Czechoslovakia can resume trade in 3 months.	
d) Exchange rates for various countries will be fixed by consulting Board - 4/20/44.....	" 168-69

Stabilization (Continued)

e) Voting power of nations will be determined by amount of gold contributed to fund - 4/20/44.....	Book 25:	171-72
1. Most of smaller countries got some of their gold out before invasion, including Poland and Jugoslavia.		
f) Neutral countries and enemy countries, after armistice, may be invited to join fund - 4/20/44.....	"	172
Russia concurs in proposal - 4/21/44.....	"	180-99
a) Well received by Congress and "Off the record", HWR will recommend to President that he call conference - 4/21/44.....	"	182-87
b) Whether World Bank plan is ready, conference will be called on International Stabilization Fund - 4/21/44.....	"	185-88
c) China agrees with principles and will be one of 4 largest participants - contributing around \$500 million - 4/21/44.....	"	189-94
1. France likely to be fifth largest contributor based on formulae used for other countries, viz.:		
Proportion of world trade		
Gold holdings		
Gold production		
National income.		
Stabilization conference will be held at Bretton Woods, N. H. - 6/1/44.....	"	213
"Off the record", HWR tells press that since State Department is to pay expenses of Bretton Woods conference, they expect to run entire conference and also appoint press man in overall charge - 6/3/44.....	"	219-24
a) HWR Chairman of American Delegation - not host to conference - 6/3/44.....	"	220-21
b) State Department press man will have a Treasury man on his staff - 6/3/44.....	"	222
"Off the record", American Delegation practically selected except for members of Congress - 6/8/44..	"	234-40
Press Service #42-39 of June 23 (pp. 264-65), signed by President, given Press, announcing Monetary Conference at Bretton Woods to convene July 1 - 6/23/44.....	"	243 & 264-65

Stabilization (Continued)

H.H. Kung, representing China at Monetary Conference, arrived in D. C., June 23, to attend Monetary Conference at Bretton Woods - 6/23/44.....	Book 25:	255-60
a) China does not need money - most of \$500 million loan unused; principal problem is getting manufactured goods and now that B-29's have struck, price of yuan is lowered, only port to ship goods is needed - 6/23/44.....	"	256-57
(See transcript of President's Message to H.W.T., Press Service 42-39, pp. 264-65)		
Dr. Kung meets press and says, as representative of China, he favors Stabilization of monetary system to end war as well as permit resumption of world trade after war - 6/23/44.....	"	268-72
Eduardo Suarez, Finance Minister of Mexico, called on H.W.T. re: Stabilization Conference and urged that silver be considered along with gold - 6/29/44.....	"	273-82
a) "Off the record", H.W.T. says Treasury will "resist" inclusion of silver - 6/29/44.....	"	275
Stabilization Fund, International		
SEE Stabilization - 11/4/43.....	"	24-25
SEE Stabilization - 4/20/44.....	"	135-79
SEE Stabilization - 4/21/44.....	"	180-99
SEE Stabilization - 6/23/44.....	"	255-65 & 268-72
Standard Steel Company		
SEE Tax, Legislation, re: Renegotiations - 12/20/43..	"	65-70
Suarez, Eduardo, Minister of Finance, Mexico		
SEE Stabilization, re: Silver - 6/29/44.....	"	273-82

Tax

Alcohol:

Under present regulations liquor may be held in storage 8 years tax-free. H.W.T. agrees with Senator George's suggestion to reduce holding to 4 years - 11/18/43.....	"	47-49
a) This would release approximately 100 million gallons which would produce \$1 billion revenue, relieve shortage, and solve black market problem - 11/18/43.....	"	47-48

Tax (Continued)

Corporate:

HWJr restates views expressed in Chicago on post-war taxes saying: 1) He would like to keep corporate and personal taxes high, for duration, to pay off public debt; 2) He favors "capitalistic system" to let people make profits which will yield more taxes; and 3) Would encourage "venture capital" to go into peace-time business by adjusting tax laws to encourage it - 6/23/44....

Book 25: 249-54

Evasion:

"Off the record", HWJr explains he is studying matter of people hoarding bills of large denominations in effort to evade paying income tax on excessive profits made in black markets -

1/15/44..... " 82-88

a) Cites case where man in New York was caught with \$3 million worth of \$1000 bills; others having them trying to sell at \$950 to unload before being caught. Agents all over US checking on large bills - easier to spot than small ones - 1/15/44.....

" 84-85

b) Must stay "off the record" so as not to give enemies tip of what is being done in effort to catch them smuggling stolen money into US - 1/15/44.....

" 86-88

"Off the record", HWJr says Miss Vivien Kellems, Founder and Partner of Kellems Co., Saugatuck, Conn., corporate tax returns being investigated for delinquency; nothing can be done on her individual tax until March 15 return is filed - 1/27/44.....

" 101-02

Excess Profits:

SEE Tax, Legislation - 12/20/43.....

" 55-70

Income:

President and Congress agree that simplification of income tax law and forms should be given preference over all other matters; will attempt to get legislation through in time for new forms to be used on September returns - 3/10/44.....

" 115-22

SEE Tax, Corporate - 6/23/44.....

" 249-54

Legislation:

HWJr reads formal statement to press opposing new revenue bill as tentatively drawn by Senate Finance Committee on ground it will produce only \$2.1 billion additional revenue, during time when wages are high and employment good - 12/20/43

" 55

Tax (Continued)

Legislation:

a) Freezing Social Security at present rate of 1% will reduce collections by \$1.4 billion - 12/20/43.....	Book 25:	56
b) Proposed changes in renegotiation provisions will cost government large amount, permit extortionate profits, and leave settlements open for many years - law should not be changed - 12/20/43.....	"	57-65
1. Approximately 8000 volunteer agreements under present law.		
2. Business is satisfied with present law.		
c) "Off the record", H&W cites case of Tinklen Axle Company demanding profit of \$75 million from Standard Steel on sub-contract for axles - 12/20/43.....	"	65-70
1. Under-Secretary of War Patterson compelled to give them order as axles were needed for 600 4-ton trucks at once; was relying upon present renegotiation law to recover approximately half of \$75 million to bring profit to figure stipulated by War Department.		
SEE Tax, <u>Income</u> - 3/10/44.....	"	115-22
SEE Tax, <u>Social Security</u> :		
SEE Tax, <u>Legislation</u> - 12/20/43.....	"	55-62
Tinklen Axle Company		
SEE Tax, <u>Legislation</u> , re: Renegotiations - 12/20/43.	"	65-70.

United Nations Stabilization Fund

SEE Stabilization - 11/4/43.....	"	24-25
SEE Stabilization - 4/20/44.....	"	135-79
SEE Stabilization - 4/21/44.....	"	180-99
SEE Stabilization - 6/23/44.....	"	255-65 & 268-72
U. S. S. R.		
SEE Stabilization - 11/4/43.....	"	24-25
SEE Stabilization - 4/20/44.....	"	148-51
SEE Stabilization - 4/21/44.....	"	180-99

"Venture Capital"
SEE Tax, Corporate - 6/23/44..... Book 25: 249-54

War Loans

2nd:

SEE Financing, Government - 11/31/43..... " 40-44

3rd:

SEE Financing, Government - 11/11/43..... " 40-44

4th:

SEE Financing, Government - 11/11/43..... " 40-44

SEE Financing, Government - 1/27/44..... " 98-99

5th:

SEE Financing, Government - 6/23/44..... " 243-49 &
266-67

World Bank

SEE Stabilization - 11/4/43..... " 24-25

SEE Stabilization - 4/20/44..... " 135-79

SEE Stabilization - 4/21/44..... " 180-99

SEE Stabilization - 6/23/44..... " 255-65 &
268-72

SECRETARY MORGENTHAU'S

Press and Radio Conference

November 4, 1943

H.M.JR: Did they give you copies? (Indicates letter of October 20, 1943, addressed to the Secretary by Colonel Edgar Erskine Hume, copy of which is attached)

Q. That is right.

H.M.JR: It isn't all new, but there is some more detail, I think. It is a good story.

Q. This has been given to you by whom?

H.M.JR: By Colonel Hume. He is a doctor. He is a graduate of Johns Hopkins, but he has now become a reconstructionist. He did a lot of work in 1920 when they had that American Sanitary Service. He has had a lot of experience in this sort of thing.

Q. Has this been given to the President?

A. No, I haven't had a chance to give it to him.

Q. Is it going to be given to the President?

A. Yes, they always tell the President. I haven't had a chance to give it to him. It is there for him, but it is addressed to me. I don't know how you are going to handle it. There is no reason why I can't give it out to you ladies and gentlemen.

Q. I wasn't questioning that. It was the thought that it was on his desk and part of the war picture.

A. I haven't had a chance to give it to him. He wasn't here.

All right, is there anything on your mind?

Q. What about this Randolph Paul thing, Mr. Secretary? Is he going to quit?

A. Well, Fred Smith saw some of you people. You would have to talk with Paul. I asked Paul the same question that you did, and his answer was that he did not intend to quit.

Q. Can you tell us anything about military currency situation over there?

A. No, it is a part of a very big picture: The thing is really divided up into three different groups. There is AMGOT Forward, as they call it. It took me a long time to learn that. That is an organization under Colonel Hume, who is attached to General Clark's Fifth Army Headquarters. He does the work. And immediately behind General Clark, as General Clark goes forward, taking care of what is immediately behind the Army--such as Naples' reconstruction, looking after civilian population, and so forth.

- 3 -

Then there is an organization called AMGOT Rear, which comes under General McSherry, who used to be here. He is also a very excellent officer who is presently in Sicily.

Q. He has charge of that?

A. Yes, he is in charge of Sicily, and I guess also the Forward part, too. He is the man in charge of AMGOT, both Forward and Rear.

Q. McSherry is?

A. McSherry is, as near as I can make out.

And then there is a third organization, in a formative state, which has to do with what they call Brindisi, where the King of Italy and General Bagdolio are located.

Well, there was a General Joyce who started out to head an Armistice Commission to be located at Brindisi. Between the time he left here and the time he got out there--I don't know the exact technical status of the Italians, but I call them Allies; You people most likely know better than I do.

Q. Co-belligerents.

A. Well, anyway, he is supposed to go to Brindisi to represent the United States Government--whatever

- 4 -

government is set up in Brindisi, you see. Well, under these three organizations--I mean, three separate groups, really--they use this so-called invasion currency or invasion lira.

Q. Is that the Allied military currency?

A. Yes, which is the only money which is being used. Now, there are very accurate books kept on all of them; I am satisfied as to that. I am satisfied that this organization, AMGOT, is well run and well administered.

Q. Did I understand you to say that General Joyce would, in effect, be the United States representative to the Bagdolio government at Brindisi?

A. That is what I understood. I may be talking out of turn, but I don't know why it shouldn't be explained. He was there, and there was no secrecy about it, as far as I know. I think it is better if the American public does understand. I think there has been unnecessary mystery about the whole thing.

Q. Mr. Secretary, there has been a lot of speculation about this relief business. I understand the Treasury has been in on some talks as to how it is to be paid for. Some people are under the impression

- 5 -

that all this relief food and clothing that we give to the liberated areas will be a Santa Claus proposition. Others say we will collect where we can. Do you know the policy?

A. I don't know what the policy is, but I know what the facts are! I took a lot of time to learn it. The facts are that the food which goes into AMGOT Forward and AMGOT Rear are charged up to the regular Army appropriations. It is part of the regular Army appropriation.

Q. That applies also to clothing, I suppose, for distribution?

A. I don't know. I asked particularly about food. I didn't see anything about clothing going on.
Mr. White, do you know?

MR. WHITE: Only food; I don't think clothing.

H.M. JR: I asked McSherry for a list of everything that had gone in there. As I remember the list, it was only food.

Q. Do they give that to the people, or collect from the government?

A. No, as I understand the food situation, they have a

- 6 -

fixed price, so much a week. They have fixed prices for everything. That is distributed through the local governments, and the population pays for it in these lira.

Q. Is it occupational money?

A. Yes, which is the exchange.

Now, when we get through, the Army will have received so many of these lira for this food, or will charge up to the Italian people so many lira; and at a day of reckoning they will have so many charges against us, I suppose, for our troops being there, one against the other. There will be a settlement question.

Q. I thought you said it was the regular Army appropriation.

A. Somebody has to pay for it in the first instance. Somebody has to buy it in this country, and pay good dollars for it. And that is what the Army is doing. I mean, it is part of fighting the war.

Q. Is that the same thing as the old Lehman organization?

A. No, this has nothing to do with that. This is strictly a military operation in Italy conducted by the Army.

Now, when it gets to looking after the immediate

- 7 -

front behind them, it is AMGOT Forward; when they move forward they call it AMGOT Rear, like Sicily. But in both cases, so far, the food which has gone in there is paid for in this country out of the regular Army appropriation.

- Q. That has nothing to do with AFRO, the former relief organization?
- A. No, they don't exist over there, not in Italy. They changed it. They don't call it AMGOT anymore, but that name is AMG, Allied Military Government. But for all ostensible purposes, for the public, it is still AMGOT.
- Q. Did I understand you to say that the Italians would charge against our Army for occupation?
- A. I am just throwing that out.
- Q. We have charges against them?
- A. We have charges against them; they may have against us. But it will all be in this Allied military currency. There are no dollars involved.
- Q. Do you mean just a routine charge of one account to another?
- A. I suppose so; I don't know.

- 8 -

- Q. I thought that occupation was usually saddled on the invaders, historically--the charges.
- A. In a so-called co-belligerency?
- Q. Well, that might change the status.
- A. Well, I don't know. I just threw it out. But I'd like to make it very, very plain to you people that everything that I saw of this AMGOT organization, it was run under General MoSherry in Italy and in Sicily, it is a business-like basis, and it is well run. They know what they are doing. They are keeping books and everything else. It is a good business organization.
- Q. In the case of North Africa, Mr. Secretary, I understand that the French Committee has assumed the liability for all of the food that we distributed there. That is what I had in mind.
- A. Well, I can't give you the exact dates, but it was some time along in July. Am I right, Harry? Come out in front, Harry. It was some time that they went on a cash basis.
- MR. WHITE: The French?
- H.J.JR: Yes.

- 9 -

MR. WHITE: The French have paid cash for all their commercial transactions, as you say; that was very soon after the Army got over its initial fighting.

H.M.JR: They are on a cash basis.

Now, we have a Lend-Lease in reverse agreement with them. They call it Reciprocal Aid.

MR. WHITE: As far as commercial goods are concerned.

Q Any balance they pay in cash?

A They paid for it in dollars. They are accumulating dollars because of the expenditures of the American soldiers in that area.

H.M.JR: That is on a perfectly good, clean basis, as far as finance goes.

Q There is some talk, Mr. Secretary, that the value of the lira may be changed. I didn't see the story, but I understand the AP has a story on some inflationary situation as a result of the present value.

H.M.JR: All the people that I talked to while I was there--and we talked to a great many people--nobody wants the rate of exchange on the lira changed. They are all satisfied. That goes for the English as well as the Americans. Both English and American officials want to leave the rate of exchange of the

- 10 -

lira alone. They don't want it touched.

Q. Does that mean you don't plan to change it?

A. Just leave it the way I said it, if you don't mind.

Q. Is that a hundred lira to a dollar?

A. Yes.

But while we were over there, we went into this whole business, both in North Africa and in Sicily, very, very carefully; and to the American people through you, the Press, I can say the thing is doing a good job. They know what they are doing, and it is being well done.

MR. WHITE: On the financial end, alone.

H.M.JR: On the financial end, yes.

Q. Was there any particular aspect of that situation, Mr. Secretary, that you are interested in? Are there any doubts that you resolved while you were over there?

A. I was interested in the whole thing, but I had to go over there to find out what it was all about. I mean, I didn't know until I sat down with the people and had the thing explained to me on the spot how it was done, how it was run. They have been so busy they haven't had time to explain it, at least

- 11 -

not to the Treasury.

But I understood--I mean, they were more than pleased. General McSherry accompanied me on the whole trip, as did General Hughes, who is second in command to General Eisenhower. General Hughes was with me. Between them, they were more than willing to explain everything we asked. And, after all, I have to go out in the Fourth War Loan and tell the people that the money they are lending their Government is being put to a good use. Now I can honestly say I have seen how it is being spent in the Front and in the Rear, and I can tell them that financially, from what I saw of Italy and Sicily as far as what is being done in connection with the Army, it is being well handled. I mean our Army.

- Q. Can you say anything on the Fourth War Loan dates, or anything of that nature?
- A. No.
- Q. I notice the investment bankers said January 10 was the date.
- A. They know more than I do, but that doesn't surprise me.
- Q. Will it be early? January, I assume.

- 12 -

A. I haven't sat down yet with Mr. Bell and Mr. Gamble. They are not ready yet to talk. I think it will be discussed next week. I know they are having a lot of talks.

Q. Mr. Secretary, I understand that these military lira are used in two ways; that is, when they are used for expenses of the Army they are charged against the War Department appropriation; where they are used for occupational purposes, that is, to maintain local establishments, etc., they are not charged against the Army appropriation. That is right, isn't it?

MR. WHITE: Not wholly. When they are used for the kind of expenditures which the Army would normally and usually expend for, they are charged to the Army. Those are expenditures that are appropriated to the Army. When they are used for the kind of expenditures that are not normal with the Army, such as, for example, restoring a sewage system in Naples, and the municipality hasn't funds to do so, then those funds are advanced and charged to the municipality. But they do not come out of the Army appropriation.

- 13 -

Q. That is right.

H.M.JR: Let me make a statement. The only thing that comes out of the Army appropriation is if they buy a thousand tons of wheat in this country and somebody has to pay for it.

Q. Even if they buy it over there?

A. They can't buy it over there.

MR. WHITE: I think you are talking about two different things.

H.M.JR: No, but I wanted to make it plain, going back to my original statement, that the part which is charged to the Army appropriation is when they pay cash for something in this country. After all, our people aren't going to take the Italian lira. But when they operate over there, it is something else again.

MR. WHITE: He has reference to something else. He has reference, for example, to when the Army pays its soldiers in lira. So far as our bookkeeping is concerned between the Treasury and the Army, that is charged against the Army appropriations. Dollars are set aside.

H.M.JR: Have you talked to them before? (Indicating Press)

MR. WHITE: No, but we did explain that to the Senators and we tried to explain it to some others.

Q. My question was this: We are going to turn loose an awful lot of these lira over there which, in effect, are against occupational charges. Under International Law, Italy is supposed to pay all this. Is it possible that we might just waive any claim that we might have against Italy for these costs after the war and say, in effect, "You make good these lira and we'll let it go at that"?

H.M.JR: (Discussion off the record)

Let me just tell you people off the record. I didn't go off the record in Cairo, believe me. What I told the Senators when they asked me my opinion was--we have got to be awfully careful what we say about this lira, and not one of them talked afterwards, which was a record.

My opinion was this: that if we cast any doubts on this lira, then the Italian people will say, "Wait a minute; are they going to recognize them? What are they going to do?" Now, as a matter of fact, all it is is just a piece of paper that we take to the Bureau of Engraving and print on it, "One Hundred Lira." Technically, there is nothing back of it.

- 15 -

Now, if you people write a story, if you go out and criticize this lira, you are just going to hurt the Fifth Army and the Eighth Army, because if they get dissatisfaction behind the lines they have to use troops to police the population, instead of fighting the Germans. So please don't--don't, for the sake of General Clark and General Montgomery--criticize. I don't think there is anything to criticize.

I am telling you what I told the Senators: the only criticism that could be made of the War Department and the Treasury is that we may have been too slick. They can't accuse us of being dumb, because what we are doing is printing a lot of money and the people love it. Now, some day there is going to be a day of reckoning, and you can't say at an Armistice Commission, because these people--I almost called them--I don't know what they call them over there-- (Laughter) These people are our co-belligerents. Now, they may be our allies, and how they are going to treat them is somebody else's headache. But some day there will be a big table and a lot of people around it, and I hope I won't be one of them! They

- 16 -

are going to present these trillions of lira that we have printed over here, and they are going to say, "Now, what the heck!" I don't know what the answer is. But in the meantime, they like it and Montgomery and Clark are going forward, and so I say to you as good citizens, "Let's leave it alone."

Q I didn't mean the question in any sense of criticism; I just wanted to clarify it.

A I am just telling you what I said to the Senate, and they all left it alone. There were about fifty in the room. It was all off the record. I will answer anything you want off the record. But we are printing the stuff; actually, technically and legally it is worthless; but, God, we don't want them to know it!

Q I think they do know that, don't they? My question was whether or not we would expect the Italian government, perhaps, to back up this lira and make good as a discharge of their obligation.

A You are looking too far forward.

Q Maybe not so far!

Q We are thinking of our soldiers.

- 17 -

A. Yes, but if a soldier is sent home, he can go to his Paymaster and say, "Here are a thousand lira."

Q. The people are using it all right in their own exchange and dealings?

A. Definitely.

Q. Is it going along with Italian currency?

A. It is Italian; there is none of theirs. The Germans destroyed it all.

MR. WHITE: There is some. They circulate it interchangeably at parity.

Would you want to add this one thing, Mr. Secretary-- probably off the record--that would clarify it?

That is that what the Secretary has accomplished by this technique is to make it possible for Congress and those negotiators to determine what portion of the costs shall be allocated against the Italians, what shall be borne by the British, and what portion shall be borne by us. In order to make that possible, this technique has developed. But the decision will rest with Congress or whoever the negotiators are.

Q. Was there any agreement that the British will cooperate with us in backing this stuff up?

- 18 -

H.M.JR: No. We were able to print it, so we used it together. There is no agreement that anybody will do anything. As I explained to these three committees I appeared before, when the time comes, somebody for the Administration will go to the Congress of the United States and say, "Now, we would like to have your authority to make some kind of a settlement." But at present there is absolutely no promises of any kind by anybody. But I think it is in very nice shape.

Q. Mr. Secretary, didn't the British agree to pay their own military expenses, or are we financing those?

A. No. I mean, if the English need a bunch of lira, they speak of it by the "box." It comes over by the box. They'll say, "How many lira do you have?" "Well, we have two hundred." "How many are there in it?" "Well, it is on the box." But they speak of it by the box. We let them have so much, and there is a bookkeeping entry.

Q. That is charged against them?

A. Definitely.

Q. There is an agreement to that extent?

A. Oh, yes.

- 19 -

MR. WHITE: There is very careful agreement on the records.

H.M.Jk: I satisfied myself that as far as Italy goes with these lira, good bookkeeping and accurate records are kept, and anybody can look at them any time. That was one of the things I wanted to find. This is all off the record. I am satisfied. They have invited us to send over three or four Treasury civilians to go over the books any time. They would be delighted to have us send two or three of our accountants over there to make sure they are safe. General McSherry is on the up-and-up. General Eisenhower said to me, "Any secret records that I have at my headquarters are yours. You can look at any record that I have. Anything that you want, you can have." You couldn't ask for anything more than that.

Q. Are the British paying their troops in these same lira?

MR. WHITE: For the most part, they at one time used their own British Military Authority Lira, and they are still doing it in the small area. But for the most part they are using these same lira. They are called Allied Military Authority Lira. They are not United

- 20 -

States Military.

H.M.JR: But I really believe if any of you people would spend a week intensely trying to find some dirt, you couldn't find any. I am satisfied.

Q. Here is a question from the British House of Commons: "In view of the fact that the rate of exchange prior to the war was of the order of about seventy lira to the pound, does not the Right Honorable Gentleman think that fixing it at four hundred to the pound is sharing the loot and likely to bring the Allies into disrepute?"

H.M.JR: Do you want to take that? (Indicates Mr. White)
You can be the Right Honorable Gentleman!

MR. WHITE: The Right Honorable Gentleman was wrong, in that he was referring to the rate which prevailed before the war and which was maintained as an official rate, but was purely a fictitious rate. Actually, the lira was selling on the black markets for anywhere from a quarter of a cent to a half cent. And prices had risen precipitously in Italy. The price index, which was frequently referred to, was an official price index which accounted for only a small part of the transactions; and even that official price index

- 21 -

would show the lira to be worth a lot less than the price he indicated.

But most of the transactions that were conducted in Italy were in black market or gray market, in which the prices were very high, so that a rate of one cent a lira in Italy was not too unreasonable a rate and the Italians recognized it as such. And then as you proceed into Italy and as the Germans withdraw, prices rise still more and still more currency is being circulated in that area, so that on the whole you will find that Italy in the long-run is being reasonably treated.

Q. They are satisfied over there for the time-being?

A. Most of them. There are always some bankers and other groups who will complain bitterly because they stand a chance to make a highly speculative gain. How would you feel if you had a million lira in the bank in Italy and it is worth only a cent, but you would like it to be worth five cents so that you could make five times as much profit by converting it into dollars as soon as the exchange relaxations are permitted? Naturally, you would complain, not because it is unfair, but because your own par-

- 22 -

ticular pocketbook would be improved if you could get a higher rate. And so you will find individuals who will gripe about the rate. But in the main that is not true of the Italian people, nor will it be true as you look back some time in the future and see that the rate is in the general interests of both parties concerned.

(Discussion resumed on the record)

H.M.JR: Could I just say one thing, because I feel this very deeply, that having had the opportunity to go over to the Front, I want to say that I am tremendously impressed with the American soldiers and their officers. I think they are as fine a body of men as there are anywhere in the world. And I can't say too much about the splendid impression that I got.

Q. My question was just a general question about the inflationary situation.

A. Where?

Q. Here. In view of the tax bill being the way it is, and you feeling the way you do and have felt, is there anything you would say about the prospects?

A All I say is this--and I feel this much more strongly since I have been overseas, having had a chance to talk with the soldiers--, that with the national

- 23 -

income running at the rate of somewhere over a hundred and fifty billion dollars a year, now is the time to pay for the war. I think the very minimum that we can pay for in taxes is fifty percent.

The soldiers are worrying about it. They are worrying about what kind of an economy they are going to come back to when the war is over. They wonder, are they going to have to fight the war and pay for it the rest of their lives? And they realize perfectly what the situation is. I think that they would feel a great deal happier, as I would, if at least fifty percent of the war were paid for now when we can all afford it. Period.

- Q. I take it, then, that you don't subscribe to the theory that it is a good idea to let the debt keep on growing bigger and bigger and bigger?
- A. I beg your pardon?
- Q. I take it that you don't subscribe to the theory that it is a good idea to let the debt keep on growing bigger and bigger and bigger?
- A. Well, I don't want to answer the question the way you put it.

- 24 -

MR. WHITE: Besides, who does subscribe to that theory?

H.M.JR: Well, I don't want to answer the question.

Q. There are so many people who are doubtful about the Secretary's position on the question.

A. Well, they only read what you people write.

Q. Did your trip have anything to do with stabilization and the world bank program?

MR. WHITE: Which do you mean--the world bank or the stabilization?

Q. Either one or both.

A. What was your question?

Q. On your trip did you do any work on these two programs?

A. Well, we had some conversations with some of the people we met--Finance Ministers in the various countries--who naturally asked about it, and we discussed it.

Q. Is progress being made on the program?

A. There is, yes.

H.M.JR: Yes, and we got worried. Mr. Hull announced that the Russians are now going to send a delegate, or a group of experts, here.

Q. On the bank and stabilization?

A. Both. I gave Mr. Hull a letter the night before he

- 25 -

left, and asked him when he would take it up.

Evidently, he was successful.

Q. They hadn't been in on the conversations before?

MR. WHITE: Only as observers.

H.M.JR: All right, good people.

Q. Thank you, Mr. Secretary.

20 October 1943

Hon. Henry Morgenthau,
 Secretary of the Treasury,
 Care of Lieut. General Mark W. Clark, U.S.A.,
 Headquarters, Fifth Army,
 F A P L E S.

My dear Mr. Secretary:

In compliance with your request I give you herewith a brief report of acts of German cruelty and wanton destruction committed in Naples, chiefly during the three weeks before our capture of the city. This period is called "The Reign of Terror" by Neapolitans. I am, of course, not giving any instances of damage to the city or to individuals which took place as a result of acts of war (bombings, etc.). The things that I list were unnecessary from any military point of view.

OFFENSES AGAINST THE CITY
AS A WHOLE

1. Water Supply: When the Fifth Army reached Naples we found that there was an almost total failure of the water supply. People were carrying water in pails, jugs, bottles and every type of container. There was a small trickle of water from some of the hydrants but many persons standing in line were unable to receive enough to quench thirst. Naples had been famous for an abundant supply of pure water. The Germans had blown up the main aqueduct in seven places and all of the reservoirs save one had been drained. By chance an Italian had saved one reservoir by cutting the fuse after it had been lighted by departing Germans. Allied Military Government took charge of the remaining reservoirs and by rationing made the supply go as far as possible. The hardship on the people of Naples, particularly those unable to go for water was great and there was much suffering, until the supply was rationed and until we established water distribution points for water distilled from the bay. The Germans were well aware that there was ample facility for our bringing in water for the troops, as was done in the desert campaign, so that this destruction of the city supply was an act of cruelty against civilians, young and old. The enemy likewise destroyed the pumping plants, thereby making it impossible to raise the water, had any been available, to the higher parts of the city. The water mains in many parts of Naples were deliberately cut.

2. Sewage System: The pumping facilities of the sewage disposal system of Naples were destroyed. Thus, even had there been enough water to enable sewers to function, they would have been unable to do so because much of the Neapolitan sewage disposal depends not on gravity but on a series of pumps. The city is built on volcanic rock so that, even had there been space available for them, it was all but impracticable to dig latrines. The danger of epidemics of intestinal diseases, such as typhoid fever and dysentery, was obviously very great particularly at this season of the year.

3. Electric Light and Power Systems: Naples was in darkness when we took over. The Germans had destroyed both the generators of the current and likewise the transformers. The Italian metropolis depends largely on hydro-electric power not only for lighting, but for the water and sewage pumps, the mills for grinding wheat, the newspaper presses, the heating of buildings, cooking, and indeed practically all power machines. This was one of the most serious conditions we had to meet. By hard work by our engineers the current is now restored, in part, though we have had to follow a certain priority in allotting it at first.

4. Transportation System: The street car system was wholly out of commission both because the electric current had been cut off (see above) and because the Germans carried away or destroyed the greater part of the rolling stock. Buses also were taken away. A large number of them were found to the north of the city where the enemy, unable to carry them further, had burned them. There are of course no taxicabs other than a few old wrecks, and only a few horse-drawn vehicles in the city. People who are not physically strong enough to walk from one locality to another are practically prisoners. This has seriously affected the earning capacity of many. The Germans carried away every automobile, both passenger and truck, that they could find. In some instances they took only the tires and destroyed or abandoned the bodies of the cars. Ambulances and fire-fighting vehicles were not spared.

5. Communication Systems: The telegraph lines were put out of commission. The main telephone exchange was blown up. Fortunately the Germans overlooked two small subsidiary exchanges. By splicing the lines we were able to give the military authorities a limited number of lines within ten days. However business firms and private families are still without telephones. The Post Office was looted and destroyed (see below).

- 3 -

6. Demolition of Hotels: The group of magnificent hotels along the Via Partenope, facing Vesuvius, used to be one of the outstanding groups of such institutions in the world. Such names as the Excelsior, Vesuvio, Santa Lucia, Royal, etc., are known to travelers everywhere. These buildings, without exception, were blown up and fire set to what remained. They cannot be repaired. The only first-class hotel left was the Park Hotel (Parker's Hotel), which was mined (see below).

7. Blocking of Tunnels: There are a number of tunnels in Naples built to give ready access from one quarter to another at a saving of much hill climbing. These were blown up.

8. Bombing of Public Buildings: Besides the bombing of various public buildings for their immediate destruction, the Germans showed their usual cunning in setting time bombs so as to explode after our arrival, thereby both destroying property and causing human death and suffering. A few instances will illustrate. On October 7, at 2:30 P.M., a violent explosion, caused by a time bomb hidden in the corner of the Post Office, destroyed the end of that building and tore an enormous hole in the street. There was considerable loss of life, chiefly civilians. In all 30 people were killed, 84 were severely injured (hospitalized), and 25 were slightly injured. I was in my office across the street when the explosion occurred. I went to the scene at once and helped give first aid to the wounded. Many were women and children. In the Via Partenope a time bomb in the street exploded on October 3rd, at about dusk. Fortunately nobody was hurt though a few minutes before a group of workmen had passed over the spot. On October 11th, at 8:55 A.M., a time bomb set in the Italian Artillery Barracks, occupied by our 307th and 36th Engineers, exploded. Some 24 of our men were killed and 47 wounded. This cannot be justified as an act against our armed forces, for it was only by chance that we were using the barracks for soldiers. It had been previously used by Italian families. Every effort has been made to locate unexploded bombs and with much success. A time bomb and about 1500 pounds of TNT were removed from the basement of the Park Hotel on October 2nd, before explosion occurred. On October 16th, an unexploded time bomb and 1600 pounds of TNT were removed from the building housing a part of the 82nd Airborne Division. Ordnance officers estimated that the bomb had about 3 days and 17 hours more to run, on the timing device, before explosion.

9. Opening of Prisons: Before their departure, the Germans released all prisoners in the jails and prisons of Naples, of which there are about a dozen, one of them the largest in Italy. While we have been able to re-arrest many of the criminals, this act of the Germans has been productive of danger and loss of morale to the civil population.

- 4 -

10. Demolition of Flour Mills: Naples, like most Italian cities, grinds its wheat a little at a time, rather than converting a whole crop to flour at once. Thus flour mills are an essential feature of the city's economic and welfare system. All of the large mills were wrecked by the Germans.

11. Destruction of the University of Naples and of its Famous Libraries: The University of Naples is one of the oldest and most famous in existence. The library of the Royal Society of Naples, one of the great learned societies of the world, was housed therein. It was put to the torch on 12 September, a little more than a fortnight before we took the city. We are collecting affidavits of the Rector and many faculty members and students. They agree that at about 3:00 P.M., a party of some 600 Germans entered the University and announced that they were about to burn it, in retaliation for the fighting of Neapolitans, including students, against their troops. Cans of gasoline were brought in and the walls, furniture and books covered with it, and the fire was started. The firemen arrived soon thereafter but the officer in charge refused to allow them to enter. Two Carabinieri (military police) who tried to stop the destruction were taken to the front entrance and shot. Many of the nearby houses were robbed, not only those of professors but of others. Several witnesses agree that the notorious Col. Scholl, Commander of German troops garrisoned in Naples, arrived in person when the work was finished and read a proclamation in German and Italian announcing that the university had been wrecked as a punishment to Naples. When I first visited the ruined buildings the ashes of the library of the Royal Society were still warm and the pool of blood on the front steps, where the shooting of the Carabinieri was reported to have occurred, was still evident.

12. Robbing of Hospitals: Directors of the several hospitals of Naples agree that the Germans before departure, carried off all of the hospital equipment and supplies that they could find. Some of these institutions had practically no medicines or dressings when we arrived. Even establishments of the Italian Red Cross were not spared.

OFFENSES AGAINST INDIVIDUALS

In a report of this kind, prepared on a few hours notice, it is not possible to give a detailed account of offenses against individuals. That must wait until our final report on German misdeeds in Naples is completed. The following incidents are taken at random from a mass of documentary evidence thus far gathered.

- 5 -

There is general agreement that Germans collectively and individually robbed shops, homes and even people in the streets. This varied all the way from ordinary highwayman's technique to burglary. Many individuals, not excepting those in high position, were carried off as hostages. Among such hostages were the Bishop of Cava dei Terreni and the Abbot of Badia at Corpo di Cava. Many people were beaten to make them disclose the whereabouts of supposed valuables. Women as well as men were subjected to such treatment. There were many murders, some of a sadistic nature, with mutilation of dead bodies, particularly those of women. One deposition says that the eye witness saw a man buried in a grave he had been forced to dig himself, being bayoneted before being thrown in. Often the populace were told to help themselves after the Germans had begun looting. Many of the more intelligent witnesses state that the killing of Italian civilians was not merely acts of individual German soldiers, but often in response to direct orders of their officers, all as a part of a campaign to terrorize the people. "Booby traps" were placed not only in places where they might be set off by our troops, but where children and other civilians would find them. Many such people have been mutilated or killed. There was much wanton destruction of property, frequently associated with physical harm to people. Furniture not desired was smashed or burned, live-stock killed, supplies of food destroyed or fouled so that it could not be used. Particularly cruel were the measures against those Italians between 18 and 35 who failed to respond to the German proclamation of September 22nd, requiring them to report for forced labor with the German Army.

I wish that there were time to give you more details and to complete the report of the first two weeks of the work of the Allied Military Government of this great city. I should like to give you further particulars beyond what I could tell you in a few minutes last night. I think that I may say, however, that we have achieved our dual goal. First that of keeping the burdens of governing this war town city from the shoulders of our military Commander, whose entire attention is needed for the leading of a great army. Secondly, we have been able to keep the city running in something like a normal fashion, despite the handicaps imposed by war and by the German studied policy of destruction.

May I wish you a safe journey home and once more thank you for your interest in what we are doing.

Respectfully yours,

(S) Edgar Erskine Hume

EDGAR ERSKINE HUME,
Colonel, General Staff Corps,
United States Army,
Chief of Military Government.

SECRETARY MORGENTHAU'S

PRESS AND RADIO CONFERENCE

10:30 a.m. November 11, 1943

H.M.JR:

Good morning. How are you all?

I have asked for Mr. Gamble; I don't know where he is. He hasn't come up. He will give you a story about his two-day conference. He got the idea a little late, but I think he will be up. I haven't anything to offer other than Mr. Gamble. What would you like to know?

Q.

I was at the Agriculture Committee yesterday, and they were quite concerned over the sale of your cattle up there. They mentioned it four or five times during the hearing.

H.M.JR

Really?

Q.

They thought perhaps you had sold them because you couldn't get feed, and where did you sell them, and did the Farm Security Administration buy them.

H.M.JR:

Tell me more about it. I'm amused!

Q.

It came in through the discussion. This was a special Cooley Committee investigating Farm

- 2 -

Security.

H.M.JR:

Who sits on it?

Q.

Practically all the Members of the Agriculture Committee. They referred to it when Secretary Wickard was on the stand. In the course of discussion of policies, and so forth, as to what the future for the farmer was, they brought in the fact that you had been obliged to sell these fine cattle, and so forth and so on, and why did you sell them. The Secretary didn't know, or said he didn't know.

A.

They asked him?

Q.

They asked him.

A.

I was trying to find out whom I should give the answer to. Is it Mr. Wickard?

Q.

No, Cooley himself was interested. He said he would like to know.

A.

Who is Cooley?

Q.

He is a ranking man next to Fulmer, who is Chairman of the Committee, but he is heading up this special committee which was set up by Congress to investigate all types of farm policies, particularly credit policies.

- 8 -

A. Where is he from?

Q. North Carolina.

A. Are you all interested?

(General assent)

A. Is everybody interested?

Q. Yes.

A. Well, it is a business institution. It is the only business that I have, and I have been in dairy business now since 1916. It has just about broken even during that time, and I don't think the business that just breaks even over that long period of time is a very good business. On the other hand, my orchard has done very well. I needed additional land for the orchard to plant apple trees; so in order to get the land I decided to go out of the dairy business. The dairyman and I have it on shares. The rest of the farm I operate myself. Now, these are all registered pure-bred cattle, and, therefore, they will be bought by other breeders who will raise them and milk them just the way I have.

Q. Are they Jerseys?

- 4 -

A. About half Jerseys and half Holsteins. And some of these city slickers who don't know much about farming say that when you sell these dairy cattle they all go to the butcher and the country will lose that milk production. Well, the cattle will all be bought by other people who will raise them, and there will be no loss of milk production. None of these will go to the butcher because they are too valuable.

Q. How many head are there?

A. I suppose counting youngstock and everything there must be somewhere between ninety and a hundred head. My guess is a hundred - forty or forty-five head for milking. It takes as many animals to maintain as you actually milk. If you milk forty or forty-five, you have to have heifers coming along - about an equal amount to maintain the herd.

Q. How do you value these?

A. You come on up to the sale! I don't know. There is an auction on December 11 at the farm. As a matter of fact, with this additional land

- 5 -

we expect to raise considerably more vegetables. We raise a lot up there. That will give us more land. I suppose the net result is the farm will turn out more calories next year than it ever has before for human consumption.

Q. This isn't a particularly financial story, but I was interested in the comments on the Hill. Is it true that you couldn't get grain and feed?

A. I have no trouble in getting grain or feed. I had no labor problem because Hoose had to supply the labor, the sharer. He had his troubles, but they were his troubles and not mine.

As a matter of fact, back in 1932 I wanted to dispose of the herd at that time, and he came to me and said, "Look, Mr. Morgenthau, won't you let me take it on shares and run it for you, rather than dispose of it?" I said, "Okay." That was around 1932 or 1933, I can't remember exactly. He took it over on shares at that time, and he has been running it ever since. He has bought another farm in my neighborhood for which he hopes to buy enough cattle at this

- 6 -

auktion--buy them back, because half of them are his. He hopes to buy enough back to keep in the business.

I am seriously thinking of putting on some beef cattle, and I have had two people who want to rent my barn and maintain a dairy there. So from the standpoint of the country there will be no loss of production. One of my neighbors has asked me whether he can rent my barn and put cattle in there. So the net result will be there will be at least as many pounds of milk produced as there was before, and from the standpoint of the number of calories produced on my farm, I think there will be as many or more next year in one form or another.

Q. Some of these farmer Members up there on the Committee thought you were probably pretty shrewd to sell out. Wickard admitted this was probably about the top of the market for things of this nature.

A. Dr. George Warren, former Economist at Cornell, whom you people have probably heard of, once walked over my farm. The two orchards are about

a mile apart, with the dairy in the middle. He was a very caustic gentleman. He said, "I see it takes two orchards to maintain one dairy."

(Laughter) That was about the size of it.

As I say, if I thought that the net result would have been a loss of milk production to the Nation, I would continue it at a loss, as it has been running this year. I mean, in the middle of the war it is running at a loss.

I'd continue it, but I'm confident that every one of these cows is going to find a good home.

(Laughter) And they will be milked, so that there will be no loss to the Nation as far as milk production is concerned. As far as my own farm is concerned, we are going to plant a lot more apple trees.

As a matter of fact, when I got back--I had left an offer for a neighboring farm, and I find I may have bought during my absence another 120 acres, so I haven't lost any confidence as far as farming goes. I am 120 acres better off than when I went to Europe.

That gives the whole story. But, of course, if

- 8 -

you'd like to give this thing a little political twist--there's a campaign coming on!

Q. I can't understand why the dairy hasn't been profitable. I'd like to know.

A. I'll tell you why. I don't think that anybody can make a dairy pay unless he is willing to have his wife, his children work and not hire any labor, see? It is a family affair in the East. The man, his wife and children have to get out and all work, milk the cows. On that basis, with twelve or fifteen cows they can make a dairy pay.

Well, I can't compete on that basis. But I can make a very good living in raising apples. I have got to make a living. I am looking forward to spending the rest of my life on the place. I can make a good living on raising apples. I can't compete with that kind of labor, and that is the answer. It has taken me all these years to find out.

My neighbors who have twelve, fifteen, or twenty cows, and the whole family pitches in and works, make a good living. I can't. That is an honest

- 9 -

answer.

Does anybody else want to ask any questions? (No questions)

You would think that in the middle of a war a dairy would make money. Well, it hasn't, so if anybody wants to write a farm story for the Treasury, there it is.

I suppose some of you were raised on a farm?

(Several reporters nod assent) Is what I am telling you about the family working on the farm true?

Q. I think that is true. Of course, a large dairy I don't know about. I thought you had milking machines or something.

A. We have all of the modern conveniences, but still I can't make it pay, not sitting here. And I don't particularly want to go back and milk cows!

Q. You have milking machinery and all that?

A. Everything.

- 10 -

Now, from milking cows we will turn over to selling bonds. We are going to have to stop at eleven sharp.

Mr. Gamble, will you tell them what you are doing?

MR. GAMBLE: Yes, sir.

We had all of our people here yesterday from the fifty-one field offices that we operate in the forty-eight States. We had our fifty-one Chairmen here for two days to discuss with them the experiences of the Third War Loan and how we might improve and expand our operation in the coming War Loan.

We had, prior to this meeting, a rather intensive survey made. We found that we had in the Third War Loan improved our solicitation to the point where we asked forty-seven percent of the people with expendable income--with some income--directly during the Third War Loan to buy a bond. That compared with twenty-four percent of the people with income who had been asked in direct solicitation in the Second War Loan to buy a bond. Our improvement in sales was almost en-

- 11 -

tirely credited to this expansion of solicitation.

Q.

What was that?

A.

Our improvement in sales was credited almost entirely to our improved solicitation by these gentlemen in our two-day discussion. In this survey we found that eighty-six percent of the people liked pretty much the kind of appeals made, the kind of campaign we carried on, and generally were impressed with the Third War Loan Drive. I should say that eighty-six percent of the people had nothing to complain about at all. They had nothing but praise for the Third War Loan's activities.

Fourteen percent of the people had suggestions to make about how we might have improved the campaign from their point of view, with more emphasis placed upon the local community's part in the program. They were more concerned with Worth County, Iowa's quota than they were with the \$15,000,000,000, and more concerned with the part they played in it. Some of them thought that some of our activities could have been - one person doesn't like an auction;

another person doesn't like the appearance of a movie star; the other one doesn't like too much radio advertising and promotion; someone else doesn't like a solicitor.

But we thought the percentage was very high of the people who liked all phases of the Third War Loan Drive.

We also found that thirty-eight percent of the people bought an extra bond or bonds during the Third War Loan Drive.

H.M.JR: Maybe they want to ask you some questions.

MR. GAMBLE: Yes.

H.M.JR: They usually do!

MR. GAMBLE: I might add one more word. We discussed the problems attendant upon the sale and distribution of those fifty-two million, five hundred and seventy-seven E bonds that were sold during the Third War Loan Drive, because our ability to improve will be marked by our ability to improve the physical distributing facilities and the increase in the dollar purchase as we reach almost the saturation point in number of pieces.

Q. In other words, Mr. Gamble, this next drive

- 13 -

will be probably keyed to the individual person-to-person sale proposition, more than it was in the last?

A.

More emphasis will be placed on it. They all saw a great value in keeping this drive tied together. We discussed various ways of conducting the drive by separating the individual from the overall, and it is a big country and they have different problems in different sections of the country.

When they canvass many of the States in upwards of thirty States, they do this job all as one operation. They don't separate corporations from individuals in the State of Kansas. When they go out and walk up and down the street, they want to sell the fellow at his place of business at the same time they are selling the man in his home. It is a different problem in New York. And for the most part they were for keeping the drive tied together.

Most of our time in the two days was spent in discussing the ability to increase and expand our operations as far as the individual was

- 14 -

concerned.

Q. The Fourth Drive, then, will be a combined drive?

A. No decision was made on it, but you can certainly say as a result of this two-day meeting that there will be more emphasis placed on the individual's part in the Fourth War Loan Drive.
(Discussion off the record)

H.M.JR: One thing off the record. I am not quite ready, but if you keep after Schwarz I think you will be particularly interested.
When I was in Cairo, I found that one thing was that the King of the Egyptians was very anxious to have an American bank. I am working on it now. There is no American branch bank in Egypt. It is a very lucrative thing. I am not quite ready to announce it, but if you will keep after it, when we have something to tell you - - . It opens up a whole new territory in the banking field. I have asked the Comptroller to get busy. Just as soon as we have it, those of you who are interested-- it will open a whole new field.

- 15 -

I'll gradually tell you two things that I did on the trip. One of them I am going to get by hook or crook is an American bank. It is about time an American bank was there.

Q. It would be a better story if you got it by crook! (Laughter)

A. Well, maybe that wasn't so good, but I am going to put it this way: I am going to "bull" it through, since we are talking about dairies. I am going to get it one way or the other, because we have a lot of American business people and American banking people who should be represented. I know the American banks would benefit if I forced the issue.

But it is interesting that the King of the Egyptians wanted us there. We'll get you a good story. It will be very profitable, too. You wouldn't know there was any war going on in Cairo--gasoline eleven cents a gallon, all you want. They get it from Persia or some place; and, as a matter of fact, that is the place where the five Senators went sour when they got to Cairo. They have an English paper that

- 16 -

is owned by an Englishman and run by Egyptians
that is very unfriendly.

That is just chit-chat. When I get it, I'll
give it to you. You have Gamble's good story;
you have a farm story; and you have a bank
story. What a day! Everything but taxes,
God rest our souls! (Laughter)

SECRETARY MORGENTHAU'S PRESS CONFERENCE

November 18, 1943

H.M.JR: I'm sorry to keep you waiting, but we were arguing whether we would talk about this liquor storage. You may know I decided to talk about it. I want to say that I think Senator George has a very good idea on this question. I'd like to put it that way. I just had to learn my lesson. Up to now you can keep liquor in storage up until eight years without paying any taxes. If that were changed, you couldn't keep it more than four years. It would release approximately a hundred million gallons and would produce in revenue in the neighborhood of a billion dollars. Overnight it would solve this shortage and black market in legal liquor; I mean, in tax-paid liquor. They take tax-paid liquor, and then they sell that for higher prices. But if they did this--if the Congress would do this, as Senator George suggested--it would overnight solve the situation. And I am for it. Do you have it? The way it is now, you can keep liquor up to eight years.

Q.

Bonded?

- 2 -

- A. Without paying taxes. The suggestion is, cut that down to four years which would be a hundred million gallons on the market and would produce in the neighborhood of a billion dollars in direct taxes, and then there'll be all the extra taxes flowing to us from the legal liquor dealers.
- Q. At a hundred million gallons at six dollars a gallon--that would be only six hundred million, wouldn't it?
- A. I guess they are figuring at the new rate.
- Q. The Senator told us that yesterday.
- A. It must be figured at the ten dollar rate.
- Q. Nine dollar rate!
- Q. He was figuring a little bit more than a hundred million gallons would be forced out.
- Q. Mr. Secretary, all of that isn't hundred-proof, either, is it? Wouldn't the tax be less than that?
- A. Let me read a minute, if you don't mind. (Refers to document) No, this is something else.
(Discussion off the record)
Off the record, this is on American Distilling.
(Refers to Mr. Sullivan's memorandum to the Secretary

- 3 -

of November 17, 1943 concerning the American Distilling Company).

This thing here is from Mr. Sullivan and says, "If a hundred million gallons were withdrawn at the new tax rate, this would mean an additional alcohol tax collection of a billion dollars." I think the answer is, when somebody says it is a hundred-proof it is diluted. What do they call that proof-- it is 120, isn't it?

- Q. It is withdrawn, as I understand it, at a basic hundred-proof gallon. That is a proof gallon.
- A. Well, I think you can safely say the base on this-- and the boys can check up over there with the Alcohol Tax--but the way I got the thing, he said in the neighborhood of a hundred million gallons will produce an additional alcohol tax collection of about one billion dollars. That is what my memo says. If you want the technicalities or a few samples of liquor, you can get it from the boys!
- ✓ Q. A sample is okay.
- A. You know--the different proofs! (Laughter)
That is my morning's contribution.
- Q. Have you any comments on this American Distilling thing? Have you gotten far enough into it?

- 4 -

A. No, we are working on it. You can say I am looking into it.

(Discussion resumed on the record)

Q. Up on the Hill the bankers are putting up a hard fight before the Cooley Agricultural sub-Committee to get back to the Treasury that one hundred and twenty million dollars of Production Credit Association capital. Can you comment on the fact that you would like to have that money back in the Treasury?

A. I am not up on it. I'll have a look at it. You might tell Danny Bell about it (to Mr. Shaeffer). He may be watching it.

Q. There was a hearing yesterday and one today.

A. Yes, I'll tell them. I am not sure, after all, that that is one of my children--Production Credit, Farm Credit.

Q. The argument that the bankers are putting up is either return the capital or pay interest on it. That is, three percent interest is about what the banks pay for their money.

A. Through the correspondent of the New York Times I found out I have been here ten years yesterday.

- 5 -

I didn't know it until I read his story. But ten years ago that Production Credit was one of my shows.

Q. I remember.

A. It was okay then, too. I don't know; I'll take a look at it. I have been fighting for ten years to get rid of it.

Q. Will you renew your request for ten and a half billions of additional revenue before the Finance Committee?

A. Don't be so impatient! I think we'll wait until we go up there.

I am going up tonight and talk before the advertisers, if you people are interested. The speech ought to be available when? (To Mr. Shaeffer)

Mr. Shaeffer: Around two o'clock.

Q. Mr. Secretary, there have been some stories around that you are coming around into agreement with the view of some of the New York bankers and others that the terms "unitas" and "bancor" should be dropped from this world monetary stabilization business.

A. There were a lot of bankers around during the last three days advising with me on the Fourth War Loan,

- 6 -

and not a one has ever mentioned it--not one of them.

Q. Leon Fraser advocated it.

A. He wasn't down here.

Q. But, I mean he was the man who advocated it.

A. Nobody has mentioned it of the people I have seen.

Q. I keep getting proddings from my New York office on concessions we are understood to have made with Canada on this currency stabilization plan. We have never had any summary or any picture at all, as a result of those discussions. I was passed back and forth between here and the British Foreign Office when I tried to make some inquiry, each saying they respected the other. Some of them said they wouldn't say anything.

A. In other words, you were given the run-around.

Q. In short, that is the way it was.

A. I don't know, but I'll talk with Harry White and find out what he can tell you. I'll see what I can do for you.

Q. One of the reasons a lot of us who have been following the thing are getting a little bit impatient

- 7 -

waiting for something at this end is that they are doing a lot of investigating up on the Hill on the thing, and there have been calls, I know, from my paper. I have gotten a number of calls about the thing, wanting to bring it up to date.

Q. So have I.

A. Now that you have brought it to my attention--I wasn't conscious of it. Now that you have brought it to my attention, we'll see what we can do. If there is anything there, I'm for giving it to you. For once I'd like to get it to you before London does: (Laughter)

Q. Can you tell us anything about the bank end of the Fourth War Loan, particularly the Savings Departments of the commercial banks?

A. We'll have a complete story for you between now and the 24th--complete. There'll be a complete decision on the whole business.

Q. The basket and securities?

A. The whole works--everything.

Q. I understood you had a recommendation under which the Savings Department of commercial banks would be

- 8 -

treated the same as Building and Loans and Mutuals.

A. That is right.

Q. Was there any decision?

A. No--well, it is a big job. I have been working day and night on the thing. It is being licked into shape, and between now and the 24th you will get a release on the whole thing. It has pretty well jelled. We have consulted with a lot of people and about made up our mind; in fact, they are writing it up. Between now and the 24th everything will be released. I don't think there were any leaks--I mean, people at our end.

Q. Do you still expect it will come in January?

A. Yes. ..

All right. You've got a liquor story, anyway.

Q. Thank you, Mr. Secretary.

SECRETARY MORGENTHAU'S PRESS AND RADIO CONFERENCE

5:00 p.m.

December 20, 1943

H.M.JR: I am sorry I was late, but it was beyond my control.

I have a little statement I thought I would read to you. I haven't any prepared copies, but let me read it to you. Shall I read it fairly fast? Then if you want copies you can have them made. How is that?

Q. Yes, sir.

A. Who is boss?

Q. Can we get copies in a comparatively short while?

A. Miss Chauncey, you go out and start them.

Q. Then you can read it fast.

A. (Reading statement) "The revenue bill as it now stands after giving effect to the tentative decisions of the Senate Finance Committee appears to promise about \$2.1 billions of additional revenue on an annual basis under war conditions."
Do you want me to stop after each paragraph?

- 2 -

Q. If we are going to get it, we will pick up the highlights.

A. "But this calculation leaves out of consideration the decision to freeze social security payroll taxes and the changes the House and Senate have proposed to make in the law governing contract re-negotiation.

"The revenue yield of the bill in its present form is naturally extremely disappointing to the Treasury Department. We had hoped both that the unfairness to future taxpayers, including the returning soldiers, of passing on to them war costs that we are able to meet now and the need for protecting ourselves against inflation would have made an appeal to the members of the committees.

"Other provisions of the bill as it now stand seem to me equally unfortunate.

"I regret that the Senate committee has voted to freeze payroll taxes at the present rate of 1 per cent. This will mean reducing social security collections by one million four in the next year."

Q. One million, four hundred thousand.

- 3 -

A

One billion, four hundred million.

"The effect will be to increase the amounts the government will have to raise in future years for that purpose. The increase ought to go into effect now when wages are high and employment conditions good, when both employers and employees can afford to put aside money for security purposes.

"The changes in the re-negotiation provisions which have been proposed will make re-negotiation so complex as to be practically unworkable and also will certainly cost the government large amounts. It is impossible to make any exact calculation of their money cost, but we know that it will be substantial and in many cases will involve refunds of admittedly excessive profits already paid into the Treasury by agreement. This is not their worst feature, however. Their worst feature is that they open the way to truly extortionate profits. I predict that if they are enacted into law they will come back to plague not only the Congress but the war goods manufacturers who get temporary gain from them.

- 4 -

"They hold the seed of a national scandal. I refer to provisions such as those eliminating from re-negotiation the makers of so-called standard articles and the retroactive exemption of subcontractors whose goods do not enter into the final product. Other provisions of the bill would leave final settlements under re-negotiation open for years to come."

Here are two copies. (Hands copies to reporters)

Q Are you saying you think this ought to be vetoed, Mr. Secretary? That is, you will lose more revenue than you will gain under it?

A I am saying that I think it is terrible, and that is about as far as I can go. I can't go much further than that. There is still time, I hope, for them to enact the law.

Q Would you actually lose more?

A What I would like to see them do is leave it alone.

Q When you say "leave it alone," you are referring to renegotiation?

A Yes, the bill. After all, Mr. Patterson testified that through voluntary agreement they got back a

- 5 -

little over five billion dollars, which, even after the taxes, amounted to a billion and a half net to the Government, and I think my figures are correct that there are some eight thousand, I think, volunteer agreements. You had better check that figure with the War Department. I think that is what it is, some eight thousand volunteer agreements to these renegotiation contracts. And I think they ought to leave it alone.

Q You mean not even adopt the House changes?

A I wouldn't change it at all. I would just leave it alone. I wouldn't, in other words, monkey with it.

Q You say the bill would produce an estimated two billion one, and the social security tax stay would lose you a billion four, so you only get seven hundred million out of the billion there, net, don't you?

(Discussion off the record.)

- 6 -

- A Well, off the record, why I don't put the two together or subtract the two is, I don't want Senator Vandenberg to say, "Aha, I have always said the Treasury called that revenue." (Laughter) So we put it the way it is. But what it would mean, not necessarily that year we would lose it, but as we began to pay it out over a period of years, we would have to regain that much. So we put it that way.
- Q Then when you figure it even on that basis it is a loss, not necessarily on a one-year basis, but over a period of years?
- A You can't say that the next year it would go out. It wouldn't go out that next year, but over a period of years it would. It isn't quite fair to subtract it within the calendar year or fiscal year. You can do anything you want.
- Q We just want to make it look as bad as we could.
- A I agree, but the money doesn't go out immediately; it is put into a fund, and as these people come under the social security law they draw at fund.

- 7 -

- MR. GASTON: If I might, there is one other qualification. You know, the seven hundred million of that is employer taxes. That would enter into operating expenses of the employers, so it would serve to reduce corporation taxes, and the difference isn't net.
- Q I see what you mean. You will get some of that back in corporation taxes?
- A That is right, some of it.
- H.M.JR: Not much, but some. Herbert is right.
- (Discussion resumed on the record.)
- Q Mr. Secretary, wouldn't we better off if there were no tax bill at all?
- Q Have you figured how much the President would pick up in revenue if he vetoed the bill?
- A One at a time, but usually ladies first. But you don't want to be treated as a lady now.
- Q I just had to get it in.
- Q Would you be better off if there were no tax bill at all, I mean, assuming that what you would lose on renegotiation you would otherwise get back in?
- A The way the matter stands now, I think the Treasury would be better off if there was no tax bill at

- 8 -

all, but on that basis, we would be awfully badly off, if that is good English. I mean, if we had no tax bill it would be terrible.

Q Then, if they don't change it in any respects in Congress, see, and they come out with substantially the Senate committee bill and it would make the Treasury worse off than it would without it, then the chances would be there would be a veto, wouldn't it?

A I have been around here now ten years. I am getting to be an old-timer. It is what the President very happily called "a double iffy question," because it hasn't even passed yet.

Q I see. You think you will be able to get something before?

A I am still hopeful enough, but when Congress goes home for a vacation, and so forth, and so on, they may reconsider it and give us a real revenue bill--revenue-producing bill. They need it very badly.

Q Is there any post-war tax bill under consideration in the Treasury, as such? Is that what you would do?

A I am sure that Blough, who is a very excellent

- 9 -

tax economist, has studied it, but there is nothing right now on my desk or up my sleeve, if that is what you mean.

Q I mean, they talk about next year being a year of tax administrative changes and technical revisions rather than revenue. Certainly revenue would be involved in a post-war tax bill, and certainly next year would be not too early to discuss post-war taxes.

A Yes, but I think I had better stick to still trying to get a goodly amount of revenue out of the Congress of the United States, whatever year it comes in.

Q Sure.

A Let's do one thing at a time.

Q How much do we want?

A Don't be so impatient. (Laughter) I am still sticking to ten and a half billion. It is there, and they can get it.

Now, the lady has been patient.

- Q. I can skip that other one. It was more facetious than otherwise.
- A. All right; I'd welcome something facetious.
- Q. You have, as I understand it, just been to the White House. Does this reflect the President's views or as a result of your conversation?
- A. I can honestly say I never discussed taxes with the President today. I was on other matters.
- Q. Is there a story there on the other matter?
- A. No, nothing for you people--nothing for children!
- Q. It must be politics! (Laughter)
- A. You know, I can't help you out, but I can assure you it didn't have to do with taxes. Now, don't start guessing!
- Q. Can you give any consideration to Mr. Patman's World Bank Bill he introduced the other day?
- A. I haven't had time yet to get around to it.
- Q. Mr. Secretary, the radio tells us that there was quite a meeting on renegotiation over in Judge Byrnes' office the other day. Did you make some definite plans to carry a fight to Congress there?
- A. Well, the meeting was called. I had something to do with priming it, and I didn't give it to the radio.

I can tell you that. This is supposed to be a press and radio conference. Are there any radio people here?

Anyway, the meeting was there in which we discussed the ways and means to bring it to the attention of Congress, and the importance of having a renegotiation continuance. The Army and Navy and the Maritime have done a swell job, and I understand that business, by and large, is satisfied. And if business was smart, they would be. They'd leave it alone. The smartest thing that business can do is to leave it alone, unless they want to spend the rest of their business lives at the President's Executive or on the Hill before the investigating committees.

Q. Mr. Secretary, they contend that this renegotiation is wreaking havoc with their carry-back and all those provisions which are constructed upon the excess profits tax base, and there is quite a little feeling along that line.

A. This is Bob Patterson's story. You can't use it, but you ought to talk to him.

(Discussion continues off the record)

He testified on the Timken Axle case. You can't use this that I am going to tell you now.

In the first place, the Timken Company doesn't make a damned axle. They give it all to some other company to make--the Standard Steel--and for their so-called "know-how" they were asking seventy-five million dollars profit. I may be off a million dollars--seventy-four or seventy-five.

He testified on this thing. Other than renegotiation, the War Department felt that thirty-five million dollars was ample. The Government was building the plant, as I remember the case, and was going to spend fifteen million dollars to build this plant; and the Timken Axle Company practically told the United States Government to jump in the Potomac--they'd do it at seventy-five million dollara, or else. And we are in a war!

And Bob Patterson told me the other day he had to sign the contract at seventy-five million dollars, because they needed these things for 600 four-ton trucks desperately, gambling that the renegotiation would stay and he could get half of it back.

Now, that happened as of last week. There are things like that which are so outrageous that I am

- 13 -

confident that when the people of the United States find out these things, these people who are squawking-- Timken and this other company who are squawking-- I am not exaggerating, these companies will spend the rest of their business lives either in jail or before Congress, one or the other.

Now, you can't use this.

Q. That is off the record?

A. Yes.

Q. I'd like to use that jail business.

A. No, but by God--again off the record--it seems as though business will never learn anything. But you can't use that. But if you want a story, Bob Patterson will talk. He is so full he will just blow up. So if you have any way of getting to him, he will give you a good live story.

Q. Good live, or good libelous story?

A. No--a live. Mr. Gaston will help you. If you fellows want to get in, he can call up Mr. Patterson and say that you people want to see him. He will get you in today if you want to go over there. You can do that Herbert?

MR. GASTON: I can call him up, yes.

H.M.JR: But this thing is just unbelievable, and I burn

- 14 -

and Patterson burns, and Forrestal and the rest of us. I don't think they are going to get away with it.

Now, I'll go on the record.

(Discussion continues on the record)

Q. The Senators on the Hill said today they were going to support the Treasury view on the Bill if it came up.

A. They did? Well, we have got to rely on the press and the rest of it to bring this thing home. Let the people know what this tax bill amounts to. It is nothing; it is a joke.

Q. You could help a lot by putting some of that on the record. We could go out a little strong on some of this. It wouldn't hurt.

A. What do you think, Herbert? I think it would come much better from Pattersann.

MR. GASTON: The Secretary was talking off the record about the Timken deal. The difficulty is that he would want to be exact if he were on the record.

Q. Without mentioning a name, you could say there is a case of one company that you know of--or something like that.

MR. GASTON: You have it in the record.

H.M. JR: About how they finally had it closed?

Q. You said at that time they were going to have to close because they would have to issue a mandatory order because the facilities were completed. So it is virtually in the record.

A. Why not let Mr. Gaston call up Mr. Patterson and tell them what I said. Maybe he can get a release for you. Telephone down to the press room. How would that be? Suppose you do that, Herbert-- whether he wants to release the fact that he had a close with them at seventy-five million.

MR. GASTON: Isn't that in the record?

Q. Not the amount. I don't recall the seventy-five million figure, but he stated at that time that they would issue a mandatory order--Secretary Patterson stated they would issue a mandatory order, except under the fact of the case, I think it was because the facilities were not complete, or something, and I don't understand the technicality there; but that is the reason they gave--the mandatory order was precluded and they would have to take it at the price. That caused Senator Clark to mention that might be a good reason to keep renegotiation--to get back the price in a case like that.

(Discussion continued off the record)

H.M.JR: Do you people know what Senator Clark said about Senator Nye and DuPont? He went back to what Mr. DuPont said before the Nye Committee--that he never would let his patriotism interfere with the interest of his stockholders! I don't know the exact quote. And Clark remarked that to me again. That was before the Nye Committee that was said. They don't seem to learn anything.

With the help of the press they are not going to get away with it. I am off the record. But why don't you call up Bob and ask how the thing finally cleared?

MR. GASTON: Yes, I'll do that.

(Discussion resumed on the record)

H.M.JR: All right, now, will you give Mr. Gamble a minute, please? Are you worrying about your time? Do you want to leave?

MR. GAMBLE: Mr. Secretary, I might suggest I have given them all some material before you came, and they have gotten such a good story from you, it might be well to put over until this coming week our organization story for these people.

H.M.JR: All right. Within ten minutes you will hear down-

stairs yes or no.

Q. Thank you, Mr. Secretary.

A. I promise you, within ten minutes.

SECRETARY MORGENTHAU'S PRESS AND RADIO CONFERENCE

10:35 a.m.

January 6, 1944

- H.M. JR: Good morning.
- Q. Good morning.
- A. What is the worry today - or don't you have any?
- Q. We wonder if you are worried about the possible divorce of Internal Revenue from the Treasury?
- A. No, I just remind myself it is 1944!
- Q. He could be Chairman of the Committee next year, you know.
- A. Could be.
- Q. Before the holidays, Mr. Secretary, you said you had high hopes -
- A. But it's not likely. (Laughter)
- Q. Before the holidays you said you had high hopes of getting some changes in this Tax Bill on the Floor of the Senate.
- A. Did I say that?
- Q. You said that generally, that you were still very hopeful; and there is talk that the Treasury has a plan that is going on - some new plan that is going to be offered on the

- 2 -

Floor of the Senate in connection with the fight to raise more revenue and revise the renegotiation features.

A. I don't know anything about it. We have talked plenty about renegotiation. I think you are safe to say there is no such plan.

Q. Mr. Secretary, there is a considerable amount of inter-agency dispute over that technical regulation "Q" which, according to letters I have seen, and so forth, has made feeling even among War Finance Committees and is apt to affect good feeling during the drive. Have you followed it in any way?

(Discussion off the record follows:)

A. Yes. I don't want to be quoted on this. Ronald Ransom was over to see me, and talked with Preston Delano and Mr. Bell. But I haven't talked to Mr. Crowley about it. I think they are just trying to get the Treasury to take a position, and we haven't yet taken a position. I suppose we shall have to, sooner or later.

- 3 -

- Q. Nobody seems willing to back down on the thing thus far.
- A. This is off the record.
They were over here, I think, Monday or Tuesday. Frankly, I haven't had a chance to sit down with Bell, but if and when we take a position, I'll let you people know. I can't get very excited about it. Are the small banks excited about it?
- Q. Yes. About 2,100 to 2,400 small banks are really very much concerned about it. They have written some letters, and I think the Treasury has received some letters, in which they say that they don't feel as if they could go along with Reserve Bank officials of their own States in the War Bond Drive, because they say the Reserve Banks are just cutting their throats and stopping them from existing. They live off this absorption of exchange, you know.
- A. Well, it is like a lot of these fights. It is sort of a tempest in a teapot.

- 4 -

- Q. Of course, Mr. Crowley made it much worse - at least, he high-lighted the thing by raising the big bank-little bank issue in the picture.
- A. Well, I have heard Fed's story, and I'll get around to it, if I have to.
- Q. I'll be very glad to know when you do take a position.
- Q. Mr. Secretary, that isn't by any chance indirectly to induce the smaller banks to go in for the purchase of Governments?
- A. Oh, no. Some say it helps the big banks; some say it helps the little banks. It is a regular cat and dog fight. We haven't been in on it.
- No, we don't have any trouble getting the banks to subscribe. It is the other way around; we have to put a ceiling.
- Q. Are you talking about the smaller banks?
- A. No, the smaller banks are delighted to get up to their two hundred thousand dollar limit, or whatever they can get. So far we haven't had to black-jack any banks into buying

- 5 -

Governments. I hope we won't, as long as I am here.

Q. Do you have any objection to saying that you were considering the issue?

A. You can say we are studying it. It is under study. How is that?

Q. Yes, sir.

(Discussion resumed on the record)

Q. Have you set any date for your International Monetary Conference yet? There have been some rumors going around that there are reservations made.

A. I saw that on the ticker, that they had taken it down to Pinehurst, or something like that. That was the first I had heard about it.

Q. You do hope to have it early this year, don't you?

A. Yes, but getting down to hotel reservations, I think, is a little previous.

Q. Have the Russians shown up yet?

A. Ambassador Gromyko phoned me the other day and said the delegates were on the way. Some

- 6 -

are here; but some new ones are coming, and they are on the way.

Q. But you are not very close together yet with the British, are you, Mr. Secretary?

A. I understand we are closer than we have been at any time.

Q. The two plans still look a little different.

A. No, White seemed to be very much encouraged in the last few days. I don't look for any trouble.

Q. Negotiations are going on, some way or other?

A. Oh, yes. The British have people here. As I say, White told me only a day or two ago that he felt that they were sincerely close - by that he meant very close.

Q. Are there still differences over the gold?

A. I'd rather not get into that.

Q. It has been generally known. If they had been removed, it would be a very good story, Mr. Secretary.

A. I can't give it to you, because I am not ready.

Q. Do you contemplate any discussions with the committees on the Hill on the matter?

- 7 -

- A. Oh, yes. We circularized them about two weeks ago, or something like that. As we have something, we follow the practice of asking an opportunity for open forum, and keep them posted.
- Q. Will you go up there on a final plan before you have your conference?
- A. I think so.
- Q. Before the conference is held you would expect to have an agreement, would you not? I mean, more or less informal agreement?
- A. Not necessarily so.
- Q. That usually happens before a conference - at least the main parties concerned.
- A. It would be nice. If we didn't have an agreement, I don't think we would necessarily have to postpone having a conference.
- Q. How is the War Financing program?
- A. Good, very good. Mr. Gamble is very much encouraged, and all reports he gets in the field are good, very good. We shall do a better job than we have ever done on both

- 8 -

house-to-house canvassing and also with plant quotas this time. Everywhere, their people have a better organization.

Q. Is there any possibility that if you had a very heavy response, as you did last time, you wouldn't have to have another campaign until after the mid-year date?

A. Oh, don't let's count our chickens. You have been around here as long as I have! Let's hope for the best.

Q. Assuming that Congress is going to pass a bill only around two or two and a half billion dollars in taxes, would you immediately start things, or will that be in the Budget-- the demand for the additional money that you need?

A. Well, you give me an out, so I'll say we'll wait now for Budget. Yes, thank you.

Q. You say it is in the Budget?

A. No, no, no. You said will we wait for the Budget.

Q. I say, will you make an additional demand, or

- 9 -

will it be in the Budget?

A. And I said we will wait for the Budget. I
said thank you for helping me.

Q. Always glad to help!

A. Always glad to be helped! We'll wait now.
You don't have long to wait.

Q. Thank you, Mr. Secretary.

SECRETARY MORGENTHAU'S PRESS & RADIO CONFERENCE

4:00 p.m. January 15, 1944

H.M.JR: How do you do?

Q How do you do, Mr. Secretary?

A Pretty good.

I have a little refinancing information for those of you who are interested in that. During the 4th War Loan we issued a little over five billion dollars worth of seven-eighths certificates which came due on February 1, and next Monday, the 22nd, we will offer these holders another one year, seven-eighths percent in exchange. Is that clear?

Q That is one year, seven-eighths?

A It's the same piece of paper.

MR. FELL: It is advance information.

Q In the same amount.

H.M.JR: Whatever is necessary. Is that clear?

Q Yes.

A In addition to that, there is four hundred and twelve million of Commodity Credit one and one-eighth's, due February 15, and we will give

- 2 -

the holders of this security an opportunity to exchange those for the seven-eighths--we will send them new seven-eighths. They can get that or cash.

Q One and one-eighth percent due February 15?

A Yes, one and one-eighth due February 15, four hundred and twelve million. Now, those holders of that Commodity Credit security will have a chance next Monday to exchange that for the new one-year, seven-eighths certificate--Treasury certificate. If they don't like that, we will pay them off in cash.

Q They will have a chance ahead of the maturity date?

A That is right, and as Mr. Bell pointed out, we are giving you this information one week in advance. It will be helpful to you and helpful to us and to the holders.

Q We can use it?

A That is right. That is all I have to volunteer. I will be glad to answer all questions, if possible.

Q Mr. Secretary, are you concerned, sir, about the tremendous growth in the circulation of big bills,

- 3 -

fifties, one hundreds, and five hundreds?

(Discussion off the record.)

A Well, now, I would like to discuss it, if I can, off the record, but if anybody doesn't want to listen--

Q Mr. Secretary, you are making some kind of study on it--you and the Federal Reserve?

A I won't discuss it unless I can go strictly off the record.

Q Not even for background?

A I will discuss it first.

Now, if anybody is embarrassed, I am sorry. I am off the record. If I start discussing this-- sure, we are discussing it; sure, I am concerned, but if I start discussing it, it may frighten people, even if there are all kinds of rumors all the time. I got a letter today from a banker in Philadelphia, Randolph Burgess, who said that, "If the Government could cancel red OPA tickets, why can't they cancel bonds," and that is not the first time.

Q Or currency?

A Or currency.

- 4 -

So I am sure I shouldn't be sitting in this chair if we weren't studying this thing very carefully. I don't know if there is anything we can do about it, but when there is, I want to say something. I don't want to be put in the position that I am studying it, or this, or that, or that I am worried about it. See? To show you how these things go, you can buy a thousand dollar bill in New York right now for nine hundred and fifty dollars because we caught some racketeers and took the numbers. The racketeers got worried, and rather than turn it in at a bank, they are turning it to somebody else and selling it for nine hundred and fifty dollars rather than take it to a bank and possibly get caught. The fellow who got caught had three million dollars. He had a nice little business buying up side-money. He would buy a case of liquor and put so much money aside. This thing has ramifications. The reason I am going off the record is, I want you to know that I am very conscious of it, but I don't know whether it wouldn't be better to

- 5 -

let people keep one-thousand-dollar bills, because we can spot them easier. And in this particular case we went after one-thousand dollar bills. He sent agents all over the United States to turn them into twenties, but we caught them on the one-thousand-dollar bills. Calling in one-thousand-dollar bills is not necessarily the answer; our investigators don't think it is the answer, and I am not sure we shouldn't leave the one-thousand-dollar bills out so we can spot them.

Q How about fifties and one hundreds?

A The same thing would be true. The big bills are noticeable, and our investigators can spot those easier than the twenties. And then this whole question of foreign funds comes in this picture, which is more important if we do make a move, so that they can't bring money in from abroad which has been stolen. We can catch enemy money. I know your papers are interested. We are very much aware of it, but I am not in the position that I can say that I am concerned,

- 6 -

worried, or studying it. But if we should decide, for instance, to move overnight on it-- but if I tip them off, they will do what some of them are doing in New York, getting rid of one-thousand-dollar bills at a discount because they are worried now.

Q Is it largely black market operations involved in this, Mr. Secretary?

A It is black market people who make profits and don't want to pay their taxes.

Q I see.

A Eventually the foreigners--enemies--but please, as good citizens bear my confidence and trust. I don't want, for the reason I have explained, the story written, that I am studying it, I am worried about it, or I am concerned about it. I couldn't be more frank.

Q You remember what the Bank of England did at the time of the invasion? They called in all pound notes over a certain amount and issued new ones. Could you--

A We could do that.

Q Can we use that?

- 7 -

A No, no. If we have a story we certainly will give it to you in ample time, but I don't want to tip my hand, because I don't know whether it may be better to leave it just as it is. The reason there are so many thousand-dollar bills, fifties, and one hundred-dollar bills is because there is so much currency.

Q How about the returning soldiers? Do they bring in black market money they may have gotten in liberated areas?

A I haven't heard of any.

Q The reason I asked is because the whole Swiss situation, as I understand it, is getting pretty bad now. The Nazis are trying to pass loot through Switzerland.

A If we moved, it would be largely on account of the foreign situation. I hope you people won't even feel you have to write the story for the advice of your editors. Do you have to do that?

Q No.

A If you don't, I would appreciate it. Let's keep it in the Treasury. I am being completely frank with you.

- 8 -

Q. Would you have any objection if we wrote a story on the question of looted money coming into this country? You announced the Mexican situation a week ago.

A I would rather nothing went out, because we are right in the middle of it. I wouldn't want to do that any more than I would want to tip the people's hand abroad.

Q But we can expect something soon on it?

A There is a fifty-fifty chance.

Q Mr. Secretary, I tell you I am afraid that the story will leak out, and you can't hold us responsible. If my paper in Philadelphia gets it and writes it--I mean, I don't know what will happen. They will be held--you know the experience of the off-the-record, confidential--sometimes--

-9-

- A I have only had one that I know of. The man is in the room. He went up and told somebody on the Hill about some piece of legislation. It only happened to me once that I know of. That is a pretty good record. He did go up and tip some Senator's hand that we were working on it, but that is as far as I know. It is the only time it happened in twelve years, so it is a pretty good record. So I'll live and let live, and go on the assumption that everybody, including myself, will be more careful.
- Q You are looking at me awfully hard. I don't recall ever doing it.
- A I am looking at you because you are the innocent party.
- Q Sir?
- A You are the innocent party.
- Q I was beginning to sweat.
- Q Innocence on the Hill.
- A I keep my eyes to the left, not to the front or right.

-10-

Q I went up on the Hill once, Mr. Secretary, and that was last Saturday. (Laughter)

A I think I am right.

Q On this point of currency which has developed, it didn't have anything to do with hoarding, but rather the black market operations?

A They are using it in the black market, and using it to evade taxes, but if we do it, chances are we will do it to get ready to clean up the foreign situation, because I am not sure from what our investigators tell me whether it would be helpful in the black market or tax evasion. If we stopped them from using one thousand dollar bills, they would go to twenties or tens.

Q Did you get any of the Clark money from North Africa yet?

Q The money General Clark brought over from a submarine to pay off French collaboration?

A That was gold pieces.

Q Gold pieces?

Q Pieces of eight.

-11-

- A Those were gold.
- Q Did you count that out for him before he left, Mr. Secretary?
- A Piece by piece. I took off a week to do it.
- Q Would you care to comment on Mr. Wheeler's remarks today? Have you seen the ticker?
- A No. Nobody tells me.
- Q He had some remarks about your report on a de-industrialization plan for Germany.
- Q What is the status of that plan, Mr. Secretary?
- A I have kept quiet so far. I can keep quiet a little longer.
- Q Can we go on the record with that?
- A No. There is too much of that.
- Q So far, sir, there is nothing that can be used from this conference except the first paragraph that you gave us about the refunding.
- A That's right.
- (Discussion resumed on the record)
- Q Mr. Secretary, I understand that Walter J. Rothensies resigned as Collector of Internal Revenue in Philadelphia. Can you tell us why he resigned?

-12-

A Mr. Gaston?

MR. GASTON: I think it was for some business reason, but he was here today, and I think he talked to somebody about that, who could tell you much better than I could.

Q Do you know who will get his job?

H.M.JR: Herbert?

MR. GASTON: We haven't had time enough to ascertain anything on that.

H.M.JR: It only happened today, didn't it?

MR. GASTON: I think his letter came in a day or two ago.

MR. O'CONNELL: It was accepted Saturday or today.

Q Anything new on Bretton Woods legislation?

H.M.JR: No.

Q Senator Wagner told me--I called him up, and he said he thought it would be the end of this month or the latter part of next month.

A Is he back?

Q I talked to him last week when you announced it. The same evening.

A I don't want to get into an argument with him, but Mr. Spence seemed to think it would be sooner than that.

-13-

Maybe he meant the Senate, but Mr. Spence thought it may be ready very soon. But I don't want to get caught in that crossfire.
(Discussion off the record)

Q Will the new issue of bills be the same size as I've got in my pocket, Mr. Secretary? I haven't any thousand dollar bills, but I've got a twenty dollar bill.

A There will be no change. Did he ask you that?

Q He asked me to ask you. I said to ask him yourself. (Laughter)

MRS. KLOTZ: I thought you missed that.

H.M.JR I didn't miss that.

Q I'm going to keep it as a collector's item.

A That's wonderful.

(Discussion resumed on the record)

Q Has Finland yet been allowed to pay the installment due December 15 on her debt?

A We are not prepared to talk about that. I am not prepared to get into a discussion on that.
(Discussion off the record)

The reason, off the record, is that we are waiting to hear from the State Department, and

-14-

- I don't want to say that on the record.
- Q I was going to ask you if you had heard from the State Department. That answers that.
- A I don't want to be quoted on that, but for your information--off the record information-- we are waiting to hear from the State Department Is that right?
- MR. WHITE: Quite right.
(Discussion resumed on the record)
- Q Are any of your experts going to that conference of Ministers in Mexico City? They'll discuss economic subjects.
- H.M. JR: We have had no invitation. Have you?
- Q No. They are taking some of their economists over there. I was wondering--
(Discussion off the record)
- Q Is this investigation being jointly participated in by Federal Reserve?
- A I think it--off the record--I think it is strictly a Treasury matter at this stage. We have tried awfully hard to keep it a secret,

-15-

because we don't want to tip my hand or scare people. So we are keeping it in the Treasury at this stage.

Q We got an inquiry last week about the Federal Reserve making some such inquiry into currency in circulation, and I called up Mr. Thurston and he said they were making a study, but he contended it was one of those continuing studies they have been making right along.

A I am frankly scared to death to start a rumor, so I don't want to start any rumors.

Q You wouldn't object to writing a story about the study on the growth of the money in circulation?

A I can't object to your writing it, but I am telling you that I don't want to start anything. I hope I am asking you people not to start anything from this conference, because it is-- there are so many angles to this thing, and you might start a conflagration that would be hard to put out. That is the point, and particularly-- the only thing we are really worried about, as far as I have gone into it, is on the foreign

-16-

angle, and I don't want to tip those so-and-so's off, so they will get a chance to do something before we catch them.

Q Can you interpret that "so-and-so's" a little?

(Laughter)

A You can make it--you think of the worst word you can, and I'll raise you.

Q Presently "industrialists" whom you want to term "agriculturalists," is that it?

A No.

Q You said you would raise it, so what is worse than S.O.B.?

MR. WHITE: Join the Navy.

H.M.JR: I'll teach you about the bees and the flowers.

(Discussion resumed on the record)

Q Anything on taxes, Mr. Secretary?

A No.

Q Any news out of the Appropriations Committee?

A No. The usual thing. I go up to make supposedly a confidential report. We were up there on the Treasury's own budget.

Q Oh, I see.

Q Thank you, Mr. Secretary.

A You are welcome.

THE SECRETARY'S PRESS AND RADIO CONFERENCE

10:35 a.m.
January 27, 1944

- H.M.JR: Good morning.
- Q. Good morning, Mr. Secretary.
- A. You haven't been around in some time, have you?
- Q. No, sir.
- A. Neither have I. All right.
- Q. Have you any news on the War Bond campaign?
- A. It is going along all right. Mr. Gamble is here.
- Q. Could you back that up with some figures?
- A. We give them out every night, don't we?
- Q. I don't think I have had any total figures,
Mr. Secretary.
- A. Maybe you're not around nights!
- MR. GAMBLE: We are giving out the individual sales every night. The corporate sales we won't start giving until the first of February. We do have some backlog of that. One of the reasons for dating the securities on February 1 and having the individual drive ahead of that was to put the emphasis on the individual portion of it. To

- 2 -

release such straggling figures as have come in on the corporate sales would tend to discourage the individual participation.

We haven't given out any overall figures. That will be on February 1.

(Discussion off the record)

For your information, and this should not be used, last night we reported a billion, forty-four million to individuals, but we had a total of two billion, three hundred seventy-six million. But that is a backlog of early, enthusiastic corporate sales. That, we won't report until the first of February, because the securities will not be dated or issued until the first of February.

Q. Could you give us any idea of what the total is likely to be based on - your operations to date?

A. We have gotten away to a good start, a much better start than we got away to in the Third War Loan Drive. The country is better organized, we are getting better cooperation on every front. The first few days of the drive we checked sixteen thousand newspaper ads. We have had better radio coverage, better cooperation

- 3 -

from the financial centers. We have had excellent help from theatres, retailers. We had a greater number of people engaged in the solicitation this time. We have approximately six million people working on the campaign. We have, up to now, sold twenty percent of our individual goal, roughly. It is really too early yet to be very confident, and there is enthusiasm on every front, but there is a big difference between a billion - one or two billion dollars - and five and a half billion dollars. And from here in, having gotten away to such a good start, it is largely going to depend on the use of a lot of shoe leather.

(Discussion resumed on the record)

H.M. JR:

Next?

Q.

Mr. Secretary, what are your reactions to this Disney-Tydings bill that was introduced in the House some time ago regarding proposing a Constitutional amendment in regard to appropriations, in which, in case of war all appropriations would have to receive the approval of three-fifths of both Houses? In other words, it would make the House responsible for raising the funds as well as spending them.

- 4 -

- A I don't know whether we have been asked for a report on the bill or not.
- MR. PAUL: We have been working on it, but we are in no position to make a comment.
- Q You have been asked to make a comment up there?
- A I don't think we have.
- H.M. JR: I have no comment.
- What else? Charlie said you fellows and ladies had a lot of questions?
- Q When is your 1944 tax program going to Congress, Mr. Secretary?
- A I see you are in a humorous mood. (Laughter)
- Q You still want some money, don't you?
- Q You mean there won't be any taxes in this election year?
- A I could give you an answer, but I don't think I will.
- Q I would like to have you answer that. I could use it on the ticker.
- A Well, just at present I am suffering from malnutrition on the tax front, so I don't think I am prepared to give you any answer.

- 5 -

Q. Mr. Secretary, have there been any developments in the Kellems case?

A. No.

(Discussion off the record)

A. Very much off the record, I am supposed to go to jail if I discuss the tax case. This is just to let you know. There is nothing we can do about individuals' taxes until they file the 15th of March, because that is the final filing. We can't do anything on her individual tax. On her corporate tax - the company's - we are looking into that. If that is delinquent, we could do something. But what would we do? It would be just a formal procedure. I mean, we would proceed as we would on any other tax.

Q. You haven't determined whether the corporate tax is delinquent?

A. No, I haven't. I couldn't say it, anyway. But for your own information, there is nothing we can do on her individual tax. But on her corporate tax, we are looking into it. I thought the way the press handled it was swell, and I can't see that anybody is in sympathy with her. I think

- 6 -

she is very much an isolationist in taxes.

(Resumed discussion on the record)

Q Have you gotten anywhere yet with post-war tax studies in the Treasury?

A Oh, there is a lot--Mr. Paul, Mr. Blough, and a lot of people are doing a lot of studying, just to be ready.

Doesn't somebody want to ask me about Jack and Heintz' statement yesterday?

Q I am not interested in it. (Laughter)

A Let me give you the facts, anyway. William Jack, President of Jack and Heintz, charged that the five-man War Contract Renegotiation Board of Internal Revenue is heading the country toward dictatorship by withdrawing industry's chances of survival through taking everything in taxes. The Renegotiation Board is getting up a dictatorship where if you want a job after the war you will have to go to Uncle Sam. Jack told the Advertising Club at its weekly luncheon that if industry is going to survive, and so forth--now can't you start all over again? Don't write

- 7 -

something funny now, will you, please?

Q

No.

A

From our standpoint, these various statements-- these are the facts: There is no such thing as a five-man War Contract Renegotiation Board of Internal Revenue. Nor do taxes have anything to do with renegotiation. There is a six-man Price Adjustment Board representing all interested agencies, and that determines the policy. It has nothing to do with Internal Revenue, which isn't represented on that Board. The Treasury is, but Internal Revenue isn't.

Then I will read this memorandum. "Mr. Jack's quarrel is with the Army, but having picked an argument with the Army once and having lost it, he is apparently looking around for somebody else to argue with." In other words, he just doesn't know what he is talking about.

Q

Well, he is doing a twenty-three million dollar business on three hundred and fifty thousand dollars, or something like that. Didn't he have his own investment of about three hundred and fifty

- 8 -

thousand dollars and the Government put up the rest, and then he claimed the profits?

A The point is, he made a statement yesterday. This is no relation to that. The other thing is an argument between the Army and himself. He tried to drag in the Bureau of Internal Revenue and just was talking through his hat. He didn't know what he was talking about.

Q Do you still expect to be able to hold the World Stabilization Conference this spring?

A I am not ready to answer that question.

Q There seems to be a certain amount of pessimism about the date.

A I am not prepared to answer.

Q Aren't the Russians the only obstacle now?

A No, I wouldn't say that.

Q Or, is the difference with Britain?

A I am not prepared to talk about it.

Q We were going to have one the first of the year. I thought it may be a good idea to say why we are not having it.

A I don't know where that story came from.

- 8 -

- Q From Mr. White.
- Q January was the first month mentioned.
- A I would be surprised--I will put it that way-- if he fixed the time.
- Q He didn't fix the time. As I understood it, there had been hope that they would have something around the first of the year. Of course, it will be the first of the year through February and March, I suppose. Couldn't you give us something on that?
- A No, I am not prepared.
- Q Is there something impending?
- (Discussion off the record)
- I'll be very honest with you. Off the record, it is just that I have been concentrating on this War Loan. I just haven't had a chance to talk with Harry White; so when I say I am not prepared, I mean I am not prepared. That is all.
- (Discussion resumed on the record)
- Q. Do you have any comment to make on the Argentine break?
- A. No. All right, everybody?
- Q. Thank you, Mr. Secretary.

SECRETARY'S PRESS AND RADIO CONFERENCE

March 1, 1944

4:00 p.m.

- H.M.JR: All right, ladies and gentlemen.
- Q. Which foot is it, Mr. Secretary, that you have in the grave? (Laughter)
- A. I don't know; some of them have me with both feet. I'm afraid I'll disappoint a few people. I have "inside" information that I'm feeling very well! On the refunding - I don't know whether they gave you that information.
- MR. BELL: Yes, they have the press statement.
- H.M.JR: As you know, we have a lot of maturities, and we are offering for individual holders a new one and a half note due September 15, 1959; and also giving them the privilege of converting into the two and a quarter '56-'59 or the two and a half '65-'70, which was part of the Fourth War Loan. And the banks can subscribe or refund into the one and a half note due September 15, 1959.
- If you have any questions, Mr. Bell or I can answer.
- Q. Subscriptions open immediately, do they?
- MR. BELL: Tomorrow morning.

- 2 -

- Q. They remain open how long?
- A. That hasn't been determined. We thought we'd leave that open; but I think we can say that they will be open for a number of days, probably a week or maybe ten days.
- H.M.JR: And the final figures on the Fourth War Loan - final report - will be available to press and radio some time tomorrow night. I am going on the air at nine-thirty to make a final report - nine-thirty to ten, Blue Network. I am sure the press is all interested!
- Q. You don't feel discouraged over the figures, do you, Mr. Secretary?
- A. No, I have every reason to be very happy about them, particularly about the E Bonds.
- Q. About the best ever, isn't it, for the E Bonds?
- A. Oh, yes, but I don't want to break it.
- Q. We won't take the edge off your story - we want to see you smile!
- A. The final figures aren't in yet, but I am very happy over what has been accomplished. That is all I have to offer, but if you ladies or gentlemen have any questions, I'll try to

- 3 -

answer them.

Q. Did you have to ride the rods to get back, Mr. Secretary? (Laughter)

A. No, I had a berth to sleep in, which was fortunate.

Q. Mr. Secretary, where do we go from here on taxes?

A. Well, I just can't answer that; but I was talking with our tax people and they said that their meeting with the experts on the Hill has gotten off to a very amicable start.

MR. BELL: On simplification.

Q. Is that meeting on simplification?

H.M.JR: Yes, on simplification. In fact, they were with them today, and they say they have gotten off to a good start.

Q. Mr. Secretary, there have been reports that there might be some personnel changes here as a result of the flare-up in Congress.

A. I know of no reason why there should be any. So far as I know, there will be none.

Q. In other words, Mr. Paul's health is very good?

A. Mr. Paul's health is very good. After all, Mr. Paul represented the Administration on the Hill, and I think he did an excellent job and

- 4 -

should be complimented for it.

Q. Anything new about this International Monetary Conference, Mr. Secretary?

A. I got back a little after one o'clock today, and I don't know of anything new. That doesn't mean there isn't anything, but I haven't had a chance to talk with those people yet.

Q. Coming back to taxes, Mr. Secretary, the immediate effort - as I see it - is simplification measures. Your plans will be on that, sir? I mean, do your plans extend to revenue raising now?

A. I wouldn't want to say, other than that today our staff is working with Mr. Stam and his staff; and they told me when I got in that they got off to a very good start, which pleases me.

Q. They are working on simplification.

A. Yes, they are working on simplification, and that is all that is in the immediate offing as far as I know. I expect to see Mr. Doughton just as soon as he can see me. I mean I haven't called him up, but I expect to call him and ask to see him and see what he has in mind.

- 5 -

- Q. Do you mean, Mr. Secretary, by simplification, individual simplification - or would that include administrative changes and apply to other types?
- A. I don't know how far they propose to go. I just don't know.
- Q. Chairman Doughton said it was on individuals alone.
- A. Is that right? Well, that will be a good start. I hope they get somewhere.
- Q. Do you expect to be in town for a while, Mr. Secretary?
- A. Other than going to New York to make this broadcast tomorrow night, I'll be here now.
- Q. We have missed you.
- A. I've missed you.
- Q. Thank you, sir.
- A. It was the first rest I have taken since January, a year ago, and I needed it and I got a good rest and now I guess I can go the rest of the year.
- Q. Mr. Secretary, you have some five billions, I think, in certificates coming up on April first that is not included in this. Is there any particular reason - or what are the plans with respect to that?

- 6 -

MR. BELL: They'll be handled separately at that time.

H.M.JR: You roll them over?

MR. BELL: Probably will, yes, five billion dollars; we
, certainly wouldn't use the cash to pay that much
off.

There is also one on May first of a much smaller
amount, but we'll have to handle those on or
about those dates.

Q. There will be a change then?

A. I'd hate to say yes this far in advance, but the
chances are that there will be a roll-over.

H.M.JR: You might also point out that we have seventeen
billion dollars.

MR. BELL: Yes, a little over seventeen billion dollars in
the working balance.

H.M.JR: In the cash drawer, which is a very comfortable
position to be in.

Q. Is that the General Fund?

A. That is right, yes.

Q. You are not picking up any additional fund any-
where along the line on these?

A. Not just now. This announcement we are making
takes care of the immediate future. Say we

- 7 -

- have seventeen billion dollars on hand - why, that will take care of us for a little while.
- Q. Have you any idea, Mr. Secretary, that you care to tell us as to the approximate time of the Fifth Loan?
- A. No. I have been in touch with Mr. Bell and Mr. Gamble, and Mr. Gamble is expected back tonight, and we will begin to make plans immediately.
- Q. You haven't set the time yet?
- A. Not yet.
- Q. Mr. Secretary, some time ago you indicated - as a matter of fact, you stated - that it would in all probability be in May.
- A. We didn't put it as definitely as that.
- MR. BELL: We said May or June, I believe.
- Q. In the Senate Finance Committee hearings - I have a direct quote on that. It was pretty definite. I mean at least - excuse me - that was the way it was understood at the time.
- H.M. JR: You will excuse me if I argue with you a little bit. I don't think I could have been too definite. I have always been very careful with you people

- 8 -

not to commit myself on any financing until we are ready to announce it. Have another look at it.

Q I see. It is not definite it will be May rather than June.

A May, June, or July. It may be either May, June, or July. It will have to be sometime along in there, and as soon as we do know we will make it definite.

But I have always been very careful about that, just as Mr. Bell has been careful now when you asked him about those five billion dollars. He didn't want to commit himself as to refunding.

Q That question was prompted by your reference to this comfortable position of the cash box, Mr. Secretary. I thought it might not be necessary to have another one so soon.

A I thought in passing it would be of interest to know that the Treasury had seventeen billion dollars on hand.

Q Is that the record?

A I should think it was. Isn't it?

MR. BELL: I don't believe so. I think we went up over eighteen billion dollars in the other drive. I

- 9 -

can look it up, but I think we went over eighteen billion.

Q.

I am sure that is right; I have been watching it.

H.M.JR:

Well, that is about all, other than that I am here. Any time you people want to see me, I'll always be glad to see you.

Q.

Thank you, Mr. Secretary.

A.

And might I say in passing - may I thank the working press for the way they handled this gossip about my health. The working press, as far as I know, did not at any time print the mis-statement that I had had a heart attack, which didn't happen to be true. I did not have one; I have never had a heart attack. I just want to thank the working press that they did not handle any of that gossip. They have left it to the "gossipeers."

Q.

We are glad you didn't have one.

SECRETARY'S PRESS AND RADIO CONFERENCE

March 10, 1944

4:35 p.m.

Q. How are you, Mr. Secretary?

H.M.JR: Fine, never better.

I understood that the President passed a question over to me about additional taxes. I have been in consultation, not only with the President, but with both Chairman George and with Chairman Doughton during the past week.

We have come to an agreement that the most important thing right now is the simplification of the tax forms, and that will be given right-of-way over everything else.

Q. Simplification of what?

A. Of your tax.

Q. Oh, yes. I thought you said something about a form.

A. Income tax.

Q. You mean the law?

A. Of the law, yes - of the individual income tax. I have written a letter to Senator George - this is just for your information; you needn't take this down; take it down if you want to - and

- 2 -

Congressman Doughton, and they have a statement - a joint statement - which they will give out.

Q. Today?

A. Now. Senator George is waiting in his office and has my letter. He is doing it for Mr. Doughton, because Mr. Doughton is away on official business. They have my letters and a statement which he is prepared to give out on this subject.

Q. Could you give us the gist of those letters?

A. Right along what I am saying. It is just on this subject of simplification of individual returns.

Q. The understanding is that they are to go ahead - everybody is to go ahead with the simplification before anything else is done on the question of taxes.

A. Certainly. And there is agreement between the Executive end of the Government and the Legislative end that this should have the right-of-way.

Q. Do you go into the question of how to simplify, Mr. Secretary?

A. Not in the letters; but the Treasury technical

- 3 -

staff and the Congressional technical staff have been working together extremely well and with encouragement not only from this end but from Senator George and Congressman Doughton, who have encouraged them to go on.

They are practically in agreement now as to how this thing can be done. It shouldn't take very long to get this legislation through. If they can get it through fairly promptly - and that is what I am urging - we can get out the new forms so that, we hope, they might be effective by the September 15 return date.

Q. You hope it can be effective?

A. That is what we are aiming for, and that is what they would like to see us do.

Q. Mr. Secretary, that still leaves unanswered the question as to whether there will be an additional tax recommendation.

A. Well, the answer is, this is going to get the right-of-way over everything else.

Q. When this is completed, what then, sir?

A. Well, as far as the Treasury is concerned - let's say as far as the Executive end of the

- 4 -

Government is concerned - our position hasn't been changed as to need for additional revenue. Does that answer that?

Q That is as far as you want to go, sir?

A That is about as far as I want to go.

Q That still leaves a doubt in my mind as to whether there will be a request for additional taxes.

A I can't answer you, because I don't know. But I am just saying, the position of the Executive end of the Administration hasn't changed any in its desires for additional revenue.

Q I understand that. I am just wondering if you will implement those desires with requests for additional revenue.

A I don't want you to get a direct quote out of this, but the point is that simplification comes first. I am not trying to fence with you, you see. Simplification comes first. After that, I don't know.

Q I see, sir.

Q Could you say whether you have discussed increased taxes?

Q Can't we quote you as saying, "Simplification

- 5 -

comes first; after that, I don't know"?

A. If you will add to that that the Administration's position has not changed in its desire for additional revenue. If you will add that -

Q. Very gladly.

Q. That means, Mr. Secretary, that in your conferences on the Hill you haven't made any arrangements for anything beyond the present considerations of simplification?

A. That is all. And the point is, in this agreement between the Executive end of the Government and the responsible Chairmen a lot of these administrative changes which people want - hundreds of them will have to wait. They will have to be introduced as a separate bill. I mean, the Executive and the Legislative getting together this way, we can get through a bill on simplification, I am quite sure.

Q. You are talking about simplification, only, of the individual income tax?

A. Yes, but many changes they want - a lot of changes we would like to have which would be necessary to corporate law - all that will have

- 6 -

to wait to get through this one piece of legislation.

Now, if later on somebody feels there is something very unjust in the corporate law he would like to have changed, they can introduce a separate bill. But this has the right-of-way.

Q. Mr. Secretary, is it possible that you might get new revenue incidentally from a simplification bill? I mean, from the process itself?

A. I don't think so. I haven't heard it discussed. It will just make life easier for a great many of us, I think.

Q. Mr. Secretary, what happens to our old friend, the Victory Tax?

A. You will have to wait a little bit on that, because I believe - I don't know whether it has been announced - that the Ways and Means are meeting on Monday. I think they will have something to report then.

Q. Mr. Secretary, have you worked out any sort of an arrangement on simplification with Senator George and Mr. Doughton?

A. We are practically in agreement. When I say "we,"

- 6 -

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Q. Mr. Secretary, have you worked out any sort of an arrangement on simplification with Senator George and Mr. Doughton?

A. We are practically in agreement. When I say "we,"

- 7 -

I mean our staff and the staffs of the Joint Committees. As far as I understand, we are practically in agreement.

Q. On simplification?

A. On simplification.

Q. They want to keep the distribution of the burden practically where it is now, Mr. Secretary, which, as I recall, is at variance with the position that you took.

A. If you don't mind, I'd rather not discuss what it is going to be. It is their move; it is their responsibility to legislate. We have been up there; we have given them the best we have had. And as far as I know, there seems to be, I'd say, complete accord.

Now they will meet on Monday, and they will consider these recommendations of their own staffs and ours, and I believe that they are so close together that I am hopeful that it will go through promptly.

Have you people some question?

Q. You say Senator George has the statement up at the Capitol?

A. Senator George is sitting in his office and will

- 8 -

be very glad to see you ladies and gentlemen now.

Q. Thank you, Mr. Secretary.

A. Thank you all.

SECRETARY MORGENTHAU'S PRESS & RADIO CONFERENCE

10:35 a.m.

March 23, 1944

H.M.JR:

First, may I correct an unauthorized impression that went out yesterday that the Fifth War Loan was going to be for fourteen billion dollars. I have been meeting this week with representatives of the American Bankers Association, and yesterday and today with a group of our State Chairmen. After we presented the facts and what the war needs are in the way of cash, they felt that we should set a goal of sixteen billion. We have agreed that we would set the goal for the Fifth War Loan at sixteen billion, because, in the first place, we needed it for the war, and with their assurance that they can get it, I am very happy to announce that the goal will be sixteen billion.

Q

Will it be broken up substantially about the same way?

A

We really--that side remark or whatever you want to call it--that story forced my hand.

- 2 -

We really weren't ready, and we won't be ready until the end of next week. At that time we will give you a complete financial announcement, time, and what the securities are. It will be the end of next week. We hadn't intended doing it, but I didn't want the country to get a false impression.

Q You mean, we smoked you out, Mr. Secretary.

A Could be. It has been done before.

Q Do you have the approximate date of the drive?

A No, all of that will be announced at the end of next week. There are a number of conferences with the Federal Reserve which are yet to come. But as Mike said, I was smoked out, or whatever you want to call it.

Q You mean you will have your meeting yet with the Federal Reserve?

A Yes, there are a whole lot more people to consult.

Q Could you tell us who they are, aside from the Federal Reserve?

Q That is the Federal Reserve Executive Committee of the--

- 3 -

- A They are coming in next week, and there will be others. Shaeffer will tell you about them, but that is that.
- Q You are still going to make your main drive on the E bond type, or rather the individual sales?
- A Yes, the main drive will be on the E bonds. We will have all the details for you at the end of next week.
- Now, do you have any public worries that you would like to ask me about?
- Q I would like to ask you who Mr. Paul's successor will be, Mr. Secretary?
- A That has not been decided.
- Q Will it be from within, Mr. Secretary?
- A I don't know.
- Q Do you have some people in mind?
- A No, I am not going to be smoked out if I can help it.
- Q Was his resignation rather sudden, Mr. Secretary?
- A No, Mr. Paul has been talking about resigning for some time.

- 4 -

- Q The last word we had was that he was going to resign, but it was still some time off. That was just a few days before--
- A The answer to the question you asked me is "no."
- Q He is going to stay around to help break in the successor?
- A That is right.
- Q Do you anticipate any other resignations, Mr. Secretary?
- A No.
- Q You are not resigning, are you, Mr. Secretary?
(No response.)
- Q That is his question, Mr. Secretary, not mine.
- A I will let him answer it.
- Q Mr. Secretary, I withdraw the question.
- A It worked. I smoked him out. (Laughter)
I smoked him out. He withdrew his question.
- Q Is there anything new on the International Monetary Conference?
- A Not just now, nothing that I can tell you.
- Q How are the discussions going with the Russians?

- 5 -

- A As I understand it, they are making progress, and that isn't just a stereotyped remark. They really are making progress.
- Q Do you have a comment on Mr. Smith's speech in the House yesterday, Mr. Secretary?
- Q Did you see Mr. Patman's reply?
- A I rest on Mr. Patman's reply.
- Q Mr. Secretary, I would just like to say, if I may, that you are losing one of your most popular members of your family when Mr. Paul leaves. Some of us who have followed taxes have become very fond of him.
- A That is mutual.
- Q He is a square guy, and we all liked him.
- A I agree with you. I certainly tried to persuade him to stay. Those were his wishes.
- Q Have you any news this morning, Mr. Secretary?
- A No. It is just that I haven't seen you all and was lonesome for you. Do you want to ask some questions?
- Q Mr. Secretary, before the House Banking and Currency Committee on the Surplus Properties Bill there has been a considerable amount of

- 6 -

criticism of Treasury Procurement policies, hoping they would get standardized.

Q Is anybody from the Treasury going to go up there? They have said several times that they hoped somebody would come up.

A We haven't received any invitation that I know of. If we got one, surely we would go up. I think Procurement has a good record.

Q Would you go, Mr. Secretary, or would John Sullivan?

A I think Sullivan and the Director of Procurement would go.

Q Mr. Mack?

A Yes, Mack. I don't think there would be any particular reason for my going. Don't stir anything up, but I am perfectly willing to go.

Q I think the latest crack was that you sold a lot of horseshoes, and within a month the Army put in an order for an equal amount of horseshoes.

A Well, I don't want to be quoted, but I spent

- 7 -

quite a lot of time--I am not familiar with the horseshoe deal, but if the Army says they have so many horseshoes or so many motorcycles or so many this or that, we sell it.

Q You are just a sales agency for the contracting agencies?

A Sure. If our client subsequently changes its mind and decides they want more of the same thing, it is not our responsibility. I am not trying to let anybody down, but we are a sales agent.

Now, the only thing we can be criticized for is that the price we sell it at is, they think, not as good a price as they think might be. But I don't know of any criticism where we have sold things.

Q I think it is mostly lack of coordination.

A. Personally, I think it is lack of information. I just don't think they know. I have been following it.

There is another thing. They can say, "We don't like Procurement," or, "We think Procurement is doing a bad job." That is one man's

- 8 -

opinion. But I haven't heard them say, "Well, Procurement sold a lot of motorcycles or a lot of trucks and only got ten percent of what the market would pay for them." If anybody has made that kind of criticism, I'd go up and answer it. If they just say they don't like us, that is something else.

Q. One of their criticisms was that they didn't get the information out for sales, and oftentimes until after the sale was held, and things of that nature.

A. Well, as I understand it, we do announce it. It is given to the Press - a list of sales, and so forth and so on.

Q. Some sales in some places are different from sales in others. Mr. Hancock up there said yesterday that it was his opinion that Procurement and the Treasury would be bound by the same policies - by the policies laid down by Clayton when he got them outlined. Is that true on surplus under the President's Directive?

A. I suppose, if what the President set up goes through, it will be a uniform policy - I hope.

- 9 -

Q. Well, they named Treasury Procurement as one of the agencies.

A. For surplus, yes.

Q. Do you have any idea when those motorcycles or trucks are going on sale?

A. No, but I'll be glad to find out for you. I'll have Shaeffer call up.

Q. We can find from Kramer, perhaps.

A. Shaeffer can find out and let you know within a half hour, can't you, Charlie?

MR. SHAEFFER: Yes, sir.

H.M.JR: Are you that good?

MR. SHAEFFER: Oh, yes!

Q. Mr. Secretary, who decides to what governments in exile you are going to supply frozen funds - State?

Q. Questions are arising, as you probably know, about this or that government, whether Treasury represents the people; for instance the Yugoslav Government.

A. The State Department decides that. Again, we are an operating agency. That is purely a matter of foreign policy - I mean, whether it is

- 10 -

King Peter's wife who gets the money!

Q.

No, King Peter or Tito.

A.

I thought they were having a little marital trouble over there. (Laughter)

Q.

Trying to cause a royal split, are you?

A.

No.

That is a matter for the State Department to advise us on.

Anything else?

Q.

How about those silver dollars you have been sending to Saudi Arabia? Are they for the purpose of expediting the pipeline?

A.

How about that, Mr. Bell?

MR. BELL:

They weren't silver dollars, were they? They were silver coins for Saudi Arabia. We coined some coins; I think they have gone.

Q.

How much?

A.

I don't know, but not a very large amount.

H.M. JR.:

That was direct to the Government?

MR. BELL:

That is right; I think so.

H.M. JR.:

There was nothing out of the ordinary, was there?

MR. BELL:

No, just like we are coining coins for a lot of other governments.

- 11 -

- H.M. JR: It has nothing to do with the pipeline.
- MR. BELL: No.
- Q. Not directly! (Laughter)
- MR. BELL: The amount of money involved, too, has no relation. It is a very small amount of coins.
- H.M. JR: It was their own coin.
- MR. BELL: Yes, their own coins.
- Q. For how many governments are you coining coins now?
- H.M. JR: I don't know, but a number. There are some for the Netherlands.
- Q. There always have been.
- MR. BELL: Yes, we have always done that.
- Q. The Bureau of the Mint had a report.
- A. We gave out a report not so long ago. We didn't name the governments, because that isn't really our affair. It should come from them. We did say we had coined about two billion coins in the last year.
- Q. This is the first time you have coined for Saudi Arabia, isn't it?
- A. I suspect it is.
- Q. Quite a coincidence!

- 12 -

- A. No, I don't think so. (Laughter)
- H.M.JR: No - well, anyway, you've had your fun.
All right?
- Q. Thank you, Mr. Secretary.

SECRETARY MORGENTHAU'S
SPECIAL PRESS AND RADIO CONFERENCE

April 20, 1944
4:30 p.m.

H.M.JR:

What I am going to attempt to do this afternoon with the help of my associates here in the Treasury is this: As you ladies and gentlemen know, I think it was last October, we went up on the Hill before the various Committees in the House and in the Senate that had any interest in the international monetary and banking field, and made a report as to progress as far as it had gone up to that time. We told them that we would come when we again had something to report.

Now, we are doing this tomorrow morning in the Senate before four Committees, and I think there are four Committees in the House in the afternoon. Now, normally we would have had a press conference afterwards, which would have made it more difficult for you, and I felt, with the experience I have had with the press here in Washington

that I could do this, and with your cooperation - when we say that this is for release to the public at eight o'clock tomorrow, that I am not going to worry about any breaks.

Now, it isn't only a question of breaking this release inside! We have an agreement with thirty other nations that we will release this to the public as of eight o'clock - to the press and radio - Friday evening. So I am putting myself in the hands of the press and radio of America, having given my word to thirty other nations that we will not release this until tomorrow night. And I am not going to lose any sleep about the press and radio keeping this release safe. To put it moderately, it would be most embarrassing to me.

So, with that little explanation - I felt that it would help you and would help the Treasury in getting better publicity. So I have both a self-interest and your interest. But we have never done it this way before, but I felt that with war time, and the difficulty of transmission, and everything else, we would do it this way.

Now, what we are proposing to do tomorrow is this. These technical experts of these various countries were invited to come here to Washington and discuss with the technical experts of this Administration how we could arrive at a plan for international stabilization of currency, and also a plan for a World Bank.

All of the experts of all the thirty-odd nations have agreed to the principles involved with the exception of Russia, which we have not heard from yet, and were advised late this morning, because of the difficulty of transmission, and one thing and another, they feel they haven't had time to study the whole plan. I am very hopeful that the Russian Government will agree to this. I have no reason to believe that they will not. They have had five very capable people here for almost two months, and from discussions that Mr. White and his people have had with them, we have every reason to believe that they will agree. But I can't say they have agreed, but everybody else has.

Now, again, as to the principles: I have two

- 4 -

documents here: One, a statement which I will read to these Committees tomorrow, and one is the agreement as to the principles. I think it would be easier for you and for me if I would read to you this not-too-long statement which I am going to make, and then after that you can tell me how you would like to proceed. Maybe you would like Mr. White to read the other statement, which is the statement to be released tomorrow night.

Now, supposing I read mine to you myself. If you want to interrupt me - I will be glad to have you interrupt me. I would like to go through it once. Then when I am through you can question me. Or would you rather have Mr. White read the statement of agreement as to principles?

Is that all right so far?

Q Which one do we have, Mr. Secretary?

A You are going to get the agreement as to principles.

Q Is this the agreement?

MR. WHITE: No, that is a brief summary to help you follow.

Q When, sir?

- H.M.JR: You will get everything now except my little statement which I am going to read to the Committee.
- Q That will be all right. We would rather have you read your statement, then. Am I embarrassing you?
- MR. SMITH: I don't think we ought to give out the actual statement of principles at this particular point. If Harry would read it, and let them know what is coming--
- H.M.JR: If you don't mind, I disagree; I would give it to them. I am going to put myself in the hands of these people, and I am not going to worry about it.
- Q Speaking for the gentlemen of the press, you don't have to worry, Mr. Secretary - but I can't speak for the ladies.
- Q I think the ladies will concur.
- A Do you want to speak for the ladies? Do you agree they are all gentlemen?
- Q That is it. We would like to have it.
- A I think what he is talking about is as to keeping the agreement - as to release.

If anybody wants to leave the room because they don't feel they can agree - that has happened to me (Laughter) - seriously, if anybody doesn't feel that I am putting you on your word of honor, because I have given my word to thirty nations, the easiest thing would be for them to get out. If everybody stays here, I take it they are going to give me their word, and have the power to live up to it. Is that fair?

(General assent)

I did have someone once leave a press.

Q He is no longer here.

Q The same policy has been followed with regard to Budget Messages and various other things. Of course, probably nothing involving thirty nations.

A It is a little bit different and I, as Secretary of the Treasury, have given my word to thirty nations that there will be no release until eight o'clock tomorrow night.

Q We won't get any reports of the story from cables abroad?

A I hope not.

Q Do you remember some of our London announcements?

A This is very much off the record. This time they are not giving it to Governments in Exile, so I don't think you are going to get it.

(Laughter) This time the Governments in Exile will get it after eight o'clock tomorrow night.

Q Mr. Secretary, this entire press conference is for release at eight o'clock tomorrow night, as I understand it.

A That is right.

Q Nothing here at all that goes on, is to be released before that time.

A That is right. And I am taking it, if any man or woman feels he can't live up to it, or the people they work for wouldn't live up to it, I am going to ask them to leave the room.

That is fair, isn't it?

(General assent)

I might be made a liar of in the United States, but I don't like to be all around the world.

(Laughter)

If I don't read this well - it just came off the typewriter - if I may read this to the end, and then be questioned--

TREASURY DEPARTMENT
Washington

C O N F I D E N T I A L

To be held in strict confidence, and
no portion, synopsis, or intimation
to be published before 8:00 P.M.,
E.T.T., Friday, April 21, 1944.

Statement of Secretary Morgenthau
before the Senate Committees on Foreign Relations,
Banking and Currency, and the Special Committee on
Post-War Economic Policy and Planning
Friday, April 21, 1944

I am happy to tell you today that technical experts of the United Nations have agreed upon a set of basic principles for an International Monetary Fund. This is a great step forward. It is of greatest importance to all of us who believe that the nations of the world can cooperate in dealing with international economic problems.

Technicians representing some of these thirty nations have prepared a joint statement of the principles which are agreed upon. This statement does not, of course, bind any government to participate in the International Monetary Fund, though it does mean that the Fund will be recommended to each of the governments as a practical means of meeting post-war monetary problems.

I want to call particular attention to some of the facts contained in this joint statement, but before I do that, I should like to review with you some of the things that have happened since I appeared before these Committees on October 5 of last year. At that time, I told you I would like to keep you informed of progress, and accordingly I appreciate this opportunity to bring you up to date.

Since I last talked to you, we have discussed the principles of the international stabilization and investment program with bankers, labor representatives and other interested groups in Washington, Chicago, Boston, Philadelphia, New York, and other cities. Out of these meetings came helpful suggestions, many of which were incorporated in our plans.

The vast majority of those with whom we have talked are inclined to look favorably upon the principle of cooperation to maintain stable and orderly exchange rates. Informed opinion seems to point to private investment on a world wide

- 2 -

basis as vital to post-war recovery and reconstruction; and the stabilization of currencies among the United Nations through the medium of an international fund, is generally believed to be a necessary prerequisite to this investment. I believe we cannot expect American business men, nor business men of any nation, to take major financial risks, immediately upon the heels of a catastrophic global war, without some assurance that steps have been taken to prevent their investments from being jeopardized by unduly fluctuating money values and severe exchange restrictions.

Having studied the world picture after the last war, we are all agreed that an effort must be made to prevent, insofar as possible, harmful fluctuations of currency; and to prohibit deliberate manipulation of currencies in an effort to secure unfair competitive advantage in world trade.

When I was here on October 5, I spoke of a projected international bank for reconstruction and development.

Because discussions on the Bank were initiated somewhat later they are not yet completely finished. I can tell you, however, that there is considerable support for the general principles embodied in the World Bank, and that good progress has been made.

Those with whom we have discussed the problem of reviving post-war international investment regard the bank as essential to the expansion of international trade and the maintenance of a high level of business activity. They believe it necessary to take steps to encourage and aid private investors in providing an adequate volume of long-term investment capital for productive purposes.

The discussions we have had contemplate the establishment of a Bank for Reconstruction and Development to facilitate long-term investment capital through private financial agencies by guaranteeing and participating in loans made by private investors. The Bank would also supplement investment of private financial agencies if this becomes necessary, by lending for productive purposes from its own resources when private capital is otherwise not available on reasonable terms.

A full statement of recommendations on the establishment of such a Bank and of the principles on which such a Bank should be based is still in preparation by technicians. It is my hope that this statement will soon be completed and that it will be issued later. Before it is published, I shall fully inform your committees.

- 3 -

Now I should like to explain briefly some of the principles upon which the technicians are agreed in connection with the International Monetary Fund.

Here are the purposes and policies as set forth in the Joint Statement:

- (1) To promote international monetary cooperation through a permanent institution which provides the machinery for consultation on international monetary problems.
- (2) To facilitate the expansion and balanced growth of international trade and to contribute in this way to the maintenance of a high level of employment and real income, which must be a primary objective of economic policy.
- (3) To give confidence to member countries by making the Fund's resources available to them under adequate safeguards, thus giving members time to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.
- (4) To promote exchange stability, to maintain orderly exchange arrangements among member countries, and to avoid competitive exchange depreciation.
- (5) To assist in the establishment among member countries of multilateral payments facilities on current transactions and to aid in the elimination of foreign exchange restrictions which hamper the growth of world trade.
- (6) To shorten the periods and lessen the degree of disequilibrium in the international balance of payments of member countries.

The joint statement recommends that all of the United and Associated Nations subscribe approximately \$8 billion to the Fund in the form of gold and local currency. The resources of the Fund would be available under adequate safeguards to help member countries to maintain exchange stability and to correct maladjustments in their balance of payments. Member countries would be able to buy foreign exchange from the Fund with their own currencies, to the extent of their quotas, in order to meet international payments consistent with the purposes of the fund.

- 3 -

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- 4 -

The par value of currencies of member countries would be expressed in gold and could be changed only at the request of member countries after consultation and approval of the Fund. The Fund would approve a requested change in parity only if it were essential to correct a fundamental disequilibrium. Prompt consideration would be given to requests for necessary adjustment of exchange rates. Member countries would not allow their exchange rates to fluctuate outside a narrow range based on the agreed gold parity.

Voting power in the Fund would be closely related to quotas. A member country could withdraw from the Fund immediately by giving notice in writing, and obligations would be liquidated within a reasonable time.

During the period of transition following the war, member countries would be permitted to retain their exchange controls with the expectation that these would gradually be relaxed.

I am frank to say that in my opinion the agreement of the technical experts to these principles constitutes a long step on the way toward preventing a breakdown of currencies and the imposition and retention of restrictive and discriminatory exchange measures after the war. Through international cooperation now, we can assure a stable and orderly pattern of post-war exchange rates.

The purposes set forth in this Joint Statement have long been the international monetary policies of the United States. For years it has been our objective to have these policies adopted by other countries. We know of no better way of assuring general adherence to these policies than through international cooperation in an International Monetary Fund.

We believe that it is of the greatest importance that all of the United Nations are in agreement on the best means to deal with these international financial problems after the war. This is concrete evidence that the United Nations can and will work together in establishing a peaceful and prosperous world just as they are now fighting together to destroy tyranny and oppression.

International cooperation on monetary and financial matters is the keystone of successful cooperation on all international economic problems. Unless we agree to expand world trade and develop the world economy, few other economic agreements which we might make will or can be effective.

- 5 -

The tentative proposals that have been under discussion by the technical experts are part of a program for cooperation on international economic problems among the United Nations. The objectives of this program are the expansion and development of international trade, the restoration of international investment for productive purposes, the maintenance of stable and orderly exchanges. Through these means we can contribute to a high level of employment and production. The establishment of an International Monetary Fund and a Bank for Reconstruction and Development are important steps in the attainment of the objectives of this broad program.

I want to emphasize again that the discussions up to now have all been of a technical nature and exploratory in character. Whatever has been done represents the views of the technical experts of this country and of other countries that have been studying these questions. The United States is not in any way committed until Congress has taken action.

It is my hope that after studying the recommendations of the technical experts, the governments of the United Nations will come to the conclusion that there is sufficient basis of agreement at a technical level to warrant the convening of a formal conference.

I am happy to say that the President has authorized me to state that if a conference is held, it is his intention to invite direct congressional participation in the work of the United States Delegation.

oOo

This, I felt out of courtesy to the Congress, I shouldn't give you copies of, but everything in here is simply an interpretation of what is in the agreement as to principles.

Q Mr. Secretary, will that be available tomorrow?

A In the afternoon, when I get through in the House, this will be available.

Q Where? Over there?

A Here in the Treasury.

MR. SHAEFFER: Yes, sir, it will be available here.

H.M.JR: Do you want it available on the Hill, too?

MR. SHAEFFER: All right. Here and there.

H.M.JR: We will have somebody up where I am testifying, wherever the House meets, to make it available here and there.

Q For us at eight p.m.?

A At eight p.m.

I thought you said "...for the AP."

Q That is what he meant. (Laughter)

A This is my statement: (The Secretary reads the following:)

That is that. I am sorry it was so long. We can proceed now, any way to make it easier for you.

Q Mr. Secretary, is that a joint statement of the thirty-four nations?

A This is mine. The summary which you are to be given is a joint statement of the thirty-odd nations.

Q How many nations actually are involved?

MR. WHITE: Most of the thirty. There are some small ones, and there are a few nations there may be some doubt about. But this represents, as stated in the preamble, that consensus of opinion of the experts is the consensus of opinion.

Q All the major ones?

A Except the Soviet Union, which the Secretary mentioned.

Q What is the reason for the Soviet Union's absence from this thing? I mean, besides the communications difficulties?

H.M.JR: As I understand it, in the first place, due to their war, there was a delay in getting off their delegation. And then again, due to the

war and transportation - this isn't for quotation - it took them about a month to get here. They have been here about two months. As I understand it, they feel that they haven't had - I don't want to be quoted on this, this is for your background, I think you call it - they haven't felt that they have had enough time to digest this and to transmit it to their Government.

Q You mean there is no fundamental conflict over the basic principles.

A No. While they can't say so directly, they have intimated to us that there is no basic disagreement in this statement and what they have in mind.

Q Have the other experts been here since last October?

A Off and on, yes. And I might say the reason I am hopeful that the Russians will agree to this - I mean, it is as much to their interest - again this is for background - it is as much to their interest to agree to this as it is to any of the thirty-odd nations. They have as much to gain by it, or more, as anybody else.

Q They could very definitely mess up the thing if they didn't agree, couldn't they - in foreign exchange? They could constantly throw monkey wrenches.

A Oh, yes. But all of my experiences in the last few years with the Russians on financial transactions is that they have sought to cooperate with us in the international field. Our relations have been most pleasant and, I believe, mutually profitable. So there is no reason why they shouldn't come along, and I have every reason to believe that they will. But they just feel that they haven't had time.

Q Will you wait until they have made the decision before you call an international conference?

A I can't answer. I don't know. Naturally, we would like to have them take part.

Q What have they indicated to you about this plan, Mr. Secretary - I mean, in your preliminary discussions with them?

A Mr. White, you will have to talk about that, because you have dealt with them.

MR. WHITE: There have been, as you may appreciate, long

discussions on many of the points, and the discussions would proceed in the way of their asking questions on some of the points for clarification, their suggesting what might be, in their opinion, improvements, their suggesting what they would regard as, possibly, compromises, and also indicating what they would prefer to see changed.

Q That is what I am interested in, Dr. White.
What do they prefer to change?

A That I wouldn't be at liberty to indicate, for this reason: That the discussions are not over, and what they may have indicated they would like to see changed in the early part of the discussions, may be quite different than what they will end up with.

Rather frequently their desire to see certain things changed has arisen from misunderstanding of objectives and techniques, so that the important thing is what they end up with; and that, we do not know yet. They are still in the process of clarification, discussion, and communication.

Q Mr. Secretary, you said that if this meets with the approval of the United Nations on the technical

level, you would expect to go ahead with the conference. Can you tell us what process has to be gone through with to find out if that is going to be the case?

H.M.JR:

Well, as I say, so far the experts have agreed as to a draft of principles. The next step would be for the President of the United States to communicate with the heads of the various Governments, inviting them to send representatives to this country to confer on this subject. Now, naturally, it depends upon the reception that we get on the Hill tomorrow, but if the Hill, the Congress, is sympathetic to this, we will go ahead. If the Congress was antagonistic to this program, I don't imagine we would.

Q

What action is necessary by Congress before you go ahead?

A

None.

Q

No resolution?

A

As to the President calling a conference?

Q

Yes, sir.

A

That is perfectly within the right of the Executive to invite other Governments to send

representatives here. Let's say he goes ahead and does that; whatever is agreed upon, we would then have to refer to Congress for a ratification, or for whatever enactment of law is necessary. Congress would have to pass a law to make it possible for us to do this. But the President could call such a meeting. We could agree in principle, and then the President would ask Congress to enact the necessary legislation. So, in the final analysis, it rests with Congress whether we go ahead or not. But as to calling a conference, the President has that right and authority.

Q I was going to ask - I wasn't clear from what you said, just at what stage legislative proposals would be formulated.

A Let's say that we got a good reception tomorrow and that the President then decided he would invite the Governments to send delegations here. The delegations meet, and then we assume they can agree to something. Now, whatever they agree on, the President would refer that agreement to Congress and ask them for approval or disapproval, and to enact whatever legislation

- 15 -

is necessary to make it possible to carry out the agreement.

But there is no law existing which would make it possible, and I certainly wouldn't recommend to the President that we could, even if we had the law, without getting definite sanctions in Congress. Every new step we have taken with the present Stabilization Fund, before I have taken a new step, I have appeared before Congress and asked for their informal approval before I proceeded to the next step.

I have done that consistently.

d/1

Q. In a sense it involves the Congressional power to fix the value of money, doesn't it?

H.M. JR: That power rests with Congress, and there is no thought of taking it away from Congress, because it is silly to have such a thought.

Q. Fundamentally, that is the question?

A. Oh, yes, that is right.

Q. Could you do it by Executive agreement, as you did the London Silver Agreement?

A. No, this is different.

Q. And this supersedes the President's power to devalue the dollar, inasmuch as it involves an international question, rather than domestic policy?

A. The President no longer has the right to devalue the dollar.

Q. Would this not merely propose to fix the value of the dollar, not in gold but in other currencies-- does not that power rest with the Executive?

A. I wouldn't think so, but I would want Dr. White to give you a more technical explanation; but my guess would be no.

DR. WHITE: I'd say the answer to that would be no.

a/2

- Q. Mr. Secretary, what would be the contribution of the United States, Britain and Russia to such Fund?
- H.M.JR: The dollar contribution?
- Q. Either in-dollars or gold.
- A. Dr. White can give you each. Ours is two and a half.
- DR. WHITE: Between two and a half and two and three-quarters, depending upon the precise formulae which have not yet been worked out.
- Q. Britain and Russia?
- A. Britain would be about a billion and a quarter. Russia might be as much as a billion. I am a little bit less certain about Russia's, because it depends upon the knowledge of data which we do not possess.
- Q. Would there be any other billion-dollar contributors?
- A. I doubt it.
- Q. Why did you raise the amount from five to eight?
- A. There was much discussion on that point, and it was felt almost unanimously after the discussion that anything less than that amount would be inadequate for the task. You will remember, when we first published the proposal, we said that the Fund

d/3

contained at least five billion. We were even uncertain at that time that five billion was enough, and subsequent discussion and analyses and information revealed that in the general opinion it would not be adequate; and so it was upped to eight billion or ten billion, if at some future date all countries - the enemy countries and neutral countries - were to participate.

Q.

I was uncertain from what you said whether an agreement would be submitted to Congress for ratification, or whether there would be legislation to carry out the plan and in that way the whole plan would be submitted to Congress.

H.M.JR:

You have to go through various steps. First, as I say, we'll go before Congress tomorrow and see how they like it as far as we have gone. That is the first step. Let's say they like it - enough of them like it. We get the impression that they like it. Then the President has to decide whether he wants to call a conference.

All right, let's for argument say that he

d/4

decides he wants to call a conference and he invites these various members of the United Nations to send delegations here.

Then they come and they meet. And then, again, we assume that they agree on something. And that agreement, I take it, would be sent by the President of the United States to Congress for their ratification.

Q. That is the point I was nitting on. Would it be a treaty which would be ratified by the Senate, probably, or a bill?

MR. LUXFORD: Mr. Secretary, there has been no determination at all on that point. It will require Congressional approval, but whether the final document that the thirty countries are so agreed on will take the form of a treaty requiring ratification, or some other mode of agreement requiring Congressional implementation, has not been decided, and it is too far in advance to determine.

Q. I see.

Q. Can you say what sort of legislation might be necessary?

d/5 A. I would say, among other things, that you are going to have to have an appropriation of funds to make our contribution.

MR. O'CONNELL: Mr. Secretary, while it is still nebulous, the process that was followed in the UNRRA situation is at least possible. You may recall that it took the form of an authorization of an appropriation which was passed by both Houses of Congress; but in the process the law which was finally passed incorporated the entire text of the agreement reached by the conferring nations which created UNRRA.

Now, in this case we will obviously need an appropriation, and to talk about whether it would be a ratification by the Senate in the way of a treaty or in some other way, is rather beside the point, because it will obviously, it seems to me, be passed upon by both Houses of Congress. The form is almost immaterial, it seems to me.

Q. Can you give us some more definite idea what the President means by "direct Congressional participation" in the American delegation in

d/6

H.M.JR:

this conference?

Yes, what he means is that he would appoint a Senator or Senators, Congressman or -men or -women. In other words, he would appoint one or two or, let's say, several Senators and several Congressmen to be members of the American delegation.

Q. With the same authority as the other members?

A. With the same authority.

Q. That would give the legislators the power to act with the Executive branch, wouldn't it?

A. I suppose so; I don't know.

You see, since Mr. Roosevelt has been President there hasn't been such a conference, as far as I know. But I take it - now I am just assuming - that as members they would certainly have the same right as every other member of the delegation.

Q. Senator Pitman was a delegate in 1933 to London.

A. That is right. And I also assume they would not give up any of their rights as Members of Congress.

Q. You are assuming they will call a conference before November, too, aren't you, Mr. Secretary?

2/7

A. Please keep this clean! (Laughter)

Q. Are you going ahead with plans to hold this conference before summer?

A. Now, listen, don't let's cut this dog's tail off by inches!

Q. When do you think you can hold the conference, Mr. Secretary?

A. I would say, the sooner the better.

Q. Mr. Secretary, I have another question concerning the cost of this plan. What would our contribution be in gold, and how much in currency?

A. As I said, and as Mr. White said, the idea now is that the American contribution - purely as a proposal, let's keep it in mind - is somewhere between two and a half billion and two and three-quarter billion dollars in gold.

DR. WHITE: Well, you are right, except that it is worded a little differently. It is in gold and dollars. It so happens that with the United States there is no difference.

H.M. JR: Haven't I got a polite assistant!

Q. Mr. Secretary, you have about a billion, eight in your present Stabilization Fund, haven't you, that would be available?

d/8

- A. It is in mind that we would use that - that we would recommend that that would be transferred to the other, the billion, eight. I mean, there is a billion, eight in the Fund; there are two hundred million dollars with the Federal Reserve; and don't forget our profits of over fifty million dollars.
- Q. Mr. Secretary, this has been referred to as a contribution. I was wondering if you regarded it, instead, as a kind of investment?
- A. I am glad you brought that up, because every once in a while somebody, when he buys a war bond, talks about contributing to the Government. It is the same relation as when you invest in a war bond. I mean, it will be an investment, not a contribution. I think the choice of language is unfortunate.
- Q. You don't expect to lose the two and a half billion dollars, in other words?
- A. No, I don't. I don't see why we should.
- Q. You are dropping your earlier scheme for an international word like "unitas"?
- A. As near as I can make out, to make progress they have dropped all names! (Laughter).

d/9 Q

As I get this, Mr. Secretary, future movements of capital, private capital, would be governed by the governments of the various countries. In other words, there will be no repetition of what happened in Germany in the post-war years where American capital flowed there through international loans, and the Germans used it to finance their heavy industries, for example. In other words, if a government is war-like, you are not going to lend them money. You are not going to approve, say, Dillon Read & Co. to make a hundred million dollar loan to Germany?

A.

Well, I live in hopes that we have learned something, and I hope we have learned something from the mistakes of the last war. After all, the mistakes of the last war with the post-war loans, the way they were made - one of the basic reasons for this whole suggestion is that we keep this on a governmental basis and take it out of the hands of people who might want to make some money out of this sort of thing. And we feel that if this sort of a program could go through in advance of the

a/10

Armistice and become a law in effect, that the day of the Armistice it would mean that not only we, but some of these countries who will be freed, could start to do business very promptly. But lacking a program like this, you are going to have a very chaotic condition. You take a country like Czechoslovakia; when Mr. Benes was over here he said three months after the Armistice they will be ready to do business, provided - I am adding this, he didn't - they have some means of exchange.

Now, if there is some machinery like this - again using Czechoslovakia as an example - and their factories are ready in three months, they can go ahead and begin to rehabilitate themselves. But lacking some machinery like this, it would be next to impossible for them to do business in the world markets.

Q. That makes it, then, quite necessary that you hold this conference before November, or as soon as you can.

A. Let me put it this way; some of you people are very political-minded. I am just thinking of

d/ll

economics. But the sooner this thing can be held, the more apt it is to be successful and to be ready in advance of an Armistice. And so we haven't got any time to lose. After all, until the people are invited, until they get here, until they make up their minds, until it is referred back - I understand that when this is released they expect to discuss this in Parliament in England for one or two weeks.

DR. WHITE: Within two weeks. They are going to allocate only, I think, a day or two.

H.M.JR: So the whole timetable moves very, very slowly.

Q. Mr. Secretary, could you tell us how these principles differ chiefly from the guiding principles which you released last summer, in August, I believe?

A. I'll have to ask Dr. White to do that.

DR. WHITE: That is quite a chore. Do you want to take it up point by point after you have read the document?

Q. We don't have the document.

A. Why not distribute these? (Statement distributed)

d/12

Q.

While this is going on, I wonder if you would tell me what is going to happen to the gold-poor countries - take the little nations who don't have any gold? Are we going to give gold away to bolster their currencies when they contribute currency in gold?

A.

There is practically no country that has no gold. There are a few that have very little, and they will have to contribute a portion of their gold holdings, which are pretty small.

You will notice on page 2, the proportion of gold holdings is indicated on Provision 3 near the top. It states: "The obligatory gold subscription of a member country shall be fixed at 25 percent of its subscription (quota) or 10 percent of its holdings of gold and gold-convertible exchange, whichever is the smaller." So that a country with small gold holdings would probably use the ten percent. It would give ten percent of its gold, ninety percent in its local currency. Therefore, there should be no country that would be excluded by virtue of its low gold holdings.

- d/13 Q. Dr. White, do you expect that this plan will involve altering the gold content of the dollar?
- A. Do we expect to alter the gold content?
- Q. By this plan?
- A. There is a provision in here which states that a country's approval is needed before anything of that kind can be done.
- Q. In practice it doesn't seem likely, does it? Some other countries might have to alter their gold content, but probably not ours.
- A. That is right. I think your judgment is as good as mine in that respect.
- Q. What would be the vote on the change of the gold content of a nation's currency?
- A. That is answered in a provision which states--
- Q. Where is that, Dr. White?

MR. BERNSTEIN: Number five on top of page five. Oh, I have an old copy. "An agreed uniform change may be made in the gold value of member currencies, provided every member country having 10 percent or more of the aggregate quotas approves." Now, that is important. That means a change in all currency. "An agreed uniform change may be made in the gold value of member currencies, provided every member country having 10 percent or more of the aggregate quotas approves." In other words, if the U. S. doesn't wish it, it can stop. That applies to the gold value of all currencies, so that the likelihood of that ever coming into place is extremely remote.

Q Mr. White, who is going to decide--how are you going to decide the gold value of the respective currencies? From the period of the armistice, how are you going to establish some value for, say, the French or Belgian franc?

MR. WHITE: There would be exchange rates already existing before it comes into effect.

H.M. JR: Tell them how we did it in Italy.

MR. WHITE: Well, with Italy we could do it. It was an enemy

country. I mean, we fixed the rate for Italy. But with friendly countries, that would be-- (Discussion off the record.)

H.M. JR: We asked their advice, and then fixed it. (Discussion resumed on the record.)

Q How would you do it for Czechoslovakia where there is no trade today?

MR. WHITE: That becomes a difficult problem, and that is why, during the period of transition, there is a greater flexibility; and if the rate of exchange were fixed for Czechoslovakia, or a more difficult case is Greece, where there is rampant inflation, and there is no knowledge of what the exchange rate would be at this stage--it would be possible for Greece to alter that exchange rate by consultation with the Board. And those small countries are very grateful for that provision, because it does mean that when they fix a rate, it can, with the approval and consultation with the Board--it has a greater chance of sticking than if they had taken unilateral action.

Q Well, the voting power is based on the amount of subscription to the fund, isn't it?

MR. WHITE: They are closely related, not identical, but--

Q How many votes will the British Empire have?

MR. WHITE: We don't know; it depends upon their quota. I can assure you they won't have more than the U.S.

Q How many will Russia have? They created all those republics there.

MR. WHITE: Oh, no, there is nothing in the discussion, and there is nothing in our thinking that has in any way been altered by their move with respect to greater autonomy of their provinces. They may surprise us with something, but they have never mentioned it in the discussions, and all our comments have been on the basis of the Soviet Union as one country.

Q Well, they have a habit of surprising people.

MR. WHITE: That is possible. They surprised the Germans a number of times.

Q I don't see the reference to the voting.

MR. BERNSTEIN: On page six, at the top of the page.

Q That is the so-called veto power. It is a matter of discussion. In the last plan, it has been dropped, hasn't it?

MR. WHITE: Yes, that is true. That has been dropped. That was one of the basic points of controversy with many countries, and we have protected ourselves in other directions by other provisions which made less necessary the veto power.

Q That ten percent is a veto power?

MR. WHITE: On that one point. I am glad you corrected me. That is the one point on which we have complete veto power. And, also, you can't change a country's exchange rate without its approval, so every country has its own veto power over the gold value of its own country under certain circumstances. That needs further discussion, which will get too technical.

Q What about the countries whose gold has been stolen by the Axis? How are they going to get unscrambled to know how soon they will subscribe?

MR. WHITE: The lawyers can answer that one. How soon are you going to unscramble the gold?

MR. LUXFORD: I don't think that will be in time for any determination here. They will have claims, but I wouldn't think that would be solved in time to go into this quota. It is a factor that can be considered later.

- 38 -

- Q. How would they determine how much their quota would be?
- MR. WHITE: They would just exclude the gold they have claims to. But I think it should be pointed out that many of those countries got much of their gold out. Not all of them got most out, but most of them.
- Q. Are there some of the little countries that come under that ten percent?
- MR. WHITE: No, you would be surprised. They were pretty forehanded, particularly the smaller countries.
- Q. Even Poland got out a large amount?
- MR. WHITE: Poland got out most of what she had. Jugoslavia got out most of it.
- Q. This does not contemplate a redistribution of our huge gold holdings?
- MR. WHITE: Not at all, except in so far as it helps to promote prosperity and expand the trade; and in that level of high trade and prosperity there will take place a normal redistribution of our gold holdings, so we probably will end up five or ten years from now with a smaller proportion of the world's gold holdings than we have now.
- Q. Is there any provision with respect to the enemy

countries if they should be reconstituted some day in the respectable membership of the nations?

MR. WHITE: They can be invited in at the decision of the governments.

Q Is that for the conference, or-for the membership?

H.M.JR: Subsequent to the armistice, not for the conference, no.

Q I have a question about countries, also. You say you have talked with about thirty. What can you say about the other countries, about the coming conference and participation in the plan?

MR. WHITE: The neutral countries and the enemy countries? Obviously the enemy countries would be welcome, but not in the fashion which they would appreciate. The neutral countries have not been invited. Whether at some future time they will be invited remains to be seen. They could join the fund after it has been formed, if that is the decision of the governments concerned.

Q You are talking about the neutrals. Well, take Sweden and Switzerland.

MR. WHITE: That does not make them automatically eligible.

Q Wouldn't the success after the war depend upon substantially all the nations being members?

MR. WHITE: No, it would have excellent chances of success with the major countries that are considering it. If more countries join, it would be better, but not necessary.

Q There are several countries now that are with us in the war but not included in the thirty. I have in mind the so-called associated nations like India.

MR. WHITE: India is in this.

Q How about some of the associated nations in South America?

MR. WHITE: All except Argentina and Bolivia--I think we did have some discussions with the rest.

Q Argentina would be the classic neutral, I suppose.

MR. WHITE: Argentina would be one of the neutrals, if you want to call her such. She wasn't when we started.

Q You say you are trying to forget the Bolivian--

MR. WHITE: No, I don't think I said that.

Q You are trying to work--

Q As I understood, Mr. Secretary, the conference, if and when called, will try to work out the international bank matter and the international stabilization matter, whether the thing might be separated and rushed through separately.

H.M.JR: As I said in this statement which I read, we haven't had time to make as much progress on the bank as we have had on this question of international stabilization of money, but I think--I am just thinking out loud, and I can't commit anybody, even myself, that we could very well go ahead on the monetary conference without the bank, if that is what you mean. In other words, if the bank--the discussion hasn't gone far enough; we won't hold up the conference waiting for it. But I am just thinking out loud.

Q Mr. White, this looks more like the White plan than the Keynes plan. Am I right?

MR. WHITE: That is rather an embarrassing question to ask me. I will leave it to your own judgment. I think you will find this true, that in England they will find many resemblances to the Keynes plan.

Q In the matter of gold, you seem to have had your way.

A Well, you can answer that question very easily by comparing the two.

H.M.JR: Let me answer that. I don't think it would help any towards the unity of the United Nations if we

here try to say we had gotten the better of somebody else or some other nation said they had gotten the better of us. After all, this has been a very amicable discussion on the part of the experts, and they have done almost the impossible, that thirty nations with a hundred experts have agreed to anything. And now that we have this very interesting document, I am sure Mr. White least of all would want to claim that his views had obtained over somebody else's.

Q You would like to go up to Congress and tell them we have the best of them, wouldn't you, Mr. Secretary?

A No.

MR. WHITE: You will find that it is a new product, a definite product of the minds of the experts of scores of countries.

Q Will there be any of these thirty countries that won't come to the conference? Or will there be any that will have to go through some process of approval at home before they come?

H.M. JR: I think that they all will have to go through some process of approval at home before they come just as we are tomorrow.

- Q Will the conference be only for those who have consulted?
- A No, the President will, as I say, if he decides to, issue an invitation to the heads of the governments of these various countries. Then it is up to the head of each of these governments to decide what he wants to do. We can't predict what process they will go through before they make up their minds.
- Q Will only those who have consulted be invited; in other words, the thirty?
- A Well, the people who will be invited are among those thirty.
- Q If the conference is a success tomorrow, how long do you think it would be before you could recommend to the President that it would be time to call the conference?
- A I could answer that, but then I would be putting the President on the spot, which I don't want to do. So if you don't mind, I would rather not answer it.

Q It isn't your desire to have the World Bank program considered along with this?

A Naturally, we would like it. We don't want two of these conferences; it would take a lot of time for everybody, and people have to travel many miles, and it is expensive, and so forth, and so on. So if we could clean up both of the things at the same conference, it would be fine. But I don't think we would want to wait if for some reason or other we couldn't get an agreement on the bank.

Q How about the other thirteen nations? Weren't there forty-three in UNRRA?

A What did you do with the other thirteen?

MR. WHITE: I guess I lost them somewhere. I think there were about thirty-four. There were a few nations that were quite uninterested. They were too small to invite, such as Saudi Arabia, and a few like that. I don't know how many there are that are technically included in the United and Associated Nations.

Q There were forty-three in UNRRA.

A For example, I think Argentina was one of the forty-three.

- Q No, it wasn't.
- A I couldn't know how many there are.
- Q Is Southern Ireland in this?
- A If it wasn't, it should have been.
- Q Time to go home! Thank you, Mr. Secretary.

SECRETARY MORGENTHAU'S
PRESS AND RADIO CONFERENCE

April 21, 1944
5:00 p.m.

- H.M.JR: Good afternoon, everybody. If I walk out on you at five-thirty it is not because I can't answer the questions. I have to get a train. Mr. White will carry on then. We are here to help clear up anything. The most important thing is, we did hear from the Russians, so it makes it unanimous.
- Q They are agreed in every respect?
- A So, if you don't mind writing it this way, for the effect on the Germans, I would much rather have it right from the beginning it was all together.
- Q It has already gone.
- Q It is all right to say they were the last to come in and the last to approve. That is the natural thing, isn't it? They were the last to confer.
- A They are coming in. Quite frankly - this is very much off the record -

(Discussion off the record)

For the good effect it will have in the world to show a united front of United Nations. In writing the story, each of you know how to write the story much better than I do, but I don't want to make it seem as though they were hesitant.

Q Or that you put the heat on them.

A Or that I offered them a case of bourbon in exchange for a case of Vodka. If you will keep it in mind - all that is part of the effect it will have psychologically.

Your way would be the worst way, that I put the heat on them. That would be Example No. 1, the wrong way to do it.

Now, I will leave it to each of you to give us the best effect. But they are in, and have come in in a nice way, because they have joined up realizing the good effect it would have to have everybody in.

Q That is more important than Mr. Smith walking out?

A Slightly. And I didn't make the rules; Mr. Doughton and the others made the rules, and Mr. Smith - I wish he had walked out and stayed out.

The trouble was he walked in and out several times.

(Discussion resumed on the record)

Q What was the reaction, Mr. Secretary?

A On the whole, good.

Q Can we quote you?

A Yes sir. Good.

Q On both sides?

A I would say a little better, maybe, with the Democrats than with the Republicans.

Q We meant on both sides of the Hill. (Laughter)

Q I meant the House and Senate.

Q We know the other!

A O.K. Well, at least I was truthful, wasn't I?

Q You certainly were.

A I would say the reception on the Senate side was a little bit better.

Q Mr. Secretary, you stated yesterday that if the reception were favorable you would ask the President to call the conference. Was it such that you feel you might do that now?

A I feel that the reception was good enough that I feel justified in recommending to the President

that he call a conference.

As a matter of fact - you can't use this--

(Discussion off the record)

As a matter of fact, Arthur Vandenberg said to me as he went out, he said, "Henry, I am sold on this, and I am afraid if I stay longer, somebody may un-sell me, so excuse me if I leave."

After all, he is a fairly important citizen.

But that was what he said when he got up to go.

(Discussion resumed on the record)

Q Mr. Secretary, in view of the reaction, can you say anything more about the possible time of the conference?

A No.

Q It looks like sometime this summer, doesn't it, though, Mr. Secretary?

Q In two months, I would imagine.

A I would say in the not-too-distant future.

Q Whether the President runs for a fourth time or not, the conference will be held? Is that right, Mr. Secretary?

A I am sorry that the ladies present forbid me from answering you in the language I would like to.

Q I want to know whether you would drop this.

Q He wouldn't have to drop it.

A Are we going to stop the invasion?

Q This has nothing to do with the invasion.

A This is of tremendous importance - post-war importance. Anybody perfectly fair about it admits it is important to all post-war economic planning. We are not going to stop for anything.

Q Sir, could you say on what basis the quota of the gold contributions to the Fund will be made?

A What I am going to do, if you don't mind - if there are any other general questions which I can answer, I would like to answer them. If they are questions of the nature which you will ask, I would like to leave them to Mr. White because he doesn't have to catch a train. So do you mind holding your question a minute? But if there are some general questions - is that all right?

Q Certainly.

Q Did the Russian answer come from Joseph, or from the boys who were here?

A The answer came from Mr. Molotov.

MR. WHITE: And they repeated it. They came in and informed me - the experts came in and informed me.

Q They confirmed Mr. Molotov.

A I don't know whether they confirmed it or not, but they informed me.

H.M.JR: I think that my answer is correct.

Q Mr. Secretary, your World Bank planning will still go ahead?

A Yes.

Q Hoping that it will get into the general monetary conference when you hold it?

A Yes, we hope, Mr. White and I, that the thing can go forward fast enough so it will all be part of the same thing. But if it isn't ready, why especially after the reaction on the Hill, I feel we ought to go ahead anyway.

Q Is the Bank being studied by experts, now?

MR. WHITE: Has been and is being.

Q Then the next step in the history of the Bank will be a similar declaration of principles by the experts?

A We would hope so.

Q Any idea how soon?

A

In the not-too-distant future.

H.M.JR:

I want to correct this thing. When you asked me yesterday about what we would do with the President, I said I couldn't say what I would recommend to the President, because that would be putting him on the spot. Somewhere I answered the question, would I recommend to the President to go forward; I am going to ask you to strike that out, please. The question was asked, "Are you going to recommend to the President to have a conference?" I feel that I can't do that because that puts Mr. Roosevelt in an embarrassing position. That isn't what I am here for. I am going to strike that out. Just stop where you asked if I felt I had a favorable reaction. The answer is yes.

I have to stop there.

Q

We can go on?

A

You people can go on, but I am not going to say to the President that I want to recommend we call a conference. He hasn't had a chance - he may not want to do it. There may be other irons in the fire, other than the fourth term. So I

want to say that I have a good reaction.

Q Is it all right to--

A You can draw your own conclusions, but I don't want to recommend to the President he call a conference.

Q Is it all right to say you expect to recommend?

A No.

Q Is it all right to say that the reaction was such that you think an international conference would be called?

A That is all right. But I don't want to recommend it to the President. I want to give him time.

Q How much money are the Russians going to put up?

A If you are going to get into technical questions--

Q I believe this is general. The New York office was wanting the list of the nations which agreed to this, and also to know if there were any reservations in the agreement to the principles as given us.

A Mr. White, after I leave the room, will give you that. He will take care of it.

Anything else of a general nature?

Q The Bank plan goes in with the monetary plan if

it is ready? The situation you explained yesterday still holds?

A Yes.

Q If it isn't ready, this still goes ahead?

A Yes. This conference will be held here in Washington.

MR. WHITE: The various countries also had discussions with neighboring countries. England had additional discussions. All these countries did come here, but in addition to that, they had discussions among themselves. But the discussions that we referred to all took place in Washington.

H.M.JR: May I thank the press and compliment them for having kept this, because as far as I can tell, it was a hundred percent.

Q It isn't eight o'clock yet, though, Mr. Secretary.

A That is all right. Anyway, I still say, up to twenty minutes past five, may I compliment you?

Q Is what you say here to be held until eight, too?

A Yes.

Q Would you be prepared to say, sir, what percentage of the plan is American, British, and Canadian?

A I don't like to pass all the tough questions to

Mr. White, but I think it is a good time for me to leave the room. He will take care of that. Again, in all sincerity, may I thank you? I think it was a swell job. After this experience I would like to work that way again. I told you I wasn't going to worry last time.

Q It made it easier for us, too.

A It worked out fine.

Q If you could control Congress like you could control the press, you never would have any trouble, would you?

Q Especially on taxes, Mr. Secretary.

A Anyway, I think this is a good time to say good night.

Q What about my question on the fourth term and monetary conference?

A Do you want a frank answer? The answer is yes.

Q Thank you, Mr. Secretary. (Secretary leaves)

MR. WHITE: I won't keep you more than three or four minutes unless you keep me.

Q What is the status of China?

A China has agreed with the principles being published in Chungking tomorrow morning.

- Q Where is she going to get the money, Mr. White?
- A China has more foreign exchange than she ever had.
- Q Who are the other two that will make up the "Big Five"?
- A I don't know that there is a "Big Five." You can call it that if you like. That phrase is a hang-over from the big five of the last League of Nations, but the countries with the largest quotas would be the United States, United Kingdom, Russia, and China; who would be five, six, and seven, there would be some doubt about because we don't have all the data, but if I had to guess, it would be France. But I might be wrong.
- Q Think those five will all put up more than a ten-percent share of the quota?
- A Each one of them?
- Q Yes.
- A Certainly the first four would; the fifth, I don't know. It is a question of data which we don't have because of the unusual situation.
- Q What is the mathematical basis on which the quota is established?

A

Well, what was done was that the technical representatives of the various countries all had ideas of approximately what should be the proper criteria for making a distribution of participation. There were some differences of opinion, but there was general agreement that there were certain factors that were very relevant and important. Those factors included the proportion that a country's trade had to the total world trade, the amount of gold holdings of a country, its gold production, and national income. Those were some of the chief relevant features. Now, the question of how much weight to give each one in the total index was a matter of some discussion. That is why a precise formula was not worked out, but there was agreement on a very rough approximation, and that rough approximation gave the United States somewhere between two and a half and two and three-quarters billion; gave United Kingdom about a billion and a quarter; Russia almost a billion, and so forth. That is why it is a little difficult for me to tell you who is five and six.

Q Could you go on down the line?

A No.

Q China?

A China - the situation varies there; probably in the neighborhood of six or seven hundred million.

MR. BERNSTEIN: Five-fifty to six hundred million.

MR. WHITE: Around six hundred million. These are plus or minus a hundred million.

Q Canada is a big gold producer. Can you say what her share would be?

A Canada is several hundred million. I have forgotten. She is a big gold producer, but a small country. She has a big trade. I have forgotten - around two or three hundred million. I can't answer the rest of those questions for two reasons: One, the formula was not precise; and secondly, the formula is based on data which they regard as war secrets - gold holdings. Therefore each country applied its own data. It suggested criteria to its own data and came out with a result.

Q Did the results add up to eight billion?

A We said eight billion - maybe eight and a half.

There is no intent to get it exactly. You see, we said approximately ten billion of all the countries of the world to come in. It will be roughly that. You wouldn't get any kind of a precision figure, and it is not important that it be precise within the small amounts. Moreover, all of this is tentative. The question of exact quotas, the exact criteria, would be a product of the conference. No need of our arriving at any accurate data on that matter. It is one of the important things the conference would have to settle.

Q I just wanted to raise this question. I don't know whether you can answer it or not. China, some time ago, negotiated a two hundred million gold loan in the U.S., as I recall. I was wondering whether or not dollars in that loan would be--

A Two hundred million.

MR. BENJAMIN: I think he is talking about the aid to China.

MR. WHITE: You mean the five hundred million dollar aid to China? They have most of them in foreign exchange.

- Q I am wondering whether that would be used.
- A That is part of their foreign exchange assets. They also have liabilities against that. Whether they will still have that at the end of the war is a different matter. There will also have to be considered some liabilities. That is an additional reason why I can't give you the exact data.
- Q That would be available in putting up the subscription?
- A It might, if they still have it.
- Q Are the Occupied Countries included among the thirty-four?
- A Those that had Governments in Exile, yes. They definitely are if they are friendly countries. That includes the Netherlands, Czechoslovakia, France, Jugoslavia, Poland--
- Q Do you have a list of those we might have, sir?
- A No, I don't know.
- Q I gathered from the Secretary that we have it.
- Q Do you figure definitely thirty-four, now?
- A No, I said the countries that participated are thirty-four, I think.

- 16 -

Q

Can you say how many of them are in the agreement now?

A

Almost all of them. That is a little difficult question to answer, because there were some of the smaller countries, particularly, where they were in agreement on most, let's say. There may be one point they wanted to go back to. That happened in a number of cases.

(Discussion off the record)

This is off the record, because it would create international difficulties, you would appreciate, if that were quoted. Some of them were too small for us to go back and consider. There are some awfully small countries in the thirty-four. You just have to go over the list. For us to get into discussion with the Finance Minister and cable - they can't afford to send their people here. It is a question of cables and getting changes. So there was some portion - oh, we will let it go. But that was not true of the important countries.

(Discussion resumed on the record)

Q Didn't you mention thirty countries somewhere in one of your statements?

MR. BERNSTEIN: About thirty countries.

MR. WHITE: No, I think the statement reads - may I quote it?
"It is the consensus of opinion of the experts of the United and Associated Nations who have participated in these discussions that the most practical method of assuring international monetary cooperation is through the establishment of an International Monetary Fund."

This is off the record.

(Discussion off the record)

Now, those of you who are interested in English - we had the words, "It is the consensus of the experts--" but the British said that must be "...consensus of opinion." I cite that because it came from England. So don't blame us for "consensus of opinion." The redundancy of that statement you can allocate to the British.

Q They don't agree?

A No.

MR. BERNSTEIN: They go by Dr. Johnson.

MR. WHITE: That is reverse English. It is the consensus of

2

the experts of the United and Associated Nations." Then we also say, I guess it was in the Secretary's statement, we said, "...most of them." In other words, that consensus leaves out these half a dozen or more smaller countries who might say why they didn't check this final thing with us, or that or the other. But it is a matter of no importance. We would like to be able to give you the list, but it would create difficulties. Most of them are in agreement - the important ones are.

(Discussion resumed on the record)

- Q Mr. White, before the war there were several countries which rated pretty high in world trade and gold holdings, such as the Netherlands, Belgium, Switzerland.
- A Switzerland was not invited to participate.
- Q Because it was a neutral. But those other countries, could we say they would rank relatively high in it?
- A Switzerland would be apt to.
- Q Netherlands?
- A Netherlands fairly high. Belgium less so. They would be compared to the smaller nations.

Q Countries in this hemisphere?

A Mexico, Brazil, Canada, would be fairly high.

Q The Swiss aren't in it at all?

A The Swiss were not invited to participate in the discussion; neither was Spain, Portugal, Sweden, Turkey, nor the enemy countries. Liberia couldn't afford to send a delegate. As a matter of fact, the American Economic Adviser to Liberia was here before he took his appointment, and we have discussed this with him. They naturally are in favor of it. They couldn't afford--

Q They were late in arriving?

A There was - this is off the record--

(Discussion off the record)

There was one country that started out and didn't get here, that is New Zealand. They telegraphed us that the delegates had started but they got stopped. However, they did discuss it with the British in London.

(Discussion resumed on the record)

Q Are all these agreements at the expert level?

A This is an agreement among experts.

Q That applies to Russia?

A That applies to everybody. This is a statement

that very clearly says that it is a consensus of the economic experts of the United Nations. God knows what a consensus of the Governments would be.

Q The experts would come to the Governments?

A That would be a reasonable assumption. They all think it is important. They think it is the approach. I presume they would recommend their Governments participate.

May I remind you that at the Rio conference in 1941, the American representatives passed a resolution recommending that if a monetary conference is to be held, they all participate.

Q Do you mean John Maynard Keynes, too?

A Definitely. He is an expert in a big way.

Q The same groups of experts working on this as the Bank?

A Sorry, I couldn't hear.

SECRETARY'S PRESS AND RADIO CONFERENCE

May 25, 1944
10:35 a.m.

- H.M.JR: Good morning.
- Q. Good morning, Mr. Secretary. It has been months since we have had a look at you.
- A. Yes, I have felt very lonesome and neglected!
- Q. You did? We did!
- A. We'll try to rectify it. I looked it up--the 23rd of March was the last one.
- Q. The two specials and the luncheon.
- A. That was a pleasure!
- Q. You are looking very well after your rest, Mr. Secretary.
- A. You people also look well after your rest!
- Q. Mr. Secretary, when is the Stabilization Conference going to be called?
- (Discussion off the record)
- A. Well, I have got to go off the record on that. I can't tell you. I will give you the whole story. Now, if anybody doesn't want it off the record, he doesn't have to stay.
- Q. How long does that last--the off the record? Do we have to wait on the White House?

- 2 -

A. Don't be so impatient. You are not on the Hill, you know. Just take it easy. You know that song? The President just got back this morning. Now, I have a request in to see him with the State Department, and, after all, he is calling the conference; I am not. When it is ready, it will be announced, by the State Department and not by us.

Q. By direction of the President?

A. Right. They inform us--Mr. What's-his-name over there, the Press man, can.

Q. McDermott?

A. Yes.

Those things are announced by the State Department and not by the White House. We thought it was the White House.

Q. Does that mean you have decided on all the delegates from this country, too?

A. No, that will come after.

Q. When will the announcement be made?

A. I don't know.

- 3 -

- Q. Can we say that the announcement is looked for today, without quoting you?
- A. No, I don't think it will be today. I doubt if it will be this week.
- You have run a story on it already.
- Q. Yes, I am going to try to back it up!
- A. I don't know.
- Q. It could be, though, any time?
- A. I don't know how much the President has on his mind or when my turn comes.
- Q. You had looked for it today, hadn't you, Mr. Secretary?
- A. No, because I didn't know when he was coming back.
- Q. Mr. Secretary, it could be any time, in other words?
- A. That is a safe assumption.
- Mr. Acheson and Mr. White and I have asked for an appointment. Now, when the President sees us, he has to read the very complicated invitation. You know, this is the first world conference that he has called since he has been President. Did you realize that?

- 4 -

- Q. No, I didn't.
- A. This is the first conference that he has called since he has been President. So it is a fairly important thing. He will want to look at it-- whether he likes it. It is all cleared with the State Department and here, but it is waiting on Mr. Roosevelt. He is calling it; I am not, Mr. Hull is not.
- Q. How about the Relief Conference? Is that different?
- A. That was different in the sense that I don't believe that was an invitation from the President to the heads of governments.
- Q. I see. That was at a lower level, then.
- A. Yes, this will be an invitation from the President to the heads of government, asking them to send representatives.
- Q. What about the Food Conference that was held at Hot Springs?
- A. Again, I think if you will look it up, I am told--you can check it with Mr. McDermott, but I have been advised that this is the first world conference that the President will call of repre-

- 5 -

sentatives of governments. It is different. It is different from the Food, different from ILO, and different from UNRRA. You might check that (Mr. Shaeffer). I might possibly be wrong, but there is something about the status of the level at which this is called that I am told this is the first world conference from him to the other heads of government.

- Q. Would it be possible for us to say that State and Treasury officials will confer this week with the President?
- A. No, you never can say that.
- Q. We can say it is understood?
- A. No, because it may not be so.
- Q. Can we say it is expected?
- A. No, I don't want to put the President on the spot. He may have a lot of other things he thinks more important. He may think I am rushing him. I don't want to rush him. He knows it is there. When he thinks it is the proper time, he will see us.
- Q. Then there is nothing we can say from you about

- 8 -

the Stabilization Conference except you expect it is going to be called soon. Could we say that?

A. No. You wrote a story; we didn't deny it or anything else. Let it ride. But I don't want to be quoted. You people have been here long enough. I never put the pressure on the President before or after.

Q. Maybe you ought to try it sometime and see how it works!

A. He has done all right by me, so it is not necessary.

I'll be very indiscreet: I am not going to do what some of the Manpower people have done.

Q. Now that might be a story! Tell us about it.

A. I don't think it got them anywhere, either.

Q. Mr. Secretary, do you know the location of the conference yet?

A. Not definitely, no. And, again, that will be done by the State Department. They have a man, a conference man--what is his name?

MR. SMITH: Dr. Kelchner, or something like that.

- 7 -

- H.M.JR: He does this thing. They make the arrangements and they pay for it--including the liquor!
- Q. About the time of the conference, can you tell us anything? Six weeks or something?
- A. No.
- Q. Could you tell us if it is going to be or not going to be held at Hot Springs or Atlantic City or Pinehurst?
- A. Now, listen, I'm not going to play "Twenty Questions" with you!
- Q. That is only three, isn't it?
- A. If everybody else has three - there are more than seven here.
- Q. The answer is that there is nothing that can come out of here on the Stabilization Conference?
- A. That is right. We did nothing about the various stories written about it to embarrass you, so far. Don't embarrass me.
- (Discussion resumed on the record)
- Q. Mr. Secretary, on the record could you tell us for background that the World Bank idea would be brought in? You told us during the special conference.

- 8 -

- A. For your information, it is perfectly safe to write that the World Bank will be included.
- Q. You mean when we write something?
- A. When you write it.
- Q. In the conference?
- A. It will be part of the conference. You people thought that one up yourselves.
- Q. Congress doesn't like that one so much.
- A. Well--
- Q. You are not here to please Congress. Is that it?
- A. I am here to try to do a good job.
- Q. Mr. Secretary, may I ask what intervening actions on the World Bank would be taken? Would you promulgate a new plan or have the plan that was previously in?
- (Discussion continues off the record)
- A.- They will continue to work on the expert level. The experts haven't quite got together on the thing, do you see?
- I am still off the record.
- But if the experts can get together, then they will go forward, and I am sure they can get

- 9 -

together between now and "Y" Day!

- Q. What I wonder is, Mr. Secretary, if you would make public a new World Bank, as you did this currency plan, which would represent the agreement of experts?
- A. I don't know.
- Q. You have to go to Congress again before this thing, don't you? You promised to come up on the World Bank.
- A. If I promised them, I certainly would go up.
- Q. That means you will do so before the conference?
- A. I don't want to commit myself. I am not doubting you; I'd like to refresh my own memory.
- Q. Mr. Bell refreshed their memory the other day-- that you would do nothing until you talked to Congress, whether you thought you had the authority or not.
- A. I'll have to brush up on what you and Bell said: Now what else?
- (Discussion resumed on the record)
- Q. Is there anything on the coming Fifth War Loan?

- 10 -

- A. No, except we are getting along very well and the people, as far as their arrangements are concerned, are at least a month ahead of the schedule they had last time. The volunteer organization is bigger and more enthusiastic than it has been in any previous loan, at this time. We have more volunteers and more enthusiasm than we have had on the eve of any previous loan.
- Q. Has any action been taken by this Government regarding the Bank for International Settlement?
- A. It doesn't call for any action. We have no interest in it as a Government.
- Q. But if the Bank, in payment of this dividend which was voted the other day, desired to use funds in this country or to pay them to an American, it would have to come through the Foreign Funds Control Section, would it not?
- A. Oh, yes, for license.
- Q. Has any such license been issued, do you know?
- A. That, I don't know; but we'd be glad to find out. It is purely the private interests in that.

- 11 -

You people have been writing on it. It is a good story, but it is not very important in the whole picture. I don't particularly want to be quoted on that, but we know all about the BIS - we have for a long time.

- Q. Would Mr. White be the representative, under normal circumstances, to the conference, or would he be there to advise whoever was named?
- A. I don't want to get into this. You are going to ask me who all the delegates are.

(Discussion continued off the record)

Off the record, White will be one of the delegates.

- Q. The theory would be, then, that the expert level will also be represented at this big conference? Apparently the other countries would have experts here.
- A. White will be a delegate.
- Q. And it stands to reason there will be people he has discussed this with informally?
- A. I don't want to say anything. The President has to say, "Okay. F.D.R."

- 12 -

- Q. Are we correct in assuming you might be a delegate?
- A. Again, I am telling you everything that I know. The assumption is that I am to be Chairman. As far as I know, that is what the President wants.
- Q. Do you still propose to have Congressional Members - one from each House?
- A. I think there will be two from each House. We have two parties. I believe in the two-party system!
- Q. You ought to have a majority from each House then! Two and one - equal representation.
- A. I am still all off the record. It has to come, and will come, from Mr. McDermott. That is where it will come from. That is the way they say it should be handled.
- (Discussion resumed on the record)
- Q. When will you need a Sixth Loan Drive, Mr. Secretary?
- A. That is too far off.
- Q. I understood you made tentative plans for these

- 13 -

things three or four months ahead - moving pictures and things like that.

A. We'll wait and see. Come and see me after the Fourth of July, and I'll give you an answer on that.

Q. You will be here then?

A. I'll see you before then.

Q. You don't say the 15th of November!

A. No, I am not thinking that far in advance.

All right. Glad to have seen you all. I hope to see you soon again.

Q. This was a nice social meeting we had this morning.

SECRETARY'S PRESS AND RADIO CONFERENCE

June 1, 1944
10:30 a.m.

- H.M. JR: Good morning.
- Q. Good morning, Mr. Secretary.
- A. I am going on the theory I'd like to see you people, even though I haven't any news for you. So if you get bored, it's your own fault.
- Q. We reciprocate, Mr. Secretary.
- A. So I have nothing to offer, but I'd be very glad to listen.
- Q. Can you tell us, Mr. Secretary, anything more about the plans for holding the Monetary Conference--who is going to be in charge, and so forth?
- A. No. We are working on it. I think you ought to know a little bit more about the delegates, maybe early next week, I should think. It ought to be in such shape that the President can announce it.
- Q. What about Press arrangements?
- A. That also has not been worked out. Do you have any suggestions?

- 2 -

- Q. We are all hoping, of course, that the Treasury will run it.
- A. Well, I don't know. I haven't discussed it yet, but we are having a talk this afternoon with the State Department.
- Q. Can we keep our fingers crossed?
- A. Yes, we certainly have you all in mind.
- Q. Did your Press Relations man report to you what was commented at the last "Harry White" conference by those who were hoping to go?
- A. Yes, but I imagine you fellows and ladies are prejudiced in favor of the Treasury. Did any of you go to Atlantic City?
- Q. No.
- A. Wasn't it handled all right there?
- Q. Not according to the information. But I am not sure.
- A. What did the President say--it was all right so long as you didn't get in bed with the delegates?
- Q. No, he said, "...didn't sleep with the delegates!"
- A. I am looking this way, you see! (Gestures)

- 3 -

- Q. We'll probably have some place to sleep up there?
- A. I have never been there, but I gather there is a hotel and woods!
- Q. We get a tent in the woods?
- A. Did you say three in a bedroom?
- Q. I said, you'd have to bring your own bed-roll.
- Q. Mr. Secretary, there was something said about the possibility--
- A. Excuse me. Don't worry; whatever happens, I guarantee you will be well taken care of.
- Q.that we wouldn't have to stay over in Crawford House, three miles away.
- A. You know more about it than I do. I don't know. We'll do the best we can.
- Q. I think the chief reason is the desire to be able to have open meetings or arrangements whereby we can really know what is going on, instead of the Food Conference affair in which everything was closed up.
- A. It won't be anything like that. As we go along we'll consult with you people and find out.

- 4 -

We'll tell you as we go along, and see whether it is all right. How's that?

Q. Fine.

Q. Mr. Secretary, Mr. Bell said something on the Hill not long ago, before the Ways and Means Committee, about possibly having to come to Congress on the question of the ability of the Federal Reserve Banks to buy Government securities. I wondered if anything like that had been formulated.

A. No. I know the subject, but he hasn't brought it up, so it can't be very imminent.

Q. He indicated it wasn't particularly imminent, but still, I mean it would be some little time before the problem would actually come to a head; but it was still in the works.

A. I think everything is going along very well. The Government bond market is in a very healthy condition. Excess reserves have risen recently, and I would say the Government bond market is in a very comfortable, healthy condition. If it is left to me, I'd leave it alone.

- 5 -

Anything else?

Q. Mr. Secretary, the Treasury was quoted before hearings in the Subcommittee, Banking, Senate side, that it still opposed Home Loan Bank bills in which the Treasury would be obligated to buy certain securities, and so forth. That was all that was written about two or three years ago. Do you know anything--whether they still maintain the same position?

A. I'd have to look it up. We do move along, you know, over a period of two or three years, I hope!

You might dust it off and see, Charlie. Let me know where I stand.

MR. SHAEFFER: All right.

H.M.JR: You people have to go back two or three years. That is terrible!

Anything else?

Q. Did you sell your cows up there--your dairy herd?

A. Sure. That was last December.

Q. You didn't apprise the Hill of what you did on

- 6 -

that. They were very much interested at one time.

A.

Come on up and look at the farm!

All right. Thank you all.

THE SECRETARY'S PRESS AND RADIO CONFERENCE

Off the Record Session

June 3, 1944
12:05 p.m.

H.M.JR:

I asked for a delegation. I didn't know I was going to have so many people.

I just wanted to tell you people this. When I spoke to you people on Thursday, I was under the impression that the Treasury was going to be in charge of the Press. I subsequently - this is the Monetary Conference - saw Mr. Acheson and Dr. Kelchner, and they informed me that the State Department expects to run the whole thing. They are putting up the money; they are paying for it.

Dr. Kelchner will be - I think they call him Secretary General, or something like that. And they will appoint the Press man for the overall picture.

So what I said, that I would attempt to look after you people, I can't do it because the thing is in the hands of the State Department. I'll

- 2 -

do the best I can as Chairman of the American Delegation, but responsibility--

I don't want this to go out on the wires, please. This is off the record. This is strictly off the record; just for the information of the Press and your bureaus, but not for publication, please. None of this is for publication; just for you and your bureau chiefs.

But that is the situation.

Was Dean Acheson in here Thursday afternoon?

MRS. KLOTZ: I think so.

H.M.JR: That is what they want, and I say that is the situation.

Q. You can't avoid it, in other words?

A. No. In the first place, if you are going to go on protocol--

After all, the President called the Conference. He invited these heads of Governments to send these people here. The State Department was given the money by Congress for this sort of thing. It is a matter of receiving these Delegations, and they are going to run it. I am

- 3 -

Chairman of the American Delegation, and I participate. I am not the host. The State Department is the host to the delegates and to the Press.

So I wanted just as soon as possible to correct the information that I gave you, which was wrong, because I didn't realize the situation, myself. This is for you gentlemen and lady and your bureau chiefs, but not for publication - what I am saying.

Q. Mr. Secretary, when we first got to discussing this Conference, we were of course led to believe that the Treasury was going to handle everything, which would have been natural, and so forth. And now there is definitely considerable bad feeling. It looks as if it won't be much of a Press there, because now that the State Department has taken over it takes on the aspect of being another Food Conference.

A. No, the UNRRA Conference - another UNRRA Conference.

Q. The Press will have access to talk to the delegates at stated times of the day?

- 4 -

A. As I understand, they are going to follow the pattern of Atlantic City. Mr. Acheson said they are going to follow the same pattern that was followed at Atlantic City. I don't know exactly what that pattern is, but from reading the Press, they seem to have gotten a very good press.

But whatever they did at Atlantic City, they propose to follow the same pattern.

Q. Will you take any of your own Press men up there? Will they be available?

A. I am not sure on this, but I think that Mr. McDermott wants a Treasury man on his staff.

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

H. M. JR: I think he wants a Treasury man on his staff, and we will ask Mr. Shaeffer whom he can spare to assist Mr. McDermott.

But I didn't want the week end to go and have you people under the misapprehension that I told you one thing which wasn't so. But that was through lack of knowledge, and not any other.

- 5 -

Q. We weren't criticizing you, Mr. Secretary - not at all.

A. No, no, nobody has criticized me, but I made a statement, and I am very careful if I make a statement I like to live up to it. I can't live up to it. I would like to, but I can't. I made a statement which I would have carried out if left to my own devices.

This is very much off the record. At Cabinet Mr. Hull said - the question came up. I said something about it. He said, "We are paying for it, but we are not getting any advertising out of it."

I said, "Don't you think you had better wait, Cordell, until it is a success!"

But they are paying for it; they want to run the show. It is foreign affairs. We go there as an American Delegation just the way the English go as an English Delegation. I can take with me people to advise me on public relations, but I am a group just like thirty or forty other groups.

- 6 -

- Q. I think I can express the regrets of all of us that you are not in charge.
- A. Anyway, those are the facts, and I wanted you to know them. I'm sorry I told you something Thursday which turned out not to be so. But please don't print this. As I say, again, this is for your information and your bureau chiefs'.
- Q. Well, we feel that Treasury correspondents have been let down, because the State Department has moved in. As I said before, we are not criticizing you for one minute, but we don't feel very good about the State Department moving in on something that we felt was going to be more or less ours.
- A. I am sorry, but the fellow that controls the purse controls the show! And, as I say, they look on us here as just another group out of thirty or forty groups.
- Q. You might buy them out, Mr. Secretary. I think you have the most money! (Laughter)
- A. Is Mr. Rankin here?
- Q. Yes, sir. I am very sorry about it.

- 7 -

- A. I think if Mr. Shaeffer will see you I think he can explain to you, if you don't mind.
Would you take care of Mr. Rankin?
- MR. SHAEFFER: Surely.
- Q. Will there be any information on the delegation with you?
- H.M. JR: Some time next week.
- Q. It will be announced in the White House, I suppose?
- A. I think so.
- Q. Mr. Secretary, do you have anything to say at this time about the new G.I. Bond - the ten dollar bond to sell at seven-fifty that went on sale Thursday, and will be delivered in three months?
- A. Where did you pick that one up?
- Q. Prodding around.
- MR. SMITH: Not in the Treasury, however. Prodding around a bar, as I understand it.
- Q. I don't frequent them, Mr. Smith!
- H.W. JR: I think we had better not do that in an off-hand manner. I think, Charlie, you better find out

- 8 -

what the War Department is going to have to say about it, because that, as a matter of fact, was only settled yesterday. I mean, General Somervell and General Carter were over here with Mr. Bell and Mr. Gamble. It is a good story, and if you can fix it up, Charlie-- It comes out of General Somervell's and General Carter's office. If you can get something on it--but I think it ought to be fairly formal, because a lot of people will be interested. Will you go to work on that?

MR. SHAEFFER: Yes, sir.

Q. Thank you, Mr. Secretary.

H.M. JR: Thank you all.

SECRETARY'S PRESS AND RADIO CONFERENCE

June 8, 1944
10:35 a.m.

- Q. Good morning, Mr. Secretary.
- H.M.JR: How do you do?
I haven't got anything very startling.
Charlie Shaeffer said you people were interested in this meeting that White has today. It is the Foreign Exchange Committee of the ABA - that is the American Bankers Association.
- Q. I had a good story on it in this morning's paper!
- A. Let me have the paper, and I'll be glad to read it.
- Q. It is around here some place.
- A. I saw my clippings. I didn't have it this morning.
- MR. SHAEFFER: We haven't got your paper yet.
- Q. Pardon me.
- H.M.JR: All right. We'll look up your delivery service! Anyway, I refer you to that.
- Q. Thank you, Mr. Secretary.

- 2 -

A. Did you have the names of the people who are going to be here?

Q. I have about seven or eight of them.

A. Well, those you didn't have, Charlie Shaeffer will be glad to furnish you with. All right?

MR. SHAEFFER: Yes, sir.

Q. Are you going to meet with them today?

H.M.JR: I imagine so. I am not sure.

About this French money, again I talked it over with Charlie, and I thought he was kidding. He says that State, War and Treasury will have a release in a couple of days; that they are working on it. I couldn't believe it, but that is what he said.

I have only one of these coins (Refera to two-franc piece). I'll try next week to have one for each of you - also a piece of French money.

Q. This is the new French money?

A. Yes.

Q. Mr. Secretary, is that similar to what they gave out to the boys before they embarked?

- 3 -

- A. Yes.
- Q. That is the kind of stuff they used to shoot craps with?
- A. I think - but you will have to confirm it - they are used cartridge shells, the same as our pennies - but you had better check that. I think they melt them down and make that into money. I think that is correct, but don't use it without Charlie's checking it.
- Q. They make them here?
- A. We make them in the Bureau of the Mint, I believe, and we are printing the money and I think I'll ask for the samples of the money to give you each a sample of those coins.
- Q. Can you say how much of that is ready for distribution?
- A. All that General Eisenhower asked for has been ready for weeks.
- Q. How much is that?
- A. I can't say, but it has been in his hands for weeks.
- Q. In what amount?
- A. I am not going to say, but he has had all he has

- 4 -

asked for, and it has been there for weeks, both the paper money and the coins.

- Q. How many denominations - that is, how many types of coins?
- A. As far as I know, that is the only one I have seen. But the United States Treasury did the printing of both the paper money and the coins for all the forces; I mean, both English and our own. All that was done here.
- Q. It is all the same type, is it?
- A. It is all the same.
- Q. Is that supposed to be good for the French, to use it among themselves?
- (Discussion continued off the record)
- A. For the time being, yes. I trust you not to use this. I don't know how important it is, but when the Minister of Finance for the French was over here he asked - but I trust you don't even send it out. We are preparing some little different kind of French money which the French will use themselves, with an identification mark like a

- 5 -

gold seal or something so they can differentiate between what we call the "invasion money" and the money which the French Provisional Government will use, once they begin to set up their government.

But please don't print that, because there, again, we are doing it for them and they ought to tell that. Just as a matter of interest, there will be a little different kind of money which they can use to differentiate between the invasion - which they have asked us to do.

But if I may say so, I think on these various monies they certainly more than satisfied General Eisenhower. They have always been weeks ahead - haven't been able to keep it a secret.

(Discussion resumed on the record)

- Q. Back on the record, Mr. Secretary, can you tell us what is the status of the present money in France?
- A. You will have to wait for this combined statement-- State, Army, Treasury release, whatever it is. Is that right, Charlie?

- 6 -

MR. SHAEFFER: Yes, sir.

H.M.JR: I am just sort of gossiping here. I have no news; I have to gossip.

Q. Will the answer to that question be included?

A. I hope so. I haven't seen it, but I take it Charlie is working on it. So we'll keep your question in mind.

But this is what our soldiers will have and what the English and Canadians will have - this kind of money. They have it now, and we have fixed the rate here for the time being as two cents. But all of that you will have to wait for on the release.

Q. Is that called a franc?

A. Yes, it is two francs.

Q. What is the rate?

A. A franc is worth two cents.

Q. One franc is worth two cents?

A. Yes, as it is now in North Africa. It is the same rate in North Africa, which is two cents.

- 7 -

There is a decimal point, but for your purposes and mine, it is close enough. In other words, this coin is worth four cents.

Q. Are there any gold coins made?

A. No. This, as far as I know, is the only coin. I don't know of any other coin. If there is, Charlie can tell you.

Q. Mr. Secretary, that is just a little larger than our quarter, but not as large as a half?

A. Do you have any money? You can compare it.

Q. It's pay day for him!

Q. Yes, that is right. (Demonstrates)

A. But just as soon as I can get it, I'll have one for each of you and a piece of paper money, too.

Q. Swell.

Q. I, personally, don't know much about this meeting of the ABA. Did they ask to attend, or what?

A. I don't know. Mr. White tells me he has met with them before, and it is what we call an educational meeting for both sides. We hear what they have to

- 8 -

say; they are brought up to date by our people. He tells me that he has had several meetings with them of a similar nature during the past twelve months.

Q. With regard to the monetary program?

A. That is right - the Monetary Conference.

Q. Will it probably be the final or last meeting - or how are these meetings going on between now and the Conference?

A. I can't tell you exactly, but if during the day they want to see Mr. White, you make him available. (To Mr. Shaeffer)

MR. SHAEFFER: I will.

H.M.JR: I mean toward evening, after this thing is over.

Q. Mr. Secretary, do you have anything to announce on the Delegation - the American Delegation?
(Discussion continued off the record)

A. Very much off the record, for you, the thing is practically sewed up, but there is a little trouble on the Hill. We are doing a little picking up there. We are short one man, and as soon as we have that, I wouldn't be surprised if

- 9 -

the President wouldn't be able to announce it at Press tomorrow. But it is just that we have run into a little difficulty.

Q. How about the other countries?

A. As far as I know, everything is all right.

Q. How about agenda, Mr. Secretary?

A. When I say on the Hill, it is not our troubles. The way the thing was worked out, it was put up to party leaders on both sides. I mean Republicans were asked and the Democrats. They are having a little trouble among themselves, purely up there. We accept--this is for you--they pick them and the President will accept them. But they are having little troubles.

Q. They are not going to send "Doc" Smith, are they?

A. Would you like them to?

Q. At least he would add a little color. He's good copy.

Q. He might.

A. It isn't our trouble. After all, when they start picking one Democrat, one Republican--you know!

(Discussion resumed on the record)

- 10 -

- Q. As head of the American Delegation, wouldn't you be the proper authority to announce them?
- A. No, I think it will be either the President or State - I don't know. No, I don't do that.
- Q. Do you know if any other countries have appointed their delegates yet?
- A. They are all working on it, but I just don't know the exact status of the thing.
- Q. How about agenda, Mr. Secretary? Could you tell us anything about decisions as to procedure?
- A. Not yet; it is all in the works.
- Q. Some of the more distant countries will have to start travelling pretty soon, won't they?
- A. That's right. I imagine some of them are.
- Q. Mr. Secretary, did the Treasury have anything to do with that Celler Resolution which seemed to imply they were going along on that State and Federal fiscal relationship program that you did the investigation on here? Celler, of New York, put in a resolution - a joint resolution.
- A. I honestly don't know.
- Q. It seemed to involve the same--

- 11 -

- A. I haven't seen it. You ought to send your paper around so I could read it and be posted!
- Q. Check with Charlie. He ought to get it around.
- MR. SHAEFFER: All right.
- H.M.JR: Find out. I haven't heard about it.
- Q. That seemed to be on that work that you did here at one time.
- A. Yes. Charlie will get into it and let you know where I stand. Let me know, too.
- Q. Mr. Secretary, did the Russian technical delegation ever return to Russia, or is it remaining here to await the Conference?
(Discussion continued off the record)
- A. The head of it went back to report.
- Q. Mr. Chechulin?
- A. Yes, and one other member. But you had better find out whether the Russians want us to say that or not.
- MR. SHAEFFER: All right.
- H.M.JR: They have their own ideas about publicity! For your information, Mr. Shaeffer can clear it.

- 12 -

Mr. Chechulin and another gentleman went back to report.

Q. Was it indicated that he would return, then?

A. It was not indicated. But you had better clear that with the Russian Embassy.

MR. SHAEFFER: All right.

(Discussion resumed on the record)

Q. Is there anything on the report that Mr. Edward Brown of the First National in Chicago will be a member of the Delegation? Is there anything on that that can be announced now?

A. No, you will have to wait.

Q. There will be just one banker on the Delegation?

A. You will have to wait. I am not going to give it out piece-meal. I think it would be a mistake to. I am almost confident that you will have it between now and Friday night. They ought to be able to pick that one man up there.

Q. You have said, haven't you, there will be officials from the Executive side, from Congress, and private individuals?

A. That is right. I think it is going to be a very good Delegation. I think it is going to be a

- 13 -

very strong Delegation. In fact, I know it will. All right. Again, I am sorry. I again feel apologetic. I'd like to see you people; I take it you would like to see me. So we have these things. Any time you don't want them, tell Shaeffer. For a while I went on the theory I didn't have any news and I wouldn't see you. Then I was told you would like to see me. If a little gossip is pleasing to you, I enjoy seeing you. If you don't want it, you tell Shaeffer. But I feel apologetic that I haven't any hot news. Any time you don't want them, fine. If you want them once a week, it is all right with me. I enjoy seeing you.

- Q. It has to be awful hot to get printed these days, anyway!
- Q. One thing: it wasn't off the record that the Delegation would probably be announced in two or three more days, that it is about ready, in other words?
- A. What do you think, Charlie?

- 14 -

MR. SHAEFFER: I think that is all right.

H.M.JR: Okay.

Q. Thank you, Mr. Secretary.

SECRETARY'S PRESS AND RADIO CONFERENCE

June 23, 1944
12:00 m.

H.M.JR: I don't know which is better in a press conference, to give the newspapermen and ladies money first or afterwards.

Q. Is there protocol covering it?

A. I don't know, but inasmuch as this has all been stamped--unless you people told me you were going to France--if you are going to France, I'll give you some real money.

I will let one of these ladies hand it out later.

There should be enough there for everybody.

(Hands paper money to reporter)

Q. You mean it is no good?

A. That is no good. (Laughter)

These (referring to coins) are--

Q. Shell-case money?

A. Yes.

Q. We very much appreciate it, Mr. Secretary.

A. That is good for four cents.

That (paper money) is good for a hundred francs; that would be two dollars. But we had to stamp,

- 2 -

because we had to stamp it!

What is the smallest denomination, Mr. Bell?

MR.D.W.BELL: One franc, I think.

H.M.JR: Could we get them some one-franc notes?

MR.D.W.BELL: I think we could. The reason we chose these is because they are the same size as our bill. The others are small, and we didn't want to give one of each. There are several denominations, you know.

H.M.JR: If you could get a one-franc note, I will reimburse the Bureau.

Q. Mr. Secretary, I wish you could get one of these bills autographed by DeGaulle!

A. See if you (Mr. Bell) can get them one without perforations--the one-franc.

MR.D.W.BELL: Yes. The same number?

H.M.JR: Yes. Don't tell the columnists that when they come to my press conferences I give them money!

Q. I notice the serials are all the same.

H.M.JR: No, no, no. Those are all numbered, aren't they, Dan?

MR.D.W.BELL: Yes.

- 3 -

- Q. With zeros!
- H.M.JR: No--when they really run them. These are samples. I'll get you some real money. I just opened the package myself. I didn't know what was in it. I'll get you for next week some one-franc notes.
- MR.D.W.BELL: It has a real serial number at the top, just like our bills.
- Q. This just shows what it looks like?
- H.M.JR: That is right.
- Q. It is much better than the United Cigar Store coupon--better quality!
- Q. We are ready to go to work, now.
- A. All right.
- We have a couple of releases here--one release which you will get afterwards is a letter from the President to me about the Monetary Conference, which Charlie will give you.
- MR.SHAEFFER: They have them.
- H.M.JR: That is that. Then that is for immediate release.
- Then the other one--this one for Monday--I'd

- 4 -

like Mr. Gamble to talk a little bit about it, because on Monday we start selling the big boys.

MR. GAMBLE: That is right.

As you know, our policy has been on these two previous drives to put great emphasis on the individual part of the Drive, because of the importance of that kind of money, and even to the exclusion in the two previous Drives of any announcement at the time the corporation part of the Drive was opened.

This time, because it represents ten billion dollars, and is going to require intensive solicitation of virtually every corporation and association in the country, we think it is important that we attach more than just passing interest to it; and we are trying to dramatize as best we can all over the country on Monday the opening of this second phase of the War Loan Drive. It involves, as the statement the Secretary has given you points out, ten billion dollars in the sixteen billion quota.

- 5 -

- H.M.JR: But that doesn't mean that we have in any way lost interest in the individual bonds. In fact, we'll continue--
- MR. GAMBLE: Really, the individual part of the Drive just really gets warmed up about the time we open this corporation drive. So much of it is done in places of employment involving deductions in payrolls that will take place during the entire period of the drive. That will continue in full force through July 8, which is the closing date of the Drive.
- H.M.JR: Are you through?
- MR. GAMBLE: We might point out on the individual sales that we are running slightly ahead of the pattern that we had set for the manner in which sales reporting flows, related to the sixteen billion dollars.
- Q. Can't hear you, sir.
- MR. GAMBLE:set for the flow of reporting based on the six billion portion to individuals; but it has been a little disappointing because of the invasion. We had felt that as a result of the

- 6 -

invasion we'd be considerably ahead at this time. We are ahead of the pattern set for the six billion dollars, but there has been no evidence of any spontaneous buying as a result of the invasion. There has been good reception; people have been in a mood to buy when they have been solicited. But more than at any other time we have had to depend on the individual volunteer worker to get this job done, and our success in this Loan will depend entirely on the work done by those five and a half million people.

Q. Why haven't you changed the name and called it the First Victory Loan?

MR. GAMBLE: It might not be.

Q. In view of the success of the invasion, that might have caught the imagination of the people.

H.M. JR: (Discussion continued off the record)

This is for your guidance. The President has been very insistent right from the beginning

- 7 -

that he doesn't want a Victory Loan until we have actually achieved complete victory.

That is for your guidance.

In all the conversations I have had with him, he says, "When we have it, we'll call it that." But I don't want you to quote him, but I think he is right. "Time enough," he says, "when we have got one of them down."

(Discussion resumed on the record)

But on these solicitations of individuals, when I was in Chicago this week, they have a very fine block system there and they have a thermometer in each block.

For instance, where they don't have a block organized they have got all the loud speaker trucks in Chicago that are available--they borrow them. They go into a block and start talking there and calling for people. They stay there until they have somebody who volunteers and goes out to solicit the whole block. They say they don't care when the Bond Drive closes, they are going to keep right on solici-

- 8 -

iting until they have covered every block in the whole of Greater Chicago. They say they are going to do it, and this Mr. Clark who is in charge says he doesn't care what date you set, he is going to go through until he has every block covered.

It is that kind of spirit which is encouraging, but it does take time.

(Discussion continued off the record)

Again--not on the record--now that the danger of bombing is over and we are not relying on the OCD as we did, naturally those organizations have disintegrated and you have got to sort of build up your own. But, on the other hand, we can't go in like Chicago and say, "To hell with the OCD, we'll build our own!" We have to work with them. But you have a thirty or forty percent organization there, and it slows us up. If we could go in and build our own--but we have to work with the other people.

So you have a lot of those things to overcome

- 9 -

where you have a volunteer organization. But every place I have been, they are determined to go through and get their quota of individual bonds, and they will. But nobody can just sit back and say, "We'll let the other fellow do it." We have got to meet the people at least half way. So we need all the help we can get from the press up to the end of the Drive.

(Discussion resumed on the record)

Q. Mr. Secretary, I wonder if you will be good enough to tell us what you actually said in Chicago in regard to post-war taxes? The stories I have read--some of them disagree as to what you said, and I would like a clear statement from you.

A. Unfortunately, it is one of the few times I have met the press that they didn't have any stenographer there.

Where is Smith?

MR. SMITH: Here I am.

R.M.JR: Fred, you will have to help me out. If I

- 10 -

don't give it correctly, you interrupt me. As near as I can remember, the question was asked me about corporation taxes. The thing went on for about forty minutes.

I said that I felt that could be reduction in taxes after the war, but that we had this very large debt, and that I hoped that they would keep both corporate and personal taxes high, so that we could as rapidly as possible pay off the debt.

So far, is that about right?

MR. SMITH:

So far.

H.M. JR:

Then they got on the question--somebody asked me about incentive, and I said that under the capitalistic system, which I believe in and subscribe to, you had to let a business man and an individual make money, and if he made money we could collect part of it in taxes. And therefore, I was also in favor--and I haven't seen anybody write what I am going to say--I was in favor of encouraging so-called "venture capital" and adjusting our tax laws so that it would be attractive for "venture

- 11 -

capital" to go into peace-time business; and I felt we would have to make it attractive to "venture capital."

Q. How can you do it, Mr. Secretary?

A. Through adjusting the tax laws to make it worthwhile.

Q. Do you have anything specific in your mind?

A. No, but we have this whole group studying it here and our people plus the staff of the Joint Committee.

The latter part of what I said, as far as I know, nobody has printed. I thought it might be of interest to people who want to know how we feel. I again stress the importance of keeping the taxes high so that the sooner we could, we could pay off the public debts.

That is as I remember.

MR. SMITH: That is exactly what you said.

-12-

- H.M.JR: Have I left anything out? Is that about correct?
- MR. SMITH: That is exactly what you said. It took you a little longer in Chicago, but it is the same thing.
- H.M.JR: Yes, because the trouble was there. As I told them, they don't know the Treasury patter, which I have gradually learned over a period of twelve years, and some of the people wanted to know where, Bretton Woods, and why, Bretton Woods, and so forth and so on. Fortunately there was one financial writer there and I referred all questions to him.
- Q Mr. Secretary, my former employers, New York Herald Tribune, criticized the editorial in connection with your Chicago speech, pointing out, in connection with "venture capital" idea of yours, that by removing double taxation on corporate profits, you would be helping in that direction. That is, now a corporation pays taxes on its earnings, then it declares a dividend. I receive a dividend and I have to pay taxes on

-13-

that. Are you in favor of eliminating double taxation?

A

No, I don't want to answer that, because all of these things are in a study stage. But I can just say how I feel personally, and that is - I repeat myself - that I would like to see the tax laws so adjusted that when the war is over we can encourage people to risk their money, and I hope they will do it, so that the man of moderate capital can get a break. After all, America was built under that pattern, that the people were willing to gamble their money on railroads, oil wells, mines, and so forth and so on, and it is that kind of money which developed America. I think we have got, again, to encourage that kind of money to go to work. And in making the studies here, I am encouraging our people to study those plans so that they can go to work. But I am only talking in broad generalities, and just saying how I feel. It is like all of these things; we can propose, and unless the Congress is with us, we don't get very far. But we are working with the Congress on a very nice basis - the

-14-

Committee, Senator George and Chairman Doughton, the Republican Members, Mr. Stam - and I hope that when they are ready to consider tax legislation, that we will be ready to make recommendations.

Now, is that about right?

Q Yes, sir.

A But you are correct. The thing I saw - they only gave half the story. Unfortunately, I think - I am not criticising the men there - but I think that the subject was foreign to them, and somebody would give them a written question to ask me, and they were covering War Bonds and not financial writers - not experts like you people. Anybody object to that?

Q Just so you don't call us economists, it is all right.

A That is about right?

MR. SMITH: That is right. It is the same thing you said.

H.M.JR: O.K.

Q Mr. Secretary, would you care--

A Does that take care of your former employers?

Q Yes, sir. I shall take the news to them.

-15-

- Q Mr. Secretary, would you care to comment on the arrival this morning of Mr. H.H. Kung?
- Q He got here awfully fast. The announcement came from Chungking, yesterday.
- (Discussion off the record)
- A The only announcement is one you can't write because it isn't printable. They started in at seven o'clock this morning to give me the arrival of Mr. Kung. Every five minutes they changed his time and finally I got there, but he had also gotten there, too. But anyway, that is very much off the record.
- (Discussion resumed on the record)
- Q Is his arrival a secret?
- A No, no, no. He is here now.
- (Discussion off the record)
- But the fact that they began at seven and changed his time, that is just my own personal gripe.
- (Discussion resumed on the record)
- No, he is here and I am very glad that he is here, and I feel that he will make a very important contribution to the Monetary Conference at Bretton Woods. I am also glad he is here. It gives us a chance, face-to-face, to discuss

-18-

our mutual current problems.

Q Is there any Chinese loan in the offing?

A Where are his shins? (Laughter) Does he have on his shin protectors?

(Discussion continued off the record)

For your guidance, the answer is no. That isn't what they need. They have lots of money here, too. That is also for your guidance. The five hundred million dollar loan we gave them, they have spent very little of.

Q But they haven't stopped inflation in China.

A Yes, but they don't need money, they need goods; by goods I mean manufactured goods. You can't help them any until we can open a port, or in some way or other get goods to them. When we get them that, that will take care of it. In the meantime, everybody is bidding for scarcities.

But the situation of the Chinese currency is very much better than it has been. And some day I hope to be able to tell the story of what the Army and the Treasury did in China in connection with building those airfields - the way we handled the money and everything else. There is a wonderful story. It was handled, I think, very well. But I mean

in connection with building that thing - this tremendous quantity - it will have to be a carefully prepared statement - but we are over the peak, and we have got our airfields, and the price of the Chinese currency has gone down. You fellows can't write this just yet, if you don't mind, but there is a story.

Shaeffer, if General Somervell would work with us on a thing like that, I think that the Army, and particularly the Treasury, could take a bow on that thing, now that the B-29's have made their flight. But there is a swell story on the Monetary-- the whole business. If you could contact General Somervell and General Clay--

MR. SHAEFFER: Yes.

Q Did the Vice President carry assurances to the Generalissimo about licking this inflation problem? There is a report going around.

H.M.JR: I don't know. I don't want to talk about it. That isn't true.

Q. That isn't true?

A What I started to say isn't true. I don't want to get into it.

- 18 -

But Dr. Kung is coming in here at four o'clock to pay his respects, and so forth and so on.

Q Will he be available for us to see him?

A I should think so, yes.

You could check, Shaeffer; you might call up the Embassy and say, "would it be agreeable, after he is here, for Dr. Kung to meet the press?"

I think it would be very nice if you could arrange it.

Q Mr. Secretary, are you going to have some conferences with Dr. Kung before you go to Bretton Woods?

A I am sure of it, yes. We have got a lot of problems that I am sure he wants discussed, and I would like to discuss.

Q Were you with him long this morning?

A Not long - just long enough to say hello and tell him I was glad to see him.

Just for your guidance, the worst of our problems, as far as China is concerned, are behind us, because our big construction program is past and over. We have the fields. I am not worried.

You have to handle that kind of gingerly.

Q Would a little Lend Lease jingling in the pockets of the Chinese natives arrest this wave rather than paper currency?

A No, with lots of hard work we have been very fortunate and we have been able to get what we needed with the help of the Chinese. The price of the yuan has receded, I mean, so that the worst is over.

I am going to have to ask you people to wait until we get on this thing - a statement which we can issue jointly - War, State and Treasury. I am going to ask you to wait.

But if Shaeffer will contact General Somervell and General Clay and say that I talked off the record and the press is interested, and couldn't we get out a statement, now that Dr. Kung is here - and not too long on it, either!

Q Mr. Secretary, I understand that we are not even to mention the fact that the worst is over in the inflation?

A If you don't mind, I would rather not. After all, a day or two ought not to make any difference, and particularly with Dr. Kung here. It has been so

much of a military operation that the least I could do is to be sure that General Somervell and General Clay - I mean, they should take a bow on this thing, I would like them to. So, if you don't mind--

(Discussion resumed on the record)

Q May I ask you, please - the statement is made in the President's letter about the proposed Bank, the principles agreed on by the American Technical Committee - is the redraft on the Bank plan, then, completed?

(Discussion off the record)

A I don't know.

Q They tell me that the original statement--

A You had better not quote me, I am not sure.

(Discussion resumed on the record)

Q In that connection, Mr. Secretary, are you going to give us a list of your technical assistants?

A That is still in the process.

Q White, of course--

A Yes, well, he is a delegate, but I don't know whether the State Department wants to give it out or not.

- Q Well, the President said in a couple of days - two or three days - he would have a list.
- A Well, it will be, maybe, the middle of next week.
- Q Mr. Secretary, we understand that the United States is buying so much silver from Mexico that there is nothing left for the arts. Do you care to comment on that.
- A I don't know the facts. I would have to find out.
(Discussion off the record)
My impression is, and you can't quote me, I don't think we are buying any silver from Mexico - the United States Government.
- Q I was informed this morning.
- A We will give you an answer in five minutes after you get down. My impression is that the United States Treasury is not buying any silver, but to be entirely fair with you, we are not - I think that private interests are. But you could find out. I think they go down and buy it direct. But the Treasury is not. Shaeffer will find out. I don't think we are buying any silver anywhere outside of the United States. That is my impression.
- Q You have two and a half billion dollars.

A Approximately, yes.

Q Comfortable margin.

A Yes

Q Mr. Secretary, that shipment of a hundred million ounces of silver to India the other day was almost equal to all that has been shipped to Saudi Arabia, Palestine, and Iran, previously. Are there any plans for shipments of further amounts to any of those three countries, or to other countries?

A Well, I have been out selling bonds and I am a little off on silver. I mean, I am not up on it. But we will get you up a silver statistical story. How is that?

Q Fine.

A I am, frankly, not up on it. But Shaeffer will get you somebody that knows about silver. I am not up on it, but there are a lot of people in the Treasury who are.

Q One more question, there have been round-about reports of possible opposition to the Bank by interests which originally were identified with the Bank for International Settlements. Would you care to comment? Have you and Mr. McKittrick

stripped for battle recently?

A He is in Switzerland.

Off the record, do you want to hear a cute story?

His daughter is at Vassar with mine and she has been reading up on everything about the Bank. She came to Joan the other day and said, "You know, I think your Daddy is right and mine is wrong," which I thought was wonderful.

Q Very good.

A Don't print it, because it will get the poor kid in trouble. But she had been reading up on it and she decided Joan's Dad was right and her's was wrong.

Q Thank you, Mr. Secretary.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Friday, June 23, 1944.

Press Service
No. 42-39

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Definite proposals accepted by the delegates at the conference, which begins next July 1, will in no sense be binding on the governments represented, Mr. Roosevelt said.

The President's letter set forth that Secretary Morgenthau, serving as the principal spokesman for this country, and working in close consultation with the Secretary of State, would be expected to coordinate the activities and views of the other American delegates.

The American delegation has the responsibility, Mr. Roosevelt said, of demonstrating to the world that international postwar cooperation is possible.

The text of Mr. Roosevelt's letter, dated June 9, follows:

My dear Mr. Secretary:

I am pleased that you will head the American Delegation which will participate in the United Nations Monetary and Financial Conference to be held at Bretton Woods, beginning July 1, 1944.

It is my hope that this Conference will formulate for presentation to the participating governments definite proposals for an International Monetary Fund and possibly a Bank for Reconstruction and Development. In the invitation which I extended to these governments to participate in the Conference, I stated that the agreement by the Conference upon definite proposals will not be binding either morally or legally on the governments represented

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Press Service
No. 42-39

All agreements reached at the United Nations monetary and financial conference at Bretton Woods, N. H., will be referred to the participating governments for adoption or rejection, it was made plain in a letter of instructions from President Roosevelt to Secretary Morgenthau in which the Secretary of the Treasury was named to head the American delegation.

Definite proposals accepted by the delegates at the conference, which begins next July 1, will in no sense be binding on the governments represented, Mr. Roosevelt said.

The President's letter set forth that Secretary Morgenthau, serving as the principal spokesman for this country, and working in close consultation with the Secretary of State, would be expected to coordinate the activities and views of the other American delegates.

The American delegation has the responsibility, Mr. Roosevelt said, of demonstrating to the world that international postwar cooperation is possible.

The text of Mr. Roosevelt's letter, dated June 9, follows:

My dear Mr. Secretary:

I am pleased that you will head the American Delegation which will participate in the United Nations Monetary and Financial Conference to be held at Bretton Woods, beginning July 1, 1944.

It is my hope that this Conference will formulate for presentation to the participating governments definite proposals for an International Monetary Fund and possibly a Bank for Reconstruction and Development. In the invitation which I extended to these governments to participate in the Conference, I stated that the agreement by the Conference upon definite proposals will not be binding either morally or legally on the governments represented

- 2 -

but will be referred to the respective governments for adoption or rejection. You will, of course, be governed accordingly in your discussions and negotiations.

In formulating a definite proposal for an International Monetary Fund, both you and the other delegates will be expected to adhere to the joint statement of principles of an International Monetary Fund announced April 21, 1944. You, as head of the delegation, are authorized, however, after consultation with the other delegates to agree to modifications which, in your opinion, are essential to the effectuation of an agreement and provided that such modifications do not fundamentally alter the principles set forth in the joint statement.

You will apply the same principles in your discussions and negotiations with respect to the proposed Bank for Reconstruction and Development except that you will be governed by the principles agreed upon by the American Technical Committee.

As the head of the American Delegation of the Conference, you will be the principal spokesman for this country and you will be expected to coordinate the activities and views of the other American delegates. You will, of course, work in close consultation with the Secretary of State.

The responsibility which you and the other delegates of the American Delegation will undertake is the responsibility for demonstrating to the world that international post-war cooperation is possible. I am confident that you will do your best to accomplish the purposes of the Conference.

Very sincerely yours,

(Signed) FRANKLIN D. ROOSEVELT

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Monday, June 26, 1944.

Press Service
No. 42-45

Secretary of the Treasury Morgenthau announced last night that intensive sale of the four marketable issues of the Fifth War Loan to corporations and other large non-banking investors would be launched today. National quota for sales of Fifth War Loan Securities to these investors is \$10 billion.

During the period between June 12, when the Fifth War Loan opened, and June 26, only sales to individuals are being announced publicly. The national quota for sales to individuals is \$6 billion, of which upwards of \$2 billion is expected to come from the sales of these four marketable securities.

The marketable issues, all of which will bear interest from June 26, are:

2½% Treasury Bonds
2% Treasury Bonds
1½% Treasury Notes
7/8% Treasury Certificates of Indebtedness

Subscriptions for these issues may be made at any Federal Reserve Bank or branch, or at the Treasury, and orders will be handled without charge by any bank, investment house or Stock Exchange firm, or by the volunteer solicitors of local War Finance Committees.

"While major emphasis in the Fifth War Loan has been placed on sales to individual investors, of the record-breaking quota of \$16 billion, \$10 billion has been set for sales to corporations and other large non-banking investors. The amount sought from these larger investors has given increased importance to this phase of the Treasury's war financing program," Secretary Morgenthau said.

"Industrial, railroad and public utility corporations, insurance companies, mutual savings banks, estates, schools and colleges, labor and fraternal organizations and trustees of public funds have been among the big buyers of

- 2 -

these marketable issues in all previous War Loans, and are again expected to make substantial purchases in the current drive. Thousands of our specially trained volunteer War Finance solicitors and bankers will begin an intensive campaign among these large investors on Monday morning, and continue throughout the drive."

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SECRETARY'S PRESS AND RADIO CONFERENCE

June 23, 1944
4:00 p.m.

- Q. Will you seek financial aid at this time?
- DR. KUNG: No, we're fighting a war and putting all our efforts and resources together. We are not asking for anything.
- Q. Can you say a word or two about Chinese views on currency stabilization?
- A. I think if you want to end the war, you must have a stabilization of your monetary system. If you want reconstruction after the war, so you can trade, you must also have stabilization of your currency.
- Q. Do you regard the coming Conference as of considerable importance?
- A. Sure. That is why I am here. I am a busy man, and I believe your Mr. Morgenthau--he has inaugurated the principles which we think are good for China and the whole world. That is why I am here, and I want to cooperate with the American Government, with Mr. Morgenthau, and to see the success of this Conference.

- 2 -

Q. Dr. Kung, I understand that some Japanese have temporarily taken over your home. Where is that located, please?

A. My home? I lost that long ago. Tsingtao, in the northern part of China. They have taken my home in Nanking.

Q. You have several homes?

A. Oh, yes.

Q. May I ask you, please: you mentioned the necessity of stabilization during the war. Do you hope that this plan might be adopted right soon to be put into effect during the war?

A. Well, of course it is difficult to say. During the war you cannot do those things at once. You have to work out some system and figure the conditions.

Q. Dr. Kung, China has been known as a country of a great deal of silver currency. I wonder if you would care to say whether China would like to see silver included in the stabilization plan in some form, or whether your country will go back to silver later?

- 3 -

- A. Well, you know gold is very useful. I sold a lot of silver to Mr. Morgenthau, and he sold some gold to me! (Laughter)
- H.M.JR: Fair exchange!
- Q. There is still lots of silver in China, isn't there?
- DR. KUNG: Some. We don't have many silver mines.
- Q. Can you use half a billion ounces?
- A. I think we can, yes; providing your Government is willing to sell it.
- Q. I mean, I was wondering whether you might ask to borrow the silver--the same arrangement as with India.
- A. You are broaching a big problem. I am not asking to borrow anything now.
- Q. But you can use silver?
- A. Oh, yes, surely I could, in China.
- H.M.JR: Is that all right?
- Dr. Kung has just left Chungking--Monday--and he has been on the plane ever since.
- Q. How long do you expect to stay here, Dr. Kung?
- DR. KUNG: I have other things to attend to.

- 4 -

- Q. A week or two?
- A. You see, I was in Europe when the war broke out several years ago. I was in a sanatorium, and I was taking the "cure," as it was called. My doctor says I need a vacation. So I may have to go to some hospital or sanatorium after the Conference. I do not know how long it will take.
- Q. It is possible you may go to London after you leave Washington?
- A. There is a possibility; I don't know.
- Q. How about to Moscow?
- A. If I go to London, I might go to Moscow.
- Q. It is a short route home!
- A. A good way to go home!
- Q. There have been reports that the Japanese are trying to obtain a negotiated peace with China. Can you say anything about that?
- A. The Japanese have tried that thousands of times. We don't listen to them. If we did--we are not going to have a peace with Japan until we crush Japan.

- 5 -

H.M.JR:

Hear, hear! That is good.

Q.

Does China feel the worst is over now in the war against Japan?

DR. KUNG:

Well, you know war is something uncertain. I am not a military man, but I think the victory is ours; that is sure.

Q.

Can you say anything about the significance of closing up the China Defense Supplies Corporation here?

A.

It is not closed; it is reorganized.

Q.

Thank you very much.

SECRETARY'S PRESS AND RADIO CONFERENCE

June 29, 1944

- Q How do you do, Mr. Secretary. You look cool and comfortable.
- A Bought my shirt in Hollywood. Hope you like it.
- Q Seems it has a Barrymore collar.
- A Or Barry Wood, I don't know which.
- Q Good looking shirt. Hope you paid ceiling prices on it.
- A I'm sure I did. The price was high.
- Well, I have nothing for you people but I just like to see you once a week and there will be a statement which I am going to make at Bretton Woods which will be ready sometime this afternoon for you and be released from here.
- Q For that day?
- A For that day, when delivered.
- Q Good!
- A At least we will give you that.
- Q Mr. Secretary, can you tell us anything about your conversations with the Mexicans?

-2-

A No, they came in here to make a courtesy call but Mr. Suarez is an old friend of mine. We have done lots of business together.

Q Did they indicate they would press claims for silver at the Bretton Woods Conference?

A You better ask him.

Q Suarez?

A Yes, you better ask him.

Q How powerful is that silver lobby?

A Off the record?

Q Off the record.

(Goes off the record)

I mean, they have men working here.

A Are these all press people here?

Q Yes, sir.

A I don't know how much fuss they are going to make. Off the record Suarez came in and he said, "I want just one little thing". (Laughter) I said, "What is that?" He said, "Just leave the door open for silver". So I said, "Why not oil?" So he said, "Well, they would have to pay the world market for silver". I said, "Lots of people would rather be paid in oil than silver."

-3-

But he is going to ask for something but that's the first I have heard. How much fuss McCarran will make, I don't know. I don't think they will get very far. I am talking off the record.

Q There is this Rocky Mountain Producers Association and Brownell of the American Smelting and Refining that appeared before the Committee sometime ago.

A Yes, but there are a lot of people who have got their selfish interests.

Q Could we say you would be opposed to any.....

A No.

Q Without crediting you with it but say Treasury sources?

A "Resist".

Q Will resist any attempts to include silver in the World Monetary Plan?

A Yes, resist.

Q Not giving your name?

A No. Just make it all inclusive in the Treasury.

Q In that connection there are a lot of rumors running around that the Mexicans have agreed to the Monetary outline with reservations.

A That, I don't know.

-3-

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-4-

- Q Who else besides the Mexicans are there who have just one lettle bit?
- A So far, only the Mexicans.
- Q None of the Latins?
- A I haven't seen them. I saw the Russians, the Czechs, the Poles and the Mexicans. That's all.
- Q Mr. Secretary, hasn't the Chinese Delegation mentioned something about silver?
- A Not to me.
(On record)
- Q Is there anything you can tell us about your conferences with Dr. Kung?
- A So far they have been purely social.
- Q I see. Do you intend to see them again?
- A He is here for lunch today, he and the Chinese Ambassador, but so far, we have not got down to business.
(Off the record)
- Again off the record, I think he has a lot more important problems than silver. After all, they are not a producer of silver-China. I mean, they are a buyer so all of this stuff, silver,

-5-

stems out of people who have silver to sell
or mine.

Q That includes some of the Latin American producers.

A True, but it does not include China. They are a
buyer and right now they are buyers of gold, not
silver.

Q Are the Chinese buying gold?

A Well, in the sense that we use gold over there
to keep down the price of the yuan.

Q How much gold have they got?

A They have a lot of gold over here.

Q That five hundred million dollar loan?

A Yes, call it cash or gold. They have used
practically none of it.

I am off the record, but we have used gold very
successfully. Where is the Army statement on
China?

MR. SHAEFFER: I have not been able to find out, Mr. Secretary.

Q There is one report that the Chinese took some
of the five hundred million dollars, which was

-8-

practically at an infinitesimal rate of interest, and turned around and bought series F and G Bonds and made money.

A If they did, they could only buy a hundred thousand dollars. They could not make any money any more than you could if you sold it at the end of sixty days. You get a flat price. They could not make anything.

Q I said they bought two and a halves and I don't know what the rate of interest on the loan is. There is no interest on the loan?

A Well, I am not sure.

Q My understanding is, it was interest free.

A Well, it's a matter of facts. I don't know. Shaeffer will look it up.

Q I don't see what their investing in bonds like that would do.

A No, I haven't heard anything like that. I don't know. I will say for them on the money they have conducted themselves extremely well.

-7-

(On record)

- Q Have you printed Danish, Dutch, Belgium, Yugoslavia and Greek currency?
- A I can't answer that this morning.
- Q I want to run a "War of Nerves" story.
- A Well, not on me. We do that as for the War Department. If we have done that, we are acting as agents for the War Department.
- Q Mr. Secretary, the question of French gold has been in public print in the last twenty-four hours. Anything you can tell us about the location of the French gold?
- A Well I don't know. You're asking me something-- a lot of these things--we have a pretty broad field here but I don't know why it should be a secret. Certainly all the gold here is in the Federal Reserve Bank of New York. How much they have got at Martinique, we know, but whether it's our business to tell you or even of the French to tell you--I don't know--I don't think it would be our business.
- Q Federal Reserve?
- A I don't want to give you a bum steer. They won't tell you without getting permission from us, but

-8-

after all it's French money and we are custodian for the French people.

Q For the French people but not of any particular group.

A If that's what you are leading up to, don't quote me on that. That would be a State Department matter. I was careful in choosing my language, but if you quote me, "Morgenthau says French people"--well-- then you can say he does not recognize the French people. I ask the State Department whom we should do business with and they tell me. But if that's what you are leading up to, I can't help you.

Q Where does the French Committee of Liberation get the money to pay for shipments to North Africa? Civilian goods?

A They have a lot of gold in North Africa.

Q They put it on the line for civilian goods?

A They are using gold in North Africa.

Q You said Mr. Kung had some other problems besides silver. Would you care to detail a few of those?

A No, let him tell them. I don't want to give him any ideas. Are we clear what is on the record?

-9-

I have talked quite freely here.

Q The point about the U. S. backing gold. Is that off the record?

A I didn't say that.

Q You said resist attempts to include silver.

A That's right. That's quite different.

Q Without direct attribution to you.

A That's right. We will resist bringing silver in.

Q On the question of the trusteeship of the French people. Who would we attribute that to?

A Nobody.

Q Just say the gold is here?

A If you look it up, the account is in the name of the Republic of France. I am sure that's the way it reads. What I am not going to say is who is the representative of the Republic of France. The account undoubtedly reads "For account of the Republic of France", but it is not my job to say who represents it. Maybe after General DeGaulle has been here next week, all will be settled, let's hope. That's just gratis.

-10-

Q What did you think of Mr. Dewey's speech?

A I am not going to answer. I refer you to the New York Times. Read Meyer Berger's column today.

Q Mr. Secretary, how do you think the silver States will react to your decision?

A Just the way they always have.

Q There will be no deal with McCarran?

A Listen, I said I am going to resist it. That's as far as I can go. I'm just the hired man like you. I can resist up to a point.