October 5, 1943

The President said that he did not think we ought to change the present rate for the Italian Lira, and that it is all right the way it is.

October 11th - 1943

I saw Mrs. Roosevelt with Hopkins and she said she would be glad to ask the President to make his speeches standing up but she thought that Admiral MacIntyre would not allow it. Hopkins said he would. He said Admiral MacIntyre said the President was well enough to go through the campaign and make his speeches standing up. I told her that if she didn't mind, I would like to make a suggestion, namely that she put it up to the President on the following basis:

That if he stood and made no fight, not only would the politicians criticize him, but he would be very much dissatisfied in his own heart. If, on the other hand, he would put up a real fight and lost, he not only could not blame himself, but nobody else could - and Eleanor agreed with me. I also made my suggestion to her that the President get politicians and non-politicians together and sit around and discuss various plans and strategy for the campaign - on the same basis that he talked with Churchill at Quebec in regard to the war and other things. She said she would do that.

October 11th - 1943

Hopkins says did I know that Hull had written a letter to the President in which he referred to a previous conversation with the President objecting strenuously to my heading up this committee on Lend Lease with the British, and that the matter should head up with the State Dept. and that they would consult with the Treasury.

I told Hopkins that I had seen the President Sunday night and that he had not rasised it, so he said the President knew all about it by Sunday night, and if he did not raise it then, he most likely was not going to do so. I said there were a lot of things like that which would have to be straightened out after Election.

Hopkins said what did I think about the President's public appearances; that if anything could defeat the President it was these rumors going around about his health; that he had not worn his braces for over a year and Hopkins felt it was Miss Sutcliff who was telling the President "what is the use of your bothering about another election - why put yourself through all this trouble and pain putting on your braces ?" He asked what I thought, so I said that the President just had to put on his braces and face the crowd, that it was just damn nonsense.

I told him how Eleanor Roosevelt had gotten the President's interest Sunday night in Dutchess County and local politics, so he looked sort of surprised and said, "Is Eleanor interested in this ?" And I said, "very much so". So he said, well he would go and see her and then he thought a while and said, "you would be much better than I", so I said, we would both go together. I said I did not think anybody could get him to do this except Eleanor Roosevelt. He said, should we have Anna present and I said, no. If he ever tells that to Anna (which he will) it will just slay me - but you could see that Hopkins was really worried and evidently has run into this same lackadaisical attitude of the President on the election which I did Sunday night.

Cabinet Nov 5, 1943

THE WHITE HOUSE 1304
WASHINGTON

gave Pres. memo on stopping military Lend-Lease to French. He liked idea very much. want copy for my files.

I want to speak to H. White about following this up.

1305

11/5/43.

Speak to the President about financing Time?

H.M.Jr.

F.D.R.
said O.K.
go ahead

Pres said: nov 5, 1943

THE WHITE HOUSE
WASHINGTON

1306

Dr. Weizman is supposed to have sent English Archaeologist to Saudi-Arabia who offered him 100 million English £ as a bribe if he would be pro-Palestine

Since then his feelings have been hurt.

Pres. told Ickes he could not send Jews to Saudi-Arabia

Hopkins was here from 3:00 until 4:20. He does not feel that the end of the war is in sight the way so many people do around town. I asked him what made people so optimistic, and he said General Arnold and the Air Corps have spread the word that the war will all be over soon. He said that it has made General Arnold very cocky, and he is asking for a lot of additional material. He said, "I will say this for him - he does make good use out of what we give him." He said that General Arnold says we can easily lick the Italians because they have no air power, but that Eisenhower does not agree. Hopkins told me how the Germans are fighting with half as much tonnage and ammunition and food as we have, and how they are maintaining the battle in Italy by moving everything by night without any air support, contrary to many modern military theories.

Clark has been promised amphibious craft, so that he ought to be able to make rapid progress around the rear of Rommell's Army. I had heard this before, and it is very encouraging. When I was with Clark they had taken everything away from him, but evidently they decided not to do that, and are going to leave it there long enough for him to use it. As a matter of fact, Hopkins said that he could have it from now until the 15th of December.

Hopkins was very much interested in what I had to say about King Peter and King George. He did not realize that they were located at Cairo, and was very much upset when he heard it. I told him I felt that neither the King of Italy, King Peter, nor King George should be picked by us, and he agreed entirely. He agreed there would be a revolution if we forced these people to accept these Kings. But Hopkins said, "You know the President has a warm spot for royalty." He said, "King Otto of Austria is hanging around here in Washington also."

I told Hopkins that Paul was thinking of resigning because he thought that Congress had let him down. He said that nobody should take that attitude, and that one shouldn't quit when they are under fire. Then I asked him how he felt about having Oscar Cox come over here. He said, "Well, I see Oscar about once a week, and Oscar could send me suggestions from the Treasury just as well as from Crowley's outfit." He said that maybe Crowley wouldn't want to let Cox go but that as far as he was concerned he would just as soon have him in the Treasury as not.

I found Hopkins very friendly, very talkative, and in an excellent humor, and I think he would have answered any question I asked him.

****

November 12, 1943

The President called me and said that Mr. Alvin Wirtz had been to see him and told him that I personally was pushing a tax case down in Texas. I told the President that I was not. The President asked me to see Mr. Wirtz and I said that I would.

****

December 18, 1943

The President asked me did I think he should veto the revenue bill if they did not change the re-negotiation contract, if it was not workable. I said, "You are asking me a question pretty fast, but my answer to you is yes - you should veto it."

MEMORANDUM FOR THE DIARY

December 18, 1943

The President told me today after lunch that he had sent a message to Generalissimo Chiang Kai-shek that he had seen me, Morgenthau, and discussed the question of finances with him, and so evidently he thought it was that important.

He then took from me the memorandum which I had, also my carbon copy, and we'll have to get another copy from E. M. Bernstein for my diary. I also told Miss Tulley that when the President was ready, I'd be glad to see him to discuss it with him; that I was in no hurry but he seemed to be in a hurry.

December 20, 1943

I asked Miss Tully what the President had done about my letter on the Collector of Customs for Boston and she said that the President had read it and would call up Mr. McCormack today or tomorrow and tell him that he would have to recommend somebody else. So she said, "The only thing I can't decide is whether the President will do it now or wait until after Christmas." So I thought a little bit and said he had better do it now so that when McCormack goes home he would be thinking of getting somebody else.

December 20, 1943

The President very carefully in my presence read my memorandum on China for the first time. He also had not read Ambassador Gauss' cable before, although Hull told me it had gone over there.

He said, "This looks good," and "What would you think if I sent your memo in toto to General Chiang Kai-shek?" I said, "Nothing the matter with that." So he said, "That's what I am going to do."

I had ample time to tell the President about George Harrison being financial adviser to Stimson; reminded him about '32; that George Harrison would be sitting here pulling the strings on what was going on in London; I gave him the names of the various people recommended; how I had recommended to Stimson that he wait until he got back; how Stimson said he did not want Foley (whom I had not recommended) or anybody else connected with any other Department. The President said, "That's just too bad." He said, "Who do you want?" I said either Lauch Currie or Jim Landis. He said, "I think Lauch Currie would be good. He is doing lots of odds and ends and this will give him a lot to do." I said, "If you don't want a repetition of '32 you had better do something." He said he would.

I reminded him again he had better talk about organization politics. He said just as soon as he got through with his speech he would.

Then I said, "You know, on the Argentine thing, Cordell is taking an interest but he's awful slow." I said, "This last move on the part of Bolivia looks as though there had been an overthrow in Bolivia as a result of scheming from the Argentine." I said, "If you want to get the low-down on it, why don't

you send for General Strong and he will give it to you." The President said, "I will send for Cordell Hull and General Strong." I said, "Make Bolivia the excuse so that he does not smell Morgenthau." The President said he would.

I was with him almost an hour.

December 18, 1943

MEMORANDUM FOR THE PRESIDENT

You have spoken of the request of Generalissimo Chiang-Kai-Shek for an additional $1 billion of financial aid to China to be used to help control inflation and for postwar reconstruction.

I

The facts regarding inflation in China and the possibility of its control through the use of dollar resources are as follows:

Inflation in China, as you well know, arises from the grave inadequacy of production for war needs and essential civilian consumption. Supplies have been drastically reduced by enemy occupation and the cutting off of imports except the small amounts that come by air or are smuggled from occupied territory.

The Chinese Government cannot collect sufficient taxes or borrow from the people in adequate amounts. As a consequence, the Government has been issuing 3.5 billion yuan a month, twice the rate of a year ago.

The official exchange rate for yuan is now 5 cents; before China entered the war it was 30 cents. The open market rate for yuan in U. S. paper currency is one cent and in terms of gold one-third of a cent.

You have suggested the possibility of our selling dollar currency for yuan to be resold to China after the war at no profit to us. No doubt something could be done to alleviate inflation through the sale of gold or dollar currency in China. I have received the following message from Dr. Kung dated December 14:

> "You will be pleased to hear that the recent gold shipment is one of the outstanding factors contributing to the strengthening of fapi, because people believe that the arrival of gold has in-

creased the much needed reserve of our currency, thereby influencing the stability of prices. The action of the United States Government re-affirms to the Chinese people that, despite difficulties arising from the blockade and the cumulative effects of over six years of war against the invasion, China has a powerful friend desirous of strengthening China's economy as conditions permit."

However, while something could be done to retard the rise in prices, the only real hope of controlling inflation is by getting more goods into China. This, you know better than I, depends on future military operations.

II

China has tried two similar monetary remedies for alleviating inflation without marked success.

1. The Chinese Government issued and sold dollar securities for yuan, setting aside $200 million of the aid granted by this country for the redemption of the securities. (These securities were sold at exorbitant profit to the buyers. For instance, a person holding $100 in U. S. currency could have quadrupled his money in less than two years by selling the currency for yuan on the open market and buying the dollar securities issued by the Chinese Government.) I believe that the program made no significant contribution to the control of inflation.

2. The Chinese Government has recently been selling gold at a price in yuan equivalent to $550 an ounce, about fifteen times the official rate. We have shipped to China more than $10 million of gold and they have sold about $2 million of gold for yuan. This program has not been tried sufficiently to warrant any definite conclusion as to its possible effect.

China now has $460 million of unpledged funds in the United States and is getting about $20 million a month as a result of our expenditures. China could use these funds in selling gold or dollar assets for yuan, although in my opinion such schemes in the past have had little effect except to give additional profits to insiders, speculators and hoarders and dissipate foreign exchange resources that could be better used by China for reconstruction.

Under the circumstances, a loan to China for these purposes could not be justified by the results that have been obtained. It is my opinion that a loan is unnecessary at this time and would be undesirable from the point of view of China and the United States. Large expenditures on ineffective measures for controlling inflation in China would be an unwise use of her borrowing capacity which should be reserved for productive uses in other ways. On reconstruction, it is too soon for us to know the best use or the best form of the aid we might give to China.

Recommendations

For the past five years I have had a deep admiration for the valiant fight that the Chinese people, under the leadership of Chiang-Kai-Shek, have waged against Japanese aggression. Therefore, I am in complete sympathy with your position that no stone be left unturned to retard the rise in prices. Using the tools we have at hand, I recommend the following:

1. All U. S. expenditures in China, currently $400 million yuan a month and rising rapidly, be met through the purchase of yuan with gold or dollar currency at whatever price we can get them for in the open market. This is equal to more than 10 percent of the present rate of issue.

2. Accelerate the shipment of gold purchased by China to twice the amount we have previously planned to send. It should be possible to raise gold shipments from $6 million a month to about $12 million. At the present price for gold in the open market this would be equal to the present 3.5 billion of yuan currency that is being issued.

The impact of this two-fold program should contribute to retarding inflation, always bearing in mind that the basic reason for inflation in China is the shortage of goods.

January 3, 1944.

FOR: GENERALISSIMO CHIANG KAI-SHEK

I have had the "flu" for the past few days and am only just able to attend to the vast amount of work.

The Secretary of the Treasury has sent me a recommendation which I hereby quote to you just as it was written:

" 1. The facts regarding inflation in China and the possibility of its control through the use of dollar resources are as follows:

Inflation in China, as you well know, arises from the grave inadequacy of production for war needs and essential civilian consumption. Supplies have been drastically reduced by enemy occupation and the cutting off of imports except the small amounts that come by air or are smuggled from occupied territory.

The Chinese Government cannot collect sufficient taxes or borrow from the people in adequate amounts. As a consequence, the Government has been issuing 3.5 billion yuan a month, twice the rate of a year ago.

The official exchange rate for yuan is now 5 cents; before China entered the war it was 30 cents. The open market rate for yuan in U. S. paper currency is one cent and in terms of gold one-third of a cent.

You have suggested the possibility of our selling dollar currency for yuan to be resold to China after the war at no profit to us. No doubt something could be done to alleviate inflation through the sale of gold or dollar currency in China. I have received the following message from Dr. Kung dated December 14:

> ' You will be pleased to hear that the recent gold shipment is one of the outstanding factors contributing to the strengthening of fapi, because people believe that the arrival of gold has increased the much needed reserve of our currency, thereby influencing the stability of prices.

1318

The action of the United States Government re-affirms to the Chinese people that, despite difficulties arising from the blockade and the cumulative effects of over six years of war against the invasion, China has a powerful friend desirous of strengthening China's economy as conditions permit'.

However, while something could be done to retard the rise in prices, the only real hope of controlling inflation is by getting more goods into China. This, you know better than I, depends on future military operations.

2. China has tried two similar monetary remedies for alleviating inflation without marked success:

1. The Chinese Government issued and sold dollar securities for yuan, setting aside $200 million of the aid granted by this country for the redemption of the securities. (These securities were sold at exorbitant profit to the buyers. For instance, a person holding $100 in U. S. currency could have quadrupled his money in less than two years by selling the currency for yuan on the open market and buying the dollar securities issued by the Chinese Government.) I believe that the program made no significant contribution to the control of inflation.

2. The Chinese Government has recently been selling gold at a price in yuan equivalent to $550 an ounce, about fifteen times the official rate. We have shipped to China more than $10 million of gold and they have sold about $2 million of gold for yuan. This program has not been tried sufficiently to warrant any definite conclusion as to its possible effect.

China now has $460 million of unpledged funds in the United States and is getting about $20 million a month as a result of our expenditures. China could use these funds in selling gold or dollar assets for yuan, although in my opinion such schemes in the past have had little effect except to give additional profits to insiders, speculators and hoarders and dissipate foreign exchange resources that could be better used by China for reconstruction.

Under the circumstances, a loan to China for these purposes could not be justified by the results that have been obtained. It is my opinion that a loan is unnecessary at this time and would be undesirable from the point of view of China and the United States. Large expenditures on ineffective measures for controlling inflation in China would be an unwise use of her borrowing capacity which should be reserved for productive uses

in other ways. On reconstruction, it is too soon for us to know the best use or the best form of the aid we might give to China.

Recommendations

For the past five years I have had a deep admiration for the valiant fight that the Chinese people, under the leadership of Chiang Kai-shek, have waged against Japanese aggression. Therefore, I am in complete sympathy with your position that no stone be left unturned to retard the rise in prices. Using the tools we have at hand, I recommend the following:

1. All U. S. expenditures in China, currently $400 million yuan a month and rising rapidly, be met through the purchase of yuan with gold or dollar currency at whatever price we can get them for in the open market. This is equal to more than 10 per cent of the present rate of issue.

2. Accelerate the shipment of gold purchased by China to twice the amount we have previously planned to send. It should be possible to raise gold shipments from $6 million a month to about $12 million. At the present price for gold in the open market this would be equal to the present 3.5 billion of yuan currency that is being issued.

The impact of this two-fold program should contribute to retarding inflation, always bearing in mind that the basic reason for inflation in China is the shortage of goods."

I think, however, that in addition to this program we should have a very high-class Commission visit Chungking and confer with both you and Dr. Kung and try to work out a complete meeting of the minds on this difficult matter.

This happens to be the first telegram I have sent in 1944 and it carries to you and to Madame Chiang very warm regards from my wife and myself.

ROOSEVELT

THE WHITE HOUSE 1320

WASHINGTON

January 3, 1944.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY:

FOR YOUR INFORMATION.

F.D.R.

Dunn

The Roosevelt-Stalin axis is gaining strength and the Roosevelt-Churchill axis is losing strength in about equal ratio.

That is the opinion of Leo Crowley and it is based on what the Prex said at the Cabinet meeting right after his return, plus quiet conversations Crowley has had elsewhere, plus, he admits, some reading between the lines on his part.

"If I were going to write a story I'd certainly say that Roosevelt had to play the role of peacemaker both at Cairo and Teheran," Crowley said, "and that he thoroughly relished that role. There could be no mistaking that they way he talked at the cabinet meeting. I'm basing that statement on what was said at the meeting.

"It was quite obvious, too, that Churchill didn't deviate an iota from his announced position--that he isn't going to preside at the liquidation of the British empire. So he was at odds with Chiang at Cairo and also with Stalin at Teheran. I certainly would suggest that Roosevelt sat in the middle at both conferences and that it was necessary for him to be there--in the middle--to preserve peace.

"Of course, Roosevelt was in a commanding position at both conferences because back of him he had our enormous industrial output, which our allies think of in terms of lend-lease, and so neither one was going to get tough with him."

"But it was perfectly obvious that the President is very much impressed with Stalin and not quite so much impressed as he has been with Churchill. I suppose that it is natural, in view of the President's views as shown in this country. In some ways it is disturbing to a person like myself. I can understand Churchill's point of view; I think he is suspicious of the whole business. He knows what Britain has and he intends to keep it if possible, but, of course, he isn't in any position to get tough with the President and that puts him in a bad spot as far as Chiang and Stalin are concerned because the President is impressed with them."

It is hard to put in words, but it is obvious that Crowley, and undoubtedly a lot of men with him in the government, is a bit apprehensive himself about the Presidential partiality toward Stalin. Crowley said, for example, that he thought the people of this country could do business better in the long run with Britain than they could with Stalin. He also said that the "White House crowd," casually mentioning Hopkins and Niles to illustrate the ones he meant, would be gleeful at the Presidential turn toward Stalin.

"I'm just guessing at this," Crowley said, "but I'll bet you that when Churchill stayed at the White House that time and had occasion to talk with a lot of those fellows at various times, he went to bed many a night and said to himself: 'I'm dealing with a bunch of God-damn fools.'"

- 0 - 0 - 0 -

Crowley is in bad humor because too many of his top men in FEA are displaying what he calls prima donna characteristics. They are, he says, jealous of each other and constantly complaining because they think some colleague is getting more recognition than he deserves. Among the complainers are Currie and Schubart, the latter a New York banker. Crowley is going back to his Wisconsin home for the holidays but it is conceivable that he may start a house-cleaning when he gets back if the complaining hasn't subsided.

- 0 - 0 - 0 -

January 4, 1944

I spoke to Mrs. Brady at the White House and told her that we were opening the Fourth War Loan Drive on January 18th, and that we would like to have the President go on the radio for a few minutes between nine and ten o'clock on the night of the 17th. Mrs. Brady said she would give the message to the President and let me know.

January 8, 1944
3:40 p.m.

FRENCH CURRENCY - Conference with the President

Present: Mr. Bell
Mr. White
Mrs. Klotz

H.M.JR: Come on, Harry, if you want to get in on this meeting!

Mr. McCloy and I just saw the President. We were with him about forty-five minutes. We tried our best to get him to agree to have the words "Republique Francaise" on the money. He objected strenuously. He said, "How do you know what kind of a government you will have when the war is over? Maybe it will be an empire; maybe we'll have an emperor again."

I said, "That is just what we don't want to imply." He said, "I don't want to do anything in any way to indicate what kind of a government it is going to be."

So I said, "Well, it seems to me if you put on the words "Republique Francaise," it isn't going to tie your hands at all." He said, "Henry, you talk just like the British Foreign Office." I said, "Mr. President, I have never been so insulted in ten years!"

The argument went on and on and on. And the answer always came back that he didn't want anything on the money which would indicate what kind of a government it is going to be. I argued and McCloy argued, and while the President was in a grand humor, he had all his "Dutch up," and you couldn't budge him at all.

He said, "I have heard all these arguments. De Gaulle is on the wane."

Anyway, I can give you all kinds of arguments, but the President doesn't like it. We got off the "Liberte, Egalite, et Fraternite." He said we couldn't have that. He also asked for "La France." We got that off. So it gets back

to the flag and nothing else.

MR. BELL: What are those other words on there that you had this morning?

MR. WHITE: That is off.

MR. BELL: No, that is on.

MR. WHITE: All words are off.

H.M.JR: "Liberte, Egalite, et Fraternite" are off. You have a flag.

MR. BELL: This up here (indicating) is in. What is that?

MR. WHITE: "Issued in France." There probably will have to be something here, although not necessarily.

MR. BELL: What are the words this morning which you were suggesting be put on there?

MR. WHITE: That is all. That is, "Emis en France" - issued in France.

MR. BELL: I see. That is not English; that is French.

H.M.JR: You don't recognize my pronunciation. I am talking in English! I'm so tired I don't know whether I'm coming or going.

MR. WHITE: Who did he say was on the up-and-up, if De Gaulle is on the wane?

H.M.JR: He wouldn't say. But besides his own prejudice against De Gaulle, he now says that Stalin has no use for any Frenchman.

MR. WHITE: So?

H.M.JR: So Stalin -

MR. BELL: Now, we'll hear the other side.

H.M.JR: In the first place, the new Government cannot

include anybody - this is Stalin speaking - who had ever been a Member of the French Government before, of any government.

In other words, if you had been a Member of the Government, you can't be a member of the new government and you can't be over forty years old.

MR. WHITE: Oh, oh. Stalin is beginning to issue orders, is he?

MRS. KLOTZ: You watch the old boy!

MR. BELL: The flag stays on.

MR. WHITE: Unless they think they want to put something on here - the numbers.

MR. BELL: This is a good note. That note is beyond counterfeiting, do you know that?

H.M.JR: Why?

MR. BELL: They have blended those colors in such a way that it is impossible to counterfeit. They can't separate them.

MR. WHITE: The significance of the meeting is far beyond the currency.

H.M.JR: He went on. I don't want to dictate the thing, but he went on and you could see that here is the Acting Secretary of War - which he is - and he took up conversations which he had had with the President. I don't think he had seen the President since Cairo.

They went into the whole invasion question and everything else. I got up to go and I stood on my feet for twenty minutes. I could have stayed there another hour, but I was tired. I wasn't bored; I was just tired. The President was in one of his talky moods, in a grand humor. He was in bed, but the second he started talking I knew the thing was lost. I don't know what is in him, but he doesn't want to have anything to do with Comite'. He says this is

an indication. He said, "How do we know?" It absolutely doesn't hold water, you know.

MR. WHITE: It is ridiculous.

H.M.JR: McCloy handled himself very well. He said, "If you fix it 'Republique Francaise,' then there is one less worry that De Gaulle is going to be a dictator."

MR. WHITE: And it doesn't mean what government you are going to have. You can have any group.

H.M.JR: I can't get it.

Now, for the record it seems that Hull has come around. While we were waiting, he told me and McCloy this. Jimmy Dunn has been working on him. While he still calls De Gaulle a polecat, he is working around, and it seems the person who keeps needling Roosevelt is Churchill.

MR. WHITE: Against De Gaulle.

H.M.JR: He thinks Churchill is going to turn any minute in favor of De Gaulle and leave Roosevelt high and dry. So I said, "Well, maybe you better get Hull to see him. Stimson is now for De Gaulle." He said, "Well, I don't know whether I go that far."

You get Hull and Roosevelt in the same room - what would come out, I don't know! (Laughter)

MRS. KLOTZ: Nichts zum lachen! That wasn't French, Dan.

MR. WHITE: That was very amusing, when McCloy said, "We don't want any supporters of Franco." I don't know whether you got that or not. Dunn was one of Franco's staunch boys. He is.

H.M.JR: Yes, I gathered they had a big meeting. He said Dean Acheson told him last night there was a big meeting yesterday in the State Department on Argentina. It was a very interesting meeting, but the Army has got something on their hands to get the President to go along. He says that they have nobody they can talk to about going into France. They are not allowed to talk to anybody. He

said, "Mr. Morgenthau, we are doing more for Tito than we are doing for the French, because we are not permitted to sit down and talk to anybody." I didn't realize that.

MR. WHITE: It is a very strange situation. There must be something behind it that is not at all observable, because here you have a group that are unquestionably desirous of restoring a republic. There is nothing they have done which is in any way suspicious - I mean compared to what is going on in Greece and Yugoslavia and Italy and Northern Africa. You would think they would dine and wine these fellows day and night; on the contrary, they are adamant in dealing with them. There is no alternative group. If there were one that is more democratic - but there couldn't be. Everything they have said indicates greater democracy. I don't understand it.

H.M.JR: Harry, my sensitivities were exposed and keyed to try to listen. While I was tired, I was listening every minute to try to figure it out. What is it that is back of this thing? I swear I don't know.

MR. WHITE: Has Leahy anything to do with it?

H.M.JR: It is interesting, your asking that. McCloy said on a number of questions the President quotes Leahy. The order came through from the General - the Commander in Chief of the Staffs - on this request I made, did we have any objection to the English paying off Portugal. McCloy said, "I got it." He said, "My God, here is a chance to do something to get permission to land on the Azores."

MR. WHITE: Well, you see -

H.M.JR: Wait a minute. So I said, "That is what I thought you might use it for." He said the Combined Chief of Staff didn't see it.

MR. WHITE: They sent Neff to see me yesterday morning. They didn't quite understand this had to do with balances. I told them the Secretary thought they might want additional inducement to land at the Azores. He said, "Of course that will interest us. I'll go right back and tell them." That was yesterday morning.

H.M.JR: Who is Neff?

MR. WHITE: Neff is Patterson's representative.

H.M.JR: That is funny. McCloy said he caught it last night.

MR. WHITE: Well, I don't know; but Neff came to see me yesterday morning.

H.M.JR: Neff is a civilian?

MR. WHITE: Yes, but he represents the War Department. He is not a dictator - an incipient dictator.

H.M.JR: Gentlemen, this was interesting. God, when the President gets this way, you just wonder what is back of it.

MR. WHITE: Churchill is playing a funny game, because the French believe--all the representatives believe and all the subordinates act as though they are strongly supporting De Gaulle. So if Churchill has these views, it doesn't seep down very far.

H.M.JR: What's-his-name said it is Churchill, but he says he thinks -

MR. BELL: Who said that?

H.M.JR: McCloy.

This is just an amusing thing. Mrs. Roosevelt went down to the airport last night to meet her son-in-law, John Boettiger, who was returning from the front.

MR. WHITE: Is he a Colonel now?

H.M.JR: Still a Major. And also the Under Secretary for War was coming in. Well, he got in first, and they say he is a very pompous fellow.

Mrs. Roosevelt was standing there, and all the English mission was standing waiting for the Under Secretary of War.

"Why, Mrs. Roosevelt, how thoughtful of the President to send you down here to meet the Under Secretary of War."

MRS. KLOTZ: Is that embarrassing!

MR. BELL: What did she do?

H.M.JR: I don't know. She most likely laughed at them.

Listen, do you people want to see me spit in the State Department's eye on the British-Argentine thing?

MR. BELL: It would be a pleasure!

January 17, 1944

I spoke to the President at 9:15 Sunday night and went into the passage about "My stringing up the ring-leaders of hate and letting them hang there until they are dead." He said, "Fine". He liked it and thought it was good. I said, "Are you sure?" And he said, "Yes, but you might add the word 'proven' before ring-leaders." The reason that I called him was that my family had some doubt and thought I might be letting myself in for criticism. They were also very anxious to get the President's reaction as they questioned whether he would like this paragraph. Evidently he liked it very much. He joked and kidded with me and seemed to be in a grand humor. So evidently what I went to see him about at a quarter of one on Sunday left no unfavorable reaction in his mind about myself which is encouraging. I was very serious when I saw him at a quarter of one, and he didn't seem to like it too much. However, it left no bad after-effects in his mind as far as I am personally concerned. Therefore, I hope he will see the thing through that I went to see him about.

February 2, 1944

TO SECRETARY MORGENTHAU

You have been generous in your praise of the part we played in getting this Government to take action designed to forestall Hitler's plan to exterminate the Jews and other persecuted peoples of Europe.

We who have worked toward this goal for months and are intimately acquainted with the facts regarding its achievement take this opportunity to express our deep admiration for the truly great contribution which you and you alone made to this cause - a contribution of courage and statesmanship.

The change which has been brought about in this Government's attitude toward saving the Jews and other persecuted peoples of Europe from extermination as the result of your efforts is, we know, more than sufficient reward for you. Nevertheless, the fact is that the courage and statesmanship you have displayed will live always with you and with those who know what you really did.

Harry D White

Josiah E. DuBois, Jr.

February 4, 1944

I went over to the White House, and I sat outside in Mrs. Brady's little office - she now has a separate office from Miss Tully - Miss Tully being in with the President.

About ten minutes past two, Miss Tully came out. She had in her hand the release which the President okayed yesterday in regard to Pehle.

I said, "Well, now, what do I do about this release? Do I take it up at Cabinet, or what have you done?"

She seemed a little confused and said, "No, the President said that inasmuch as this is only an appointment as an Acting Director, he wants the Treasury to do it; and also he wants the thing shortened up a little bit."

I said, "Fine."

Not thinking I'd have time, I said, "Will you telephone Mrs. Klotz to do it through Mr. Gaston?" But I stood at her side while she phoned Mrs. Klotz.

I then asked her whether it had left Early's office. She said no, that it was being done this way, which he agreed to. She gave no other reason.

March 3, 1944
3:25 p.m.

RE: CABINET MEETING

Present: Mrs. Klotz

H.M.JR: At Cabinet Paul McNutt said, "As long as you have handled Stettinius, I wish you would handle me."

He said, "Last Saturday I was talking at Des Moines and making this speech about how well the exemptions in industry were going, and in the middle of my speech it came over the ticker that you had signed this memorandum cancelling all industrial deferments. It was the most terrible body blow. It is just upsetting everything." He said, "We can't give you the production with this order; we just can't give it to you."

The President said, "What order? I don't know what order you are talking about."

"Why," he said, "you signed one. You signed an order."

The President said, "I don't know what you are talking about."

Well, everybody in the room got excited. Ickes and everybody said that people have just been drafted right and left, and the President said, "I never heard of the order. I don't know what you are talking about. Who had something to do with it?" Nobody knew.

Stimson said, "All I know is, you told me you wanted something like this done and I turned it over to General Marshall before I went to South Carolina."

The President said, "I never heard of it; I don't know what you are talking about."

Nelson said, "We can't give you this, and we can't give you that. It has just completely upset everything."

So the President kept saying to McNutt, "You find out where the order came from and where it originated."

McNutt said, "Your signature is on it, Mr. President."

The President said, "You find out where it came from. Byrnes, did you have anything to do with it?"

Byrnes said, "The first I saw of it was in the paper, Mr. President." He is Director of War Mobilization.

I have never seen a performance like it. That is why all of our people have been drafted.

MRS. KLOTZ: Is that the same thing that has to do with Hines?

H.M.JR: That is why all of these young married men have suddenly been drafted overnight. The President completely washed his hands of it.

March 3, 1944

At Cabinet the President turned to me and said, "How are you going to get the additional $8,000,000,000?".

So I said, Well, I was up on the Hill this morning and saw Doughton and George; had a very pleasant meeting with them, very friendly; and I am going to talk with them some more next week and I said to them if we got anywhere we would want to come over and see you, Mr. President, before we went any further.

March 7, 1944.

Saw the President this morning.

Took up the question about Mike Reilly and asked the President how he felt about Reilly and he said, Reilly has been giving me excellent service. So I said, Well, I don't think there is any question but what he has been drinking to excess and he admits it.

Well, the President said, he never has when he is around me.

So I went into the thing, reviewed it, and told him how Reilly had offered, yesterday, to go and see his priest and take an oath of total abstinence, and I had told him to go ahead. So I said, Well, I would like to tell him that I talked to you, Mr. President, and if Mike Reilly does not keep his word with his priest then he's out and he's on probation.

The President hesitated a little while and said, All right, you can tell him that.

I said, As to the other men in the White House detail, while they are on duty they also have to refrain from imbibing in any kind of alcohol. If they get a week's leave, they can do what they want.

Then the President said, a little later on, I would give them a week's leave fairly frequently. So I said, After a hard trip, and he said, Yes, I would give them fairly frequent leave so they can go on a binge. So we agreed on that.

Then I got on the Brown-Root case and I told him that we had decided after an investigation by Mr. Palmer that we could not prove fraud and we could not prove that they had made political contributions although we were

satisfied that they had.

So the President said, Well, it's like that appointment you and I made in Arizona. He said, The Senators came to us and said it's the custom to bribe Mexican officials. It's the custom in Texas for people there to make these contributions. But, he said, the thing that gets me is you go after Congressman Lyndon Johnson of Texas. But, he said, I am satisfied that they did make these contributions to this man, Lyndon Johnson. But, he said, I am also satisfied that Senator O'Daniel's contributions amounted to $500,000 and, he said, why don't you go after him and investigate his contributions? It looks as though you are just investigating the Democrats.

I said, Well, there is something to that. Now, I said, in this memorandum to me about Gaston (because I re-read that memorandum; that's a terrible memorandum from the President.), I said, Get Gaston straight. I said, There isn't a more loyal person in town.

He said, Well, maybe he's dumb.

I said, He's not dumb. I said, After all, he handled politics opposite Ed Flynn the whole time Flynn was in and Flynn was satisfied, but, I said, the trouble is people come around and aggravate these cases and then the boys go after them.

He said, That's all right, but I want to know why they don't go after Senator O'Daniel.

I said I would look into it. I said, I know Bob Hannegan told you all this and I think he's all wrong and I am going to see him at lunch and talk to him.

Then I gave the President the report on what they have been doing over in the Refugee Board Committee. The President was very much interested and he read the stuff

very carefully, but I had difficulty getting him to listen to me because he wanted to talk about Palestine and I was trying to get over my refugee story.

He said, This Rabbi Silver and Wise. How do you get along with Wise?

I said, I get along fine.

He said, But Silver is just a little political, isn't he?

I said, Yes.

Well, you could see the thing bothered him because every time I would bring up something about the refugees he would go back to them.

He said, Now, what I am trying to get the English to do is this. They don't want to change the White Paper, but I want to get them to say publicly, if I am successful through the Refugee Committee of bringing any Jews out of Europe, they will let them go to Palestine and I want them to say that.

So I said, Well, you know they said that in Parliament last Fall.

He said, I know it, but they didn't get it across. I want them to say it now that any Jews that we are successful in getting out, they will let them go to Palestine.

He mentioned Palestine by name. So I said, Well, that will be fine. I said, Well, read that cable that the State Department just sent to all their Missions abroad about assisting refugees.

He read it carefully. But, he said, it doesn't say anything about Palestine.

I said, No, that wasn't the purpose of that.

He said, I want them to mention Palestine by name. So he said, This is all good. Everything you have given me is fine. When Silver comes around I am going to use it.

So I said, Pehle and his boys have done a fine job.

He said, I can see they have and it's about time we said so publicly.

I said, How about the declaration we sent you yesterday?

He said, I don't know what you are talking about.

I said, Stettinius gave it to Steve Early to give to you.

He said, It has not reached me.

And I repeated about three times he should ask Steve Early for it and he said he would, but I am going to follow up through Grace Tully.

Then I gave him the clipping book and particularly drew his attention to the Manchester Guardian which I knew would please him, and it did, and also drew his attention to the fact that we had gotten telegrams from 800,000 members of Jewish organizations.

He said, You know, the Arabs don't like this thing. And, he said, Ibn Saud of Saudi Arabia keeps saying that he was bribed by Weizmann to the tune of $100,000.

I said, But, Mr. President, that has been answered.

He said, I know it, but Ibn Saud does not believe it and said two or three times that Weizmann was a liar and that he was offered this bribe. Now, the President said, how could we get that out of Ibn Saud's mind?

I said, "Are you asking me?" and he said, Yes, I am asking you. I said, I can't give you an immediate answer, but let me think about it. Well, the President gave me the feeling that he wanted definitely to talk about this thing and he wanted me to help him. Of course, I am glad to help him, but it's not easy to do.

Then I got on the Argentinian thing and I said, Mr. President, I am very much worried about this Argentinian thing. This is going to spread all through South America and what you have accomplished in the last eleven years is all going up in thin smoke.

What he said amazed me. He said, Yes, but we can't prove anything on the Argentines. We can't prove anything on them.

So I said, It seems to me, Mr. President, we have really got to get tough with them, and if we get tough they will buckle under.

He said, We can't prove anything.

I said, What more, Mr. President, do you want? The German and Japanese Military Attaches were freed and are out.

And he said, We don't know what happened on the night of the revolution with Ramirez. He said, We just don't know what happened.

I said, Are you waiting for the thing to go under? (I did not put it just like that, but I implied it.)

No! No! But we just can't prove anything.

So I said, I certainly hope sometime this week you will have Stettinius and me come over.

Well, we have no case against them. We have no

case against them.

Now, he said, what the trouble is ever since Sumner Welles left, we really have nobody of importance in the State Department who can handle South America. The only person who might do it is Rockefeller and, he said, we got these additional Secretaries, maybe we will make Rockefeller an Assistant Secretary.

He asked me what I thought of Rockefeller and I said I thought he was good.

Then he went on a lot about Welles and you could see that he definitely missed Welles. And I don't want to even dictate it, but he went into the whole question of Bullitt and Welles and he said he thought it was unfortunate that Bullitt had acted the way he had. He said, After all, Bullitt has been after Welles' job for six years. But, he said, the interesting thing is Cordell Hull is a Tennessee feudist and their psychology is to get rid of a man but not to put a man back into office. He said, In fact, night after night Mrs. Hull would cry and carry on with Cordell to have him give Bullitt a job. ?And he said he has been trying to give him a job. (Incidentally, I heard this through another source. I had heard all of this before from Mrs. Roosevelt through Mrs. Morgenthau that they offered Bullitt the Ministry to Saudi Arabia, which he turned down.)

Then I said, Mr. President, I want to stop being official; I want to be personal.

He said, Go ahead.

I said, I have just read this book 'Microphone'.

He said, Oh, yes! I have heard about it.

And I said, They paint a picture of me sitting

at my desk gazing out the window and not doing anything.

With that the President just howled. Funniest thing he ever heard. He just howled. Not in any nasty manner. I said, The only thing I have to do on War Bonds is to shake hands with the movie stars. He again laughed, but he was laughing with me, not at me.

I said, It's the most amazing thing. They write the thing up as a War Bond job, but you wouldn't know I had anything to do with War Bonds. I said, You know, Mr. President, if occasionally I do something good, like the Fourth War Loan, you would say so publicly, then it would be some answer to the people who say I don't do anything and, I said, not only for me, but other people around you who do well if you would occasionally compliment them.

He said, Do you think the newspapers would print it?

I said, At least you can try.

He said, I will. It's a good idea. He said, You take your own case. You were at fault, because you sent me a memorandum about the success of the Fourth War Loan, but you gave all the figures on the radio Thursday night and then expected me to do something Friday and left me nothing to do.

So I said, To take you wholly in my confidence, I wanted to ask you to send me a telegram which I could read over the radio complimenting me on the thing and the people around me advised me not to do it because it seemed too forward to ask you.

He said, That was the thing to do and I would have done it, but the next morning I could only repeat everything you had said. But, he said, when you go on the radio on the next loan I will say something.

To repeat, I said, For your own sake, to answer criticism about the people around you who are doing well, you should publicly compliment them, and he said, I think you are absolutely right and I am going to do it.

oOo-oOo-oOo

Hull

THE WHITE HOUSE 1345

WASHINGTON

PRIVATE AND
~~CONFIDENTIAL~~

February 24, 1944.

MEMORANDUM FOR

H. M., JR.

I think that Herbert Gaston is making a mistake -- or trying to cover up. It seems pretty well established that a letter does exist in the Treasury files, in spite of Herbert's inability to find it.

This is really important and I think you ought to put a sleuth on it.

F. D. R.

TREASURY DEPARTMENT

WASHINGTON

March 1, 1944

TO: Secretary Morgenthau
FROM: Mr. Gaston

In re: Brown and Root, Inc.
Houston, Texas

The investigation of this case was begun in June, 1942 by five Internal Revenue Agents and in July, 1942 they were joined by a Special Agent on the theory that fraud existed in the case. This theory was based on reports made to the investigating officers by two former Deputy Collectors of Internal Revenue. The inquiry covered a wide range of transactions by the taxpayer on which it was proposed to base recommendations for additional taxes in the sum of over $1,000,000. Some of the items involved were of a technical nature and contained no element of fraud. Others appeared to be of a fraudulent nature, and of this number some involved the question of political contributions. These were supposed to have been made by the taxpaying corporation through bonuses to officers and employees and by the latter delivered as political contributions.

Because of complaints coming to the Department that political prejudice was involved in the investigation, one of the most capable and experienced agents of the Intelligence Unit, Mr. Palmer, who is in charge at Atlanta, Georgia, was detailed to go into the situation. Mr. Palmer examined the complete files in the case and interviewed the various agents engaged in the inquiries. His report showed that Brown and Root, Inc. were engaged in urgent and vital war production for the United States Navy; that gross income of the corporation appeared to have been correctly reported, and that the issues related solely to deductions taken by the taxpayer against gross income in arriving at net income.

He found that gross receipts of $5,947,031.33 for 1940 and $7,401,649.22 for 1941 were reported by Brown and Root, Inc. The examining agents proposed to disallow as expense deductions and add back to income totals of $782,773.69 and $1,040,894.99 in the two respective years. The greater portion of this proposed additional income was

based upon either technical issues or the disallowance of capital expenditures charged to expense. Adjustments of this nature are not ordinarily considered by the Bureau as constituting fraud.

Special Agent in Charge Palmer regarded only two features of the case as affording a basis for consideration of fraud. These relate to bonuses and additional compensation authorized for payment to six officers and three employees in the amount of $168,308.50 for the year 1940, together with checks in substantial amounts issued by Brown and Root, Inc., and related corporations which were converted to cash during a senatorial political campaign in Texas. For purposes of establishing fraud, Agent in Charge Palmer found that both of these issues were fatally handicapped by technical complexities or inadequacy of direct proof.

It was the conclusion of Mr. Palmer that the facts now in hand would not successfully sustain a prosecution, and that the likelihood of developing proof adequate for that purpose was too remote to justify further extension of the investigation. He accordingly recommended that the examining agents be requested to submit their reports on the basis of facts in hand with the view of placing the case in line for disposition in the field under routine procedure.

The conclusion and recommendation of Special Agent in Charge Palmer were concurred in by Acting Commissioner Graves, Assistant Secretary Sullivan, Mr. Irey and myself, and memorandum with recommendation to that effect was submitted to you.

You directed that the matter be gone into further in your absence and disposed of by me after consultation with the officials interested. This resulted in the conclusion that the recommendation of Mr. Palmer should be approved, and instructions were issued accordingly to the Bureau of Internal Revenue. These instructions were conveyed to the field officers and the case is now in process of preparation for the assessment of taxes. Settlement will be made in the field under the decentralization procedure.

drunk in Cairo

1348

On Presidents return from Casa Blanca Riley was drunk in Miami, day before Pres got in. On train back from Miami also drinking

Wilson warned him Sept - 1942 about drinking after that got drunk in west Coast. —

March 17, 1944
4:10 p.m.

RE CABINET

Present: Mr. Luxford
Mrs. Klotz

H.M.JR: I can't give you more time than a split second, but Mr. Hull - and this is just for your guidance - reporting on the Argentinian situation said that when President Ramirez of Argentina resigned, the statement that he made, whatever it was, bore out Mr. Hull's contention that he - I don't know what it was, but it bore out Mr. Hull's contention. And that Mr. Hull had been looking into the question of sanctions and had come to the decision that inasmuch as the English couldn't go along, it was not feasible, had too many ramifications, and that they thought that they would wait now a few days and that possibly from within Argentina something would happen which would be helpful. And anything that they did in the way of sanctions, which wouldn't be complete in its effect, would only be an irritant.

The President spoke up and said, "I agree with that conclusion."

I just thought I would tell you that. I hope to get a chance to see him.

(The Secretary takes call from General Hershey, as follows:)

H.M.JR: That is the first time I have understood the thing. Hershey has the authority as to who should be drafted and who should not. McNutt wants to have the sole authority to tell Hershey what classes and what groups. Hershey says that is his authority; Congress gave it to him. And McNutt sits there and is misleading the President into the position of thinking that that is McNutt's prerogative.

Now he says, "What I want is to sit around at a table with the agencies affected whom I can consult with and then make up my own mind. Unfortunately, somebody has to sit at the table. Maybe you'd be the right person to be Chairman."

I said, "No, no, no." My only interest is the Army and the Navy, and the President who is getting sold down the river on this thing. This fellow McNutt talks at Cabinet the way he would talk to an open audience of ten thousand people - I am not exaggerating. His voice is pitched the way you would talk to ten thousand people.

And in the meantime, people from thirty to forty years of age with children and everything else are all being taken while McNutt is jockeying for position. It is important.

When will you be ready to talk about the Argentine?

MR. LUXFORD: I am ready at any time you are. We had the memorandum prepared, Mr. Secretary, the morning you handed me the --.

H.M.JR: This is the one. (Refers to letter from General Marshall, dated March 17, 1944) This is terribly confidential; I haven't read it. I'll leave it in your safe-keeping tonight.

MRS. KLOTZ: Can you get it back to us tonight?

MR. LUXFORD: I'll have it back tonight.

March 17, 1944

At Cabinet, after Paul McNutt had been bellowing for about an hour on the war manpower situation, I sent the President the attached note.

I also gave the President a memo and said, "I recommend that you send for Hershey, and instead of getting this bad publicity, you might get good publicity." He agreed that he would send for Hershey over the weekend.

THE WHITE HOUSE
WASHINGTON

I don't see how you can take it.

Hope springs eternal — God sometimes steps in.

March 23, 1944

The Secretary telephoned Mrs. Brady, and told her he had called off the idea of taking on Oscar Cox as General Counsel, and would she be good enough to so inform the President. (Telephone conversations with Leo Crowley explain the reasons why HM Jr decided not to do this.)

The Secretary also told Mrs. Brady to remind the President about his sending for Tom Corcoran.

March 24, 1944

I talked to Miss Tully, and gave her the personal explanation as to whom Joe O'Connell is and what a swell guy he is. She said that she did not know who he was, but with the explanation I gave her she would now call it to the President's attention.

Miss Tully also told me that the President was going to give out the Declaration on the war refugees, and would also tie it up with the announcement making Pehle Director of the Board.

****

1355

1355

Franklin D. Roosevelt's Library
DECLASSIFIED per T.O. 160

~~CONFIDENTIAL~~

March 27, 1944

A suggestion for the President:

That he set up a Committee of Hull, Crowley and myself with General Strong as Director and Executive Secretary to push economic warfare on our enemies with the objective to deprive them of highly critical strategic materials. The motto of this Committee would be, "What can we do to end the war sooner?"

April 3, 1944

I asked to speak to Grace Tully and the President got on himself. He said that Cordell Hull had spoken to him this morning about the monetary conference and it was all right to hold it in May.

Then I asked him about Joe O'Connell, whether I could send his name over. He sort of hesitated and he said, "Yes, I think it is all right to. Don't tell him I have a memorandum on him, but send it over anyway."

April 6, 1944
12:16 p.m.

HMJr: Hello.

Operator: Miss Tully.

HMJr: Hello.

Miss Tully: Hello.

HMJr: Good morning.

T: Hello, Mr. Secretary. How are you?

HMJr: All right. You could have almost bowled me over the other day when the President got on.

T: (Laughs)

HMJr: I couldn't remember what I wanted to talk to him about.

T: Huh?

HMJr: I couldn't remember then what I wanted to talk to him about.

T: Oh. Well, that was too bad, but he - he wanted to talk to you about something, so he said when -- I told him you were going to call in, and he said, "When he calls in, I want to talk to him".

HMJr: Well, it was very pleasant for me.

T: Good.

HMJr: Grace, now that he's here a little longer, I wonder if I couldn't see him a few minutes on some politics.

T: Well, now, I don't know -- he hasn't been seeing anybody.

HMJr: He hasn't been seeing anybody?

T: No, and I don't know whether they're going to relax the rule on him or not.

HMJr: Oh. You mean he hasn't seen Hull or anybody?

T: Well, I think he did have one luncheon with Hull....

HMJr: Uh huh.

T: ....a few days ago.

HMJr: Yeah.

T: But actually he has had no appointment....

HMJr: Hello?

T: Yes. I say, he has had no appointment list, you see.

HMJr: No.

T: I mean, maybe one person has been in but that's about all in his day -- or in two or three days.

HMJr: Yeah. Well, I'll leave it with you.

T: All right. I'll keep it in mind. I had it in mind anyway.

HMJr: Well, I -- it's something I'd like him to know about before he leaves.

T: Yes, sir. Well, let's see then if he has any appointments, if we can arrange one for you.

HMJr: It's some -- it's some people around him I'm afraid are selling him down the river.

T: Uh huh.

HMJr: And fairly important people.

T: Yeah.

HMJr: And I've got a -- and I'd like to -- if I had a chance, I'd like to show it to him.

T: Right.

HMJr: I mean, I think he ought to know about it.

T: Uh huh. Well, all right, Mr. Secretary, I'll try and give you a ring....

HMJr: As I say it's not my -- it's -- if I could get it to him -- you know. Well, you see what you can do for me.

T: I will.

HMJr: How is he feeling?

T: Well, I think he's feeling better. He's still not up to snuff, but I think he's feeling a good deal better than he was.

HMJr: I understand the day now is Saturday.

T: I'm not sure yet. I didn't know anything had been determined. I know it was being put off until toward the end of the week or -- but I didn't know it was definite.

HMJr: Yeah.

T: Uh huh.

HMJr: Okay.

T: All right, Mr. Secretary. I'll keep it in mind and give you a ring.

HMJr: Thank you.

T: Fine, sir. Good bye.

April 7, 1944

I gave the attached to the President. He read it very carefully and said, "I see somebody is talking out of turn. If there is any more, I would like to see it."

The Roosevelt-Stalin axis is gaining strength and the Roosevelt-Churchill axis is losing strength in about equal ratio.

That is the opinion of Leo Crowley and it is based on what the Prex said at the Cabinet meeting right after his return, plus quiet conversations Crowley has had elsewhere, plus, he admits, some reading between the lines on his part.

"If I were going to write a story I'd certainly say that Roosevelt had to play the role of peacemaker both at Cairo and Teheran," Crowley said, "and that he thoroughly relished that role. There could be no mistaking that they way he talked at the cabinet meeting. I'm basing that statement on what was said at the meeting.

"It was quite obvious, too, that Churchill didn't deviate an iota from his announced position--that he isn't going to preside at the liquidation of the British empire. So he was at odds with Chiang at Cairo and also with Stalin at Teheran. I certainly would suggest that Roosevelt sat in the middle at both conferences and that it was necessary for him to be there--in the middle--to preserve peace.

"Of course, Roosevelt was in a commanding position at both conferences because back of him he had our enormous industrial output, which our allies think of in terms of lend-lease, and so neither one was going to get tough with him.

"But it was perfectly obvious that the President is very much impressed with Stalin and not quite so much impressed as he has been with Churchill. I suppose that it is natural, in view of the President's views as shown in this country. In some ways it is disturbing to a person like myself. I can understand Churchill's point of view; I think he is suspicious of the whole business. He knows what Britain has and he intends to keep it if possible, but, of course, he isn't in any position to get tough with the President and that puts him in a bad spot as far as Chiang and Stalin are concerned because the President is impressed with them."

It is hard to put in words, but it is obvious that Crowley, and undoubtedly a lot of men with him in the government, is a bit apprehensive himself about the Presidential partiality toward Stalin. Crowley said, for example, that he thought the people of this country could do business better in the long run with Britain than they could with Stalin. He also said that the "White House crowd," casually mentioning Hopkins and Niles to illustrate the ones he meant, would be gleeful at the Presidential turn toward Stalin.

"I'm just guessing at this," Crowley said, "but I'll bet you that when Churchill stayed at the White House that time and had occasion to talk with a lot of those fellows at various times, he went to bed many a night and said to himself: 'I'm dealing with a bunch of God-damn fools.'"

- 0 - 0 - 0 -

Crowley is in bad humor because too many of his top men in FEA are displaying what he calls prima donna characteristics. They are, he says, jealous of each other and constantly complaining because they think some colleague is getting more recognition than he deserves. Among the complainers are Currie and Schubert, the latter a New York banker. Crowley is going back to his Wisconsin home for the holidays but it is conceivable that he may start a house-cleaning when he gets back if the complaining hasn't subsided.

- 0 - 0 -

April 22, 1944

WIRE TO THE PRESIDENT

Elinor and I deeply appreciate your having us notified that Bob is well and safe. Affectionate regards.

Henry Morgenthau, Jr.

April 22, 1944

WIRE TO THE PRESIDENT

Elinor and I deeply appreciate your having us notified that Bob is well and safe. Affectionate regards.

Henry Morgenthau, Jr.

APR 24 1944

H M J:
This is fine
FDR

My dear Mr. President:

You will recall that, at the time of the creation of the War Refugee Board, Myron Taylor was somewhat disturbed about the confusion and difficulties that might arise in relations between the new Board and the Intergovernmental Committee on Refugees. In view of his perturbation at that time, you may be interested in learning the most recent developments.

As a result of a talk I had with Mr. Taylor, Sir Herbert Emerson, Director, and Mr. Patrick Malin, Vice Director of the Intergovernmental Committee, came to Washington to carry on conferences with Mr. Pehle and to meet with the Board. These meetings have been extremely cordial, a complete agreement has been reached on relations,

and the future seems most promising. In a recent conversation with me, Mr. Taylor has expressed his complete satisfaction at the way the whole matter is progressing.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The President

The White House.

Memorandum of a Conference at the White House
May 18, 1944, 12:30 P.M.

Present: The President,
Ambassador Winant
Secretary Morgenthau
Mr. White

Mr. John Winant remained with the President from his previous conversation when we were called in. After some conversation between the President and the Secretary regarding the rescue of the Secretary's son at sea, the Secretary stated the purpose of his request to see the President.

The Secretary described very briefly the progress that had been made toward getting agreement on the principles for an International Monetary Fund, and the President commented, "Fine." The Secretary said that he had previously informed the President we had hoped to have a meeting of the monetary conference in May but too many difficulties presented themselves to have it cleared up by May and so we wanted to call the conference for July 6. The President wanted to know why not have it at the end of June. The Secretary replied that that might interfere with the Republican Convention, which opens on the 19th of June. The President smilingly replied that he didn't see why that should interfere. "We ought to provide our guests with some entertainment", he laughingly said. The Secretary said he felt that for several reasons July 6th would be a better date and the President said that it was all right to go ahead and call it for the 6th of July. I commented that the conference might carry over beyond the Democratic Convention. The President didn't feel that that was important and said smilingly that that too might provide the guests with some entertainment.

The President reminisced on a story about Keynes and then asked me whether Keynes was friendly. I replied that Keynes was an extremely able and tough negotiator with, of course, a thorough understanding of the problems that confronted us, but when not negotiating or discussing points of differences that he was quite friendly.

The Secretary commented that Winant had done an excellent job for us in London in getting the British to come along.

The Secretary mentioned that the Russians had cooperated very nicely and the President remarked that we seemed on the whole to be getting along well with the Russians on a number of matters.

I mentioned that the President would have to welcome the delegates. He wanted to know how many there would be and I thought that there would

be several hundred. The President replied that it would be difficult to get them in the White House but it was agreed if necessary the top man of each delegation could appear.

The President asked where the conference is going to be held and the Secretary replied that we do not know yet, that French Lick had been suggested but that it was hot there in the summer. The President said, "How about Portsmouth, New Hampshire?" The Secretary thought that might be an excellent place.

The Secretary then said that he was hoping the President would agree to participate in the opening of the Fifth Bond Drive on June 12. The President smilingly replied, "Now let's see. I didn't speak in the Fourth Bond Drive and it ran very well without me." The Secretary replied, "That may be but this next one is more important." The Secretary described briefly the kind of program they had in mind for the opening day and he said that Orson Welles was in charge of the program but that it would be a serious affair in which the scenes were to be carried to many homes-- the homes of soldiers-- depicting what Nazism means to that home, and the program to wind up by going to the President's home, saying what Nazism means to his home. The President replied, again smilingly, "We don't have any Nazism in our home." The President said he would like to have Orson Welles repeat the performance of the invasion from Mars. He laughed and said that it "scared the pants off a lot of people" and he would like to hear it. The President made some other facetious remarks, but the Secretary returned to the point and said they would like to have him participate in the program. The President said, "Well, I may be here; I may be in Hyde Park or in Shangri-La." The Secretary said, "Well, I will take that as acquiescence. I will take that as agreement on your part to participate." The President did not comment on the Secretary's remark.

The conference lasted about 20 minutes. Mr. Winant remained after our departure.

H. D. White

Read by D. H. Bell
Mr. O'Connell - 6/8/44.

1370

June 8, 1944
1:00 p.m.

WHITE HOUSE CONVERSATION

Present: Mr. Pehle

H.M.JR: Mr. Pehle will dictate to his people what happened as far as the War Refugee Board, and will give it to us for our diary.

Then I said to the President--which should I take up first?

MR. PEHLE: The Belgian-Dutch currency.

H.M.JR: "Some time ago we put up to you the question of our furnishing General Eisenhower with Belgian and Netherlands and Norway paper currency and simply giving them a book credit and not paying them dollars for this, the reason being that we felt that they would charge us for invasion, the cost of invasion, and this would give you the opportunity to have something to trade with them when the war was over."

Well, he thought a minute and said, "Fine, fine; you have a bit of Scotch blood in you. I see."

I said, "Well, you told me when I first came down here if I got fifty-fifty with the English, it was good." Well, he said, "You are learning."

He was very much pleased.

I said, "The only person who is pushing me on this thing is Dean Acheson, who is quite excited about it." I said, "Watson will have to do a little lying to say I have been trying to get in to see you, because I didn't want to bother you this week."

He said, "That is right." I said, "Winant isn't worried about it."

"That is all right," he said, "I'd like to sit down

with the Queen of the Netherlands."

He rubbed his hands and said, "How much are they going to charge us?" He said, "Just keep on the way you are."

Is that about right?

MR. PEHLE: Exactly right.

H.M.JR: But he was distinctly pleased with it.

Then I said, I reminded him about Winthrop Aldrich having been over to see Hull, and his having okayed the memorandum to Jesse Jones.

He interrupted me and said, "We killed that."

MR. PEHLE: That is right.

"Yes, but if you want some fun," I said, "you kid Stettinius about old man Morgenthau looking after the New York banks and private enterprise and how much the State Department has gone State Socialistic."

He says, "Whom should I kid?" I said, "You kid Stettinius." He said, "I will; that is wonderful."

Isn't that about the gist of the thing?

MR. PEHLE: That is right.

H.M.JR: Did I bring up anything else?

MR. PEHLE: I thought there was something else. I was trying to think.

H.M.JR: I thought there were three things.

MR. PEHLE: Oh, yes, the Republican man.

H.M.JR: Oh, yes. I said we were waiting to hear from Barkley, and as soon as we heard from him, why, would

he care to announce this thing Friday.

And he said that he would be glad to.

(To reporter: Send a memorandum to Fred Smith, before he leaves tonight, to see whether we have the full list of the delegates to announce at the Friday press conference. Also, let Mr. Bell read these notes, if you type them up, so he knows what has happened.)

(Secretary holds telephone conversation with Senator Barkley, as follows:)

(Secretary speaking to Mr. Early over White House phone:)

Hello, Stephen.....

I just saw Gamble and Smith, and they are bubbling over with enthusiasm. I think it is a wonderful idea of yours.....

It will.....

That is true.....

Steve, Pehle and I saw the President, and he has finally cleared this thing of bringing these people over to this country, and he would like to announce it tomorrow....

Yes.....

Now, what time could Pehle come to see you to give you the details.....

Write them and send them to you?.....

I'll have him get them to you this afternoon.....

Right.....

You're welcome.....

(End of conversation)

Write them and then send them to him - the details.

MR. PEHLE: Something the President can read from?

H.M.JR: Yes. I don't know whether it is the telegram to Murphy - or give him enough so that he can understand what it is about--the President. If it is too much, that is all right.

Okay?

MR. PEHLE: Right.

POINTS FOR DISCUSSION

1. Obtained camp from Army.

   (a) Within 24 hours (Jack McCloy)
   (b) Fort Ontario or Madison Barracks
   (c) Either camp will house at least 2000 refugees; Miss Laughlin visited both camps; either camp ideal; brick buildings and well built barracks; heat; hospital; gymnasium; theater; fully equipped; either camp can be made ready in 24 hours; excellent railroad facilities to both camps; both camps in farm labor shortage areas.

2. Administration of camp by War Relocation Authority.

   (a) Approved by Ickes
   (b) Security precaution by Army

3. Financing of camp.

   (a) Housing and equipment by the Army
   (b) Personnel by War Relocation Authority
   (c) Food and other supplies - Foreign War Relief appropriation. (Estimated amount - $250,000 per year.)
   (d) Board also has funds and private agencies have indicated willingness to contribute

4. Documents ready to put program into effect.

   (a) Cable to Murphy
   (b) Memorandum to agencies involved

5. Message to Congress.

   (a) Recommend that it not be sent at this time.
   (b) Includes statement on what other countries are doing and on what we are trying to get them to do.

JED:JWP:mgt 6/8/44

MEMORANDUM FOR: Secretary of War
Secretary of Navy
Secretary of Interior
Director of Budget
Executive Director of the War Refugee Board

There is attached a cable which I have dispatched to Robert Murphy in Algiers, requesting that he make arrangements for the departure to the United States as rapidly as possible of approximately 1,000 refugees now in southern Italy.

These refugees will be brought into this country outside of the regular immigration procedure and placed in Fort Ontario near Oswego, New York. While the War Refugee Board is charged with the overall responsibility for this project, the Army shall take the necessary security precautions so that these refugees will remain in the camp and the actual administration of the camp is to be in the hands of the War Relocation Authority.

Accordingly, the following steps should be taken as expeditiously as possible:

(1) The War Department and the Navy Department shall send whatever instructions are necessary to the military authorities in Italy and North Africa to expedite the transportation of these refugees to the United States.

(2) The War Department shall arrange to furnish and properly equip Fort Ontario to receive these refugees; shall arrange for their transportation from the port of arrival to the camp; and shall arrange for the necessary security precautions.

(3) The War Relocation Authority shall make arrangements to handle the actual administration of the camp, which will be designated as an Emergency Refugee Shelter.

(4) Until UNRRA is in a position to assume the financial responsibilities involved, the Bureau of the Budget shall make arrangements for financing the project; using to the extent possible any available funds of the War Department, the War Relocation Authority, and the War Refugee Board, and from the Foreign War Relief appropriation, and if necessary drawing upon the President's Emergency Fund.

Attachment.

June 23, 1944

I suggested at Cabinet that they put Marshall and King on the air to report to the people on what they saw to counteract the stories that the war would soon be over. Then I made the suggestion that War Bonds sponsor this program, and they all laughed.

After Cabinet, I asked Grace Tully to take it up with the President. Jimmy Byrnes later said to me that he thought it would be a mistake to have War Bonds sponsor such a program because then we would be criticized just as we were on the Japanese atrocities.

June 28, 1944

I saw the President this morning, and he seemed to be very friendly. He immediately started off by saying that he had seen Kung, and from the way he talked I gather he got my message about referring Kung to me on foreign exchange because he said that he had told Kung to take this matter up with me. The President said - I don't know whether he suggested this to Kung or whether he was giving it to me as an idea - "Why not give the Chinese a new currency similar to what we had done for France?" The President said, "I am not recommending it. I just want you to think about it." Then he said that he had also talked to Kung about getting more goods over the hump (to fly it in) because he said that the only way to handle the inflation problem was by getting more goods.

Then the President, on his own, got on to DeGaulle, and I said that I understood there was a very friendly cable in. The President said, "No, quite the contrary. It is very bad." I asked him whether I could get it from Grace Tully, and he said, "Yes," but Grace said she didn't know what he was talking about, but she would look into it and if it came out of the Map Room she would have it paraphrased and sent over. I asked him whether he would want me around when DeGaulle is here, and he said, "Very definitely." He said they would devote one day to finances and that I should be there that day. I said I would take it up with Stettinius as to which day I should be in Washington.

I was simply amazed how the President had in his mind everything that I wanted to talk to him about. Even some of the things which I hadn't written down, he brought up himself.

The President said, "Elmer Davis sent me a memorandum yesterday after my press conference saying he thought it was a mistake to put the three Generals on the air, and that the country would think there was some terrible catastrophe and that we were trying to quiet the country down against this." Davis said he thought the people of the country would think that the war was going much worse than it is. I said, "Well, I don't know what is the matter with Davis. Maybe he's saying those things because he didn't think of this himself." At first I said to the President, "As far as I am concerned, I am not doing this for the Bond Drive. We are going along fine and are

about two and one-half billion above schedule." I said, "I am only interested in getting over the idea to the people that the war isn't over, and unless somebody else gives me a better idea, I am for putting these three top military men on the air to tell their story to the people." When we first started to talk about it, the President seemed to have in mind that it was perfectly agreeable to him to have the Treasury do it.

Then Pa Watson came in to try to get me out so that Halifax could come in. I was a little late because the President had kept me waiting 20 minutes. I said, "Well, this thing has to be settled now," so the President told Watson to get Elmer Davis' memo from Grace Tully and also to get the memo from Steve Early. In Early's memo, he said that if it was going to be done, Treasury should sponsor it.

Then Watson and Early and I got together, and Watson said that the President didn't want Treasury to do it. Steve said that Elmer Davis was working on a statement to be signed by these three top ranking fellows to go to the President, and he thought that was the way to do it. To make a long story short, we aren't going to have anything to do with it, and I gather that these three top men are kicking about it any way.

During the early part of our conversation, I told the President how upset I was last night after listening for two or three minutes to Clare Luce, so he said, "Well, that surprises me because Pa Watson and Eleanor Roosevelt thought she was wonderful." I said, "She just turned my stomach. She made me sick." I said, "Who is going to answer people like that?" The President said, "I am going to do it very quietly. I am going to say that this is the kind of thing I am sure the parents of soldiers don't want and the soldiers don't want." He said he thought the Republican Convention had slipped to an all-time low, and he just wasn't going to get into any arguments with her. I said that I thought his approach was a correct one.

I then told the President that I thought it was very necessary that Bob Hannegan get two or three top flight writers who would prepare speeches to be put in other people's mouths to answer these people. I didn't get very far with him on that. I then mentioned it to Steve Early, and he said he had an exact plan

of that nature worked out with Postmaster General Walker, but that nothing happened. So I said I thought that it ought to be dug up again, and he said he would after the Democratic Convention.

Then Early asked me how I felt about Henry Wallace for Vice President, and I said I thought the President ought to have him run again mainly so that the people couldn't say that he, the President, was disloyal to Wallace. Well, we went on talking and by the time we got through I said that I wouldn't want to see Wallace President of the United States. I said that I couldn't see much difference between Wallace and Bill Douglas. Then Early asked me what I thought of Senator Lucas, and I said that as far as I knew I thought he was fine. He said he was a wonderful speaker, and he said that the Governor of Georgia told newspapermen yesterday that the President told him that after the Armistice and after the Peace Conference he, the President, want to go home and look after his private affairs. Steve said that if that got around it would be terrible.

When I went in, Pa Watson took a couple of seconds to tell me how terrible he thought Wallace was. Steve said that yesterday at the State Convention in Kentucky the delegates got up and tore Wallace's picture down off the wall, and everybody cheered. He said that there was an article about it in today's New York Times. I said I thought it hurt the President when he acted the way he had over the Wallace-Jones fight, and Steve agreed. Then Early asked me whether I knew that Jesse Jones had five doctors and was very sick. I told him that I didn't know that. He said that Jesse Jones still says he can straighten out the Texas political situation, so I said, "Well, if he wants to he certainly can."

I asked the President if he wanted to be kept posted on Bretton Woods, and he said that he did. He asked whether we would have some sort of wire service and I said that I would see that we did.

I never saw Steve Early so friendly towards me. He kept stroking me on the knee, shoulder and arm.

****

The President said, when he saw Kung and that he referred Kung over to me on the money thing, "What I am trying to find out, where is the Chinese army and why aren't they fighting because the Japanese seem to be able to push them in any direction they want to".