

November 17, 1944

I asked the President whether he talked about the financial payments when he saw Kung, and he said, "Oh, yes, we talked all about it, and we agreed that the payment of the airplane fields should be separate, and we have an agreement to that effect." I said, "Well, that's news to me. I didn't know anything about that," and the President said, "Oh, yes, it is in writing, and Kung gave it to me."

I told the President that I certainly was not going to see Kung again until I found out what they had talked about. I said, "We have come to an understanding with Kung that those airplane fields were to be under Lend-Lease in Reverse." The President said he didn't know anything about that, so I said, "Well, we have worked with the Army on this and we have reached an understanding with them."

The President said, "I have a lot of papers on it, and I will give them to you when I get to them, but I don't know when I will get to them."

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THE WHITE HOUSE  
WASHINGTON

1465

Did H. H. Kung  
bring up the  
question with you  
about the money  
we owe him?

November 19, 1944

Sunday night

I said to P. J. I have  
to see you with Admiral  
Leahy about the Enlistees.  
He said it will be O. K.  
with the English as long  
as it not in writing. |

November 27, 1944

I called on Mrs. Roosevelt, and told her that I wished she would tell the President that I see by the papers that Hull has resigned, and the President is thinking of appointing a successor. She said, "I didn't know that he had resigned. Has he?" I said, "I only know what I see in the papers."

Then I said, "Between Wallace, Byrnes and Stettinius, I think the President would be most comfortable with Stettinius." I said that I didn't think Stettinius would be ideal, but I thought he was the best man I could think of from the President's standpoint as the President liked to be his own Secretary of State, and what he wanted was merely a good clerk. I said, "If he puts Byrnes in on the theory that he has a lot of influence on the Hill, I don't think the President could get legislation through that way." I said, "The only way for him to do it is to go directly to the people." Eleanor agreed. I said, "Furthermore, I don't think the President would be comfortable with Byrnes, and from past experience I wouldn't be, and it would be only a matter of a couple of months before I would want to get out because I couldn't and wouldn't take that sort of thing any more." She said, "What about Wallace for Secretary of State?" and I said, "No."

(Everything I am dictating actually is conversation that took place between Mrs. Roosevelt and myself, but it didn't follow in the exact sequence in which I am dictating it.)

I told Mrs. Roosevelt that I thought the President's No. 1 obligation was to Henry Wallace, and that I thought he would be a good Secretary of Commerce." She said, "What about Secretary of Labor?" and I said, "That would be excellent." She said that the President told Wallace that he could have anything he wanted, and he offered him Secretary of Commerce, Secretary of Labor or Ambassador to China, but that the President would not make him Secretary of State. I said that I thought Wallace was too unstable to be Secretary of State.

Mrs. Roosevelt said, "What about Winant?" and I said no, that he wasn't a good enough administrator..

Mrs. Roosevelt said she would see the President right away before lunch, and would tell him that I had told her I thought he would be most comfortable with Stettinius, and that if he put in Byrnes most of the people would be uncomfortable with him. While I was there, she asked for an appointment to see him, and I said, "After you have seen him, could you tell me what happened?" and she said, "I will tell you everything that happened."

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date  
December 12, 1944

TO Mrs. Klotz.  
FROM Secretary Morgenthau.

Grace Tully called me up at 7:45 last night to say that the President didn't know anything about Social Security; what was the amendment; what kind of legislation it was, and please to let him know about it. I promised to get it off to him the first thing this morning.

In regard to White he said that I should please clear it with Hannegan. So I said I had taken it up with Hannegan and I had taken it up with Jim Barnes and Hannegan's only objection to White was that he hadn't taken active part in the Campaign. So I said, "How could he, being a Civil Service employee?" I said that he was a liberal Roosevelt Democrat which was a great deal more than you could say for all these Assistant Secretaries who have been nominated for State. I said, "Did State Department have to clear their people with Hannegan?" Miss Tully said she didn't know, but she agrees with me that they weren't much to talk about. So she said wouldn't I take it up with Hannegan again and I said, "No".

And I said I didn't know whether the President was stalling on me but it was up to him to take it up with Hannegan and up to him to be helpful to me, and that if the President didn't go through with the White appointment, about half of my best people would leave. She said that she would mention it again to the President.

I called Dan Bell at 8:30 and asked him to prepare a telegram with the help of the Bureau of the Budget, to the President explaining what the Social Security bill is and what recommendations we make.

January 17, 1945

I called General Watson at eight-thirty and asked him if Grace Tully had spoken to him about my getting an appointment to see the President alone. He said that she had not, but he also said he had not returned yesterday afternoon so she didn't have an opportunity to see him.

I asked him whether I could see the President alone and that the appointment on Thursday did not fulfill my requirement. He said, "How would Sunday do?". I said, "Sunday will be fine -- any time before the President leaves".

January 19, 1945

Before Cabinet, Stettinius said to me that Crowley wanted to see the President with me and Stettinius on French Lend-Lease. So I said, "Well, if we do that we won't have a chance to talk to the President about the other matters which I don't want Crowley to hear. I said, "Why can't we bring it up at Cabinet?" Stettinius said, "All right." I told Stettinius I had written this letter to him and also told him what was in it. Stettinius hadn't seen the letter, and didn't have the faintest idea what he was talking about.

Stettinius brought the matter up at Cabinet, and the President said that he didn't want any non-military lend-lease for the French, and as soon as Stettinius heard that he wilted on the whole thing. Crowley then spoke up and got nowhere, and then I spoke up and reviewed the whole situation. I said that the arrangements for French Lend-Lease which were discussed at Quebec are now dead, and that this was a new deal. I also said that Stettinius had not mentioned the principal point why the Treasury was interested; namely, that on whatever lend-lease arrangements we make we have to take into consideration the French dollar balances.

Before Cabinet, Crowley tried to get me to okay a memorandum, and Stettinius to okay it also. He wanted to give the memorandum to the President to sign after we had okayed it. I refused to sign it because I had never seen the memorandum before.

I spoke up at Cabinet and backed up Crowley, and said that this was wholly within the spirit of lend-lease, and it was an aid to winning the war. Crowley finally summed up the case, but at no time did Stettinius help us. The President finally reluctantly agreed although finally Byrnes threw out the suggestion that none of these things should be done unless they had the okay of the Commanding General in that particular area. The Secretary of War threw in his two bits and said, "What about shipping?" Well, I knew they assigned 10 ships a month to the French because Yost told me. However, the thing that surprised me is that here the State Department has been calling up White almost every day urging us to do this, and when it got before the Cabinet and Stettinius saw the President was hesitant, he just wilted.

The reason I am dictating on this at such length is because I just wonder if this is typical of Stettinius. I hope not.

Before Cabinet, I asked Stettinius whether he wouldn't say to the President that we wanted to see him after Cabinet, but when his turn came he said nothing. He left it entirely to me although he is as much interested in several of these matters as I am. When I asked the President, he was very nice about it and said that we should wait in his office, which we did. When he finally arrived, he said, "I will give you four minutes." I looked out of the window and saw all of his cars, so I realized he had a date somewhere this afternoon, which naturally made me nervous .

Stettinius said beforehand, "Don't bother the President to read this whole message on Bretton Woods." I said, "You don't know the President. He will want to read it all." I gave him that first because it was the thing I was most interested in. At first, he sort of poked fun at it, but by the time he finished it, he said, "This is good," and then he signed it and gave it to me. He said, "You can send it up Monday if you want to. I am sending up Aubrey Williams name and that will cause a commotion so we might as well give them something else, too." I said, "No, I want to wait until it is agreeable to the leadership." He asked me what the chances were of getting it through, and I said, "Good." He told me to send him a telegram if we got it through.

All during the time we were with the President, although I was very nervous knowing he wanted to leave, and getting no backing from Stettinius, the President couldn't have been nicer with me.

We next went to the committee to handle legislation. The President read it and said, "This is a great secret. Wallace is going to be Secretary of Commerce." The President said he would like to add his name to it, so I said, "That's all right with me although he is on the next committee. He is going to be on the Foreign Economic Committee." As I remember it, Stettinius hesitated and I said, "That's fine with me," and then Stettinius said, "All right."

The order of my dictation is not correct, but these are the things that actually happened during the course of the afternoon. Miss Tully was also present when Stettinius and I saw the President in his office.

The President said, "We will announce Wallace tomorrow, but I haven't even spoken to Jesse Jones as yet. I am going to write him a letter this afternoon." I said, "Mr. President, are you going to cut off the entire dog's tail or are you going to do it in pieces?" He said, "No, I'm going to do it all at one time. Wallace says that he doesn't want him around Washington making trouble," which is just what Wallace told me. The President said, "I am going to let him go entirely out of the Government." I said, "Does that mean that FEA goes entirely to Commerce?" and he said, "Yes, I have that all fixed up with Ed Stettinius," which Stettinius never told me. So I said, "That's what I would like to see done - have all of it go under Commerce." I think this discussion took place when I was alone with the President.

When we came to the third thing, which was the Cabinet Committee of four to deal with economic matters, Stettinius sort of tried to keep the President from signing it. I had a dress rehearsal with Stettinius before we saw the President, and I pointed out to Stettinius that on this Cabinet Committee I had only brought our draft and not his, and he said that was all right. Well, the President took his pen in his hand and was going to sign, and Stettinius said, "Wait a minute, Mr. President. What about Crowley? If you do this, what about him?" Sometime earlier the President said he wasn't going to do anything about Crowley until he got Wallace settled. He said, "I will tell you what I will do. I will sign it and date it March 1st, and we will take care of Crowley when I get back." So all through these very exciting few seconds, Stettinius took hold of my arm and pinched me and said, "What are we going to do about Harold Smith?" and I said, "I will take care of that." In other words, he was trying every way he could to block it, and so I said, "Look, Mr. President, you sign it and we will just operate, knowing it is signed, but not tell anybody about it." The President said, "That's fine. Lock it up until I get back."

After Stettinius left, I sort of pressed the President a little bit on Crowley, and he said, "Crowley doesn't want to resign until V-E Day, but there is no reason why he shouldn't resign sooner." Knowing that Tully was a great friend of Crowley's, I spoke my piece any way and said, "I have been

told that Crowley is willing to resign if he can resign with dignity." Of course, my informant is Lauch Currie, which isn't too good, but I wanted to back the President up in his idea that he could get rid of Crowley.

The President told me to be sure that Latta got copies of all of these documents. I stopped in to see him, but he wasn't there, so I told his assistant that by Monday Charles Bell would bring all the papers over. I also promised Stettinius that I would send him copies of everything.

The interesting thing is that I have not been with the President now for some time and certainly not with Stettinius, and I felt that my position with the President was just as good as it has ever been. I have every reason to believe it will continue to be because I think Stettinius lacks courage - but time will tell!

MEMORANDUM FOR THE PRESIDENT

1. On January 8 Secretary Morgenthau discussed the Bretton Woods legislation with Senator Wagner, Congressmen Spence and Wolcott, Judge Vinson and Dean Acheson. Senator Tobey was unable to attend but expressed his wish to cooperate fully. It was agreed at this meeting that the Bretton Woods legislation should be introduced as soon as possible and that it would be most important for you to send a special message to the Congress on Bretton Woods.

2. Since that date Congressman McCormack has called Secretary Morgenthau urging that the Bretton Woods Agreements be considered by Congress at once.

3. We have jointly prepared the attached message to Congress on Bretton Woods for your signature. It is our hope that you will sign this message now and in your absence (and the absence of Secretary Stettinius) authorize Secretary Morgenthau to have the message transmitted to Congress on a date to be agreed upon by him and the leaders of the appropriate Congressional Committees. This procedure will allow the message to be timed with the actual introduction of the legislation which is presently being drafted.

4. If you approve this procedure it will be appreciated if you will so indicate below.

signed/ Edward R. Stettinius, Jr.  
Secretary of State

signed/ H. Morgenthau, Jr.  
Secretary of the Treasury

APPROVED:

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TO THE CONGRESS OF THE UNITED STATES:

In my Budget Message of January 9 I called attention to the need for immediate action on the Bretton Woods proposals for an International Monetary Fund and an International Bank for Reconstruction and Development. It is my purpose in this message to indicate the importance of these international organizations in our plans for a peaceful and prosperous world.

As we dedicate our total efforts to the task of winning this war we must never lose sight of the fact that victory is not only an end in itself but, in a large sense, victory offers us the means of achieving the goal of lasting peace and a better way of life. Victory does not insure the achievement of these larger goals—it merely offers us the opportunity—the chance—to seek their attainment. Whether we will have the courage and vision to avail ourselves of this tremendous opportunity—purchased at so great a cost—is yet to be determined. On our shoulders rests the heavy responsibility for making this momentous decision. I have said before, and I repeat again: This generation has a rendezvous with destiny.

If we are to measure up to the task of peace with the same stature as we have measured up to the task of war, we must see that the institutions of peace rest firmly on the solid foundations of international political and economic cooperation. The cornerstone for international political cooperation is the Dumbarton Oaks proposal for a permanent United Nations. International political relations will be friendly and constructive, however, only if solutions are found to the difficult economic

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problems we face today. The cornerstone for international economic cooperation is the Bretton Woods proposal for an International Monetary Fund and an International Bank for Reconstruction and Development.

These proposals for an International Fund and International Bank are concrete evidence that the economic objectives of the United States agree with those of the United Nations. They illustrate our unity of purpose and interest in the economic field. What we need and what they need correspond—expanded production, employment, exchange and consumption—in other words, more goods produced, more jobs, more trade, and a higher standard of living for us all. To the people of the United States this means real peacetime employment for those who will be returning from the war and for those at home whose wartime work has ended. It also means orders and profits to our industries and fair prices to our farmers. We shall need prosperous markets in the world to ensure our own prosperity, and we shall need the goods the world can sell us. For all these purposes, as well as for a peace that will endure, we need the partnership of the United Nations.

The first problem in time which we must cope with is that of saving life, and getting resources and people back into production. In many of the liberated countries economic life has all but stopped. Transportation systems are in ruins and therefore coal and raw materials cannot be brought to factories. Many factories themselves are shattered, power plants smashed, transmission systems broken, bridges blown up or bombed, ports

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clogged with sunken wrecks, and great rich areas of farm land inundated by the sea. People are tired and sick and hungry. But they are eager to go to work again, and to create again with their own hands and under their own leaders the necessary physical basis of their lives.

Emergency relief is under way behind the armies under the authority of local Governments, backed up first by the allied military command and after that by the United Nations Relief and Rehabilitation Administration. Our participation in the UNRRA has been approved by Congress. But neither UNRRA nor the armies are designed for the construction or reconstruction of large scale public works or factories or power plants or transportation systems. That job must be done otherwise, and it must be started soon.

The main job of restoration is not one of relief. It is one of reconstruction which must largely be done by local people and their Governments. They will provide the labor, the local money, and most of the materials. The same is true for all the many plans for the improvement of transportation, agriculture, industry, and housing, that are essential to the development of the economically backward areas of the world. But some of the things required for all these projects, both of reconstruction and development, will have to come from overseas. It is at this point that our highly developed economy can play a role important to the rest of the world and very profitable to the United States. Inquiries for numerous materials, and for all kinds of equipment and machinery in connection with such projects are already being directed to our industries, and many more will come. This business will be welcome just as soon as the more urgent production for the war itself ends.

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The main problem will be for these countries to obtain the means of payment. In the long run we can be paid for what we sell abroad chiefly in goods and services. But at the moment many of the countries who want to be our customers are prostrate. Other countries have devoted their economies so completely to the war that they do not have the resources for reconstruction and development. Unless a means of financing is found, such countries will be unable to restore their economies and, in desperation, will be forced to carry forward and intensify existing systems of discriminatory trade practices, restrictive exchange controls, competitive depreciation of currencies and other forms of economic warfare. That would destroy all our good hopes. We must move promptly to prevent its happening, and we must move on several fronts, including finance and trade.

The United States should act promptly upon the plan for the International Bank, which will make or guarantee sound loans for the foreign currency requirements of important reconstruction and development projects in member countries. One of its most important functions will be to facilitate and make secure wide private participation in such loans. The Articles of Agreement constituting the charter of the Bank have been worked out with great care by an international conference of experts and give adequate protection to all interests. I recommend to the Congress that we accept the plan, subscribe the capital allotted to us, and participate wholeheartedly in the Bank's work.

This measure, with others I shall later suggest, should go far to take care of our part of the lending requirements of the post-war years. They should help the countries concerned to get production started, to get over the first crisis of disorganization

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and fear, to begin the work of reconstruction and development; and they should help our farmers and our industries to get over the crisis of reconversion by making a large volume of export business possible in the post-war years. As confidence returns private investors will participate more and more in foreign lending and investment without any Government assistance. But to get over the first crisis, in the situation that confronts us, loans and guarantees by agencies of Government will be essential.

We all know, however, that a prosperous world economy must be built on more than foreign investment. Exchange rates must be stabilized, and the channels of trade opened up throughout the world. A large foreign trade after victory will generate production and therefore wealth. It will also make possible the servicing of foreign investments.

Almost no one in the modern world produces what he eats and wears and lives in. It is only by the division of labor among people and among geographic areas with all their varied resources, and by the increased all-around production which specialization makes possible, that any modern country can sustain its present population. It is through exchange and trade that efficient production in large units becomes possible. To expand the trading circle, to make it richer, more competitive, more varied, is a fundamental contribution to everybody's wealth and welfare.

It is time for the United States to take the lead in establishing the principle of economic cooperation as the foundation for expanded world trade. We propose to do this, not by setting up a super-government, but by international negotiation and agreement, directed to the improvement of the monetary institutions of the world

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and of the laws that govern trade. We have done a good deal in those directions in the last ten years under the Trade Agreements Act of 1938 and through the stabilization fund operated by our Treasury. But our present enemies were powerful in those years too, and they devoted all their efforts not to international collaboration, but to autarchy and economic warfare. When victory is won we must be ready to go forward rapidly on a wide front. We all know very well that this will be a long and complicated business.

A good start has been made. The United Nations Monetary Conference at Bretton Woods has taken a long step forward on a matter of great practical importance to us all. The Conference submitted a plan to create an International Monetary Fund which will put an end to monetary chaos. The Fund is a financial institution to preserve stability and order in the exchange rates between different moneys. It does not create a single money for the world; neither we nor anyone else is ready to do that. There will still be a different money in each country, but with the Fund in operation the value of each currency in international trade will remain cooperatively stable. Changes in the value of foreign currencies will be made only after careful consideration by the Fund of the factors involved. Furthermore, and equally important, the Fund Agreement establishes a code of agreed principles for the conduct of exchange and currency affairs. In a nutshell, the Fund Agreement spells the difference between a world caught again in the maelstrom of panic and economic warfare culminating in war--as in the 1930's-- or a world in which the nations strive for a better life through actual trust, cooperation and assistance. The choice is ours.

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I therefore recommend prompt action by the Congress to provide the subscription of the United States to the International Monetary Fund, and the legislation necessary for our membership in the Fund.

The International Fund and Bank together represent one of the most sound and useful proposals for international collaboration now before us. On the other hand, I do not want to leave with you the impression that these proposals for the Fund and Bank are perfect in every detail. It may well be that the experience of future years will show us how they can be improved. I do wish to make it clear, however, that these Articles of Agreement are the product of the best minds that 44 nations could muster. These men, who represented nations from all parts of the globe, nations in all stages of economic development, nations with different political and economic philosophies, have reached an accord which is presented to you for your consideration and approval. It would be a tragedy if differences of opinion on minor details should lead us to sacrifice the basic agreement achieved on the major problems.

Nor do I want to leave with you the impression that the Fund and the Bank are all that we will need to solve the economic problems which will face the United Nations when the war is over. There are other problems which we will be called upon to solve. It is my expectation that other proposals will shortly be ready to submit to you for your consideration. These will include the establishment of the Food and Agriculture Organization of the United Nations, broadening and strengthening of the Trade Agreements Act of 1934, international agreement for the reduction of trade barriers,

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the control of cartels and the orderly marketing of world surpluses of certain commodities, a revision of the Export-Import Bank, and an international oil agreement, as well as proposals in the field of civil aviation, shipping and radio and wire communications. It will also be necessary, of course, to repeal the Johnson Act.

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In this message I have recommended for your consideration the immediate adoption of the Bretton Woods agreements and suggested other measures which will have to be dealt with in the near future. They are all parts of a consistent whole. That whole is our hope for a secure and fruitful world, a world in which plain people in all countries can work at tasks which they do well, exchange in peace the products of their labor, and work out their several destinies in security and peace; a world in which governments, as their major contribution to the common welfare are highly and effectively resolved to work together in practical affairs, and to guide all their actions by the knowledge that any policy or act that has effects abroad must be considered in the light of those effects.

The point in history at which we stand is full of promise and of danger. The world will either move toward unity and widely shared prosperity or it will move apart into necessarily competing economic blocs. We have a chance, we citizens of the United States, to use our influence in favor of a more united and cooperating world. Whether we do so will determine, as far as it is in our power, the kind of lives our grandchildren can live.

THE WHITE HOUSE,

DRAFT

Dear Mr. \_\_\_\_\_:

I have appointed a committee to make plans and recommendations concerning priority, timing, and manner of submission for a legislative program in the foreign affairs field. The committee consists of the Secretary of State, Chairman, the Secretary of the Treasury, and the Director of the Bureau of the Budget, who have been authorized as the need arises to consult with the heads of other interested agencies.

I know that I may count on your full cooperation with this Committee in its work.

Very sincerely yours,

## MEMORANDUM FOR THE PRESIDENT

Subject: Proposed Legislative Program

There is urgent need for a comprehensive and unified program for legislation in the foreign affairs field. There is also urgent need for a small cabinet committee to sift proposals and methods and to make recommendations to you.

The central factor on the Hill will be the struggle over the prerogatives of the Senate -- whether in any given case action should be by treaty, legislation, or executive agreement. Uncoordinated and unplanned action may produce a major controversy which will defeat many measures.

The following matters may come up at this Session:

Dumbarton Oaks proposals, after a United Nations Conference.

Bretton Woods proposals.

Extension of, and further funds for, the Export-Import Bank.

Repeal of the Johnson Act and similar provisions affecting the Export-Import Bank.

Extension of the Trade Agreements Act.

Anglo-American Petroleum Agreement.

St. Lawrence Seaway.

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Food and Agriculture Organization.

United Nations organization on education.

Civil Aviation Agreements.

Privileges and immunities for international organizations.

We need a cabinet general staff to recommend priority, timing, and a unified theory of constitutional powers:

We recommend that:

1. The Secretaries of State and Treasury and the Director of the Budget be authorized to constitute such a committee with authority as the need arises to consult with the heads of other interested agencies.
2. Introduction of St. Lawrence Seaway legislation be postponed until the question of the form of the legislation can be worked out, and the legislation be not brought up until the whole program has been further developed.
3. Since the United Nations Conference on the Dumbarton Oaks proposals cannot meet before Spring and complete a document for ratification until late April or May, legislation on some of the listed matters should be sought before then.
4. At the earliest possible date there should be initiated the action necessary to adopt the Bretton Woods proposals. A draft message to Congress on Bretton Woods should be promptly submitted by the committee to you.
5. The proposed committee should give immediate consideration to the time and method of initiating action on the Food and Agriculture Organization, the Export-Import Bank and other matters.

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6. The Foreign Relations Committee should be advised officially that the Dumbarton Oaks proposals will be submitted to the Senate as a treaty.

7. The committee should proceed on the basis of this general outline and make concrete recommendations to you on a case-by-case basis.

If you approve the proposals made in this memorandum, there is attached a draft of a letter you might send to the other departments and agencies concerned.

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Secretary of the Treasury

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Secretary of State

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Director, Bureau of the Budget

## EXECUTIVE ORDER

## ESTABLISHING A FOREIGN ECONOMIC POLICY BOARD

By virtue of the authority vested in me, as President of the United States, by the Constitution and statutes of the United States, and in order to provide for the more effective coordination of the functions and activities of the Government in relation to foreign economic problems, it is hereby ordered as follows:

1. There is hereby established the Foreign Economic Policy Board (hereinafter referred to as the Board). The Board shall consist of the Secretary of State, the Secretary of the Treasury, the Secretary of Commerce and the Secretary of the Interior. The Secretary of State shall be Chairman of the Board. The Chairman of the Board shall request the heads of other agencies and departments to be represented in the Board's deliberations whenever matters specially affecting such agencies or departments are under consideration.
2. It shall be the function of the Board, acting subject to the direction and control of the President:
  - (a) To develop unified programs and to establish policies with respect to the economic relationships between this Government and foreign governments.

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- (b) To arrange for the unification and coordination of the activities of this Government relating to foreign economic affairs.
- (c) To report to the President at frequent intervals concerning its activities and to make such recommendations to him as the Board may deem appropriate.

All action of the Board shall be in conformity with the foreign policy of the United States as determined by the Secretary of State.

3. It shall be the duty of all agencies and departments to supply or obtain for the Board such information and to extend to the Board such assistance and facilities as the Board may require in carrying out the provisions of this order. Nothing contained in this order shall remove the responsibility or authority of each executive department or agency for carrying out its own functions and operations but such functions and operations shall be carried out in accordance with the foreign economic policies formulated by the Board.
4. All prior executive orders and instructions insofar as they are in conflict herewith are amended accordingly.

January 28, 1945

Confidentially, at three o'clock I went to the map room at the White House and sent the following message to the President -- this is the gist of it from memory:

"Suggest that you direct Hannegan to get back of Wallace 100%. Also, suggest that you ask Bernie to get in touch with his pal on the Hill in behalf of Wallace. Signed, Henry."

March 9, 1945

Mr. Daniels came over here with a message from the President -- Couldn't I settle the Casey case in view of the fact that the man was in the Armed Services? I said, "No, I am very sorry; Mr. Wenchell, the General Counsel, personally delivered it to Mr. Clark, Chief of the Tax Division, some time between 9:30 and 10 this morning." I said, "The greatest disservice I could do the President would be to change the regular procedure on a tax case, particularly the Casey one which is one of the worst that has ever come to my attention." I said, "There have been all kinds of cases since I have been here and I have never once changed the regular procedure and I wouldn't in this case even if it had not gone over." I said, "Somebody over here has to be the S.O.B. on tax cases and I am perfectly willing to be it."

The President knew nothing about this until Daniels brought it to his attention this morning.

9:32 a. m.  
March 9, 1945

HM, Jr: Hello.

O: Mr. Daniels.

HM, Jr: Hello.

Mr. D.: Good morning, Sir.

HM, Jr: How are you?

Mr. D: Fine.

HM, Jr: Now, I'm up to date on the Casey case.

Mr. D: Yes, sir.

HM, Jr: What would you like to know?

Mr. D: I would just like to know if it is imminent.

HM, Jr: Yep, it is.

Mr. D: Yeah. Is it on the way to Justice, Sir?

HM, Jr: Yep.

Mr. D: Has it gone?

HM, Jr: I don't know.

Mr. D.: Uh-huh. But it's apt to be there any time.

HM, Jr: Yes.

Mr. D: Thank you very much, Sir.

HM, Jr: You're welcome.

Mr. D: Good-bye, Sir.

HM, Jr: Hello.

Mr. D: Yes, sir.

HM, Jr: Well, now let me ask you a question.

Mr. D: Yes, sir.

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HM, Jr: What's you going to do about it?

Mr. D: I don't know, Sir. I share your doubt as to whether a certain person should be officially informed.

HM, Jr: Well, after having been here for eleven years, I am going to give some unasked advice.

Mr. D: Yes, sir. I would appreciate it very much, 'cause ....

HM, Jr: I would let nature take its course and the chips fall where they may.

Mr. D: Uh-huh. Yes, sir.

HM, Jr: That's been ou - my policy ever since I have been here and there has yet to be any interference from the President.

Mr. D: Yes, sir.

HM, Jr: There has been no interference since I have been here on the prosecution of revenue cases.

Mr. D: Yes, sir. Well, I have no plans; I just wanted to be kept informed about it.

HM, Jr: Well, hugh, I just thought I would give that gratis.

Mr. D: Well, I appreciate it. O.K. Thank you, Sir.

March 9, 1945

I excused myself a little early from Cabinet in order to make the plane for Minneapolis. On my way out I stopped and talked to Grace Tully and told her what I did about the Casey case and she agreed with me that the President should not know anything about it.

I told her in regard to the Fiscal Assistant Secretary I had not heard anything from Barnes and I was going ahead, Tuesday, and appoint Eddie Bartelt, so she said she would tell Barnes that I had not heard from him. I said I would check with her once more, Tuesday, when I got back.

March 17, 1945

At lunch with the President, John Boettiger said, "Well, you have your work cut out for you." I said, "What do you mean?" and he said, "On Germany." From remarks he dropped, I gathered that he had the whole picture about what happened in the State Department, etc. He knew all about Riddelberger, and he said, "I am going to have to help you on this with the President. This is terrible what Stettinius has done." I think if Anna and John go to work on this with the President, we will have a good chance to block it. They both kept repeating how terrible this thing was.

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March 18, 1945

I called Mrs. Roosevelt and suggested that she and the President send Carter Glass some flowers, and she said they would.

March 23, 1945

I was with Mrs. Roosevelt at nine o'clock this morning, and she said she would go in and ask the President whether he would see me then, but when she went in the President had not finished his breakfast, so she decided it was the wrong time and she, therefore, did not ask him to see me.

However, she did say to the President that I wanted to get out a book on the economy of Germany, and he said, "Why a book now?" and she answered that I did not want to get it out until the war was over. The President said, "That's all right. Let him go ahead and make the study."

Mrs. Roosevelt also said when I was with her that Anna and John had told her that they wanted to be alone with Father the night before so that they could talk to him about Germany.

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April 11, 1945

Around 7:30 p.m. Eastern War Time, I called on the President. He had been out for a two-hour drive. When I came in, he was sitting in a chair with his feet up on a very large footstool with a card table drawn up over his legs. He was mixing cocktails.

I was terribly shocked when I saw him, and I found that he had aged terrifically and looked very haggard. His hands shook so that he started to knock the glasses over, and I had to hold each glass as he poured out the cocktail. He had a jar of Russian caviar, and I asked him whether he wanted some. They had eggs and onions to go with it, and I said, "If I remember correctly, Mr. President, you like it plain," and he said, "That's right," so I fixed him some. I noticed that he took two cocktails and then seemed to feel a little bit better. I found his memory bad, and he was constantly confusing names. He hasn't weighed himself so he didn't know whether he had gained weight or not. I have never seen him have so much difficulty transferring himself from his wheelchair to a regular chair, and I was in agony watching him.

I brought him a box of candy, and I said, "That's for the ladies of your house." He said, "Why the ladies? I would like it," and he seemed very much pleased, and after supper he took one.

At supper, the President sat at one end of the table and I sat at the other end. There were two ladies on each side - Miss Delano on my right and this Russian artist on my left, and on the President's right Mrs. Rutherford and on his left Miss Suckley. We had veal and noodles for dinner, and then a marvelous chocolate waffle with whipped cream and chocolate sauce, which the President seemed to enjoy very much.

During the meal, right by my side, an Irish setter which belongs to Miss Delano vomited all its food, and it didn't seem to upset the President at all. Miss Delano jumped up from the table and used her handkerchief and picked up all the vomit and removed it from the room.

Just before supper, I went into the President's own bedroom and bathroom, and they seemed exactly the same as they had been years ago when I spent several nights at the cottage.

During supper we joked about the early Valkill furniture with which the cottage is decorated. I carried on a conversation at my end of the table, and the President's hearing seemed so bad that it didn't disturb him.

Miss Delano told me that the President asked her to go to San Francisco with him, and she was very much pleased. She wanted to know whether I was going, and I said that I wasn't.

The President said he would be in Washington on the 19th and up until noon on the 20th. At first I said that I wouldn't be here, and then I said I would stay until he left and that seemed to please him. He said, "I have been offered a beautiful apartment by a lady on the top floor of some hotel, but I am not taking it. I am going there on my train, and at three o'clock in the afternoon I will appear on the stage in my wheelchair, and I will make the speech." Then he made a grimace and clapped his hands and said, "And then they will applaud me, and I will leave and go back on my train, go down to Los Angeles and dump my daughters-in-law, and I will be back in Hyde Park on May 1st."

Early in the evening, he had been very solicitous about Mrs. Morgenthau, and he let it slip that he was in touch with some heart doctor - I think he said at the Presbyterian Hospital in New York. I told him in great detail how kind they had been to Mrs. Morgenthau.

When the President and I started to talk, I said, "Mr. President, I am doing a lot of things in regard to Germany and I want you to know about it. We are having a lot of troubles, and I don't want to be doing these things if it isn't agreeable to you." He didn't say anything, so I went on and said, "You know what happened on that March 10th memorandum on Germany." The President said, "Oh, wasn't that terrible? I had to rewrite the whole thing." So I said, "Yes, it was pretty bad." Then I said, "A lot of the things I am doing really should be done by Leo Crowley and Foreign Economic Warfare, but the War Department seems to want to work with me."

I told the President that Clay had called me and that I had asked him what he was going to do about Robert Murphy, and he said that he realized that was one of his headaches. The President said, "Well, what's the matter with Murphy?" and I said, "Well, you put him against an Englishman like Macmillan and what happens to him? He can't stand up to him," and the President said, "That's right." I said, "Murphy was too anxious to collaborate with DeGaulle when we first landed in Africa." I said, "You are just never going to have a good working group over there as long as you have him over there." The President said, "Well, at first he sort of resisted me," and I said, "Mr. President, I was in your office when you appointed him, and Hull forced him down your throat." I said, "As long as he is there, he will want to build up a central Germany against division, etc." The President said he didn't know about that. Well, I was sort of drawing on my imagination. The President said he thought it was a mistake at this time to send a Catholic to Germany. I said, "Caffery is a Catholic, too," and he said, "Yes, but he is in Paris." I said, "Yes, but Caffery and Murphy work pretty closely together."

Then the President said, "Well, what have you got on your mind?" I said, "In order to break the State Department crowd headed by Jimmy Dunn just the way you broke the crowd of Admirals when you were Assistant Secretary of the Navy, my suggestion is that you make Claude Bowers political adviser to Eisenhower, and send Murphy to Chile." The President thought that it was a wonderful idea, and so that he wouldn't forget it, I made him write it down. The President said, "But Bowers doesn't have any money and he couldn't afford a post like that." So I said, "Well, he is going to live in some villa provided by the Army and he'll only have to pay a dollar a day, and there is no other place where he could live more reasonable and spend less money," and the President said, "That's right." I criticized Dunn, and the President said that at the first meeting at Quebec, Dunn was good, and I said, "I think Dunn is terrible."

I then got on to the question of my writing a book, and I showed the President a photostat of the letter he had written to me on March 23rd. The President said, "Where did you get that from? I have never seen it before." So I said, "Well, the reason I am bringing it to your attention is because I want to know what it means." He said, "I don't know what it means." Then he said, "Hassett or somebody told me you wanted to get

a book out right away, and I thought it was a mistake." I said, "No, what I want to do is get out a textbook after V-E Day. For example, I would like to write a chapter on how 60,000,000 Germans can feed themselves." He said, "I said they could." So I said, "Well, I have written a chapter on that." I told him that Harpers were prepared to gamble \$5,000 on setting it up. I told him that when the book was written I wanted to show it to him, and that I hoped he would write the preface. I told the President that if he didn't write the preface that I would like to have Stettinius do it. He said, "I think that's fine. You go ahead and do it. I think it is a grand idea." He also said, "I have a lot of ideas of my own. I would like to put something in there about my conversations with Dr. Schacht." Then he went on and told me the story about how Dr. Schacht came over here and wept on his desk about his poor country. He said that Schacht came over three or four times saying that the Germans were going broke and they never did. This is a story that I have heard the President tell about three different times, but he seems to enjoy telling it.

Then I told the President that I wanted him to know about Lubin. I said, "You have appointed him, and he doesn't know what to do." I said, "We are helping him, and we have written the things for him." The President said, "Oh, hasn't he gone yet?" and I said, "No."

I said to the President, "General Hilldring couldn't get in on this reparations matter, and he called me up and asked me to arrange it for him, and I did arrange it." I said, "McCloy is away you know." Then the President said, "McCloy is all right now, but he was all wrong about DeGaulle, but I explained things to him and now he has been loyal to me." I said, "I am glad you feel that way." The President repeated again, "McCloy is all right now, but he was all wrong on DeGaulle." I was glad to hear the President say that because I think some people around town have been trying to poison him against McCloy.

The President asked me about the Seventh War Loan, and I said that it was going along all right. I also told him that we hoped to have him talk on the 13th of May, and he said that he would.

I asked the President if he wanted me to interest myself in the future treatment of Germany. He didn't answer me directly. I said, "Look, Mr. President, I am going to fight hard, and this is what I am fighting for." I said, "A weak economy for Germany means that she will be weak politically, and she won't be able to make another war." I said, "I have been strong for winning the war, and I want to help win the peace." The President said, "Henry, I am with you 100 per cent." I said, "You may hear things because I am going to fight for this," and he made no comment, but I certainly put him on notice as to what I was going to do. I repeated it two or three times.

I also told the President that Lew Douglas was going over there, and he didn't have the faintest idea what it was all about, and I told him McConnell was going over there, and he didn't know either.

When we were about through, Miss Delano came in and said, "Are you gentlemen through talking? Will another five minutes be enough?" and I said that it would be ample. Then she said, "When we come in, we all will come in together," and I had just about concluded my conversation when the four ladies came in. I asked whether I could use the telephone to call up Mrs. Lehman, and I took the phone into Miss Delano's room. I was able to do this because the phone had a long cord on it. Then I came back and said goodbye to the President and his company, and when I left them they were sitting around laughing and chatting, and I must say the President seemed to be happy and enjoying himself.

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THE WHITE HOUSE  
WASHINGTON

March 29, 1945

Dear Henry:

The plan you outline in your letter of March twenty-third is laudable in purpose but I find it difficult to know just what to say. The people of the country are going to read information on the German economy.

The spirit of the Nation must be given articulate expression. But it's not so easy to say when the Nation will or can speak. Timing will be of the very essence. We must all remember Job's lament that his enemy had not written a book.

Anyway, we'll have to keep thinking about it.

Always sincerely,



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

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Fa F.L.R.

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Walter Geysel says a group  
in the Senate are  
worried because so  
many people in the  
gov. can make financial  
arrangements with other  
countries. He & I think  
it ought to be centered  
in the treasury.

Book on Germany

April 12, 1945

Mrs. Roosevelt told me when she sent for me that the President knew what was the matter with him, and she said that he died a soldier's death, and perhaps his death will be an example for the rest of us to do even more.

April 12, 1945

1507

I spent last evening with President Roosevelt, and he was in the best of spirits, and took a keen interest in discussing world affairs. It will always be a great source of personal satisfaction to me that I was able to have been with him on this occasion. It has been my unique privilege to have served him for two years in Albany and for over twelve years here in Washington, and I know what a really great man he was. It is a tragedy he did not live to see the unconditional surrender of Germany and Japan. He more than any one person is responsible, in my opinion, for the successful conduct of this terrible war against the aggressor nations. I am confident that history will recognize in him a great force for democracy and human rights. I have lost my best friend.

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Then I asked the President whether he thought it would be all right for me to go to France to see how the currency was getting along and he said, "That would be fine."

I asked him if he wouldn't write out a chit for General Marshall which he did. I asked him if I could take McCloy with me and he said that I could. The President said he would write letters to the various generals in charge the way he did the last time, but I will probably have to follow up through Grace Tully. The President's instantaneous reaction on my going was good.

## MEMORANDUM FOR THE SECRETARY'S FILES

Secretary Morgenthau's Conversation  
with the President, Quebec  
Wednesday, September 13, 1944, 4:00 p.m.

Mrs. Roosevelt asked the Secretary to tea. As soon as he arrived he was ushered in to the President. Miss Tully was also present. (When he came in, the President turned to Fala, his dog, and said, "Say hello to your Uncle Henry.")

The President said that in his conversation with Churchill, Churchill had been very glum. The President said that he had asked Churchill: "How would you like to have the steel business of Europe for 20 or 30 years?" The President said that Churchill seemed much excited over the possibility.

The President said to the Secretary: "I have asked you to come up here so that you could talk to the Prof. Lord Cherwell." He said that they were doing shipping that night and therefore were to have Admiral Land but added, "You might as well come too." The Secretary asked how freely he could talk with the Professor and the President replied, "You can talk about anything you want." The Secretary inquired: "Anything?", and the President said, "Well, let me look at that book." [The book he referred to was the collection of memoranda on Germany prepared in the Treasury which the Secretary had given to him in Washington.] The President went over the whole section and said, "I wouldn't discuss with him the question of the zones to be occupied by our armies. That's a military question. Nor would I discuss the question of partitioning as that's a political question. But you can talk about the fact that we are thinking of internationalizing the Ruhr and the Saar, including the Kiel Canal. If Holland has a lot of land inundated by Germany we can give her a piece of Western Germany as compensation."

The President went over the whole of the first section of the book, item by item, and then said: "I have sent for Eden. Churchill, Eden, yourself and I will sit down to discuss the matter." (The Secretary expressed the view that the President gave him the impression that he was bringing Eden to Quebec largely because of the report he (the Secretary) gave him upon his return from England about Eden being tough on the question of a policy toward Germany.)

The President said, "Don't worry about Churchill. He is going to be tough too." As the Secretary was leaving, the President said to Miss Tully, "Put that book right next to my bed. I want to read it tonight." [The book he referred to was the book I described above.]

H. D. White

Quebec

Quebec

## MEMORANDUM FOR THE SECRETARY'S FILES

Memorandum of a Conversation  
Friday, September 15, 1944  
Quebec

The Secretary mentioned the following bits of conversation which had taken place at a brief meeting with the President on Thursday afternoon and at dinner with the President, Churchill and Lord Cherwell on Thursday evening.

In the afternoon the President delayed initialing the memorandum on the creation of the lend-lease committee which had been drafted by Cherwell, Weeks and White by interrupting with stories. Churchill was nervous and eager to have the memorandum initialed and finally he burst out: "What do you want me to do? Get on my hind legs and beg like Falla?"

Churchill and Eden were afraid that Russia would go into Bulgaria, Yugoslavia and Greece and never get out so the British are planning to land troops in Greece. Secretary Morgenthau had commented: "You have got a million troops in the Middle East." And Eden said: "Oh, no, we have got only a couple of brigades there."

Admiral Leahy reported to the President that they couldn't move American troops across the part of the English troops in Germany and the President replied, "Nonsense. It could be done."

England and Canada were eager to get into the war with Japan. The President said to the Secretary that he knew now why the British wanted to join in the war in the Pacific. All they want is Singapore back.

H. D. White

## MEMORANDUM FOR THE SECRETARY'S FILES

Conference in Secretary Morgenthau's Room, Quebec  
Friday, September 15, 11:00 a.m.

Present: Secretary Morgenthau  
Lord Cherwell  
Mr. White

Cherwell had a draft of a memorandum summarizing a conversation of the previous day with Churchill and the President on the subject of a policy toward Germany. This was the memorandum which they were to give to Churchill. The Secretary felt that the memorandum went too far in the wrong direction. He said he thought it represented "two steps backwards." The Secretary said they ought to begin where Churchill left off and go forward. In the first conversation Churchill had been shocked by the proposal but on the following day he seemed to accept the program designed to weaken German economy. The memorandum ought to take that for granted. Churchill had already spoken of diverting Germany to an agricultural state as she was in the last quarter of the 19th Century. The Secretary thought that rather than present too inadequate a memorandum they ought to go back that afternoon and raise the question again with Churchill and the President and write the memorandum on the conversation that will have taken place that afternoon rather than on the previous day.

The Secretary then spoke to Cherwell about Brand. He told him that he hadn't wanted him to come to Washington to represent the British Treasury in the first place but that when he did come he gave him a chance, and that he was not helping England by his behavior. The Secretary mentioned Playfair and White suggested Opie or Keynes as possible Treasury representatives.

H. D. White

## MEMORANDUM FOR THE SECRETARY'S FILES

Conference in Secretary Morgenthau's suite, Quebec  
Thursday, September 14, 1944, 10:00 a.m.

Present: Secretary Morgenthau

Lord Cherwell and  
Mr. MacDougall of the  
British Government

Mr. White

This was the meeting which the President had suggested the Secretary have with Lord Cherwell. Lord Cherwell had asked to bring along Mr. MacDougall.

The Secretary asked Cherwell which of the two subjects before them for discussion would he like to take up first. Cherwell replied that he would like to take up the lend-lease program first since he thought that would be simpler to dispose of than the question of policy toward Germany. Cherwell went into some detail on the need for getting to work quickly on a lend-lease program for England during the period after the defeat of Germany and before the defeat of Japan. He outlined British views of what would be appropriate for England to receive in the way of lend-lease aid. He described England's need for increasing her exports and relaxing on the home working front. He expressed the view that a cut of 27 percent in our lend-lease to the British Empire would appear reasonable to the British. In general, he repeated the gist of what was in the memorandum of the State Department to the President.

When he got through, the Secretary said that he had heard all that before from the exchequer and others when he was in England. He then told Cherwell about his conversation with the exchequer and with the President and said that it was now up to Churchill. If Churchill thought that the idea of forming a committee to handle the whole problem was a good one, it was up to Churchill to suggest it to the President.

The Secretary also said that he didn't like the approach of determining the amount of lend-lease aid that Britain was to get that Cherwell presented. In his (the Secretary's) opinion, the question should be approached from the point of view of just how much munitions the British need in the role that they are to play in the Pacific. The Secretary thought that food shipments could be handled all right but he felt that commercial goods could not appropriately go into exports.

In any case, the Secretary stressed the need for its being handled by a joint committee of British and Americans. Cherwell liked the idea of the

committees and asked whether the Secretary would head it up. The Secretary replied that he didn't know; that that was up to the President. The Secretary told Cherrwell that the President had given him (Morgenthau) for his comment a memorandum prepared by the State Department and that the President might want somebody from State Department or possibly the Treasury to head up the committee. Cherrwell suggested that White and MacDougall attempt to draft a directive setting up such a committee so that if the Prime Minister and the President did agree on the idea they might get it out there and there. The Secretary agreed.

The Secretary then took up the question of Germany. He handed Cherrwell the book on Germany to read and explained that it was compiled on a day's notice. Cherrwell read hurriedly through the first part and expressed skepticism as to whether organized labor in the United States would approve a program so drastic in character. Secretary Morgenthau thought that it would. Cherrwell commented that he didn't understand why Churchill had taken so contrary a position on the program the evening before. He (Cherrwell) was surprised at Churchill's attitude and thought possibly that it was due to the fact that Churchill did not wholly understand what the Secretary was driving at.

The Secretary told Cherrwell that Secretary Hall was in general agreement with the views expressed by the Treasury and that he was of the opinion that Eden would be likewise. He said that the question came down to a choice of: "Do you want a strong Germany and a weak England or a weak Germany and a strong England?" The Secretary said that he preferred to rely on a strong England and a weak Germany.

Cherrwell thought that the proposal could be dressed up in a way to be more attractive to the Prime Minister and the Secretary said that he would be very glad to have Cherrwell try it.

After the Secretary and Cherrwell left to see the President and Churchill to report on the morning's conversation, I talked at length with MacDougall on the merits of the Treasury's proposed program and MacDougall appeared to be in agreement. Later MacDougall, a Mr. Jencks of the British Government, and I met to draft the directive suggested by Cherrwell.

When the Secretary returned with Cherrwell from the President and the Prime Minister, he reported that both Churchill and the President had liked the idea of creating a committee. They wanted to set up one on an informal and ad hoc basis, to formalize it after the election.

The Secretary told me after the others had gone that when it came to the question of who should be the chairman of the joint committee that Churchill had said, "How about Harry Hopkins?" But the President had replied, "No, I want Morgenthau to be chairman."

## MEMORANDUM FOR THE SECRETARY'S FILES

Dinner at the Citadel, Quebec,  
 Wednesday, September 13, 1944, 8:00 p.m.

Present: The President

Churchill

Secretary Morgenthau

Admiral Leahy

Lord Cherwell

Lord Leathers, Head of

British Shipping

The President's physician

Churchill's physician

Abroad Lead

Though shipping was supposed to have been the subject for discussion the subject of shipping was not mentioned the entire evening except briefly when the question was raised as to the advisability of taking away all of Germany's shipping.

The discussion quickly turned to Germany. Churchill (apparently without reference to anything said previously) said something along the line of "What are my Cabinet members doing discussing plans for Germany without first discussing them with me? I intend to get into the matter myself."

The President said that he had asked Secretary Morgenthau to come up for the purpose of discussing Germany and that he (Morgenthau) was to talk to Churchill the following day.

Churchill asked: "Why don't we discuss Germany now?" The President then asked the Secretary to explain the program he had in mind for Germany. The Secretary described that part of the treasury proposal dealing with the Ruhr. Churchill indicated that he was strongly opposed to such a program. He said that all that was necessary was to eliminate the production of armament. To do what the Treasury suggested was "unnatural, unchristian and unnecessary." Churchill didn't believe that it would be very much of an aid to the United Kingdom even if the United Kingdom did get the steel business that formerly went to Germany.

Admiral Land, on the other hand, wholly supported Secretary Morgenthau's proposal, thumping vigorously on the table to emphasize his remark. Admiral Land told the Secretary after the dinner that the President had been talking with him more or less along those lines for a long time but this was the first time that he (Admiral Land) had a chance to say what he felt. He had long been waiting for the opportunity and, encouraged by the Secretary's statement, he had vigorously expressed himself.

When the question arose about taking away German ships, Churchill was opposed. Admiral Land said, "Why not? It is no more cruel to take away ships than their steel plants."

Churchill said at one point: "If you [The United States] do not do something for Britain then the British simply will have to destroy gold and do business largely within the Empire." Lord Cherwell pook poohed this idea of the Prime Minister's.

Admiral Leahy seemed on the whole to be unsympathetic to the Treasury's program and to side with Churchill. Admiral Leahy thought the only way to assure peace in the future was for the United States, the United Kingdom and possibly Russia "if she behaves herself" to "crack down" on any country which stepped over the boundary line of any other country.

The President said very little in reply to Churchill's views. Secretary Morgenthau several times interjected into Churchill's comments that his program did not recommend that Germany be permitted to starve as seemed to be the implication in Churchill's remark.

At another point when discussing the need for an international police air force Churchill said that the United States, United Kingdom and Russia would have to rotate the job "as our air people get dirty when they associate with the Russians."

At one point in the discussion Churchill said to the President: "Is this what you asked me to come all the way over here to discuss?"

The conversation then got on to India and stayed on India for about an hour. Churchill talked rather angrily at length about the difficulties the British were confronted with in administering India and on the lack of understanding in the United States about the Indian problem. He spoke of the high birth rate, the high death rate, the ignorance and the carelessness of the Indian people to poverty, disease, etc. Churchill said, "I will give the United States half of India to administer and we will take the other half and we will see who does better with each other's half."

However, the President came back to the German problem several times very nicely and did not recede from his position. He reminded Churchill that Stalin at Teheran had said: "Are you going to let Germany produce modern metal furniture? The manufacture of metal furniture can be quickly turned into the manufacture of armament."

Lord Cherwell seemed to be in sympathy with the Secretary's point of view. Later when talking it over with him he said that he didn't

think that Churchill at all got the major point the Secretary was trying to make. The Secretary asked him if he didn't think the real difficulty with Churchill was that he wanted a strong Germany to stand between "the white cliffs of Dover" and Communist Russia. Cherwell agreed that that was it. Lord Leathers of the Shipping Board apparently disagreed with the Secretary's point of view.

On leaving, Lord Cherwell said that he expected to talk with the Secretary about lend-lease assistance for the period between the defeat of Germany and the defeat of Japan. The Secretary told him that he had been asked by the President to come to talk about Germany but after he would be glad to discuss lend-lease aid the following morning after they had had their conversation about Germany.

The Secretary had an opportunity to tell the President that he believed the Russians were holding back on their cooperation with the United States because they were suspicious of the American and British attitude toward Germany. Russia feared we and the British were going to try to make a soft peace with Germany and build her up as a possible future counter-weight against Russia. The President replied, "You are right, and I want you to read a telegram I just received from Harriman." Admiral Leahy later gave the Secretary the telegram which Harriman sent to Harry Hopkins urging the President to call him (Harriman) home to report on the trend in Russia on non-cooperation with the United States.

H. D. White

C O P Y

Draft 1.

HMJr. dictated this.

At a conference between the President and the Prime Minister, Mr. Churchill said that he would sum up the discussion that we had been having in regard to the future disposition of the Ruhr and the Saar. He said that they would permit Russia and any other of our Allies to help themselves to whatever machinery they wished, that the industries in the Ruhr and in the Saar would be shut down, and that these two districts would be put under an international body which would supervise these industries to see that they would not start up again.

This programme for eliminating the war-making industries in the Ruhr and in the Saar is part of a programme looking forward to diverting Germany into largely an agricultural country.

The Prime Minister and the President were in agreement upon this programme.

September 15, 1944.

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THE WHITE HOUSE  
WASHINGTON

September 16, 1944.

MEMORANDUM FOR THE PRESIDENT:

In regard to proposal for Lend Lease  
to France, my recommendation is that for the  
time being we postpone taking any action.

*W.H.*  
*7/12*  
H.M. Jr.

APPROVED:

Signal Corps, United States Army

1521

Received at

~~TOP SECRET~~

MR-OUT-404:

SEPTEMBER 14, 1944.

SECRETARY OF TREASURY'S OFFICE REQUESTS THE FOLLOWING TWO MESSAGES BE GIVEN TO THE SECRETARY, NOW AT OCTAGON.

THE FRENCH HAVE BEEN TOLD THAT THE BASIC QUESTION OF THE SCOPE AND TIME LIMIT OF THE LEND-LEASE AGREEMENT HAS BEEN PLACED BEFORE THE PRESIDENT FOR DECISION.

2. THE STATE DEPARTMENT AND FEA HAVE AGREED ON A DRAFT (6TH DRAFT DATED SEPTEMBER 11) OF A LEND LEASE AGREEMENT WHICH PERMITS

(A) LONG LIFE INDUSTRIAL RECONSTRUCTION GOODS TO GO TO THE FRENCH UNDER LONG TERM CREDITS (SECTION 30 OF THE LEND LEASE ACT).

THIS PROVISION PERMITS REQUISITIONS TO BE ACCEPTED BY FEA UNTIL AT

LEAST THE END OF THE WAR WITH JAPAN AND PROVIDES THAT THE

REQUISITIONS ONCE ACCEPTED WOULD BE FILLED REGARDLESS OF THE END OF

THE WAR WITH JAPAN. THIS WOULD OBVIOUSLY ENABLE A LARGE SCALE

PROGRAM OF RECONSTRUCTION FOR FRANCE. (MONNET HAS A PROGRAM READY OF

TWO BILLION DOLLARS FOR WHICH HE PROPOSES TO HAVE REQUISITIONS PLACED

IMMEDIATELY).

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(SHEET TWO MR-OUT-404)

(B). THE AGREEMENT PERMITS GIVING THE FRENCH ON A STRAIGHT LEND LEASE BASIS, SHORT-LIVED INDUSTRIAL GOODS AND MATERIALS PURPORTEDLY FOR FRENCH WAR PRODUCTION UNTIL AT LEAST THE END OF THE WAR WITH JAPAN.

3. SECRETARY HULL HAS SENT A MEMORANDUM TO THE PRESIDENT THROUGH HARRY HOPKINS POINTING OUT

(A) THIS DRAFT LEND LEASE AGREEMENT GOES BEYOND THE JULY 15 MEMORANDUM WHICH THE PRESIDENT APPROVED.

(B). THIS MEMORANDUM PROPOSES THAT THE POSSIBILITY OF EXCESSIVE LENIENCY IN THE ADMINISTRATION BE CONTROLLED BY REQUIRING FEA TO SUBMIT TO SOMEONE IN THE WHITE HOUSE ALL PROGRAMS AND PROPOSALS FOR LEND LEASE ASSISTANCE BEFORE REQUISITIONS ARE ACCEPTED BY FEA.

THIS MEMORANDUM TO THE PRESIDENT IS NOW BEFORE THE PRESIDENT AT QUEBEC FOR HIS APPROVAL. STATE DEPARTMENT HAS NOT GIVEN US A COPY OF THIS MEMORANDUM ALTHOUGH THE STATE DEPARTMENT PROMISED TO CLEAR THIS MEMORANDUM WITH US BEFORE IT WENT TO THE PRESIDENT.

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(SHEET THREE MR-OUT-404)

4. AS YOU KNOW THE ORIGINAL MEMORANDUM WHICH WENT TO THE PRESIDENT DURING THE FRENCH NEGOTIATIONS ON JULY 15 WAS DESIGNED TO LIMIT LEND LEASE TO FRANCE TO THE END OF HOSTILITIES IN EUROPE. MR. MCCLOY AND GENERAL HILLORING OF THE WAR DEPARTMENT HAVE DEFINITELY STATED THAT FRENCH INDUSTRIAL PRODUCTION WILL BE OF NO HELP IN FIGHTING THE WAR IN EUROPE AND THAT THE HELP WHICH A RECONSTRUCTED FRENCH INDUSTRY WILL GIVE TO US IN FIGHTING THE WAR WITH JAPAN CAN BE "PUT IN YOUR RIGHT EYE."

THE IMPORTANCE OF THE PHRASE WHICH WILL LIMIT THE SCOPE OF THE PROGRAM TO THE END OF THE WAR IS THAT THE IMMEDIATE SET OF REQUISITIONS FOR AID WILL BE MUCH GREATER IN VOLUME UNDER THE PROSPECT OF A LONG WAR AGAINST JAPAN THAN IT WOULD BE UNDER THE CERTAINTY OF A SHORT WAR IN EUROPE.

5. THE ARGUMENT USED TO JUSTIFY BROADENING THE SCOPE OF THE LEND LEASE AGREEMENT IS THAT WE SHOULD GIVE THE FULLEST DISCRETION POSSIBLE TO THE PRESIDENT. THIS ARGUMENT HAS NO BASIS IN FACT.

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(SHEET FOUR MR-OUT-104)

THE PRESIDENT ALREADY HAS ALL THE DISCRETION HE NEEDS UNDER THE LEND LEASE ACT. IF AFTER THE WAR IN EUROPE COMES TO AN END, THE PRESIDENT FEELS THAT FRANCE IS MAKING A CONTRIBUTION TO THE WAR IN THE PACIFIC OR SHOULD FOR OTHER REASONS BE ENTITLED TO RECONSTRUCTION UNDER LEND LEASE, HE CAN ENTER INTO A NEW AGREEMENT AT THAT TIME. THE ONLY ADDITIONAL "DISCRETION" GAINED BY SIGNING THE AGREEMENT, AS RECOMMENDED BY STATE AND FEA, AND IMMEDIATELY MAKING LARGE SUPPLY COMMITMENTS THEREUNDER, IS TO PRESENT CONGRESS AND THE PUBLIC WITH A FAIT ACCOMPLI WHEN THE WAR IN EUROPE IS OVER. IF THE CONGRESS SHOULD CUT OFF LEND LEASE FOLLOWING THE END OF HOSTILITIES IN EUROPE, ANY ATTEMPT TO RELY ON LARGE REQUISITIONS PLACED UNDER A PREVIOUSLY EXISTING AGREEMENT WITH THE FRENCH (HAVING NO RELATION TO THE WAR IN EUROPE) AS PERMITTING THE RECONSTRUCTION OF FRANCE WOULD BE POLITICALLY IMPOSSIBLE AND HIGHLY UNDESIRABLE.

6. AS WE SEE IT, THE BROADENED SCOPE OF THE MEMORANDUM WILL HAVE THE FOLLOWING EFFECTS:

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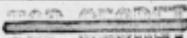
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(SHEET FIVE MR-OUT-106)

(A). SINCE THE FRENCH HAVE ALREADY BEEN PRESENTED WITH A MEMORANDUM LIMITING THE SCOPE OF LEND LEASE TO HOSTILITIES IN EUROPE, THE CHANGE TO PERMIT LEND LEASE AT LEAST UNTIL THE END OF THE WAR WITH JAPAN WILL OBVIOUSLY LEAD THE FRENCH TO BELIEVE THAT THE PRESIDENT HAS AGREED TO A RECONSTRUCTION PROGRAM FOR FRANCE. THIS IS PARTICULARLY TRUE IN THE LIGHT OF INFORMAL COMMITMENTS WHICH HAVE BEEN MADE TO THE FRENCH BY VARIOUS PEOPLE IN FEA AND STATE TO THIS EFFECT. IT FOLLOWS THAT THIS WILL BE CONSTRUED BY THE FRENCH AS BEING A MAJOR POLITICAL VICTORY ARISING FROM THEIR STRATEGY OF PLAYING ONE DEPARTMENT OF THE UNITED STATES GOVERNMENT AGAINST ANOTHER ON FINANCIAL QUESTIONS.

(B). ALTHOUGH THE PROGRAM BEING PRESENTED TO THE PRESIDENT PROVIDES FOR APPROVAL BY THE WHITE HOUSE OF THE IMPLEMENTATION OF THIS AGREEMENT, IT IS OBVIOUS THAT THE WHITE HOUSE IS NOT AND SHOULD NOT BE PLACED IN A POSITION TO POLICE DETAILED SUPPLY PROGRAMS. THE DOOR WILL BE WIDE OPEN FOR RECONSTRUCTING FRANCE UNDER THE LEND

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LEASE ACT WITHOUT UNDERSTANDINGS AS TO THE ROLE OF FRANCE IN THE FUTURE OF EUROPE AND OF THE WORLD, AND PARTICULARLY OF FRENCH PARTICIPATION IN THE WAR AGAINST JAPAN.

7. IN CONCLUSION, QUITE CONTRARY TO THE AVOWED PURPOSE OF THE PROPOSAL TO GIVE DISCRETION TO THE PRESIDENT, ITS PRACTICAL EFFECT WILL BE TO TIE HIS HANDS WITH RESPECT TO OUR DEALINGS WITH THE FRENCH AT THE TERMINATION OF THE WAR IN EUROPE MUCH MORE THAN WOULD OTHERWISE BE THE CASE.

DAN BELL

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PART TWO MR-OUT-404

SEPTEMBER 14, 1944

FOR SECRETARY MORGENTHAU FROM MRS KALOTZ.

LORD CHERWELL IS PROFESSOR OF PHYSICS, OXFORD. HE HAS GREAT ABILITY. PERSONAL FRIEND OF PRIME MINISTER FOR MANY YEARS AND THROUGH THAT FRIENDSHIP BECAME ADVISOR ON SCIENTIFIC MATTERS. ARTHUR LIKES HIM PERSONALLY BUT SAYS HE IS NOT POPULAR AT OXFORD BECAUSE HE IS MORE INTERESTED IN POLITICS THAN SCIENTIFIC WORK. IN LAST WAR HE DID REMARKABLE WORK ON AIRPLANES AND SHOWED GREAT COURAGE IN DOING EXPERIMENTS HIMSELF. IS STRONG CONSERVATIVE AND HAS INDIVIDUAL INFLUENCE BUT NOT POPULAR GENERALLY.

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DEPARTMENT OF STATE  
WASHINGTON

September 11, 1944

Memorandum for the President  
French Lend Lease Agreement

We need instruction from you on one important phase of this proposed agreement; i.e., how to deal with Monnet's request, which I understand he mentioned to you, for industrial items to get French production going again for the maintenance of the civil population.

We have been working under the memorandum of July 15, 1944, which you approved. This provides that

- (a) The French get under straight lend lease what you approve as necessary military aid for their forces and for short-life supplies for war production. When you determine the aid to be no longer necessary, they will accept and pay for on credit terms the undelivered, non-munitions items you have authorized.
- (b) They pay currently in cash for food, clothing, and other items consumed by the civil population.

(c) /Here

- (c) [Here is the trouble.] Long-life industrial articles and other industrial articles would be furnished to them on credit only if necessary to the prosecution of the war in Europe or to the maintenance of Allied forces in the period immediately following an armistice in Europe.

Viewed as of the present date and position of the war, the memorandum of July 15th means, in effect, a rejection of Monnet's program and would require the French to pay cash currently for all items not required as necessary military aid. I do not think you intended, nor would I recommend, so flat a position. On the other hand, you would not wish to approve at this stage the French program, amounting as it does to something over a billion dollars of industrial items to be paid for on credit terms. I do not think that there is any formula which describes what you may wish to approve and what you may not wish to approve. What seems to me necessary is to leave in your hands complete discretion to do what you may think necessary from time to time in the light of French behavior.

Therefore, I recommend that you authorize us to provide that such long-life articles and such other

articles

articles as may be included from time to time in a list to be attached to the agreement, and which are contracted for or purchased before you determine that aid under the Act is no longer necessary for the prosecution of the war, we shall deliver (subject to your right of cancellation in the national interest) and the French shall accept and pay for on credit terms. I recommend also that you instruct the Foreign Economic Administration to submit to you proposed French programs under this provision before they are included in the list. Such a disposition of the matter will give authority to go ahead, with flexible control in your hands to do as much or as little as you determine to be desirable at any time.

The Foreign Economic Administration agrees with this proposal.

CH

THE WHITE HOUSE  
WASHINGTON

1531

September 14, 1944.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY:

Will you handle this with Harry  
Hopkins and Cordell Hall?

F.D.R.

P.S. Please return original to us.

THE WHITE HOUSE  
WASHINGTON

Mr. President: Sept 12-44

I think this is  
O.K. - it gives the final  
decision to you and in the  
present situation, that I  
think is essential.

If you will initial  
this the matter will be handled  
that way.

Harry

1533

1534

2

RECORD OF CONVERSATION BETWEEN THE PRESIDENT AND  
PRIME MINISTER AT QUEBEC ON SEPTEMBER 14, 1944.

The Prime Minister said that when Germany was overcome there would be a measure of redistribution of effort in both countries. He hoped that the President would agree that during the war with Japan we should continue to get food, shipping etc. from the United States to cover our reasonable needs. The President indicated assent.

He hoped also that the President would agree that it would be proper for Lend/Lease munitions to continue on a proportional basis even though this would enable the United Kingdom to set free labour for re-building, exports, etc., e.g. if British munitions production were cut to three-fifths, U. S. assistance should also fall to three-fifths. The President indicated assent. Mr. Morgenthau however suggested that it would be better to have definite figures. He understood that munitions assistance required had been calculated by the British at about  $3\frac{1}{2}$  billion dollars in the first year on the basis of the strategy envisaged before the OCTAGON Conference. The exact needs would have to be recalculated in the light of decisions on military matters reached at the Conference. The non-munitions requirements had been put at 3 billion dollars gross against which a considerable amount would be set off for reverse Lend/Lease. The President agreed that it would be better to work on figures like these than on a proportional basis.

- 2 -

The Prime Minister emphasized that all these supplies should be on Lease/Lend. The President said this would naturally be so.

The Prime Minister pointed out that if the United Kingdom was once more to pay its way it was essential that the export trade, which had shrunk to a very small fraction, should be re-established. Naturally no articles obtained on Lend/Lease or identical thereto would be exported or sold for profit; but it was essential that the United States should not attach any conditions to supplies delivered to Britain on Lend/Lease which would jeopardize the recovery of her export trade. The President thought this would be proper.

To implement these decisions the Prime Minister suggested there should be a joint committee. It was held that it would be better to appoint an ad hoc committee for this purpose on an informal basis in the first instance which could be formalized in due course. Pending its report the United States departments should be instructed not to take action which would pre-judge the committee's conclusions, e.g. production should not be closed down without reference to Lend/Lease supplies which it might be held should be supplied to Britain. The President thought that the committee should be set up and suggested that Mr. Morgenthau should head it representing him, and that Mr. Stettinius, who had taken such a large part in Lend/Lease, should also be a member.

1. We have discussed the question of the scope and scale of mutual Lend/Lease aid between the United States and the British Empire after the defeat of Germany and during the war with Japan. We have agreed that a Joint Committee shall be set up to consider this question with the following membership:-

Chairman:

American Members:

Secretary Morgenthau  
Under-Secretary Stettinius  
Mr. Leo Crowley

British Members:

2. The Committee will agree and recommend to the Heads of their respective Governments the amount of Mutual Aid in munitions, non-munitions and services which is to be provided for the most effective prosecution of the war. The Committee is instructed to obtain from the various branches of the Governments whatever pertinent information is necessary for

the preparation of their recommendations.

3. Pending the recommendations of the Committee to the Heads of the respective Governments, the appropriate departments of each Government shall be instructed not to make any major decision with respect to the programmes of Lend/Lease Aid for the period referred to above without the approval of the Committee.

4. In reaching its conclusions the Committee will be guided by the conversation between the President and Prime Minister on September 14th, 1944.

(Initialled): W.S.C.  
F.D.R.

Quebec.  
September 14th, 1944.

1539

3

At a conference between the President and the Prime Minister upon the best measures to prevent renewed rearmament by Germany, it was felt that an essential feature was the future disposition of the Ruhr and the Saar.

The ease with which the metallurgical, chemical and electric industries in Germany can be converted from peace to war has already been impressed upon us by bitter experience. It must also be remembered that the Germans have devastated a large portion of the industries of Russia and of other neighbouring Allies, and it is only in accordance with justice that these injured countries should be entitled to remove the machinery they require in order to repair the losses they have suffered. The industries referred to in the Ruhr and in the Saar would therefore be necessarily put out of action and closed down. It was felt that the two districts should be put under some body under the world organization which would supervise the dismantling of these industries and make sure that they were not started up again by some subterfuge.

This programme for eliminating the war-making industries in the Ruhr and in the Saar is looking forward to converting

Germany into a country primarily agricultural and pastoral in its character.

The Prime Minister and the President were in agreement upon this programme.

(Intd.) O.K.

F.D.R.

(Intd.) W.S.C.

15 9.

September 15, 1944

1542

4

THE WHITE HOUSE  
WASHINGTON

September 9, 1944

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

My dear Mr. Secretary:

There has been a good deal of discussion within the several Government Departments relative to our Lend Lease policy after the collapse of Germany.

It is my wish that no Department of the Government take unilateral action in regard to any matters that concern Lend Lease, because the implications of any such action are bound to affect other Departments of the Government and, indeed, our whole national policy. I am particularly anxious that any instructions which may have been issued, or are about to be issued regarding Lend Lease material or supplies to our allies after the collapse of Germany, be immediately cancelled and withdrawn.

I intend to give instructions to all Departments relative to the Lend Lease policy of this Government at an early date.

Will you be sure, therefore, that your several bureaus and Divisions are advised of my position at once?

I am sending identical letters to the Chief of Staff, the Chief of Naval Operations, the Secretary of State, the Administrator of the Foreign Economic Administration and the Administrator of the War Shipping Administration.

Sincerely yours,

*Franklin D. Roosevelt*

THE WHITE HOUSE  
WASHINGTON

1544

September 15, 1944.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY:

Will you talk with the Secretary  
of State or Stettinius and the Secretary of  
War about this?

F.D.R.

September 13, 1944

My dear Mr. President:

I have your letter of September 9 relative to our lend lease policy after the collapse of Germany and will be governed by your instructions.

As you know, under direction from you we have been engaged since May 24 in negotiations with the Soviet Government over a contract by which they would accept and pay for on credit terms certain items included in the proposed Fourth Protocol. Similar discussions with French authorities were authorized by you in July and were mentioned in the recent exchange of memoranda with the French. These discussions are awaiting further instruction from you.

In your absence, inquiry has been made as to whether these discussions, particularly those with the Soviet representatives now in progress, should be interrupted.

Mr. Hopkins

The President,  
The White House.

Mr. Hopkins has informed the Department that unless and until you inform us to the contrary we should continue these negotiations and that your letter of September 9 did not intend otherwise.

Faithfully yours,

GORDON HOLE