BOOK #7

PRESIDENT ROOSEVELT

April 12, 1945
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Truman said to the Cabinet, "I want every one of you to stay and carry on, and I want to do every-thing just the way President Roosevelt wanted it." Nobody said anything, so I nodded to Stettinicus to say something, and he did. He simply said that we would all be back of him. Then I spoke up and said, "Mr. Truman, I will do all I can to help, but I want you to be free to call on any one else in my place." Then Wickard said that I had expressed his sentiments also.

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I called on President Truman at 9:00 this morning, and he saw me a little bit before 9:00. He didn't keep me waiting a minute. I went in, and he started to tell me how badly he felt and he said, "I think I admired Mr. Roosevelt as much as you did." I said, "I don't think that's possible." He reached for a telephone while I was there, and called up Wallace to invite him to come down with him this morning. He also called Byrnes, and he made some remark that he would like to have all the Cabinet but, of course, there wasn't room for them.

I said, "Well, Mr. President, I am ready to help, but I want you to feel that your hands are untied as far as I am concerned." He said, "That's what everybody has been telling me." He said, "I need the help." I said, "I feel this war very strongly. I have one son with General Patton and another in the Pacific, and his ship has just been torpedoed for the second time." I said, "My first idea is to win the war and then I want to win the peace," and he said, "That's what I want to do."

I said, "I have been doing a lot of things which Mr. Roosevelt has encouraged me to do that aren't strictly Treasury business." I also said, "In my job, I am very vulnerable because we moved the financial capital from London and Wall Street right to my desk at the Treasury." He said, "That's where I want to keep it," so I said, "Well, the big boys will be after me, and I can't do what I have been doing unless I have the complete backing of the President." He said, "You will have that from me."

Then I said, "I would like to talk to you some time about Germany. I have some very definite ideas, and I would like to explain them to you and explain the Morgenthau Plan." He said, "I would like to know about it." I said, "There are no differences between Stettinius and me, but the differences are down the line. They haven't carried out the President's orders." I said, "A lot of people in the State Department were there in Hoover's time, and they aren't in sympathy with the New Deal and Mr. Roosevelt." So he said, "Well, I will get rid of them if they give us any trouble." He also said, "I have already talked with Stettinius about Germany, and he said there is no difference of opinion." Truman said, "I don't want any fussing between you and Stettinius." I said, "There is no fussing between
us. We get along very well together, but what I am worried about is the people under him, and particularly while he is gone for six weeks. I don't know what will happen then. I also said, "I get along with all the members of the Cabinet," and he said, "I know you do."

I said, "We will be on the train for eight hours coming back, and if you are so inclined I would like to have a chance to talk to you about Germany and about Bretton Woods, which I think is very important." He said, "What do you suppose I was on the Hill for yesterday?" He said that he would see me on the train.

I showed him the New York Times where Krug said he was going to keep the plants open. He said, "I got out a Proclamation saying they should close at 12:00." He quickly grabbed the phone - he moves very fast - and got Krug on the wire and asked him about it. I didn't know what he was going to do, so I said, "I think it is right that the war plants should be working." He said, "Well, I think that we should shut the plants down during the funeral," so Krug told him that they couldn't do it with the plants that have continued processing, but that the arrangements had been made to stop for a short while. So he turned to me and said, "I will leave it the way it is. I issued a Proclamation saying that all the Departments should close at 12:00 and I can't change that." I think it is silly for the Government to close down at 12:00.

Truman has a mind of his own. As he took me to the door, he said, "Now I want you to stay with me," and I said, "I will stay just as long as I think I can serve you." He said, "When the time comes that you can't, you will hear from me first direct."

The man has a lot of nervous energy, and seems to be inclined to make very quick decisions. He was most courteous with me, and made a good impression, but, after all, he is a politician, and what is going on in his head time only will tell.

I met Admiral Leahy coming back, and I said, "How did things go yesterday?" and he said, "All right." Leahy said, "The President said he wanted to have all the information but that he would make the decisions, and that's all right with me. I told him that and I told him that when I thought he was making a wrong decision I would tell him so." Leahy said he made a
good impression at the first meeting. Leahy said, "I hope he will have Byrnes around because Byrnes and Hopkins know more about what is going on than anybody else, and Hopkins is too ill to help."
Saturday night on the train, as best I can remember it, I think I spoke to Wallace and Biddle about Greenbaum's idea of the Cabinet formally resigning and President Truman accepting the resignations, and then reappointing those of us whom he wanted to stay, and having the Senate confirm them. I said that this would give him his Cabinet with the vote of confidence from the Senate, and the whole government would settle down and go to work. They liked the idea fairly well.

Sunday morning, as we pulled into the station, I suddenly remembered that I had forgotten about Joan. I tried to get her on the phone, but I had her number wrong, so I sent a Secret Service man for her. He just caught her in time and she arrived at a quarter of ten. I was very happy to have her with me.

When I was over at the house to phone, I found Mrs. Joseph Lash, and she had spent the night all alone in the house and didn't know what to do or where to go. She thought Mrs. Roosevelt was coming to the house. I found out that she wasn't, so I took Mrs. Lash over to the garden, and I told her I was doing it because I thought it would please Mrs. Roosevelt, which wasn't very complimentary to her.

It was a brilliant, clear day, and the flowers stood out just like so many jewels, and I have never seen such an impressive ceremony. The thing that finally got me was the blowing of the taps. I was worried about Joan because she cried so, and I took her down to the train and gave her tea and a sandwich, and then she felt better.

After a while I went and looked up Grace Tully and asked her to come back to see me. She came back and spent about an hour with me. We just nicely got started talking when Frances Perkins barged in. She made me so intensely nervous that I couldn't take it, and didn't see why I had to, so I told her Miss Tully and I had to talk about some financial matters in which the President and I were partners, and she took the hint and got out.

I can't remember whether I got this from Tully or Hacky, but immediately after the President's first attack his blood pressure went up to 300 and subsequently dropped to 200. They
said that they did something about removing the saliva and pulling the tongue out in order to assist him in breathing. When the President finally passed away, there were just a couple of heavy breathing sounds, and that was all. This Commander in the Navy who attended him is a heart man from the Presbyterian Hospital, but I gathered that Admiral McIntire was telling everybody on the train that this was wholly unexpected, and that they hadn't looked for it which, of course, is just sheer damned nonsense because I have heard from two or three sources that the President had an enlarged heart. I don't think they had sufficient medical care or attention down there, considering the man's condition.

I told Tully that if she wanted it she could have a job here in the Treasury. She was very much touched, but she said she didn't know what she would do, and that the first thing she was going to do was to go away and take a rest. I told her that I wasn't making that offer to anybody else over there.

I asked her if the President had been satisfied with me and whether I had annoyed him in any way, and she said, "Absolutely not - quite the contrary." She said that the Department that bothered him and worried him the most was the State Department. She said that I was never a source of worry.

After lunch I asked to see Mrs. Roosevelt, and you had to go through President Truman's car to get to Mrs. Roosevelt's car. I saw Hanegan there, and I told him I would like to see him afterwards.

I had a very nice talk with Mrs. Roosevelt, and in the room with her were Elliot and his wife, John's wife and Trudy Pratt. It seemed to me that Trudy Pratt didn't use good judgment because certainly she must have realized that her being there at that time would be most offensive to the Roosevelt children, but then that is none of my business. I didn't see either John or Anna around, and I don't know where they were. Mrs. Roosevelt was very sweet and calm, but she looked rather drawn. She immediately started to talk about Mrs. Morgenthau, and told me about how she planned to leave the White House on Friday and go up to New York, and that as soon as she could get things arranged she would want to spend some time with Mrs. Morgenthau.
Mrs. Roosevelt is worried about what she is going to do with the big place. They all want to dispose of it, but they have to get the consent of Johnny and Franklin, and they are afraid Franklin won't give his consent. They have had no word from either Franklin or Johnny to indicate that they know their father died, but they believe they are on a ship and have radio silence. She said that during the period she would have to carry the estate and before the estate was probated, she might have to borrow money from the bank. I told her Mrs. Morgenthau and I would be delighted to lend her the money and that she should not go to the bank. It seems that Doc O'Connor and Jimmy and Mr. Hackett, a lawyer from Poughkeepsie, are the trustees, and Elliot told me subsequently he has no confidence in Jimmy's business experience, and that Jimmy and Doc O'Connor don't get along as it was Doc O'Connor who got Betsy her divorce. Elliot said that he might want to come to me for advice, and I said that he could come at any time. I asked Mrs. Roosevelt if she was worried about her own financial status, and she said, "Absolutely not."

Mrs. Roosevelt said that the thing she was going to see Truman about was to make sure that all the girls in the White House were taken care of. She did speak to Truman and he said that he would be glad to keep even Grace Tully, and I said that I didn't think Grace would want to stay. She spoke to him about Monty, the chauffeur. Monty said he would like to drive for Mrs. Roosevelt, but she said, "There are two reasons why you can't do that. In the first place, you can't get out of the Army, and I couldn't afford to keep you." Truman said that he would keep the whole staff on.

I then told Mrs. Roosevelt that she ought to get her business affairs rounded up as soon as possible so that she could speak to the world as Eleanor Roosevelt, and that I thought it was most important that her voice be heard. I said that she would no longer have to be worried about being the wife of the President, and she could talk on her own. She said, "Do you mean I should say, 'This is what the President thought,' or 'This is what the President said?'" and I said, "No." Well, she sort of questioned whether now that was the widow of the President anybody would want to hear her. She didn't put it exactly that way, but that is the gist of it, and I assured her that they would want to hear her.
When I got up to go, Elliot asked to speak to me and we talked quite a while. He made an excellent impression.

Elliot said that he and his Mother are worried about what is going to happen to John and Anna - a worry I don't particularly share - but they have taken two rooms at the Shoreham.

I asked Elliot how the war was going and he said, "Well, the Eighth Air Force has notice to be alerted in 30 days to go to the Pacific."

Then I went back and I asked to see Hannegan. He and I went into one of the compartments in Truman's car, and we must have talked about a half to three-quarters of an hour. I gave him my idea about the whole Cabinet resigning, and he liked it. I said, "You pass this along to Truman and let me know what he thinks about it." Then I said, "Well, maybe I will be cutting my own throat with what I am going to say now." I said, "In the first place, I don't like Byrnes, and I don't get along with him." I said, "I think Truman would make a great mistake if he made Byrnes Secretary of State or his assistant." I then said, "It is my belief that Byrnes, in the last three months, has lost a lot of popularity and prestige in the country through the blackout and all the other things he did, and on the Hill they think he has a swelled head. I don't think he would do Truman any good because he just can't play on anybody's team." I said, "I think it would be bad if Truman takes him. I don't know how you feel." Hannegan said, "I agree with you completely."

I also said, "Another thing you can pass on to Truman is that this idea of having 20 people at Cabinet is ridiculous. You just can't do any business with that many people around." Hannegan agreed with me and said, "Why the night I came in there when the President died it looked like a carnival."
I said, "We ought to have a War Cabinet; we should have an agenda, and we should have a Secretary, and if I want to bring up Bretton Woods I should notify the Secretary of the Cabinet and find out if it is agreeable to the President for me to talk about Bretton Woods." He said, "Henry, you aren't saying anything that I am not wholly in accord with." I said, "We should have what they have in England - joint responsibility. If I am talking on Bretton Woods, the other nine members should support me."

Then I told Hannegan about my talk with the President when I told him that I was accustomed to running my own Department, and he said, "That's what Truman wants. He will give you complete independence. That's the way he operates."

Hannegan told me that at lunch with Truman and Byrnes, he took great pains to bring out the question of Bretton Woods because he wanted to see where Byrnes stood and Byrnes said that this is an absolute must, and so did President Truman. There was no question about it - it had to go through and if this didn't go through it would be terrible. Byrnes said he was very emphatic on Bretton Woods.

Hannegan at no time gave me any indication as to whether he wanted me to stay, but everything I suggested that he pass along to Truman he agreed with.

Later on, Dave Karr was working the train from one compartment to another, and he asked to come in to see me. I had about an hour's talk with him, which is the first time. He started out by saying, "All the boys in the Treasury have their chins on the ground. I have never seen such a lot." I said, "What's the matter with them?" and he said, "Well, they think you are going to quit and they are depressed." So I said, "Well, what's going on?"

Karr already knew about my talk with Truman, and he had it fairly straight as to what I had said to him except that he thought I tried to quit. He started the conversation off by saying that I had to stay and carry on, so I said, "Given the opportunity to do my job while the war is on, I will go ahead and do it." He said, "What will you do if the boys tell you to let off the Higgins case and settle that case?" I said,
"Well, if they tell me to settle it, I just would resign."

Then this is what he said — it seems that Paul Porter and Prichard have started a campaign to get rid of about five of us — Stettinius, myself, Biddle and Perkins but not Wallace. I couldn't quite gather whether the conversations included Truman or not, but they certainly included Hannegan, and they had talked with Mayor Kelly and Ed Flynn, and they had been all around. (The fact that Prichard works for Vinson raises a doubt in my mind about Vinson because going back Fred Smith always swore that Vinson was trying to get my job.) This had been going on for the last 48 hours, and according to Karr Truman and Hannegan told them definitely they were going to keep me. Also in this gossip was the fact that Hannegan was to become Attorney General, and Paul Porter was to go into the Cabinet. I don't know what Prichard was to do. Tom Corcoran also is mixed up in this somewhere. Karr was very sure of his facts. Amongst other reasons why they wanted to get rid of me was because I am a Jew. Karr said he was not at all sure where Truman stands on the racial question. There is nothing to indicate in any way how he stands on this.

Later on, Sam Rosenman came in and he was very much down in the dumps as he always is when he is worried about himself. He tried to bicker with me about Taylor not coming back, and I just told him that I didn't want to bicker about it. He said he couldn't understand why he didn't come back as he had sent a direct message to him to come back. I just let it go by, but he said that he had been to see every Finance Minister in Europe, and he pointed out that it was in the President's letter that he should do this. He said that the Finance Ministers didn't want to talk to him about Phase 3, and that Sir John Anderson would only talk about the weather. The way I interpreted it is that these Finance Ministers didn't want to discuss financial affairs with Rosenman. I asked him if I could see his report, and he said that he would make 7 copies, that one would be for me, but that he was going to get Truman's approval first. Rosenman is going to practice law in New York. He asked me to come around for a meal, and maybe I am just being suspicious, but I think he is looking ahead to his future law practice and is trying to make connections.
Rosenman said one interesting thing, and that is that several years ago it was said that the President might leave his confidential papers in the custody of Miss Daisy Suckley, but they got the President to sign a memorandum leaving the disposition of his papers to a committee of three composed of Harry Hopkins, Rosenman and Tully. They have that paper.

Rosenman also said he thought recently anybody could get the President to sign anything, and that was very dangerous. He said that often the President didn't know the contents of the document he signed.

Rosenman hadn't the faintest idea what Baruch had done although he came back on the plane with him. He said that Baruch was very much persona grata over there and they had wined and dined him, and that Churchill called a special meeting of the Cabinet for Baruch. Rosenman said all he got was to be invited one night for supper. He was definitely jealous of Baruch, but he didn't know what Baruch had done.

I walked down this morning with Eddie Greenbaum, and told him what I had done with his idea of having the Cabinet resign. I also told him what my Joan had said. She said, "Daddy, if President Truman appoints Jimmy Byrnes, the quicker you get out the better." So I said, "Well, Joan, what makes you say that?" and she said, "Well, Daddy, I haven't been your daughter for 22 years for nothing."

Eddie said he thought my position should be one along the lines of something like Mrs. Roosevelt said that she wanted to serve the President and the government, but that I shouldn't sort of settle down on my job; in other words, that I should be ready to get out on a moment's notice, and from my own personal standpoint, of course, now would be the best time to get out. He thought I had handled myself all right so far.

Then Eddie told me of a very interesting conversation he had. He was invited over to see Governor Dewey and Vandenberg was there. It seems that Vandenberg had been with Truman, and Truman had asked Vandenberg's advice on whom he should keep and whom he shouldn't, and that they had agreed to get rid of Biddle and Perkins, but that they also agreed they should keep me for the time being. Truman said he didn't think I would want to stay indefinitely because I had been here so long, but they
wanted me to stay, and Vandenberg advised him to keep me. I gather that Dewey agreed with that. It seems that Truman doesn't like Biddle at all, but that I am acceptable and in good standing with Truman.

Eddie said that any time I wanted to see him or to get his opinion on anything I should just call him.

I told him about this proposed meeting with Murray, and he thought that was a great mistake. He said that I knew how fast Karr found out about all these other meetings, and that the same thing would happen on this, and that it would look as though I was forming a clique to work against Truman. He definitely advised me not to participate in it for the time being. He said that I should let it go for ten days or so, and I think he is right.
April 20, 1945

H.M.JR: I saw the President a little after nine-thirty and handed him a copy of this memo (indicating attached memo). He started calling me "Mr. Secretary," and I said, "Before you were President you called me Henry. I wish you would continue to do that." He said he would like to.

He told me that the evening of the President's death was the most difficult period he has ever gone through in his life, and I said, "Mr. President, if you don't misunderstand me, as a citizen I would like to say that I think you have done extremely well in the first week." He said, "I have had all the breaks." I said, "I don't know how you like to work, but would you like to read this memo?" He said he would. He read it and said he would like to be kept posted about the tax programs as we went along. I asked if he had read my memo on taxes and he said he had. He was pleased.

When he came to foreign and fiscal matters he said that T. V. Soong had been in to see him and it wasn't clear in his mind what Soong wanted. So I said it was a gold question, and on questions like that where it was a monetary question I felt it should be one Treasury opposite another Treasury, and he said, "Absolutely." I said, "If you would like me to see Soong and in consultation with State and War work out whatever he has, I would be glad to do it," and he said he would like me to do it. He brought it up again in Cabinet and he confirmed it there again.

Going back to the section on taxes, I said, "You know Byrnes would never admit that taxes were my responsibility, and I have talked it over with Fred Vinson, and Fred Vinson feels definitely that taxes belong to Treasury," and he very emphatically said, "I say that you are responsible for taxes."
As far as the memo on Great Britain is concerned, he said it was all right to continue to talk to them. Then he asked me, "Do you want decisions?" I said, "No, I don't want decisions. This is just to bring these matters to your attention. When I want decisions I will have them on a separate memo." He said, "That will be fine." I told him that Pleven was coming over and I would keep him informed.

When he came to Mexico he said it was all right to go ahead, but about Cuba he made no comment, and about India he made no comment.

When he came to the future of Lend-Lease he said he would like to have a memo from me with recommendations.

And just make a note that Mrs. Klotz should go over these things, and when people want a memo, she should re-direct that memo to the right person and see that he gets it. So when that is through it should go to Mrs. Klotz. She will read it over, and where it is up to somebody to do something, she should direct it to the right person.

I said I was worried about the way things were going with regard to German reparations.

He said, "Well, this is confidential that I have stopped Lubin from going. I don't think he is a big enough man." So I said, "I agree, although his heart is in the right place."

He said, "He will go, but in a secondary position. I am sending somebody else. He is a wonderful person. You will be pleased."

I said, "Not Baruch?"

He said, "No, not Baruch."
Right at the beginning he said to me in regard to Secret Service, "I want to leave everything the way it is, but I would like you to give Drescher, who was in charge of Secret Service while I was Vice President, an increase because he did such a good job, and let Drescher know that it was a request of mine."

He said that so far as the rest of Secret Service was concerned, he would leave it the way it is.

I said I thought it was important that the White House Secret Service detail should be tied in closely to Treasury, because when he traveled around the country we had to put the whole Secret Service at his disposal, and that I felt responsible for his life. So he said to me, "You are responsible for the President's life. You can consider yourself so."

On the Hill while talking a few minutes with Sam Rayburn I said something about Truman doing well.

He said, "He is doing fine." Rayburn said, "I told Truman, 'Don't let them box you in a corner. They think you are going to be too conservative.' And Truman said he wished he could do something to convince the public that he was liberal."

At lunch Wallace said that during the meeting of the Business Advisory Committee Aldrich got up and talked about Bretton Woods four or five times and then told Wallace privately that he, Aldrich, would like to sit down with Stettinius and me and discuss Bretton Woods.

I told Wallace what had been happening, and about Aldrich's attitude with regard to the suit and his branch in Paris, and I personally didn't feel like sitting down with him at this time. I said I would like to wait a little bit, and he agreed.

I gave Luxford a memo, didn't I, on this Paul business?
MRS. KLOTZ: Not to my knowledge.

H.M.JR: This is separate for Luxford. Ask him to be sure to speak to me about Randolph Paul's committee before I leave town.
MEMORANDUM FOR THE PRESIDENT

For your information, I am highlighting below the major programs of my Department.

FINANCING THE WAR

Our expenditures for the current fiscal year are estimated at $98 billion, $88 billion of which are for war activities. Our prospective receipts, exclusive of borrowing, are estimated at $48 billion for this year, or about 46% of the total expenditures.

In the fiscal year 1946 it is estimated that expenditures will be $82-1/2 billion, $69-1/2 billion of which will go for war programs. Receipt estimates for fiscal 1946 are $42-1/4 billion, 50% of estimated expenditures.

My bond-selling organization is geared to a goal of 14 billion dollars during the Seventh War Loan Drive which opens May 14. Seven billion dollars of this amount will be raised from non-bank investors. The selling of Government securities during the war has been aimed at the objectives of placing as many securities as possible with individuals, thus removing excess purchasing power and its threat of inflation, providing security for small investors ($5 million individuals have purchased Series E Bonds), and maintaining the liquidity of our banking system with short-term offerings.

TAX LEGISLATION

My tax staff is working on Federal tax revisions for the transition and postwar period. This work is progressing
in close cooperation with the staff of the Congressional Joint Committee on Internal Revenue Taxation. A report is being prepared for the Joint Committee to submit to the House and Senate tax committees, containing tax recommendations for the interim period between V-E Day and the end of the war.

**LAW ENFORCEMENT**

We are currently engaged in an extensive nation-wide drive against tax evasions connected with illegal black market operations in liquor, meat and other commodities. Typically, these illegal trade operations are conducted on an abnormal cash basis with price ceiling excesses paid in so-called "side money" currency.

**FOREIGN FISCAL AND MONETARY MATTERS**

**China**

While in this country, Dr. T. V. Soong, wishes to discuss many financial problems associated with our military operations in China and the severe inflation there. I am sending you a memorandum on the Chinese desire to obtain greatly enlarged gold shipments. Because of the critical situation in China, I would like to talk to you about these matters as soon as possible.

**Great Britain**

The Treasury representative in London has told me that the Chancellor of the Exchequer wants to dispatch a top financial mission to the United States immediately after V-E Day to discuss the whole question of financial assistance to the United Kingdom.

Since the British are more worried about their postwar international financial position than almost any other subject, I think you will want to take some time to go over these issues.

**France**

We have been advised that the French Finance Minister, who will shortly be in Washington, wishes to discuss the financial side of their reconstruction problem.
Mexico

The Mexican Finance Minister has asked whether we wish them to continue their stabilization agreement with us.

Cuba

The Cubans have asked whether we wish to extend our gold sale agreement for another four years.

India

The Indian Government has requested that we lend-lease them an additional 210 million ounces of silver. We have not yet agreed because we are not convinced that so large a quantity is needed for anti-inflation purposes.

Enemy Assets in United States

Our Foreign Funds Control is working with the Alien Property Custodian on a program for the speedy disposition of all German and Japanese assets in this country. We wish shortly to present joint recommendations to you and the Congress.

German Assets in Other Countries

The Treasury is anxious that the so-called Safe Haven Program for uncovering and immobilizing German assets hidden in other countries, shall be pressed as vigorously in Spain, Portugal, Sweden, Argentina and Turkey as it has been in Switzerland. The Swiss experience shows that the neutral countries are more likely to respond if they are talking with a representative of the White House.

Peace Plans

The Treasury is working with State, War, Navy and FEA on directives to the American commander in Germany in accordance with the policies of the Presidential Directive of March 23. These matters are related to the instructions which are now being drafted for the American member of the Reparations Commission. In my opinion, some of the largest issues of the peace are involved in this work and I would appreciate an opportunity to talk with you about them.
Future of Lend-Lease

The financial problems of the termination of lend-lease and the nature of the lend-lease settlement are under study here. After V-E Day the President will have to decide whether lend-lease shipments to Western Europe are to be continued. The Treasury believes that this entire lend-lease program should be surveyed and overhauled as soon as possible after V-E Day.

Want memo and recommendation
Mr. White  
Mr. Coe  
Secretary Morgenthau

Re: Memorandum to the President of April 20th

Great Britain -  
The President said it was all right to go ahead and talk to them.

Mexico -  
The President said it was all right to go ahead.

Cuba -  
President made no comment.

India -  
President made no comment.

Lend-Lease -  
President would like to have a memo from me giving recommendations. Please see that this is prepared promptly.
At Cabinet today, when the President came to Stettinius he said that he expected him to go to San Francisco and that it was his responsibility. Somebody spoke up and said that some labor organization wanted to go to San Francisco, and the President said, "They are not going any more than I am sending any special advisers to represent me."

When I talked to Stettinius later, he said that he was going to San Francisco and that he was going to let nature take its course, and that after San Francisco he would see what is going to happen in regard to himself.
April 27, 1945

I saw the President of the United States, and told him about this informal committee which was coming in to see him, and explained to him about the March 1st committee of the President's. I said that I thought this thing should be regularized, and he agreed with me. He said he would like to study it and talk to me about it again.

Then I said, "Mr. President, when I saw the President the night before he died, I talked to him about two things; one was for me to get out a form of textbook which would explain to the American people what the Morgenthau Plan is." I said, "There are no facts available as to whether Germany can or cannot feed 60,000,000 people." He said, "That's right." I said, "There are a lot of these things that have to be explained, and I would like to do it either in magazine or book form." He said, "Fine, I would like to have you do it." Then I said, "I would like to show it to you before it goes out," and he said that he would like to see it. The reason I did that is because I don't want any subsequent misunderstanding or any thought on his part that I am trying to put something over on him, but he was very definite that he wants me to do it. I told him that was the principal thing I had gone to see Mr. Roosevelt about.

Then I told him that the other thing I talked to President Roosevelt about was having Robert Murphy as political adviser to Eisenhower, and that I thought that was a mistake. He jumped out of his chair and grabbed me by the hand, shook it and said, "I agree with you." He said, "I know Robert Murphy. You don't have to tell me anything about him." Then I said, "Well, the suggestion I made to President Roosevelt was that he swap Claude Bowers for Robert Murphy," and he said, "That's wonderful." He told me that he just had a very nice letter from Claude Bowers. I said, "What we want to do is break this little State Department clique, and Claude Bowers can do it." He said, "That's wonderful. I think that's fine."
Then I went on and tried to sell him Ted Gamble's War Bond program. I said that they wanted the Army and the Navy and Vinson and myself to make a report to him, and then he would sum it up. He said, "That sounds pretty good, but I don't know but what I have been on the radio too often. I would like to think it over." He said, "When I say yes I would give you the skin off my back, but I don't want to say yes right now. I want to think it over." So I said, "Well, I had a little difficulty selling it to President Roosevelt the first time he made a speech on War Bonds, but I showed him a picture of Woodrow Wilson walking down Fifth Avenue at the head of a War Bond parade, and that sold it to the President." Truman practically said that I had as much as sold it to him, but he wanted to think about it. He said, "I don't know whether I should go on the air so often."

Then I told him Mr. Pleven wanted to extend an invitation to me to come to Paris the end of May as a symbol of good will. I said that I believed President Roosevelt was going to go at that time, and now the French wanted me. He said, "I think it is an excellent idea." Again I slowed him down and said, "You think it over. I want to be sure you feel it is the right thing." He makes such quick decisions that sometimes I am afraid later he may be sorry.

He said, "You know I like working with you," and I said, "I like working with you." I felt he was more at ease with me today and I, therefore, was more at ease with him.

The President said that he wanted to ask my advice on a matter and he only wanted to do it if it was ethical and moral. He said, "I have a letter which you sent me about the tax deductions from my salary. I understand that the President doesn't have to pay a tax on his salary under the law, but I want to do it." He said, "I have nothing in the world except my salary, and what I want you to advise me on is whether it would be ethical and proper for me to deduct the expenses of running the White House as an expense, and then pay the tax on the remainder just as though this was a business." He said, "For example, the food in the White House alone costs $2,000 a month." I said, "Mr. President, I can't give you an off-hand answer, but I will take it up with a couple of my men, and I will give you the correct and ethical answer whether
you like it or not," and he said, "I only want the ethical and correct answer." I said, "I am sorry. I didn't mean it that way." He said, "I want to do what is right."

Then the Committee walked in, and Grew mumbled something about who should present it to the President, and I said that Clayton should. So Grew went through the stuffed shirt formality of making a little introductory speech and then turned the matter over to Clayton. Clayton presented the thing very formally, and he said, "This document is based on President Roosevelt's memorandum of March 23rd, and McCloy said, "Yes, I gave it to the President." The President said that he had read it last night. He said, "I have read a million words since I became President, and I am ready to read another million words." He said, "I am very much interested in this Directive on Germany, and I am going to read every word of it." Then I pointed out to him that it had just gone to the Chiefs of Staff, and he would want to hear from them, and he said, "Yes."

After I left the President, I met Leahy in the hall and I told him we had sent this to the Chiefs of Staff. He didn't seem to know anything about it, but he said he thought the Chiefs of Staff should stop fussing with this kind of stuff - that they were going to have a Control Commission in Germany and they should do the job, and the Chiefs of Staff should pay attention to the war.
President

To Berlin in Germany

To Paris, France

B. Robert Meier, Jr.
Exchange for
Claude Bowens

War Bond Program

3. Paris

H. Repeation [sic] now?
April 30th

I. E. called Pres. 1574

told him Lord Gare was going then at 5 o'clock
for Holland. He knew
nothing about it. Could
not believe it was
going then without his
being consulted, said
he would look into
it. N. M. L.
May 2, 1945

I saw the President and gave him the attached documents. He was very pleased, and he said three or four times, "Are you sure that this is all right?"
I said, "Yes, you can be sure that this is all right. It is my responsibility, and I am recommending it." He said, "I don't want anybody to take the rap for me," and I said, "They won't have to. This is all right." He told me that he didn't have a cent, that he had devoted his life to public service, and that if he had worked for some corporation he could have made money, but he didn't, and he said that he had family obligations to meet. He was very pleased.

Then I told him about having met with Pauley, and he said that he thought Pauley would do all right. He said, "He is tough, and I have had him sever all his business connections."

I told him that we were getting along all right with the reparations except that I told him about the Crowley incident when he protested about forced labor. He said, "That isn't surprising." Then I told him how I had handled it.

The President said two or three times, "I have complete confidence in you. I have complete confidence in you, and if I ever haven't, I will tell you." I said, "Well, I hope that day will never come." He said, "I am sure it never will."

************
The President

Postscript

February 10, 1945

My dear Mr. President,

You have requested a ruling from the office as to whether you
are entitled for federal income tax purposes to deduct from your gross
income for the year 1945 any part of the expenses which you incurred
in the course of the duty of your official position as President,
and whether such expenses are not deductible

To the extent that such expenses are deductible, or if you are not
entitled, such expenses are deductible, or if you are entitled, such
expenses are deductible, or if you are entitled, such expenses are
deductible.

It is therefore held that to the extent that such expenses are
deductible, the same are deductible from the extent that such expenses are

Respectfully,

[Signature]

Comptroller
My dear Mr. President:

You have requested a ruling from this office as to whether you are entitled for Federal income tax purposes to deduct from your gross income for the year 1945 any part of the expense which you individually sustain and pay in 1945 for food served at the White House to yourself, your family, the staff and employees of the White House, and official and nonofficial guests.

Section 23(a)(1) of the Internal Revenue Code permits a taxpayer to deduct from gross income all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business. However, section 24(a)(1) prohibits the allowance of any deduction for "personal, living, or family expenses, except extraordinary medical expenses deductible under section 23(x)."

In the performance of your official duties you are not only required to reside and make your office at the White House but, in addition, for the convenience of the Government and yourself, members of your staff and other persons attached to your office must carry on their work at the White House and eat many of their meals there. It is further recognized that it is necessary for you, by virtue of your office, to entertain federal officials, representatives of foreign governments, and others at the White House from time to time.

It would therefore appear that expenses incurred and paid by you in 1945 for food served at the White House are incurred and paid for both business and personal purposes within the meaning of the Internal Revenue Code.

It is therefore held that to the extent that such expenses are sustained in the course of the official duties of yourself and your office, such expenses are deductible for Federal income tax purposes. To the extent that such expenses constitute personal, living or family expenses, such expenses are not deductible.

Respectfully,

The President

The White House

Commissioner.
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<td>Left after taxes and food</td>
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(All figures are approximate)
May 4, 1945

The President asked me to stay after Cabinet, and he handed me this chapter on The Road to Peace, and he said that he had read it twice, and for two hours last night he couldn't sleep because he was worrying about it. He said, "That's my plan - that's up to me." He said, "I read over the Yalta Agreement again, and Churchill, Stalin and I have to agree on a plan, and we haven't yet agreed." He said, "I like everything that's in there, but it's up to me to say that." I said, "You can have it and put your name to it," and he said, "No, that isn't what I mean. You have to give me time. I am new at this thing. I wish you wouldn't do anything about it," so I said, "All right. I really have only two aims in life - the first one is to win the war and then help to win the peace, and if this will help you, I will abide by your request." He said two or three times, "This is strictly between you and me. Nobody else is to know about this."
May 9, 1945

I saw the President this morning, and told him verbally about the memorandum for Strengthening Federal Fiscal Controls. I told him that I was worried about the vast expenditures and borrowing program, and that I thought there should be somebody he could look to and who would be responsible for the whole thing. I said, "Mr. Roosevelt used to like to do all those things himself." I told the President that I had given Roosevelt a memorandum on this some months ago, but he was too tired to look at it. I said, "I have worked out something very rough," and he said, "Let me have it. I want something like that very, very much." I said, "Now, if you give that to Harold Smith he will have no part of it." He said, "Don't worry. I am not going to show it to him," and from his tone of voice he gave me a very strong indication that he had no use for Harold Smith. He seemed to like the idea and he said that he wanted to pin the responsibility on one person.

I then told him I was going away Thursday, if it was all right with him, to visit my wife, and I asked him whether it would be all right for Dan Bell to come to Cabinet, and he said, "By all means."

Before going in, I spoke to Matt Connelly, and asked him whether he had given the message to the President on 1067. He said that he hadn't, so I told the President the whole story and told him how Somervell was holding this thing up, and what had happened at the meeting in my office. I said that I thought it was important to get out 1067 now while the American people were aroused over the German atrocities, and that they were entitled to know where we stood. He said, "I will stick a pin into them." I said, "You have to protect me on this," and he said, "I will," and he wrote it out. I said, "I think you know Somervell," and he said, "I know him much better than you do." I said, "I believe that, too."

Then I got on to the Plan for Germany, and I said, "Mr. President, I realize you don't want me to publish this thing, but the second article was in the works, and I want to give it to you, but I have accepted your decision." He said, "I couldn't explain to you fully, but you put all your cards on the table and I will put all my cards on the table. You are entitled to know." He said, "I have got to see Stalin and Churchill, and when I do I want all the bargaining power - all the cards in my hand, and the plan on Germany is one of them. I don't want to play my hand before I see them."
He said, "I am interested," and he got out a map showing the various divisions of Germany, and where the people are. He said, "I just wanted to show you that I am studying this myself." I said, "I got the impression you liked my plan," and he said, "Yes, by and large, I am for it." So I said, "Well, here is the part on agriculture. I went over the charts with him, and he was amazed when I showed him that Germany was fourth in production on the various important food items. He said, "That's contrary to what everybody has told me." He was very anxious to have this chapter, and he said he would read it and study it.

Then I took up the tax question, and I gave him Mr. Blough's memorandum. I told him that this group was going to meet tonight and most likely would issue a statement. I told him that it would mean no reduction in revenue, and he said, "If there is no reduction in revenue, I am for it. I don't want any reduction in revenue." He repeated that a couple of times and was very positive about it. I told him about my conversation yesterday with Sam Rayburn and that Sam didn't want a tax bill.

Then I said that I wanted to talk to him about something that didn't directly concern my job. I said that it was I who conducted the first negotiations for President Roosevelt in regard to recognition of the Russians, and that ever since I have been friendly with them, and particularly at Bretton Woods where I got them to do things they really didn't want to do. I told him that I just wanted him to keep it in the back of his head, and that he might want to use me on the Russian situation. He said, "I will use all the tools I can lay my hands on, but in this case - which was the only time during the entire conference - I got the feeling he was just being polite and he didn't welcome the suggestion. Everything else I brought up he absorbed readily.

When I finished, I asked him if he had any questions he wanted to ask me, and he said "No." I said, "Do you have any complaints?" He said, "No, if I had some I would have given them to you when you first came in."

I again went away with the distinct feeling that the man likes me and has confidence in me, and I must say that my confidence in him continues to grow. He gives me the impression of
being completely frank, and when he doesn't want to tell me something he just doesn't tell me. There was no occasion this morning for him to tell me anything, but I get a complete feeling of frankness on his part.

In discussing IPCOG I, I urged him to give it out quickly as the next move. He didn't say that he would or wouldn't.
THE JUNKERS OWN 1/4 OF GERMANY'S FARMLAND

Farm Population
(Families)
8,000 JUNKER FAMILIES
€0.2%

99.8%

DOWN

Land

1/4
GERMANY RAISED MOST OF HER FOOD

AND...

HER DIET WAS 50% HIGHER THAN THE MINIMUM SET FOR LIBERATED COUNTRIES

Per Person

3,000 CALORIES

2,000

1,000

Germany Before the War

Liberated Countries Now

17% Imported

83% Homegrown

1938
WHAT GERMANS DID... WHAT GERMANS MIGHT DO

1933 (Latest Available Figures)

- Non workers: 66 - 34
- Unemployed: 17
- Other Workers: 11
- Farmers: 14

1950

- Total: 60
GERMANY CAN GET MORE FROM HER LAND

Quintals per Hectare on Pre-War European Farms

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Germany can get more from her land.
MEMORANDUM FOR THE PRESIDENT

Subject: STRENGTHENING FEDERAL FISCAL CONTROLS

With the close of the war in Europe our Government finds itself faced with unprecedented domestic and international tasks that place burdensome and extremely challenging responsibilities on our executive leadership. The Secretary of the Treasury is confronted with the job of managing the largest public debt in the nation's history. Eighty-five million persons have purchased Government securities during the war, and fifty million persons are now paying direct Federal taxes. These people all have a direct financial stake in their Government. Thus, they have a personal interest in good Federal fiscal management.

Since the Treasury Secretary is charged with the responsibility for raising funds and processing expenditures, he is identified in the public mind as the Chief Fiscal Adviser of the President, responsible for the original formulation of far-reaching programs of Government borrowing, lending, spending and insuring. Yet, in actual practice the area of control and influence exercised by the Secretary of the Treasury is largely limited to one side of the ledger. While he is responsible for the supply of necessary funds, he is not in a position to exert commensurate influence over the use and disposition of all the fiscal resources. This weakness is a material handicap to the functioning of the Treasury Department and, moreover, to the orderly and unified conduct of this Government's financial affairs.

No Secretary of the Treasury can properly serve the Chief Executive, the Congress and the American people during the trying post-war period of international rehabilitation and domestic reconstruction without maintaining a balanced policy over both sides of the Federal ledger. It is for this
reason that I am calling your attention to certain basic weaknesses in the management of the Federal Government's fiscal and monetary affairs, and recommending to you a reorganization program aimed at the unification and correlation of related functions in this vast and vitally important area of Government activity.

BACKGROUND ELEMENTS

The experience of the Treasury Department demonstrates that there is a positive need for the regrouping and realignment of agencies now concerned with various segments of Federal fiscal operations. This need should be met by a plan that will ultimately establish a control or coordination authority for the entire area of work. It can be readily appreciated that all financial transactions of every agency and instrumentality of the Federal Government, whether in the fields of borrowing, lending, insuring, or spending, are closely related to the condition of the Treasury. By the same token, it is apparent that all of these activities have a direct or indirect bearing on the responsibilities of the Secretary of the Treasury in superintending the revenue and managing the public debt.

At present there is no integrating force between the President and the many separate agency authorities whose activity may have a significant impact on Federal Treasury policy. The Secretary of the Treasury should be in a position to relieve the President of many burdensome details currently coming up from the numerous operating agencies working in the fiscal field.

The Secretary of the Treasury, as a Cabinet officer, is responsible to the President for the supervision of the administration of Federal fiscal affairs. The need for bringing together all of the segments of Federal fiscal activity is great today and will become still more pressing now that the war in Europe is finished. We are on the threshold of the difficult task of preserving an appropriate balance between taxation, borrowing, lending, and spending in a post-war world economy that will look to us for stimulus and example. Today the Secretary of the Treasury is unable to exercise policy direction in a wide area which is an important part of the United States fiscal program, but which is connected to the Treasury Department in nothing stronger than a bookkeeping sense.
RECOMMENDATION

While there is not presented at this time a detailed analysis of the ramifications of the realignments to be accomplished, there is indicated generally the agencies which should, from the purely fiscal point of view, and as a service to the President, be tied into the Treasury Department for purposes of policy coordination and control. It should be made clear that there is no intention to disturb the basic corporate patterns, regulatory and insuring controls or operational practices of such agencies. However, in addition to the major policy changes suggested, considerable administrative improvement with resultant economy can be accomplished through a reduction in the number of agencies involved and certain functional mergers.

Treasury suggestions embrace the extension of this Department's influence into these areas:

A. Policy control and correlation of programs relating to banking, insurance, lending, and borrowing now spread principally in the Departments of Agriculture, Interior and Post Office (Postal Savings), the Federal Loan Agency, the National Housing Agency, and the Federal Deposit Insurance Corporation.

B. Policy influence with respect to the money and credit markets of the country, typified by activities of the Board of Governors of the Federal Reserve System, the Federal Open Market Committee, and the Securities and Exchange Commission.

C. Policy direction over Federal revenue and expenditures typified by the President's budget and proposed legislation submitted to the Congress from the standpoint of a unified fiscal program.

The recommendation for accomplishing the necessary degree of integration in this wide area of work, while holding to a minimum the disturbance of existing organizational lines, contemplates the following:

The establishment of a top policy committee chairmanned by the Secretary of the Treasury and composed of assistant chairmen who will head subcommittees for specific functional areas.
Generally, the plan is to have established eight principal subcommittees as follows: (1) Committee on Industrial Finance, (2) Committee on Agricultural Finance, (3) Committee on Foreign Finance, (4) Committee on Maritime Finance, (5) Committee on Money and Credit, (6) Committee on Housing Finance, (7) Committee on Public Works Finance, (8) Committee on the Federal Budget.

The membership in, and in some instances the existence of a committee will depend at any given time on the Federal fiscal programs then in process, but we would have established a framework into which the bulk of Federal financing functions would fall. Illustrative of the operating practice contemplated is this: Each of the subcommittees would meet once a week. In the case of Agriculture the Assistant Chairman would be the Secretary of Agriculture, who in turn would meet with the Secretary of the Treasury's top committee at two-week intervals. The same pattern would be followed with each of the other subcommittees from which would come a representative to serve with the top fiscal policy group. The action of the subcommittees would be advisory only to their respective chairmen.

The Secretary of the Treasury would be chairman of the top policy committee. The committee would be advisory to the Secretary; and the Secretary, after consulting the committee, would advise the President with respect to the advisability of expenditures and other policy questions discussed. In addition, the approval of the Secretary of the Treasury should be required on all financing, capital or borrowing, or corporations owned by the United States or in which it has a direct or indirect controlling interest.

The Secretary of the Treasury would need to have a small staff of experts available to carry on liaison with the operating agencies, and serve as a secretariat. This staff would be trained to deal with important fiscal problems which might arise in any of the constituent groups, and to weld together the programming of all these activities in relation to the Government's financing.

In presenting this tentative proposal for what amounts to a substantial rearrangement of the Federal Government's fiscal and monetary operations, I am not unfriendly of the
reasons behind the present organizational setup. Nevertheless, I think that you will agree that in a Government such as ours the job of perfecting our organization, and adapting it to the changing demands of growth and development is a never-ending undertaking. While we have often heard the term "Watchdog" of the Treasury applied to various public officials, including the Secretary of the Treasury, it is an unfortunate fact that today the President has no single subordinate serving him in that capacity. If the President would like to have one responsible guardian of the nation's Treasury, it is the aim of this recommendation to give it to him, in the person of the Secretary of the Treasury.

At this time I am not placing before you any executive orders or detailed organizational plans for the reason that I want first to discuss this matter with you. There may also have to be mergers of existing organizations before fully realizing the objectives of a thoroughgoing fiscal realignment. It is my belief that the program can be accomplished without legislative action and, I hope, without engendering personal antagonisms. If you approve, I will have prepared the necessary executive orders and present to you in detail the make-up of the top fiscal committee and related instruments aimed at coordinating and unifying our programs of finance as I feel are necessary.

Faithfully yours,
National Committee for Fiscal Affairs

SECRETARY OF THE TREASURY

CHAIRMAN

Secretariat
Liaison Officers

COMMITTEE ON INDUSTRIAL FINANCE
Assistant Chairman

COMMITTEE ON AGRICULTURE FINANCE
Assistant Chairman

COMMITTEE ON PUBLIC WORKS FINANCE
Assistant Chairman

COMMITTEE ON FOREIGN FINANCE
Assistant Chairman

COMMITTEE ON MARITIME FINANCE
Assistant Chairman

COMMITTEE ON HOUSING FINANCE
Assistant Chairman

COMMITTEE ON MONEY AND CREDIT
Assistant Chairman

COMMITTEE ON THE FEDERAL BUDGET
Assistant Chairman
Taxation

1. Joint Committee

The Joint Committee on Internal Revenue Taxation for Postwar Taxation has been called for a meeting at 7:30 P.M. today, when it is expected to adopt a report to the House Ways and Means Committee and the Senate Finance Committee. This report will deal with tax measures to be effective for the period between the end of the German war and the end of the Japanese war. The report is expected to follow closely the suggestions made jointly by the Treasury staff and the Joint Committee staff.

The Joint Committee may announce not only the above report but also a recommendation that the excess profits tax be repealed effective January 1, 1947, if the war ends before that time.

If possible the Treasury should issue an announcement concurrently with that of the Joint Committee, supporting the Joint Committee recommendations and indicating the cooperation of the Treasury and Joint Committee staffs in working out the suggested program.

2. Capital gains tax

An entirely separate item is the proposal of the Economic Stabilization Board to lengthen to three years the holding period for long-term capital gains. This is still in the stage of joint study by the Treasury staff and the Joint Committee staff.

May 9, 1945
SPECIAL MEMORANDUM ON SUGGESTED TAX CHANGES TO BE EFFECTIVE AFTER THE END OF THE WAR IN EUROPE

Pursuant to resolution of the
JOINT COMMITTEE ON INTERNAL REVENUE TAXATION

By the Technical Staffs of the
JOINT COMMITTEE ON INTERNAL REVENUE TAXATION AND TREASURY DEPARTMENT

MARCH 31, 1945
SPECIAL MEMORANDUM ON SUGGESTED TAX CHANGES
TO BE EFFECTIVE AFTER THE END OF THE WAR IN
EUROPE

In a letter to members of the Joint Committee on Internal Revenue Taxation for Post-War Taxation, dated March 24, 1945, Mr. Dough-ton, the chairman, proposed that at the next meeting of the committee consideration be given to tax revisions to be effective in the interim period following the end of major hostilities with Germany and prior to the end of the war with Japan. He also indicated that the tax suggestions of the staffs of the Treasury Department (including the Bureau of Internal Revenue) and the Joint Committee on Internal Revenue Taxation, applicable to this period, would be available for consideration at that time. Accordingly, this special memorandum has been prepared summarizing the suggestions for the interim period, most of which have been presented in Studies in Post-War Taxation.

It is suggested that all present tax rates should be retained and that no major changes in taxation should be made until after the defeat of both Germany and Japan. This position, as indicated in part 7 of Studies in Post-War Taxation, is supported on the following grounds:

1. Federal expenditures can be expected to remain at a high level even after victory in Europe, and thus the need for revenue will not be lessened. With the war continuing on one front, it has been estimated that the Federal Government would spend for war alone at the annual rate of about $71,000,000,000.

2. It appears unlikely that there will be any serious general unemployment during the period of the Pacific war. This period can be expected to be one of reasonably full employment since the pent-up demand for goods and services is expected to offset the anticipated cut-back in war production. Such unemployment as does exist will largely be caused by unavoidable delays in the reconversion of plants to peacetime production. It is likely to be limited to a few areas in which large cut-backs in war production are made. General tax reductions could do little to help these isolated areas.

3. Inflation will continue to be a danger during the period of the Pacific war. Tax reductions at this time might be an important factor in starting a run-away inflation, since they would increase demand for civilian goods and services already in excess of limited production. Furthermore, tax reductions might weaken other anti-inflationary controls.

4. While the armed forces are still called upon to endure personal and economic hardships, tax reduction would impair morale.
The positive suggestions for tax revision to take effect for the interim period after victory in Europe are as follows:

1. Speed up refunds attributable to carry-backs of net operating losses and of unused excess-profits credits.
2. Speed up refunds resulting from the recomputation of deductions for amortization of emergency facilities.
3. Make the post-war credit of 10 percent of the excess-profits tax currently available for tax liabilities of 1944 and subsequent years.
4. Advance to January 1, 1946, the maturity date of outstanding post-war refund bonds.
5. Increase the specific exemption under the excess-profits tax from $10,000 to $25,000, effective for 1946.

No further changes are suggested for the interim period.

Speeding up the refunds, making the post-war excess-profits credits currently available, and advancing the maturity date of post-war refund bonds, involve no change in ultimate tax liabilities, but would improve the cash position of business during the interim period. A detailed description of these proposals is presented in part 8 of Studies in Post-War Taxation.

The increase in the specific exemption to $25,000 would reduce the repressive effects of the excess-profits tax upon smaller corporations. A large number of the smaller corporations would be freed from liability under the tax and the burden for the remainder would be reduced, with no considerable loss of revenue.

The other suggestions relating to corporate taxation that have previously been made (see pt. 7) were suggested only for the period after the end of all major hostilities. The suggestions relate to reduction and repeal at designated appropriate times of the excess-profits tax, and the capital stock and declared value excess-profits taxes. Additional revisions of the corporate tax structure for the post-war period are being studied, including such matters as accelerated depreciation, special treatment of corporate dividends, and revision of the corporate tax rate. Consideration is also being given to revisions in the individual income tax, excise taxes, and the estate and gift taxes. In view of the necessity for maintaining high taxes during the interim period, tax changes in these fields were not considered appropriate for that period.

The suggestions in this memorandum are based on our present appraisal of the future economic situation. Subsequent developments might make it necessary to suggest additional changes for the interim period.

It will be observed that the suggestions in this memorandum are intended to take effect during the interim period following the end of major hostilities with Germany and prior to the end of the war with Japan. It is not intended thereby to suggest that other legislation may not be desirable during this period to take effect after the end of the war with Japan.
Operator: Mr. Connelly.

Mr. Matthew Connelly: Hello. Good morning, Mr. Secretary.

HMJr: Hello.

Mr. Matthew Connelly: Hello. Good morning, Mr. Secretary.

HMJr: Good morning. Here's my problem, and after you hear it you can decide whether I ought to talk to the President or whether you can get me an answer.

C: I've been trying to get into him ever since you called, but he's had somebody with him.

HMJr: All right. Well, now, I have a regular press conference at 10:30. Last night I informed the President the Joint Committee on Taxation met last night, and I gave him a copy of what they were going to take up on taxes. Walter George beat the gun and gave out a statement knowing he was going to this meeting at 7 o'clock last night, in which he came out for a reduction of taxes in 1946.

C: Ahuh.

HMJr: Well, Bob Doughton unbelievably didn't know about it until this morning, but he's sore as hell.

C: Yes. Well, this is important. He just broke up here now, can I put you through to him.

HMJr: Would you do that?

C: Yes, sure, hold on a minute.

(Pause)

Hello, hello, here you are, sir.

HMJr: Hello.

Just a minute.

HMJr: Hello.

President Truman: Hello.
Henry Morgenthau.

T: Yes, yes, Henry.

HMJu: How are you?

T: I'm all right.

HMJu: Mr. President, I think I need a little advice. You remember I told you yesterday about the meeting that was going to take place last night of the Joint Committee on taxation?

T: Yes.

HMJu: And I gave you that little pamphlet that they were going to consider.

T: That's right.

HMJu: Well, Walter George went ahead and about 5 o'clock last night, knowing this meeting was going to take place, and gave out a statement to the Press coming out for the reduction of taxes for '46.

T: Ahuh.

HMJu: Bob Doughton didn't know anything about it, and I was talking to him this morning and he is sore as hell.

T: Well, he has a right to be.

HMJu: Now, I urged him today to come out with a statement saying that he was opposed to any reduction of taxes, but he hesitated and they still haven't made a formal announcement - this committee, you see?

T: Yes.

HMJu: So then he said I wonder if President Truman would care to send for George and Doughton, and possibly myself, and iron this thing out, you see—being a hesitant to take Walter George on. I did take the liberty of telling Bob Doughton that you were absolutely opposed to any reduction ...

T: That's right.

HMJu: ....of taxes in '46.
T: That's right.
HMJr: Now I don't want to throw this on you if....
T: Well, will you do something for me this way?
HMJr: I'll do anything you want.
T: Why don't you take the bull by the horns and see if you can't get them together and straighten it out, and then if you can't then I'll take a hand.
HMJr: Well, that's all right with me, but I thought -- I've got a regular press at 10:30.
T: That's all right.
HMJr: And if it is all right with you, what I was going to say was quote from my annual report a very short statement in which I said "wartime taxes must continue as long as war conditions required".
T: That's all right.
HMJr: And stand on that.
T: That's all right. And then see if you can't get these fellows together. I didn't know -- I didn't think Walter George would do that.
HMJr: Well, it's unheard of.
T: I know it is. Well, see what you can do and then talk to me some more.
HMJr: Right. Thank you.
May 16, 1945

I saw the President this morning, and I spoke to him first about the tax situation. I told him how pleased I was with what he had done yesterday, and he said he had gotten my letter and was pleased to receive it. I explained the whole situation to him, and told him that the so-called Big Four would take it up with him next week. He said that that was all right.

Then I showed him the letter from Kilgore, and I told him that I was going to say no. I said, "I understand that Kilgore cleared this matter of holding these hearings with you." He said that that was right, and then he said, "I wouldn't say no to Kilgore." He said that he had read my second installment on Germany, but he is waiting until Eisenhower is informed about this, too; that is in connection with the publicity. He seemed rather inclined to let me do this, so I said that I would take it up with him again on June 1st, and he said that would be fine.

I spoke to him about Pleven's invitation for me to come to France, and he seemed to have forgotten that I had spoken to him about it previously. He seemed quite amenable to my going. I said that I would want to go to the Ruhr and the Saar, and he said that would be all right. I also said that I would like to see my son, and he was very sympathetic. I told him that when I made these trips previously, President Roosevelt always gave me a plane, and he said, "I will do the same. I just promised one to T. V. Soong." I said that I wouldn't decide for another couple of weeks as I wanted to wait until Mrs. Morgenthau got back, and I would speak to him about it again. He said that was all right.

Then I showed him the proposed amendment to the Bretton Woods Legislation, setting up a National Advisory Council. He read it and said, "What is the matter with that?" and I said, "Well, the State Department is raising an objection to my being chairman." He said, "Why shouldn't you be chairman?" I told him the story about how Clayton and Acheson had been up to see Spence, and I said, "I am not taking this too seriously, but they told Spence that if so much went to Stettinius then Bretton Woods would go to Foreign Relations, and that settled it as far as Spence was concerned." He said, "Is this going to hold up Bretton Woods because if it is I would leave that
question open, and I will appoint a chairman." He didn't say that he would appoint me, but he gave me the feeling that he would appoint me. He said, "Don't hold up Bretton Woods on account of this." I said, "No, we're not holding it up but I am having a little fun over it."

He signed the letter on the refunding without asking any questions.

I showed him the card from the Washington Post, and that seemed to interest him. When I was talking to Connelly outside, he said, "Well, we all know that George looks after special interests." I told the President about how we had not been able to get 1% on Coca Cola, and he said that that didn't surprise him.

I then asked the President if he would like me to do some work on seeing how we could cut the appropriations of the Navy, and he said he very definitely would.

While I was waiting to get in to see the President, I was talking with Connelly, and I happened to say something about Secret Service and asked him how they were getting along, and he told me about how Captain Vardaman had gone out to get the President's Mother, and that Mike Reilly was drunk the whole time. I took this up with the President, and he said the thing should be handled by the Treasury, and whatever we did would be all right. He told me the story about Monty Snyder, and he added the part I hadn't known before about his being drunk.

After I left the President, I went in and talked to Mr. McKim. The President said he had gotten a report from the U.S. Marshal about Reilly, and that I should see McKim, but evidently it was all verbal. McKim is sending for a formal report and will let me have it.

***************
1603

Sirs,

Sam Rayburn
Bob Knutson

in tax bill, Rayburn will take it off next time.
Big favor to President.

Kilgore Invitation

2nd letter articles in Germany.

Plauen Invitation to Franz

Who is to be Chairman

Mike Riley Capt. Varick

Mckinney
United States Senate
COMMITTEE ON MILITARY AFFAIRS
Subcommittee on War Mobilization

May 9, 1945

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

My dear Secretary Morgenthau:

The Subcommittee on War Mobilization is scheduling a series of hearings on "The Economic Base for German Aggression and National Security," beginning on June 5. These hearings are a continuation of earlier investigations of "Cartels and National Security," which showed that German aggressive forces began to conspire immediately after the last World War for renewed world conquest. The earlier investigations indicated that Germany did not resort to military aggression until after extensive economic penetration of prospective victims, through international cartel agreements and other economic devices. There is already evidence on hand that the German conspirators for aggression, who have in the past included, in addition to the Nazi political hierarchy, military, industrial and financial groups, have prepared for defeat in the present war as well as for victory and are trying to create economic reserves, inside and outside of Germany, for another attempt at world conquest.

It is the intent of the present hearings to expand the earlier studies and to bring them up to date. It is expected that further information will be developed on the techniques and practices which the Germans have used to create at home and abroad the economic resources for aggression; in this connection the Subcommittee will explore particularly those techniques and practices appropriate to defeat which have even now been set in operation to rebuild Germany's military strength. In addition, the hearings will be addressed to determining the nature of such German resources, and the steps which must be taken to wipe out completely the German economic base for war.

These hearings will not be especially concerned with a detailed description of instances where Germans have been able to accomplish their purposes by exploiting commercial relations with Americans and other foreigners. They are concerned, however, with the role played by specific economic mechanisms such as cartels, as well as with the role of neutral or previously neutral countries.
The Subcommittee would be pleased if you would appear before it on June 7 to present information gathered by your Department on these subjects and to testify on the Department's current and projected activities to eliminate the German economic base for further aggression.

It is the practice of the Subcommittee to request of witnesses a prepared statement of testimony which may be read or inserted in the record at the opening of the hearing, as well as supporting documents which are the basis of or amplify the statement and which are submitted as exhibits.

I would appreciate it if you would make available to the Subcommittee a copy of your statement at least three (3) days in advance of the hearing for study by the Members and as a basis for questioning. I have asked Dr. Herbert Schimmel and Mrs. F. F. Manuel of the Subcommittee staff to discuss with you or your staff any technical questions which may arise regarding your testimony.

I am enclosing a schedule of the other witnesses.

With all good wishes, I am,

Sincerely yours,

[Signature]
H. M. Kilgore
Chairman

Enclosure
SUBCOMMITTEE ON WAR MOBILIZATION
SENATE MILITARY AFFAIRS COMMITTEE

Harley M. Kilgore, West Virginia, Chairman
Elbert D. Thomas, Utah
Edwin C. Johnson, Colorado
James E. Murray, Montana
Chapman Revercomb, West Virginia
George A. Wilson, Iowa

HEARINGS ON "ECONOMIC BASE FOR GERMAN AGGRESSION AND NATIONAL SECURITY"

Schedule of Witnesses Appearing Beginning
June 5, 1945

Honorable Francis Biddle
The Attorney General
and
Mr. Wendell Borge
Assistant Attorney General

Mr. Leo T. Crowley, Administrator
Foreign Economic Administration

Honorable Henry Morgenthau
Secretary of the Treasury

Mr. William L. Clayton
Assistant Secretary of State

Mr. James E. Markham
Alien Property Custodian

Major General William J. Donovan
Director, Strategic Services

Major General John H. Hilldring
Director of Civil Affairs Division
War Department
1. **C.E.D. Proposal:** The following new section will be added:

"STABILIZATION LOANS BY THE BANK"

"Sec. 13. In order to relieve the management of the Fund from any possible pressure to employ the Fund's resources in an unauthorized manner for purposes not related to current monetary stabilization operations in connection with seasonal, cyclical and emergency fluctuations in the balance of payments for current transactions, the governor and executive director of the Bank appointed by the United States are hereby directed to promptly obtain an official interpretation by the Bank as to its authority to make or guarantee long-term loans for programs of economic and monetary reconstruction which may include long-term stabilization loans. If the Bank does not so interpret its powers, the governor and executive director of the Bank appointed by the United States are hereby directed to promptly propose and support an amendment to the Articles of Agreement for the purpose of explicitly authorizing the Bank, after consultation with the Fund, to make or guarantee such loans. The President is hereby authorized and directed to accept such amendment on behalf of the United States."

2. **Council Proposal:**

Section 4 is amended to read as follows:

"NATIONAL ADVISORY COUNCIL ON INTERNATIONAL MONETARY AND FINANCIAL PROBLEMS"

"Sec. 4. (a) There is hereby established the National Advisory Council on International Monetary and Financial Problems (hereinafter referred to as the Council), consisting of the Secretary of the Treasury, as Chairman, the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System and the Chairman of the Board of Directors of the Export-Import Bank."
(b) The Council:

(i) in consultation with the representatives of the United States on the Fund and Bank, shall formulate, for the approval of the President, general policy directives for the guidance of the representatives of the United States on the Fund and Bank.

(ii) shall advise and consult with the President and the representatives of the United States on the Fund and Bank on major problems arising in the administration of the Fund and Bank.

(iii) except as otherwise provided in section 5 of this Act is hereby authorized, under the general direction of the President, to give or refuse the approval, consent, or agreement of the United States whenever, under the Articles of Agreement of the Fund or the Bank, such approval, consent or agreement of the United States is required before any act may be done by the respective institutions.

(iv) from time to time, but not less frequently than every six months, shall transmit to the Congress a report, approved by the President, with respect to the participation of the United States in the Fund and the Bank.

(c) The representatives of the United States on the Fund and Bank shall keep the Council fully informed of their activities and shall provide the Council with such further information or data as the Council may deem necessary to the appropriate discharge of its responsibilities under this Act.

(d) The Council, with the approval of the President, is also directed to coordinate the policies of the Export-Import Bank with those pursued by the United States in connection with the Fund and Bank.
Revision of Information Provision:

Section 9 is amended to read as follows:

"OBTAINING AND FURNISHING INFORMATION"

"Sec. 9. So long as the United States is a member of the Fund, the President may require at any time, in the manner and under the penalties provided in Section 5(b) of the Trading with the enemy Act (U.S.C., title 50, App. Sec. 5), as amended, the furnishing of any data that may be requested by the Fund under Article 3, section 5, of the Articles of Agreement of the Fund."
One Person as Governor of Both Fund and Bank:

Section 3: Section 3 is amended to read as follows:

"Sec. 3. (a) The President, by and with the advice and consent of the Senate, shall appoint one governor to represent the United States on both the Fund and the Bank, an executive director of the Fund and an executive director of the Bank. The executive directors so appointed shall also serve as provisional executive directors of the Fund and the Bank for the purposes of the respective Articles of Agreement. The term of office for the governor shall be five years and for the executive directors two years but the executive directors shall remain in office until their successors have been appointed.

(b) The President, by and with the advice and consent of the Senate, shall appoint one or two alternates for the governor and one alternate for each of the executive directors. Alternates for the executive directors shall be selected by the President from names recommended to him by the executive directors.

(c) No person shall be entitled to receive any salary or other compensation from the United States for services as a governor, executive director, or alternate."
May 16, 1945.

Dear Mr. President:

About $4,770,000,000 of Treasury certificates of indebtedness will mature on June 1, and about $755,000,000 of Home Owners' Loan Corporation bonds have been called for redemption on that date, with my approval.

Subject to your approval, and under authority of the Second Liberty Bond Act, as amended, I propose to offer the holders of these securities an opportunity to exchange them for a like par amount of 13-month Treasury notes, to bear interest at the rate of 0.90 percent. Cash subscriptions will not be invited.

The authorizing act provides that notes may be issued only with the approval of the President. Accordingly, I trust that the proposed issue will meet with your approval. It is my intention to make public announcement of the offering on Monday, May 21.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The President,

The White House.

APPROVED:

ELK: ckm
5/14/45
Who is the most powerful member of the U. S. Senate? Most of Walter F. George's colleagues say that he is. Yet he is almost unknown to the general public. For a close-up of this influential statesman and scientist in taxation, by all means read

"Taxpayer's Senator"

by Rufus Jarman in the May 19 issue of The Saturday Evening Post.

THE SATURDAY EVENING POST

Charles Schwartz, Dir. of Press Relations
Department of Treasury
Treasury Dept. Bldg
Washington, D.C.
Special Notice!

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THE SATURDAY EVENING POST
May 23, 1945
11:45 a.m.

Present: D. W. Bell
Charles Bell
John Pehle
Mr. Fussell
Mr. Gaston
Mr. Blough
Mr. Bartelt
Mr. Haas

HM Jr: I am doing something a little bit different, but there are so many people involved and I want them all to know about it. I saw the President and I am going to dictate the minutes of the meeting, and if there are any leaks it will only happen once, and I don't mean maybe!

I showed the President the letter from Bob, and read him the parts which I had marked in red. He was very much interested.

Then I talked to him about this thing on Brand. He kept the whole set of papers which I had with me. He said, "Well, certainly somebody has got to do this," and I said, "Well, this is part of the Treasury reorganization plan which I gave you." He said, "I just haven't been able to get around to it."

I told him that I had said at Cabinet that I was going to lay these various things before him. I said, "Mr. President, I think you should reduce your Cabinet to ten members," and he agreed. I said, "You should have a very important person as Secretary to the Cabinet, and we should submit a day in advance what we would like to bring up, and then he could fix you an agenda Friday morning, and you could say what you wanted brought up and what you didn't, and run this thing in an orderly manner." I said, "After all, on the Hill the Committees have a secretary." He said, "You bet they do, and in the Finance Committee the Secretary to the Committee knows more about it than any member, and he writes up the reports." I said, "I think you should have that kind of a man for the Cabinet," and he agreed.

I indicated that they wanted me to handle this matter of British Lend-Lease, but he wanted to study it. I said, "I don't want to rush you because this is an important decision, and it is along the same lines of the decision you made in regard to the Advisory Committee on Bretton Woods of which the Secretary of the Treasury was to be chairman." He said, "You let me read it overnight." I said, "If you don't do something you are going to
have Churchill very displeased, and he is going to be on your neck." He said, "Well, I don't want to give them everything they ask for," and I said, "I never have; in fact, they have complained about me." Then I pointed out that the matter now was in the hands of Fred Vinson, who knew nothing about this, and that it was referred to him by the Army.

I gave him the charts on Navy expenditures, and he was very much interested. He went over them very carefully and kept them. I asked him if he would like some more and he said that the charts were good and he would like some more. He also said that the next thing should be the Maritime Commission. I said, "When it comes to the Army, I may have to get an order from you," and he said, "That's all right." I said, "You realize that I am cutting right across Budget on this." and he said, "That's all right." I said, "When I do this, the Navy and the other people would like to cut my throat." He said, "Don't worry - I am not going to let them cut your throat." I said, "Well, I have a tough neck, and it has been tried before." Whenever any question of my resigning comes up or something about somebody doing something to me, he is always quick on the trigger to let me know that nothing is going to happen.

I gave the President the memorandum on the special tax drive, and he liked that immensely. That was right down his alley. He said, "That's fine. I like that." I stopped outside and talked to Matt Connelly about it, and his reaction was, "That's good because we have been getting all kinds of trouble from people wanting to lift ceilings and so on." He said, "Work like that will help us keep ceilings on and will help us with the Legislature." Then a thought came to me - and I hadn't thought of this before - that this is a Senator and his secretary who are now in the White House, and they are very conscious of these pressure groups.

I forgot to tell the President about Bretton Woods, so I will have to carry that over.

On the Railroad Retirement legislation, I gave him the memorandum and told him that the Railroad Brotherhood had been to see me. The President said, "Well, when I saw what Roosevelt had done, there was nothing for me to do but to say yes." He said, "They kind of got you over the barrel, haven't they?" and I said, "They have got me over a barrel and I would like to get back off it." He read my proposed letter to the Committee and went over it very carefully, and he said, "This letter has my approval."
I said, "I think there should only be one person collecting taxes," and he said that he agreed with me on that. I said, 
"We are withdrawing the other letter and want to send a new one." He said again, "They really have you over a barrel," and when I said I wanted to get off it, he said, "I don't blame you."

The next thing I took up was the Crime Commission. I said, "Mr. President, if you don't mind, I think you made a mistake." He said, "I think Robert Jackson was the wrong man for the job. I think he was a conscientious objector during the war, and I don't think he will carry this out." He said, "I think you are wrong. I had a talk with him yesterday, and I think he is going to do what I ask him to." So I said, "Well, I hope I am wrong but Jackson said he wouldn't get anywhere before Christmas at the earliest." The President said, "Well, the Russians want to have a trial and, strangely enough, the English don't." I said, "Well, when Bob Jackson read Drew Pearson's column - and for once Pearson only had it half good enough - he became very excited." The President said, "Well, I don't think he should get so excited," and I told him that I was just as excited. I said, "Can I give you a confidential memorandum because I am worried about this? He said that would be all right. I said, "There are going to be a lot of American soldiers who were prisoners in Germany coming back who are going to be pretty bitter. 250,000 soldiers are coming back next month, and they are going to be bitter and get more bitter when they find out that we aren't doing anything about this." He said, "That's right." Then he said, "If I am wrong, I will be the first to admit it, but I think he will do the job all right." I said, "Well, I will bring you over a memorandum." He certainly couldn't have taken my criticism any nicer, but he said that he wants these people to get a trial. He said, "I don't want to do it the way the English want it without a trial." He said, "Even the Russians want to give them a trial."

I talked to him about cotton for China, and I told him how slow everybody was, and how Leo Crowley was interested more in his commitments to South America, etc., and I said that I finally had gotten Bob Patterson enthusiastic about it. He pounded the desk and said, "What the hell is the matter with these people? Don't they know we have a war on our hands?" He said, "I want to give China some cotton." I told him that up to now all we
had given them was promises, and the only cotton they were getting was 3200 tons of India cotton. I said that I would have something for him by next Wednesday.

I gave him the War Refugee memorandum, and he read it carefully, and then I told him that I didn't feel I should continue on this thing, and that I thought this was going to lead right into the Palestine question and a lot of other Jewish questions. So he said, "Well, I know there are three different groups of Jewish interests and none of them see alike. I have seen it on the Hill." I said, "Well, I don't belong to any group, and if you care to ask my advice personally I would be delighted to be consulted." He said he wanted to talk to me about it and he wanted to consult me personally. I told him that I didn't want to continue in this work. I said, "I am representing 135,000,000 people," and he said, "I know that." He didn't ask me to do anything, but he kept the memorandum.

I spoke to the President about Robert Murphy, and he said he had mentioned it to General Marshall, and he seemed to agree with the decision that I took that it would be good to get rid of Murphy, but he said that with Stettinius away he had not had a chance to talk to him.