MATTERS TO TAKE UP WITH THE PRESIDENT

Wednesday, May 23, 1945

1. What did he do with the Treasury's organization plan?

2. Is he going to do anything about removing Robert Murphy?

3. I want to have ready for him suggestions on saving expenses in the Navy. Charts attached.

4. Does the President want charts on Army and Maritime such as we did for Navy?

5. I hope to have a report for the President on cotton some time after next Wednesday. I now believe that Mr. Patterson will get in and pitch for it, which up to now he has not done with real enthusiasm.

6. War Refugee Board - 2 memoranda attached.

7. Special Tax Drive - memorandum attached

8. Railroad Retirement Legislation.

9. Bretton Woods will be reported out Thursday or Friday.

10. Giannini.

11. Lend Lease with England

12. Crime Commission - ~~Professor Arthur Goodhart of Oxford to see Justice Jackson in England.~~
Returning soldiers

13. Cotton for China.

15 May 1945 1619

Dear Daddy,

I was very glad you wrote us about Mother, because it was much better to hear all about it than it would have been to get some partial information. Your letters have been coming through regularly and I have enjoyed getting them immensely. I shall discontinue my subscription to "Times". No incoming mail is censored so you have nothing to worry about on that score.

I was very encouraged to hear you speak so highly of Truman because everybody out here thought the President's death was such a terrific calamity. Maybe he will do better than people at first thought. He certainly seems to have plenty of support.

The question everybody out here is asking now is whether Russia will help us or not. I think she will but the important thing is how soon. I suppose she is using that as a bargaining point now. We certainly could use those air bases now in a big way.

As far as the end of the war in Europe is concerned, it has been very hard to get too excited about it, and in fact difficult to appreciate the significance. We have been too occupied with our duty business out here.

The greatest immediate help will be the additional air power which shouldn't be too long in coming.

I think things out here are progressing slowly but well. There are many problems out here that are difficult to understand unless you have been out here. I hope the people realize that we still have a major war to fight out here.

One of the officers aboard gets the Kiplinger letter, and he (Kiplinger) can't seen to wait to reconvert. I find that I get angry every time I read them because he acts as if the Army is maliciously trying to keep up production of war equipment. Oh well -

I am feeling fine and have no complaints. Received <u>Forever Amber</u> from you and just started it. I wonder if

my Times subscription could be changed to Airmail, because it is much faster than first class.

We get no packages to speak of so it is not worth trying to send me anything except an occasional book. We get no second class mail at all.

Well, I hope this finds you well and taking good care of yourself.

Give my love to Mother and Joan.

Love

Bob

P. S. I wrote Mother yesterday at 2029 Connecticut Avenue.

May 23, 1945-

Memorandum for the President

1. At Quebec President Roosevelt and Prime Minister Churchill decided to have an American Committee set up consisting of the Secretary of the Treasury, Under Secretary Stettinius and Mr. Crowley to consult with the British Committee set up by the Prime Minister on the question of international financial position of Britain and the lend-lease arrangements for the British Empire in the period between V-E day and the defeat of Japan. The President asked me to act as Chairman.

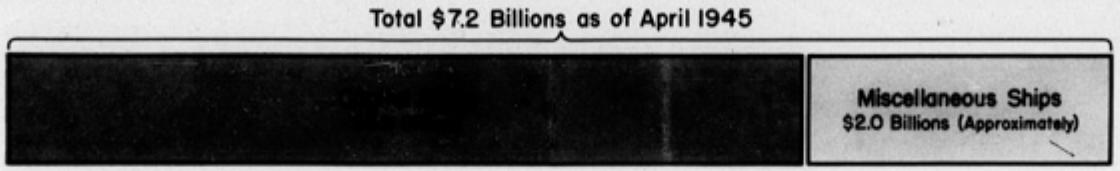
2. The discussions were carried on by the Treasury, State Department, FEA, Army, Navy and numerous Subcommittees for several months.

A recommendation was submitted to the President on November 27. With the submission of the report, the Committee considered itself dissolved.

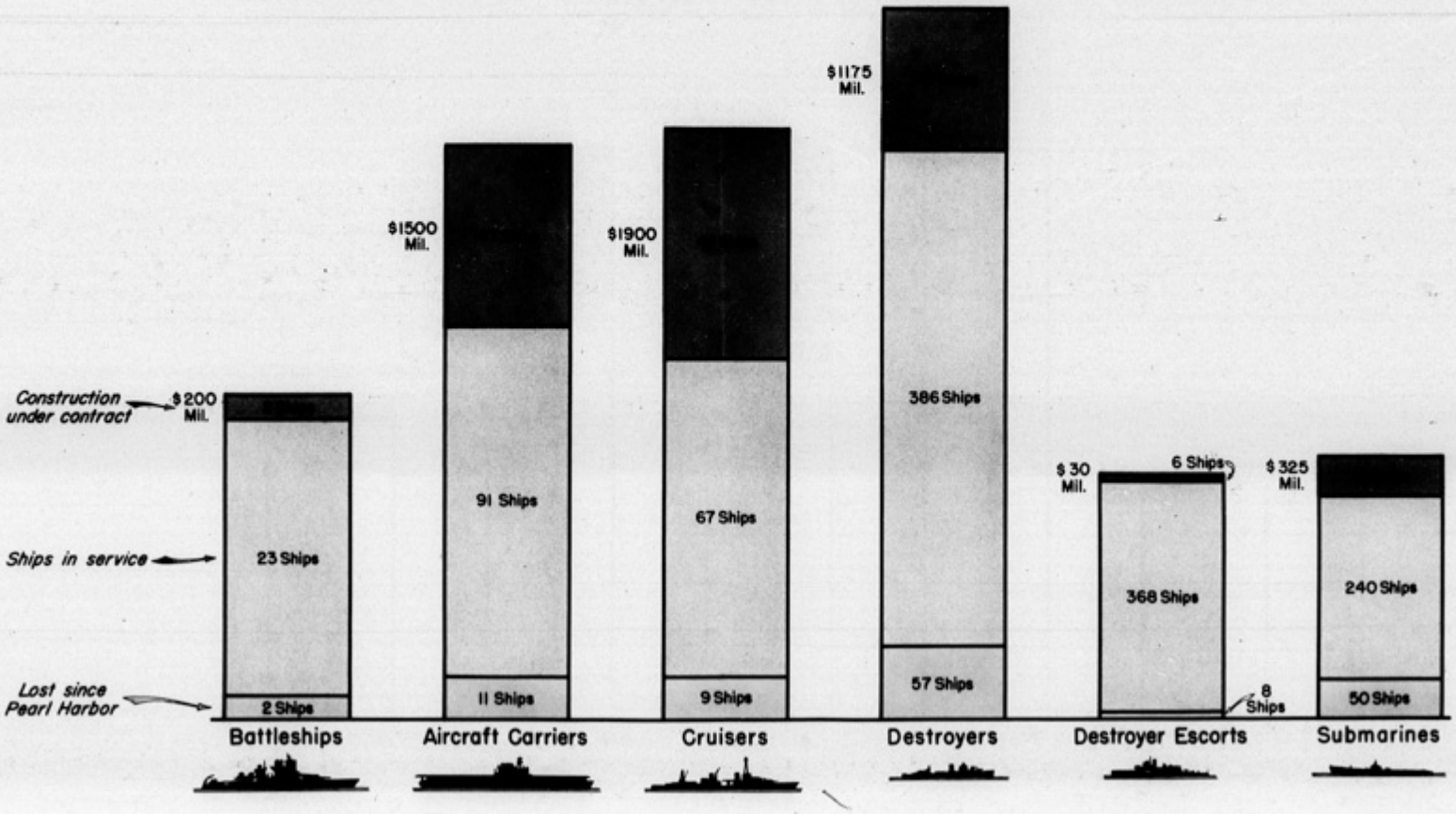
3. Inevitably with the inauguration of the program numerous problems of policy and implementation of the understandings arise. The British Treasury is pressing me for a reply with respect to several important matters of interpretation of the recommendations made to the President by our Committee.

Since the dissolution of the Committee, there is no central authoritative group with whom the British can discuss questions with respect to Lend-Lease matters.

NAVY SHIP CONSTRUCTION PROGRAM UNDER CONTRACT



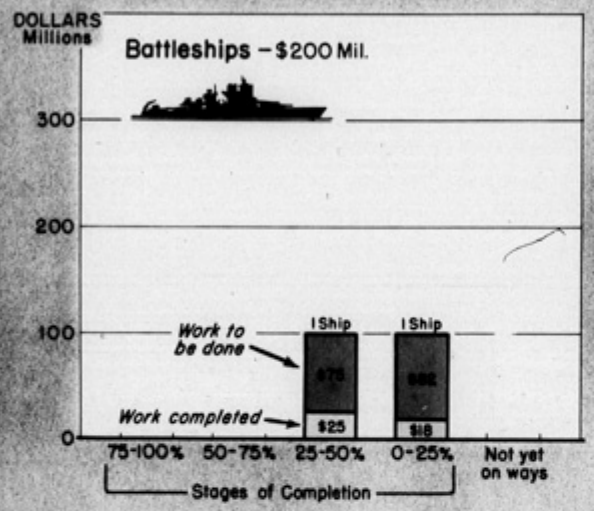
Capital Ship Construction Program Compared with Ships in Service

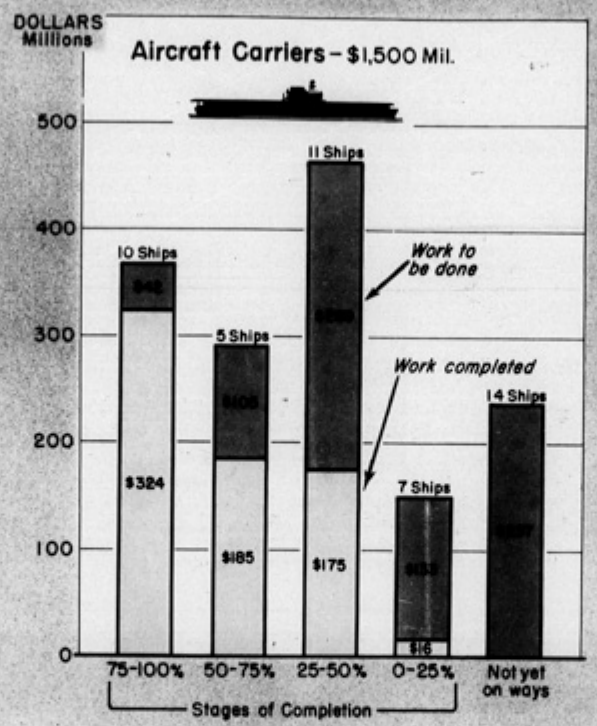


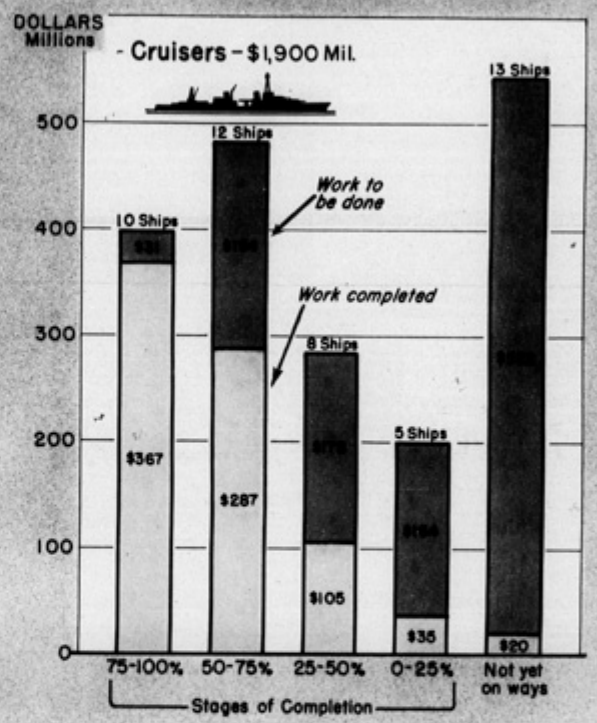
B-555

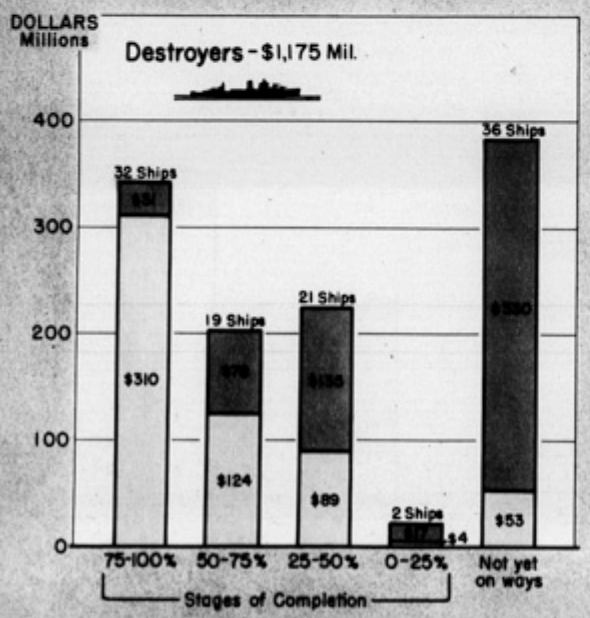
NAVY CAPITAL SHIP PROGRAM IN VARIOUS STAGES OF COMPLETION

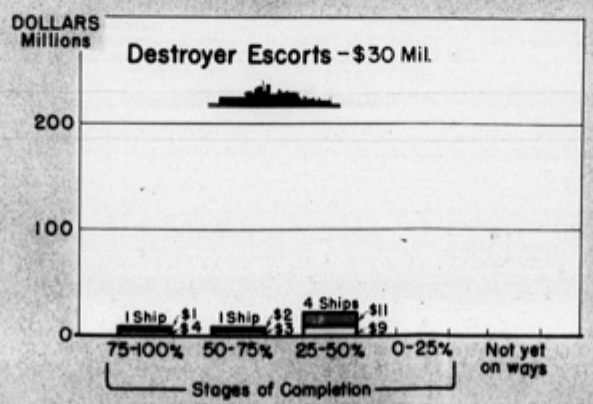
As of April 1945

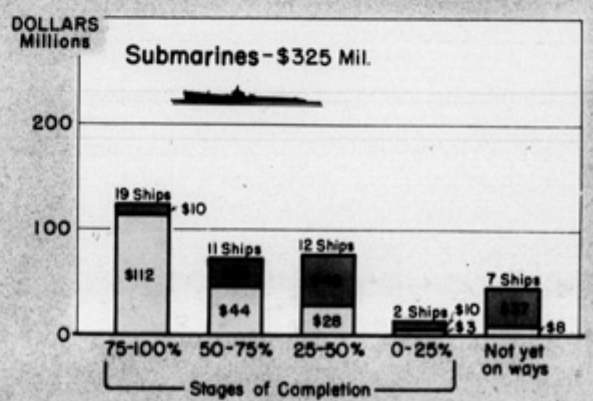












B-556

May 23, 1945

MEMORANDUM FOR THE PRESIDENT:

We are beginning to get results in the special tax drive we inaugurated about six weeks ago and to which I referred briefly in an overall report of Treasury activities sent to you on May 9, 1945. At the present time some 1,400 examining officers, including special agents of our Intelligence Unit, revenue agents, deputy collectors and Alcohol Tax Unit investigators have been organized into squads in different sections of the country and are concentrating on tax evasion schemes being currently concocted. Some of the most promising leads are obtained from transactions involving the use of large quantities of currency, particularly big bills.

I have been following the current investigation very closely, and have been literally amazed at some of the types of situations recently disclosed. As examples of the sort of thing we are uncovering, I might cite: (a) the case of the proprietor of a fur store on Fifty-seventh Street in New York City who, until our investigation uncovered him, had never paid any excise taxes on the expensive furs he has been selling; (b) a black-market operator in liquor who, while under investigation for OPA violations, paid $477,000 additional personal income taxes for one year (he has since been sentenced to serve six years for his black-market operations); and (c) the case of the owner of a chain of restaurants in New York who, early in March, deposited over a million and a half dollars in cash (mostly in $500 and $1,000 bills) in a group of New York banks - and this in the face of the fact that he has not reported taxable income in excess of $22,000 in any of the years up to and including 1944.

I might mention to you that my examination of the situation indicates that we are woefully undermanned for the job we are called upon to do. During the war it has, of course, been increasingly difficult to obtain qualified

personnel to make income tax investigations, and in addition we have lost a great many of our most experienced people to the Armed Forces. Limitations on appropriations have also necessarily restricted our recruitment activities at times. Anticipating that the manpower situation will ease, it is my intention to attack the appropriation problem through the Bureau of the Budget and the Appropriation Committees in the House and Senate by asking that we be given a much freer hand as regards hiring people to do enforcement work during the coming fiscal year and that our appropriation be increased by whatever amount we need to do the job.

There is no need to burden you with the details of our problem, but should the situation develop in such a way that I need a helping hand with respect to obtaining the necessary funds with which to finance our enforcement program, I may have to take the matter up with you.

One other matter connected with our drive may be of interest to you. Some of our most helpful leads have been obtained through the cooperation of commercial banks which have voluntarily disclosed to us information with respect to unusual deposits or withdrawals of cash in the banks in question. Realizing that the banks constitute a veritable mine of information, we attempted a month or more ago to effect informal arrangements with them, under which they would report to us unusual currency transactions on the part of their customers. For whatever reasons, the banks have not generally been willing to cooperate with us, so on May 18, 1945, I issued an order to the banks, effective June 1, 1945, requiring them to report monthly the facts with respect to transactions effected through the banks involving currency in amounts not easily explainable as legitimately needed in the conduct of the customers' business. The order also applies to check-cashing organizations, savings banks, private banks, investment bankers, building and loan associations, and securities and commodities brokers.

I have no doubt there will be complaints, but I think the order is clearly justified by the situation which confronts us.

IMMEDIATE RELEASE

JANUARY 23, 1945

The President has addressed the following letters, identical except for the designation of the Senate and House Bills (S. 293 and H. R. 1362) to Senator Burton K. Wheeler, Chairman, Committee on Interstate Commerce, and Congressman Clarence F. Lea, Chairman, Committee on Interstate and Foreign Commerce:

"January 22, 1945

"Dear Mr. Chairman:

"As you know, I have been for many years interested in the development of the Railroad Retirement and Railroad Unemployment Insurance Acts. I realize, as I am sure you do, that our early social insurance legislation, as is true of most ventures in new fields, needs to be reexamined from time to time in order to make sure that the provisions operate in practice so as effectively to carry out those beneficent purposes which all of us wish to see accomplished.

"S. 293, now before your Committee for consideration, represents the results of a study, over a period of several years, of the operations of the Railroad Retirement and Railroad Unemployment Insurance Acts by the Railway Labor Executives' Association, representing the great bulk of railway workers, and the Railroad Retirement Board.

"This study has included an analysis of many thousands of suggestions made by railroad workers and their local organizations. Many proposals were, of course, rejected; what remains represents an effort to make these railroad insurance systems function more effectively.

"I am told by the Chairman of the Railroad Retirement Board that preliminary drafts of the bill were widely circulated to all groups in the industry in 1942 and 1943. Two bills, the major provisions of which were substantially the same as S. 293, were introduced in the recent session of the Congress, one of them as early as last May. There has therefore been ample opportunity for all interested groups to study the proposals; and all those involved should by now be fully prepared to state their views.

"I am heartily in favor of the objectives of S. 293 and I hope that the Congress will see fit to act favorably on those objectives.

"May I ask that your Committee take the necessary steps to hold hearings on the bill as soon as possible?

"Very sincerely yours,

"FRANKLIN D. ROOSEVELT"

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April 26, 1945

My dear Mr. Chairman:

Your letters of January 12, 1945 and March 14, 1945 request the Treasury Department to submit its views on the bill, H.R. 1362 "To amend the Railroad Retirement Acts, the Railroad Unemployment Insurance Act, and subchapter 3 of chapter 9 of the Internal Revenue Code; and for other purposes."

The Treasury has consistently favored the amplification and extension of the whole social security system. Insofar as H.R. 1362 is consistent with the policy of extending social security benefits, the Treasury is in favor of its objectives. The Treasury, however, favors the provision of additional benefits and extension of coverage to all workers without discrimination.

H.R. 1362 provides payroll taxes aggregating 14-1/2 percent in the near future and 15-1/2 percent eventually, compared with the present level of 9-1/2 percent. These taxes differ greatly from voluntary contributions to private insurance plans. They are a matter of general public interest, and, equally with other taxes, should be appraised from the viewpoint of their effects on the economy. The general public would undoubtedly bear a substantial portion of the burden of these taxes which are of a regressive character. Moreover, the financing plan for the railroad social security system calls for the withdrawal from purchasing power of appreciable amounts of money to be accumulated in a large reserve. This may have important deflationary effects in the postwar period. Although payroll taxes of this magnitude may have little effect on employment in the railroad industry and elsewhere during the war years they can hardly fail to have an adverse effect in the postwar period.

At the present time the general social security program is not being financed on a full reserve basis. The Treasury believes that both programs should be financed in a consistent manner. President Roosevelt had indicated that the entire social security program was in need of revision and expansion. It is understood that investigation of all phases of the social

security program --the benefit system and the methods of financing -- is likely to be undertaken by the Congress in the near future. There may be special problems associated with applying social security to the railroad industry and these should be uncovered as a result of the current hearings on H.R. 1362. It is, however, desirable to have the benefit system and the financial arrangements of the social security program for the railroad industry closely integrated with the general social security program. Accordingly, the Treasury recommends that action on H.R. 1362 be postponed until it can be considered in relation to a revised social security program.

The Treasury views the proposed transfer of additional tax collecting powers to the Railroad Retirement Board as objectionable. It feels that taxpayers should not be required to deal with more than one Federal agency in tax matters and should not be subjected to an unnecessary duplication of audits. This position was expressed by the Treasury in 1938 when the Railroad Unemployment Insurance Act was under consideration. Since then collection of income tax at source has been instituted. There are potentialities for integration of the collection and administration of the payroll and income taxes. These potentialities for simplification cannot be achieved under the proposed division of the responsibility for tax collection as regards the railroad industry.

The Treasury desires to call to the attention of the Committee a matter of general importance in connection with this legislation. Section 12 of the Railroad Retirement Act and section 2 (c) of the Railroad Unemployment Insurance Act provide that benefits under these acts shall not be subject to any tax. The present bill would increase certain benefits and create others which would be exempt from taxation. The Treasury is opposed to such special tax exemption provisions and believes that they should be removed from the law so that the treatment accorded these benefits would be governed by the provisions of the Internal Revenue Code generally applicable to other benefits of the same character. The basic question of the proper treatment of annuities and similar benefits under the income tax is being reexamined and whatever decision is reached should be made applicable to the benefits paid under the Railroad Acts as well as to others.

There are also a number of administrative and technical problems which are raised by the provisions of the bill. In general these problems relate either to the dividing line between the railroad security program, on the one hand, and the social security system on the other, or to the proposed transition from the present system of collection of these taxes to the proposed method of collection. These can be more appropriately dealt with in a separate technical report which will be sent you in the near future.

The Director, Bureau of the Budget, has advised the Treasury Department that there is no objection to the presentation of this report, but that this advice should not be construed as involving any commitment as to the relation to the President's program of the specific provisions of the bill.

Very truly yours,

Signed - D. W. Bell

Acting Secretary of the Treasury

Honorable Clarence F. Lea
Chairman, Committee on
Interstate and Foreign Commerce
House of Representatives
Washington, D. C.

VNKirby:hps 3/16/45

THE SECRETARY OF THE TREASURY
WASHINGTON

My dear Mr. Chairman:

Your letters of January 12, 1945, and March 14, 1945, request the Treasury Department to submit its views on the bill, H. R. 1362, "To amend the Railroad Retirement Acts, the Railroad Unemployment Insurance Act, and subchapter 3 of chapter 9 of the Internal Revenue Code; and for other purposes."

The Treasury has consistently favored the amplification and extension of the whole social security system. H. R. 1362 extends and improves social security benefits for an important group of employees. Accordingly, the Treasury favors the objectives of this bill, and believes that legislation should be enacted to achieve them.

The Treasury believes, however, that H. R. 1362 should be amended in certain respects. It views the proposed transfer of additional tax collecting powers to the Railroad Retirement Board as objectionable. It feels that taxpayers should not be required to deal with more than one Federal agency in tax matters and should not be subjected to an unnecessary duplication of audits. This position was expressed by the Treasury in 1938 when the Railroad Unemployment Insurance Act was under consideration. Since then collection of income tax at source has been instituted. There are potentialities for integration of the collection and administration of the payroll and income taxes. These potentialities for simplification cannot be achieved under the proposed division of the responsibility for tax collection as regards the railroad industry.

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There are also a number of administrative and technical problems which are raised by the provisions of the bill. In general these problems relate either to the dividing line between the railroad security program, on the one hand, and the social security system on the other, or to the proposed transition from the present system of collection of these taxes to the proposed method of collection. These can be more appropriately dealt with in a separate, technical report which will be sent you in the near future.

Very truly yours,

Honorable Clarence F. Lea
Chairman, Committee on
Interstate and Foreign Commerce
House of Representatives
Washington, D. C.

May 23, 1945.

MEMORANDUM FOR THE PRESIDENT

In January of 1944, President Roosevelt established the War Refugee Board, consisting of the Secretary of State, the Secretary of the Treasury and the Secretary of War, for the purpose of taking all possible measures to rescue the persecuted peoples of Europe who were in imminent danger of death at the hands of the Nazis. With a small staff in Washington and representatives in strategic neutral countries, the War Refugee Board put the full prestige and power of the United States Government behind the efforts of private agencies and inter-governmental organizations, particularly the Inter-governmental Committee on Refugees and UNRRA. Although it is impossible to measure the success of the Board in terms of exact statistics, there is no doubt that many thousands of lives were saved as a result of its work. This was accomplished because the problem was recognized and dealt with as one requiring attention by the government at the highest level.

The great humanitarian task assigned to the War Refugee Board is now practically completed. There is left, however, the equally great problem of the resettlement of hundreds of thousands of displaced persons who are unable or unwilling to return to their homelands. The Inter-governmental Committee on Refugees was authorized to arrange for the rehabilitation and resettlement of such displaced persons. However, if the Inter-governmental Committee is to do a successful job, the full force and weight of the United States Government must be placed behind its resettlement activities as was done in the case of its rescue activities.

Since the device of a Cabinet Committee has been so successful in the case of the War Refugee Board, it is my view that every consideration should be given to continuing this device with respect to the problems of the homeless victims of Nazi oppression, whose lives have been saved in large measure as the result of the activities of this Government.

I recommend for your consideration the establishment of a Cabinet Committee to deal specifically with the problem of the permanently displaced and non-repatriable groups in Europe and to handle the relations of this Government with the Inter-governmental Committee on Refugees and the UNRRA. Such a Committee might consist of the Secretaries of State, Interior and Commerce. If you wish, I shall be glad to sound out other interested people concerning this proposal prior to liquidation of the War Refugee Board, which is contemplated for the very near future.

FM:JED:hd 5/22/45

May 22, 1945.

MEMORANDUM

The War Refugee Board was established January 22, 1944.

The Board was established by Executive Order of President Roosevelt which set forth a firm statement of national policy to save victims of Nazi oppression in imminent danger of death. The Secretaries of State, Treasury and War were designated the members of the Board and an Executive Director was appointed as its principal executive officer.

The Board cooperated closely with private agencies and international organizations.

The Board undertook to coordinate and facilitate the operations of all interested American private relief agencies, and to cooperate closely with international organizations, particularly the Intergovernmental Committee and the UNRRA, as well as with agencies of foreign governments.

Private American relief agencies with trained personnel and readily available funds did most of the financing and operating in the field. The Board obtained for the private agencies governmental permission to send funds into enemy territory, permission to communicate with persons in enemy territory, the help of United States diplomats, the use of government communication channels and the Board provided the guidance of government officials in developing and organizing private programs of rescue and relief.

The Board's Programs

1. Rescue and Relief. The Board undertook to develop its own program of rescue and relief, and funds plus the necessary authority were given to its representatives abroad to conduct such operations. The Board also undertook an extensive project, financed with government funds, for the development of a feeding program for oppressed victims inside enemy lines. Food packages purchased in the United States were delivered to the International Red Cross for distribution to the starving inmates of German concentration camps.

2. Protective Measures. In addition to relief and rescue operations, the Board developed certain very effective measures to safeguard the lives of oppressed people while still in enemy hands. As the result of the Board's efforts, many thousands of stateless Jews holding questionable identification papers or

passports for entry into various Latin American countries were kept alive because the countries involved were persuaded to accord the protection of their nationality to the people holding these invalid documents, at least as long as they remained in enemy hands. Special protection was also accorded to persons in enemy control who were close relatives of American citizens or residents. The names of all of these people were transmitted through appropriate channels to the Germans who were notified that such persons were recognized as exchangeable by the countries of the Western Hemisphere. The very fact of their recognized exchange status saved many of them from death by the Germans.

3. Psychological Warfare. A very important and effective phase of War Refugee Board activities was the development of psychological pressures in the form of warnings to the enemy and its satellites, designed to forestall further persecution of Jews and other minorities. The Board secured the cooperation of all interested government agencies in this important work.

4. Havens of Refuge. The Board also undertook to find temporary safe havens for those oppressed victims who could escape from the enemy. As a token of this Government's interest, one haven was established in the United States when 982 refugees were brought from Italy to the Emergency Refugee Shelter at Fort Onterio, Oswego, New York.

FH:JWP:hd 5/22/45

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

1636

DATE 31 May 1945

TO Secretary Morgenthau

FROM Mr. Gaston

Yesterday morning the plans were set for the President to leave here for San Francisco by air on the morning of 5 June but they were countermanded last night after return from the Potomac cruise and are held in suspense without any definite dates.

Mrs. Truman and daughter, however, will leave Washington on Sunday or Monday aboard the Presidential private car which will be attached to some B & O train, either a regular train or more likely one of the military trains. The car will take them by B & O and Missouri-Pacific to Kansas City. The car will then be sent on to the Pacific Coast for possible use in case of unfavorable weather conditions, although the expectation is that the President will make the entire trip by air.

Rowley, the Assistant Supervising Agent of the White House Detail, left for the Coast yesterday with Harry Anheier, Supervising Agent of the Washington District, and Jack McGrath, the Supervising Agent in New York, to set up the protection plans in San Francisco and on Puget Sound. Anheier will co-operate with Merrill in San Francisco and McGrath with Jarrell in Seattle.

WHG

June 1, 1945

I had an appointment with the President this morning at 9:45, but didn't get in to see him until 10:10 because he got a call from Harry Hopkins.

The first thing he said to me was that he was going to announce about the Enforcement men we need, and he wanted to say something about the veterans. So I said, "Mr. President, Charlie Ross called me, and I have this memorandum for you, and I suggest that you say you directed me to do that." Well, he sort of demurred, and we will see how he handles it, but he was pleased. Then I told him just what the proposal was, which I only got this morning by having Charlie Bell ride down with me. Nobody has ever explained it to me before, but maybe I didn't give them a chance. As I explained to him, we have $500,000 unexpended funds for the balance of this year, which we will use to hire everybody we can now. Then we got, through the Budget, $16,300,000.00, which is to hire men inside the Bureau. I told him that what I am explaining to Congress is that with the money already appropriated, we will accelerate the spending, and beginning the first of July we will hire additional people, and if we are successful we may need it in October. I said to the President, "I think we are going to have some trouble with McKellar." He said, "We will put his feet in the fire at Cabinet today. You bring it up."

Then I told him about my cocktail party and the 11 bottles of liquor, and also about Wolcott, and he liked to hear about it. I used that as an introduction to get him to sign the letter to Spence. I left it with Matt Connelly to send it up to Spence.

Then I said, "Mr. President, I don't know if you want to hear some gossip, and I don't think you are apt to hear it now that you are President." He said he would like to hear it, and so I said, "Well, the talk around town is that you are going to put Stettinius out. Now, I am not asking you whether you are or not, but if you have it in mind I would like to talk to you about his successor." He hesitated a minute and then he said, "Well, I would like to hear from you." I said, "I don't know whether you are thinking about putting Byrnes in or not, but I want to say in the first place, so that you completely understand me, I can't get along with him." I said, "If the

other people around you were honest they would tell you the same thing." Then he said, "Oh, I know Mr. Byrnes. He is a conniver," and I said, "That's just what he is. I have known him ever since Farm Credit days, and I also know how when Harrison was Leader of the Senate, Byrnes used to run around corners and make him very unhappy." He said, "I know that." I said, "I just don't think he would work on anybody's team. Just because he has gone on a trip to Russia doesn't make him an expert on foreign affairs any more than it made Henderson an expert on China after 12 days there." So the President kind of shook his head and said, "You don't know how difficult the thing has been for me. Everybody around here that should know anything about foreign affairs is out," and then he got excited and said, "I just put across all by myself the most wonderful thing without any help from Stettinius. I just finished talking to Harry Hopkins, and I am the happiest man in the world over what I have been able to accomplish." He said, "I can't tell it to you just now," and I wouldn't ask him because I think I know what it is. Then he said, "The Democratic Party feels that it is dangerous, in case anything should happen to me, to have Stettinius succeed me." I said, "I don't know but what they are right, but does the Democratic Party feel it has to be Byrnes?" He said, "Absolutely not." He said, "I am just studying the situation."

Then I said, "Look, Mr. President - you have said several times that you would tell us what is happening. I think we ought to be told when Hopkins comes back what he has done, and what Joe Davies has done." He said, "I will get around to it." I said, "In the meantime, couldn't you have some sort of a Kitchen Cabinet of the people whom you trust, and you could have either breakfast, lunch or supper, and tell us what is going on. (This thing which I said to him I have been working out in my own mind for two or three days, but I didn't know just how to put it.) I said, "Take my case for instance. It isn't just a matter of curiosity but I have a lot of people selling War Bonds who look to me for guidance." I said, "While naturally I wouldn't tell them everything I know at least I would be in a position so that I could guide these people." I said, "You would be surprised at how the War Bond people react to what happens in Washington." He said, "I understand that. Their pocketbook is at stake and that is something that is closer to them than anything else." Then he made some remark to the effect that he did have confidence in me.

The information which I got from Ted Gamble and Charlie Skouras on Stettinius proved to be correct - that the Democratic Party wants a new man as a possible successor to the President. Gamble told me that Skouras had nothing new since Hannegan told him that he, Hannegan, had confidence in me, and there would be no change as far as he was concerned in my case. They seemed to take that as a closed book.

Just where I said the following, I don't know but it must have been in connection with describing the extra men for the tax drive. I said, "You know, Mr. President, with this big drive on, I am having a little trouble over in Internal Revenue, and I am having a little trouble with Nunan. I have got to get good men, and he has recommended a man for his Assistant whom I don't think is so good." The President said, "I never recommended one and you should never take any "shit ass" for an administrative position. Don't take anybody you don't think is good." I said, "Well, Nunan has been to see Hannegan about it and you will probably hear about it." He said, "Don't worry about Hannegan. I will take care of him. Don't you take anybody unless he can do the job." He repeated, "I never recommended anybody to you, did I?" and I said, "No, you didn't." I said, "Look, Mr. President, with all this new work, Nunan isn't a very strong man, and I want to get the best man I can as Assistant Commissioner." He said, "Take your time and don't worry, and we will look around for somebody." I said, "Mr. President, I don't know whether you know about my political attitude, but I have been on the State Committee, and I have been a national delegate, and I have always been an organization Democrat." He said, "I know you have - just the way I am." I said, "I want to take recommendations from the Party." Then he said, "Well, you don't always have to take the first one they give you." I said, "We have 65 political Collectors of Internal Revenue, and because of that the central organization has to be extra strong and competent. Nunan needs strengthening." The President said, "You are right, and we will get somebody."

I think this took care of that situation very nicely; in other words, I beat Hannegan and Nunan to the punch. Of course, this is always the way I worked with Roosevelt.

After that, Matt Connelly came in and said, "Mr. President, it is 10:25, and you have a press conference at 10:30, and Senator Brewster is still waiting." So I said, "I will go if I can have one more minute." I just showed him the 7th War

Loan figures, and he was very much interested, and I stopped there. I was only with him 15 minutes so I didn't have a chance to take up all the things I had on my list.
I did show him the memo from O'Connell on Charles Wilson, and he said it was okay.

I said to the President during the course of our conversation, "Please, Mr. President, don't let anybody talk about unemployment figures. They will talk you right into a depression. Both Krug and Henry Wallace have been talking, and I think you should tell them to stop." The President said, "I know."

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MATTERS TO BE TAKEN UP WITH THE PRESIDENT

June 1, 1945 - 9:45 a.m.

1. Suggest to the President that they replace General Clay with either Senator Kilgore or Robert Patterson.

2. Memorandum on Personnel for General Clay.

3. Memorandum on How De-Nazification Program is Being Carried Out.

✓4. Letter from the President to Congressman Spence on Bretton Woods.

5. Tell the President about having House Banking and Currency Committee for cocktails.

6. Talk to the President about introduction of tax bill.

7. Cotton for China.

8. Giannini.

9. Letter from Senator Kilgore.

10. Stettinius - Byrnes. ✓

✓11. No talk about unemployment figures.

✓12. Charles Wilson

✓13. Truman - politics

1 June 1945

MEMORANDUM TO THE PRESIDENT:

Yesterday I acquainted the top officials of the Civil Service Commission with our special tax drive and the necessity for an accelerated program of recruitment. Arrangements have been made with the Civil Service Commission to have placed at every Army discharge center in the United States a qualified recruitment officer from the Civil Service Commission, fully versed in our recruitment requirements, who will steer to us qualified veterans as they are discharged.

CSB:mt:icd
1/Jun/45

Honorable Brent Spence,

House Office Building.

My dear Mr. Chairman:

I have already made clear my conviction that the prompt enactment of the Bretton Woods legislation is of paramount importance in the establishment of a sound economic foundation for lasting peace.

I am confident that this legislation will be enacted. But my interest in its enactment is almost equaled by my interest in seeing that the Bretton Woods legislation continue to have the full bipartisan support so manifest by the action of your committee in reporting the bill. You and Mr. Wolcott, as well as the other members of the Committee, have demonstrated a high degree of statesmanship and non-partisanship for which America can be proud and her fighting men and women can be encouraged that their sacrifice has meaning in terms of tomorrow.

Let us hope and pray that the example set by your Committee on the Bretton Woods legislation will become the pattern for American participation in international economic and security cooperation. An America united in its determination for lasting peace and prosperity can know no defeat.

Sincerely yours,

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

O.K.

DATE MAY 30 1945

TO SECRETARY MORGENTHAU

FROM MR. O'CONNELL

Charles E. Wilson saw me yesterday afternoon about tax exemption for the Air Power League. He said he had talked to the President in the morning about the League and that the President had evidenced a good deal of interest in the undertaking.

This is a nonprofit organization recently incorporated here, having offices in New York. Mr. Wilson is president, and its Board includes nationally known industrial, publishing and aviation names.

The League's primary objective is to develop public comprehension of the importance to national security and to preservation of world peace of United States air power. It intends to encourage educational and scientific activities in fields of importance to military aviation in the United States. Its program includes building an air museum, establishing scholarships, obtaining speakers, promoting an annual "Air Force Day", making awards for advancement of aviation knowledge, and publishing a monthly magazine.

The Bureau has tentatively reached the conclusion that the League will be exempt from tax as a scientific, literary or educational organization and that contributions to it will be deductible for tax purposes to the extent provided by law.

You may want to let the President know that while the organization will probably get an exemption ruling, you want to reserve a final decision on the question until you have had a chance to look into it further.

To combat misuse of the exemption statute, the Bureau has recently adopted a "wait-and-see" policy under which rulings generally will not be given to new organizations until after twelve months of actual operation. This is not a

hard and fast test. Religious organizations of recognized denominations, charitable organizations principally supported by Federal or State funds or the general public, and educational organizations regularly maintaining a faculty and student body will continue to receive advance rulings.

To some extent granting exemption to this League at this time would cut across that policy, but the purposes of the League appear to be such that its operations will probably qualify it for exemption. It may, therefore, well be an exception to the general rule.

Joseph J. O'Connell Jr

June 1, 1945

At Cabinet, I brought up the subject of people talking about unemployment figures, and the President showed me that he had it written down. I said that I hoped people wouldn't forecast unemployment figures because if they do the first thing they know they will have talked us into a depression, and the President backed me up 100%. He said, "They can't sell bonds that way." He said that CED had been in and given him a wonderful report on business, and Paul McNutt says he gets wonderful reports on business. Wallace said sort of sarcastically, "After the Bond Drive is over, I would like to raise the question again."

When I first went in, I thanked the President for his enthusiastic support on the tax drive. I told him about the good reception I had gotten on the Hill, and I said that I hoped Senator McKellar would give me as good a reception. The President backed me up, and McKellar said, "If you can guarantee to collect a billion dollars, we will give you the 16 million," and I said, "I think I can guarantee that."

Then I read the report on cotton for China, and the President said that T. V. Soong ought to be very pleased with that. He also said he thought Soong was elected President of the Yuan on the strength of that.

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MATTERS TO BE TAKEN UP AT CABINET

June 1, 1945

1. No talk about unemployment figures.

2. Put Senator McKellar's feet to fire on appropriations for additional Enforcement people.

3. Cotton for China.

1 June 1945

REPORT OF SPECIAL COMMITTEE ON CHINESE REQUESTS

A Special Committee, consisting of the undersigned, has made the following arrangements in response to the Chinese request for gold, textiles and trucks.

1. Gold

$189,224,000 of gold is to be shipped to China.

2. Textiles

We have been successful in getting a large allocation of cotton textiles for China, particularly in view of the tight supply condition and the late time at which Dr. Soong made his application. A firm allocation of 45 million yards has been obtained for the third quarter of this year. It is probable that an allocation as high as 60-65 million yards will be obtained for the fourth quarter. If the supply agencies are able to carry this through at the regular time, this will make a total allocation of 105-110 million yards for the last six months of 1945 compared with the Chinese net requirement of 112 million yards for the same period.

This result was only obtained because of the active support of the War Department which wishes these textiles to be used to assist in the procurement of supplies for those Chinese troops which are being trained and equipped by the U. S. Army. Accordingly, FEA is arranging to have the textiles distributed in the manner mutually agreed upon by the U. S. Commanding General in China and the Chinese authorities.

The supply agencies will have much hard work to do to deliver the textiles on schedule.

3. Trucks

4,000 trucks over and above the present allocation to China (15,000 trucks) are to be furnished by FEA as a result of Army cut backs. A Lend-Lease requisition is being filed by the Chinese Government with FEA, and the Army is to have no responsibility for financing.

4. Further operations under the Anti-Inflation program will be carried out through regular channels and procedures.

H. Morgenthau Jr.
Secretary of the Treasury

Robert P. Patterson
Under Secretary of War

W. L. Clayton
Assistant Secretary of State

Leo T. Crowley
Foreign Economic Administrator

I saw the President this morning, and I showed him the latest report on War Bonds. He said, "If you have anything you want me to say I will be glad to say it at 4:30 today." I said, "No, I think we will save you until towards the end of the Drive because we still have four weeks to go."

I showed him the charts on the Maritime Commission, and he was interested. I said that somebody in the Bureau of the Budget ought to do one like that on the War Department, and he agreed.

On the War Refugee Board, he read my memorandum and said, "That's fine," and he signed the attached memorandum to the Secretary of the Interior. I said something about whether he didn't want to consult Ickes, and he said that he would call him on the telephone and talk to him about it. In talking about the War Refugee Board, I said that I didn't see any objection to O'Dwyer staying on, and I asked him whether he did, and he said he had no objection.

I told the President that O'Dwyer hadn't gotten a very good ticket to run on, and he felt Ed Flynn had given him a very poor person. The President said, "I know that. I am so anxious to have a Democratic Mayor in New York, I can just taste it, and I would give anything to have one." Then he told me that he had a long talk with LaGuardia, and he said that he would like to do something for LaGuardia - that LaGuardia wanted to be a General in the Army but he couldn't give him that. The President asked me if I wouldn't please think of something for him, like sending him to Europe or something. I think he would be pretty good in Europe - at least, they wouldn't pull the wool over his eyes.

I told the President that I saw by the papers that he had Robert Murphy in, and I said that I had hoped that he would recall him. He said that he had a very nice talk with him, and that he had spoken to General Marshall about him and that Marshall had said that Eisenhower was satisfied with Murphy. I said, "Well, I think you will get an earful about Murphy when Senator Kilgore comes back." The President said that he had great confidence in Kilgore, and I said that I did also.

I spoke to him about the tax bill, and I said that we were just sitting tight. He said he thought that was all right, and that George was coming in to see him tomorrow, and he imagined that was one of the things he was going to talk to him about.

Then I talked to the President about Gaston going to Wisconsin and Minnesota, and explained to him why I was sending him in great detail. I said that I had to strengthen Internal Revenue. I asked him how he felt about getting somebody from the Farmer-Labor group up there, and he said he thought that was all right. Then he said, "I have just appointed a Judge in Minnesota, and the Farmer-Labor people had a candidate I did not accept." He said that we ought to look him over but he said very emphatically that we shouldn't take him unless he is good. He said that he was seeing Hannegan this afternoon, and he would talk to him about it. I told him that I was having Hannegan for lunch tomorrow, and that I expected to tell him all about it at that time.

I told him that we were having a little trouble with the banks in Indiana about cooperating on the currency order, and that Congressman Ludlow at an Appropriations hearing yesterday seemed to be bothered about it. The President said, "Oh, Ludlow is always bothered with something."

I thanked him for his letter on making me Chairman of the National Advisory Council on International Monetary and Financial Problems. He said that he had sent the letter around to all the departments concerned, and that if they didn't like it it was just too bad. I said, "Well, I hope that if you ever do anything like that affecting the Treasury I will have my day in court," and he said that was the way he worked.

Then I asked him about the reorganization of the departments and asked him whether he was waiting for the legislation to pass, and he said, "Yes." I told him that I thought Rosenman could be helpful. Then he said he hated to insist on Rosenman's staying, but he felt he needed him. He said that Rosenman had such an attractive offer in private business.

Then I spoke to him about bringing in the three veterans organizations in connection with our drive on tax evasion and recruiting war veterans, and he told Matt Connelly to fix it up, and they are going to do it Friday or Saturday.

I spoke to him about the Cabinet Committee on Full Employment and I said that we had nothing like that since Congress had done away with the National Resources Board. He told me he had fought for the National Resources Board, and he agreed that we had to have something like that, and he said maybe we could get something and call it by a different name.

In talking about the Cabinet Committee on Full Employment, I said something about Wallace, and his figures, and he talked in a very belittling manner about Wallace. He used some very foul language which indicated he didn't think Wallace knew what he was talking about. As a matter of fact, he used a word I never heard before - he said, "Wallace is nothing but a cat bastard." He became quite excited about him. He said, "I don't want to do anything on this Committee until my new Secretary of Labor is in, and then I will have them get together." I said, "Please be sure to include the Treasury because we have been nearer right in forecasting business than anyother department in Washington.

I said something about how glad I was to have Mrs. Morgenthau back and about how lonesome I was while she was away, and he said, "I am the lonesomest man in Washington. I have nothing to do but walk around all by myself." He said, "If I hear there is any party going on, I go down and join the boys." I asked him if he ever played poker, and he said, "Yes, and I am going up to Joe Davies Friday night to play poker with him.

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MATTERS TO BE TAKEN UP WITH THE PRESIDENT

June 6, 1945 - 10:30 a.m.

1. Report on War Bonds.
2. Charts on Maritime Commission.
3. War Refugee Board.
4. What about Robert Murphy?
5. Tax Bill.
6. Tell the President I am sending Gaston to look for somebody for Assistant Commissioner of Internal Revenue. Has he any particular part of the United States in mind that he would like me to look for such a man?
7. Having a little trouble with banks on cooperating on order to report currency.

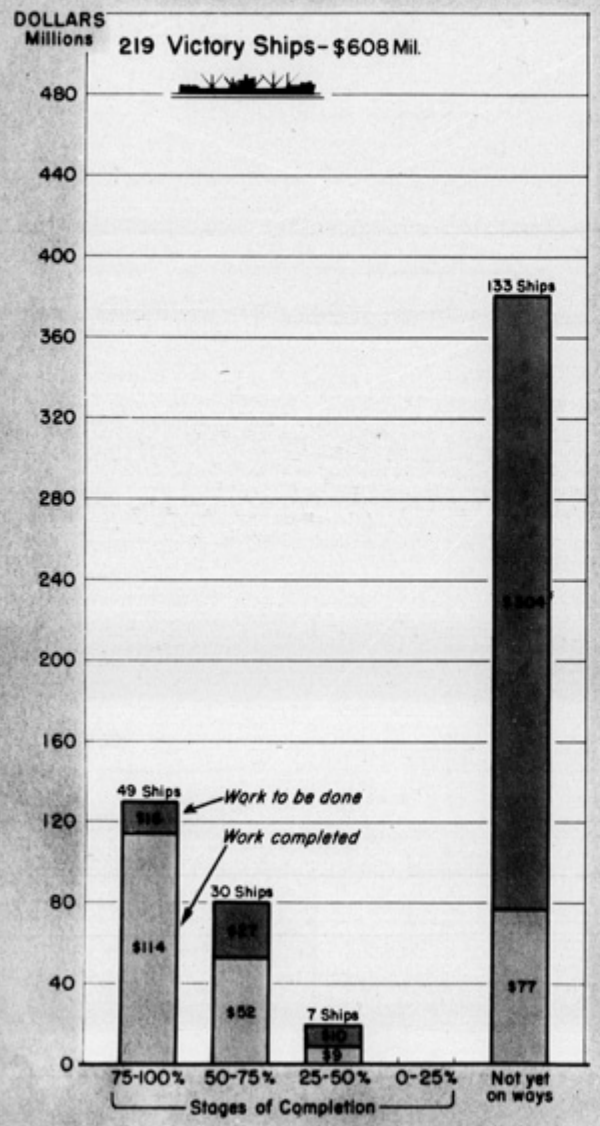
8. Reorganization of Depts.

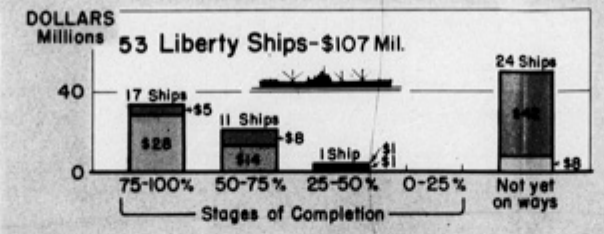
9. 3 veteran groups to come to Wash. to help us get men + assist in Tax drive.

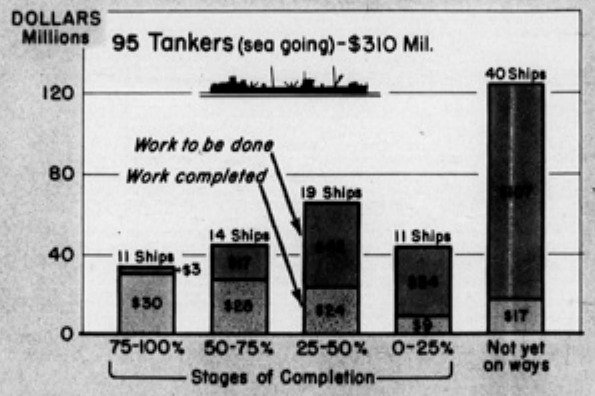
10. Cabinet Com. on full employment.

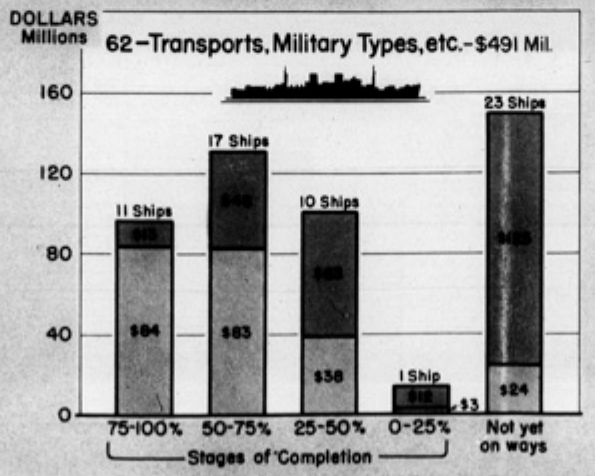
MARITIME SHIP PROGRAM IN VARIOUS STAGES OF COMPLETION

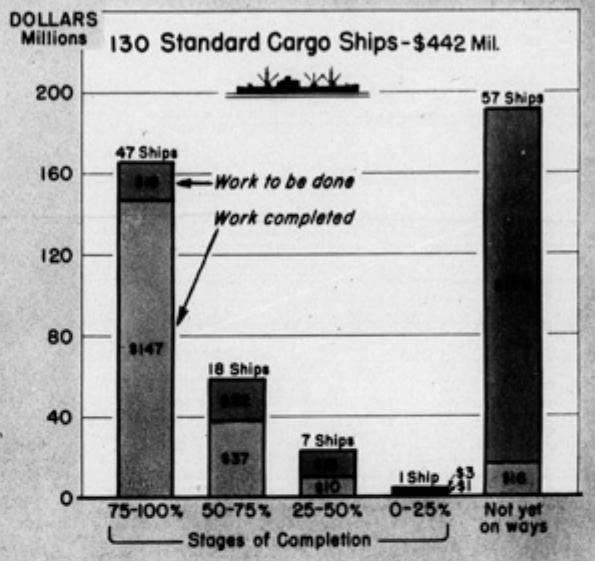
As of April 30, 1945

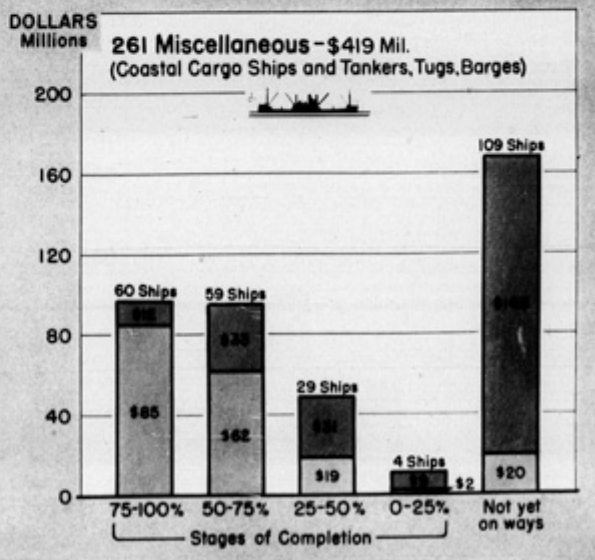








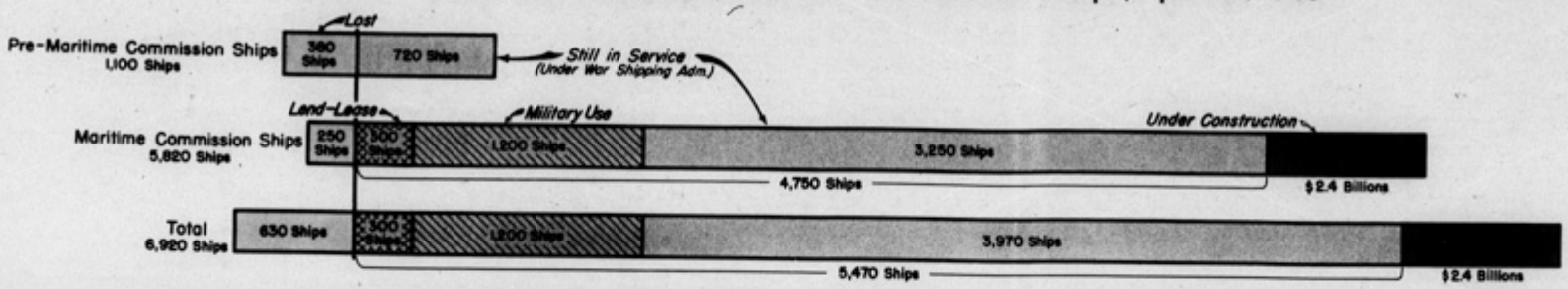




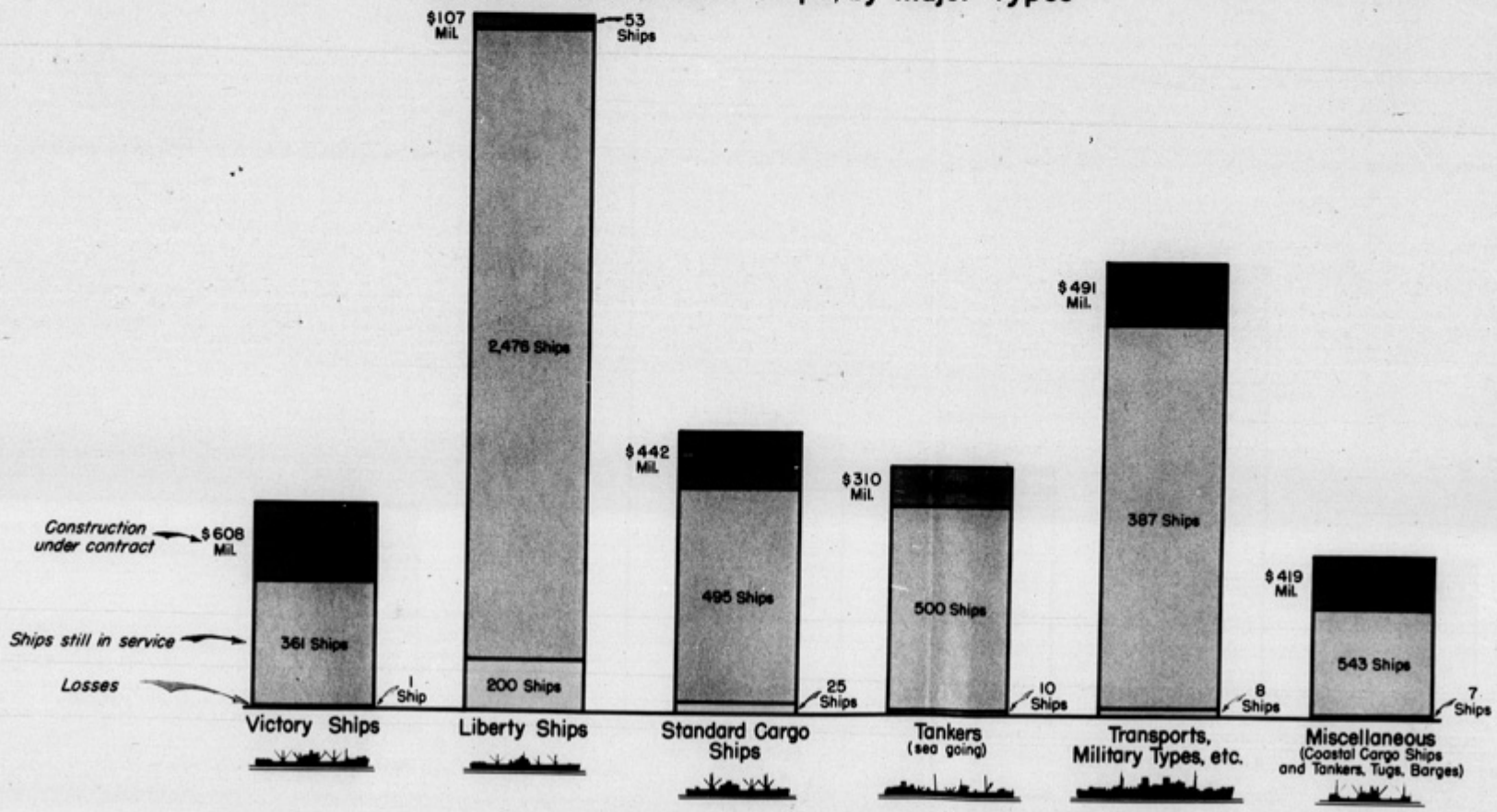
8-557

AMERICAN CONTROLLED MERCHANT SHIPS

Maritime Commission Ships Compared with Pre-Maritime Ships, April 30, 1945



Maritime Commission Ships, by Major Types



B-558

June 6, 1945

MEMORANDUM FOR THE PRESIDENT:

Re: War Refugee Board

In view of the indication in your note that you do not favor the establishment of a new Cabinet committee to continue the refugee work of this Government in the post-war period, I thought you would like to know that steps are being taken looking to the early liquidation of the War Refugee Board.

The principal remaining problem of the Board arises from its over-all responsibility for the Emergency Refugee Shelter at Oswego, New York. The Department of the Interior has had the actual administration of this camp from its inception, and it is my view that the over-all responsibility for the camp should now be transferred to Interior.

There is attached for your consideration a draft of a proposed memorandum to the Executive Director of the War Refugee Board and the Secretary of the Interior transferring the over-all responsibility for the Oswego project. Such a transfer would facilitate the early liquidation of the Board.

General O'Dwyer, who has been serving as Executive Director of the Board, has told me that he is willing to resign at this time if, in view of the political situation in New York, his continuation as Executive Director is embarrassing. However, I see no reason for apprehension on this score and feel General O'Dwyer should continue as Executive Director until the Board's termination.

Attachment.

GS:FH:JWP:hd 6/5/45

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

In view of the contemplated early termination of the War Refugee Board, the over-all responsibility for the Emergency Refugee Shelter at Oswego, New York, is hereby transferred from the War Refugee Board to the Department of the Interior.

GS:FH:JWP:hd 6/5/45

THE WHITE HOUSE
WASHINGTON

1658

June 4, 1945

MEMORANDUM TO THE SECRETARY OF THE TREASURY:

The National Advisory Council on International Monetary and Financial Problems should consist 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.

Harry Truman

June 13, 1945

I saw the President of the United States this morning, and asked him if he had received the invitation for me to go to France. He said he had, and that he had talked to Grew about it - strangely enough.

The President seemed very much distracted and fidgety, and sort of jumped around the room and paced up and down. He said, "I just haven't had time to think this thing through." I said, "Well, the French feel that it would help to teach democracy to their people, and that it is important to them." He kept saying, "Just let me read the thing. I want to take it home and read it. I want to think it through." I said, "I have talked to Mr. Grew about it, and they approve." He said, "I know but I have certain things in mind." I asked him if he were going to Paris, and he said, "No."

All I can say is that there is a definite block in his brain on this thing, and I have run into it now two or three times. What it is, I don't know.

I said to the President, "I certainly don't want to go without your blessing," and he said, "I don't want you to go without it, and if you do go you will go with my entire blessing." I said, "I think my going could supplement your going," which didn't make any hit at all.

I told him that when I went over there for President Roosevelt last August I found that the Army was for building up a strong Germany, and that I would like to see what they are doing now. I said that General Clay surrounds himself with a lot of Wall Street people, and I wanted to find out about it. I said, "I don't think anybody but Senator Kilgore or myself would tell you the truth." Then he jumped at this like a life preserver, and he said, "I am waiting to talk to Kilgore. I want to talk to him." I said, "You know Kilgore has asked me to come up on the Hill and talk about my plan for Germany." The President said, "Yes, I know about that. That's all right." I said, "You mean it is all right to do it?" and he said, "No, I want to talk the whole thing over with Kilgore."

It could be any one of a half dozen things. From a remark he dropped once before when I asked him, he knew about the trouble I had gotten into over the Morgenthau Plan, and he may just not want me to start something again. He may think that it will get him into more trouble on the Hill and that is why he is going to check with Kilgore, or he may think that my going two weeks in advance of his going might steal some of his thunder or that I may mess things up. It could be any one of a dozen things, but I have talked to him at least three times, and each time I have gone up against a stone wall.

Finally, the President said, "When I make up my mind, I will put all my cards on the table," and I said, "I certainly expect you to do that."

****

1661 9 Juin 1945

Monsieur le Président,

J'ai l'honneur de vous faire savoir que j'ai été chargé par le Gouvernement Provisoire de la République Française de prier le Gouvernement Américain de bien vouloir se faire représenter à l'ouverture de l'Exposition des Nations Unies "l'Epargne de Guerre" qui doit commencer à Paris dans les premiers jours de juillet.

Le Gouvernement Français serait particulièrement heureux que M. Morgenthau Jr., Secrétaire au Trésor, veuille bien accepter de présider, avec le Ministre Français des Finances, la cérémonie d'ouverture. M. Pleven vous avait entretenu de ce projet lorsque vous aviez bien voulu le recevoir à la Maison Blanche le mois dernier.

Je serai incessamment informé de la date

.....

exacte de l'ouverture de l'Exposition et m'empresserai de vous la faire connaître./.

Veuillez agréer, Monsieur le Président, l'assurance de ma plus haute considération.

THE WHITE HOUSE

WASHINGTON, D. C.

Memorandum for General Marshall:

I have accepted an invitation from the French Government for Mr. Morgenthau to go to France early in July to open a War Bond Exhibit. I would appreciate it if you would arrange transportation for him and his party by special plane similar to the one you furnished him last August when he went to England and Normandy.

While Mr. Morgenthau is on the Continent, I would like him to see something of Germany, particularly the industrial sections, including the Ruhr and the Saar. I would like Mr. Morgenthau to consult with General Clay and familiarize himself with the work he is doing, particularly as it pertains to finance and economics.

Mr. Morgenthau also will look into the French and German exchange situation as it affects the American soldiers.

I also want Mr. Morgenthau to get some idea of how much it is going to cost the American taxpayers to administer our portion of Germany for the next 18 months.

Mr. Morgenthau is desirous of paying a visit to Berlin, and if this is possible I wish you to arrange it. I would appreciate your informing General Eisenhower of Mr. Morgenthau's proposed visit, and ask him to extend to him all courtesies.

THE WHITE HOUSE

WASHINGTON, D.C.

June 13, 1945

Memorandum for Mr. Grew:

Please inform the French Government that I accept the invitation of the Provisional Government of the French Republic to send Mr. Morgenthau as a representative of the American Government to France early in July to open an American War Bond Exhibit.

I would appreciate your notifying the American diplomatic representatives abroad to extend all courtesies to Mr. Morgenthau and his party.

June 16, 1945

Conversation with Matt Connelly
regarding Trip to France

On Saturday, June 16, I spoke to Matt Connelly, the President's secretary, and I said, "I wish you would get this message over to the President."

About a month ago Jean Monnet spoke to me about whether I would be willing to accept an invitation to go to France and open the American War Bond Exhibit. They wanted me to come to France to represent the spirit of Roosevelt. I spoke to President Truman and asked him whether he was willing to have the French extend an invitation. He said yes. Then Pleven spoke to me about it, and I told Pleven to speak to President Truman, and Pleven came away with the impression that President Truman said yes. Then the invitation arrived last Monday, and I spoke to President Truman about it last Wednesday and he said he wanted to think it over for a day or two.

I told Connelly, and I repeated it several times, that this is not a matter of life or death with me whether I go or whether I don't go, but I would like for the President to say yes or no. I think the French, not having heard from President Truman, have built this thing up as something very important, attaching great significance to it because he has something in mind that affects the French. Connelly, of course, was in a great hurry because I had asked to talk to him before he saw the President, but he said he would take care of it.

June 18, 1945

Before going in to see the President, I sat outside talking with Matt Connelly, and he said that the President's plane is bringing in Eisenhower at 11:00 this morning. I said, "You don't mean to tell me that the same plane and the same crew is going to go out tomorrow morning with the President?" He said, "Yes," and I told him that I thought it was terrible. He said he agreed with me but that he thought it was too late to do anything about it. I said that I thought he ought to try to do something about it, and he said he would try. He said that they are changing the pilots and putting on a TWA pilot. He said that was the only line which was friendly during the campaign so they are going to give them the breaks.

I also said to Connelly, "Look, as far as the President is concerned, everything he does is okay, but if he had asked me about a couple of the new appointments he made recently, I think I could have told him things and he wouldn't have made them." I said that I wished the President would use me more.

I then went in to see President Truman, and I had been prepared to make a little speech to him to the effect that my going to France wasn't a matter of life and death. Before I went in, Connelly told me that he had given him my message. As soon as I came in, the President opened up right on me very direct, and said, "I have been thinking about your going to France all day Sunday, and I don't want you to go. I want you to stay here. I don't want you and myself over there at the same time. When I come back you can go any place, anywhere, you want to in September." He said, "I won't go to France. I will leave that to you." He said, "I have got to work out with Stalin and Churchill a plan for Germany," and I don't know just how he put it, but he idea he conveyed to me was he didn't want me messing around over there at the same time because it might make it difficult for him. I said, "Mr. President, that's all right with me." The President said, "I don't want to go over there now because I think it is the wrong time, but Stalin has invited me and I have got to work out a plan with Stalin and Churchill for Germany." The implication he left with me was that he and I saw pretty much eye to eye on Germany. Again, he didn't say just those words. He said that they were not going to invite

the French in at the beginning so that they could get something worked out amongst the three of them.

The President said, "I don't want you to be out of the country while I am," so I said, "Well, when Mr. Roosevelt went to the Crimea, he told the Cabinet that he didn't feel the way Wilson did, and that if anything happened or if any emergency arose I should call the Cabinet together." He said, "That's so. I want you to be here. You are the ranking man by law." I said, "Well, I would much rather have it come from you than by law, and I would like you to say something to the Cabinet before you leave," and he said that he would.

During this discussion, he said that he felt like a brother towards me, and he wished I would feel that way towards him, and I said that I would like to. I said, "Mr. President, about my own affairs you have been wonderful, and you have made my position much easier." He said, "I want to do that. I like to do it." He said that if the time ever comes that we can't get along we will separate company, and I said, "That suits me." He treated me more on a man-to-man equal basis today than he ever has before. He made one remark that didn't make sense. He said, "I have no ambitions. There is nothing I want." I would like to remind him about that two years from now when he begins to run for re-election. I said, "Well, I certainly haven't anything I want except to serve you."

I said, "Mr. President, if you don't mind - this message from France was addressed to you. Would you mind telling Grew to answer it?" He said that he would.

Then I told the President that Kilgore had been to see me, and he said, "I think very highly of him," and I said, "I do, too." I said that Kilgore wanted to start hearings on the Hill on Germany, and that he wanted me to come up and talk about the Morgenthau Plan. The President said, "Well, I feel about that just the way I do about your going to Europe. I don't want Kilgore to hold hearings until I have my feet on the ground on this conference." I said, "Well, if you ask Kilgore I think he would postpone hearings until you got back because he has asked

Clayton; he has asked Baruch, and a lot of others." He said that he would.

Then I said that I would like to make a couple of suggestions to him as a citizen. I said, "I am not going to look at you because I don't want you to think that I am pumping you." I said, "What would you think of Kilgore as Secretary of State?" He said, "I can't spare him on the Hill. The situation is too tight up there. I would have made him Secretary of Labor if I could have spared him. He would have been good."

Then I said, "If the stories are true that Patton is to go back to Germany, what would you think of Patton to take Clay's place? Kilgore says that Clay is nothing but a Fascist." The President laughed very heartily, and then said, "That's what we used to call him when we were in the Senate." I said that I had spoken to Kilgore about it, and he thought well of it.

Then I said, "I want to talk to you about one other matter." He had gotten up to escort me out of the room, and I said that I needed a couple more minutes, but I stayed ten more. I said that the suggestion had been made that I take Mr. Carr as Deputy Commissioner of Internal Revenue, and that we had been checking his records. I said, "He is the fellow who tried Bioff and Schenck and did such a bad job that I had to move the case to New York." The President said, "Oh, for God's sake! I wouldn't touch him." So I said, "Well, give me a little time and we will suggest somebody else.

As I got up to leave, I said to the President, "I think you would like to know that I am trying to help Elliott Roosevelt." He said, "Oh, that's good. I want to be helpful in any way I can. I would just like to get that so and so Pegler." I told him that I had gotten Randolph Paul to be his attorney, and I thought Elliott was in the clear but that I didn't think Mr. Hartford of the A & P was. President Truman really seemed to be interested in being helpful.

June 20, 1945

H.M.JR: This is on a conference yesterday morning with Harry Hopkins. I called on Harry Hopkins and he told me about his trip. It seemed from what he said that the purpose of his trip was to get the Russians to do something about the sixteen Polish delegates that they had imprisoned, and he had about worked that out when the message came that they wanted him to take up with Stalin the question of veto power in San Francisco. He said that Stalin knew nothing about it, and he discussed it in his presence with Molotov for over half an hour. Molotov was opposed to giving in. He said Molotov was very anti-American while he found Stalin very pro-American. He said finally Stalin agreed that he would go along the way we wanted him to. He came away feeling that our relationship with the Russians was fundamentally good.

With regard to the Japanese he said whether we wanted it or not, the Russians would come in and fight the Japanese sometime this fall. He said that Stalin wanted to work with Chiang Kai-shek and T. V. Soong, but he didn't want two parties to work with in China; that he had no use for the so-called Chinese Communists. He said they weren't real Communists and that once they began to fight, if they took a town in China, that they would have Chinese officials with them to immediately place in charge. They had no intention of encroaching on Chinese territory. They did, however, want a port such as Port Arthur or possibly Dairen, plus the--he mentioned a railroad, and I take it that he meant the Manchurian Railroad which would end at either Dairen or in that vicinity. I told him what I had done for T. V. Soong, and he didn't even know about it, and T. V. Soong had said that he needed our help in order to go to Moscow. Hopkins was quite certain that Stalin wanted to do business with the Chinese and had no intention of encroaching on them other than through Manchuria which, after all, they haven't had for a long time. He also said that Stalin wanted to have a part in the occupation of Japan.

The interesting thing that Hopkins said was that at no time during this discussion did the financial question come up nor the question of a loan, and I think he also said that they did not discuss lend-lease.

Naturally, I am pleased with this report from Hopkins on Stalin's attitude toward China, because I know that some of my own people are critical of what I did to assist and strengthen the present Chinese government.

Hopkins is very much worried about President Truman's trip to the so-called Berlin conference. He feels that nobody is going with him who will advise him properly in regard to the future of Germany. The President has asked to go along with him on the same boat Sam Rosenman, but the thing that seems to bother him the most is just what Byrnes' role will be. Hopkins is convinced that Stettinius will be out as Secretary of State after the San Francisco conference but will accompany President Truman in some other capacity and that Byrnes will be in as Secretary of State at that time, and he seems to be worried. He, Hopkins, seems to be worried about his relations with Byrnes. He said he would make up his mind Saturday what he was going to do.

I really don't think there was anything in particular that he wanted from me other than to sort of sound off to me and get my reaction. I was most complimentary about the success of his trip to Russia and urged him very strongly to accompany President Truman on his trip to Berlin. I told him that we had a very excellent man, Taylor, in London who might go with him and that Senator Kilgore had said Taylor was the best equipped man that he had seen in Europe on the economic front. I also told him that both Yost and Reams had such an excellent attitude, and he said he was going to look them up, because he wanted somebody from the State Department who would look after him alone.

He told me he had been out at the Naval Hospital having a blood transfusion and he hadn't intended to see Mr. Hull, but when he came out there, there was Hull pacing up and down outside his door in his bathrobe, and that Hull was terribly excited because Stettinius had just called up asking Hull's advice on what he should do in regard to the Argentine, and Hull said that he was just smart enough to ask Stettinius what President Truman had advised, and President Truman had advised him to leave it up to the American Delegation. Then Stettinius told Hull that the

whole American Delegation would favor recognition of the Argentine, so Hull said he decided to give Stettinius no advice. Hopkins seemed to think that that was so smart, and I said, "Well, Hull's record on the Argentine has been terrible." That seemed to surprise Hopkins. He seemed to think he had a very good record, and I said he hadn't.

To go back to his talk with Stalin, Stalin twitted Hopkins considerably in regard to our attitude toward the Argentine, and Hopkins made some innuendo. He reminded Stalin of his '38 - '39 attitude toward Germany. He said Stalin let the matter drop.

Hopkins said that the feeling in this country seemed to improve toward Russia, and I said, yes, I thought it had, and that he deserved full credit for it.

He also thinks it is a mistake for General Eisenhower to get all mixed up in this business of running Germany; that he has made such a wonderful record, anything he does now in Germany will be wrong, and that his reputation will run steadily downhill as a result of it. He thinks a civilian should be put in charge of Germany as American representative.

He said also that Pauley, Ed Pauley, was throwing his weight around considerably in Moscow and that they wouldn't get anywhere. He recommended to Pauley that after three or four weeks they leave and go to Berlin. He said strange things come out of the mouth of Pauley, and every once in a while he will talk about oil, and Hopkins seemed to be worried about him.

I was with Hopkins almost two hours. I got there at eight-twenty. He did ninety percent of the talking, and by the time he got through he seemed very tired. He said that his old ailment was considerably improved, but he had picked up some bug on the way back and was running about a one degree temperature. The man unquestionably is a very sick man.

SANITIZED DOCUMENT

June 22, 1945

Mr. Morgenthau tried to reach the President, but was unable to do so, so he talked to Mr. Connelly. The following is HM Jr's end of the conversation:

"How are you?

"Only pretty well? Didn't you catch any fish?

"No fish.

[redacted]

"Would you tell the President I want to congratulate him on his victory on the Trade Treaty. I am delighted."

Connelly said he would call the Secretary back.

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SANITIZED DOCUMENT

July 5, 1945

Present: D. W. Bell
Herbert Gaston
Mrs. Klotz
General Greenbaum

I called on the President and said, "Look, Mr. President, the last time I was here you said you felt like a brother to me, and I would like to reciprocate that feeling." He said, "That's right." I said, "I would like to reciprocate that feeling and have an official family talk." I said, "You are leaving, and there is all this gossip which has been increasing more and more about my being through, and I would like to raise the question with you before you leave because I am assuming a great responsibility while you are away." He interrupted me and said, "Oh, I am going to say you are the man in charge while I am gone." I went right on though and said, "Well, I would like to know now whether you want me to stay until V-J Day." He said, "Well, I don't know. I may want a new Secretary of the Treasury." I said, "Well, Mr. President, if you have any doubts in your mind after my record of 12 years here, and after several months with you when I have given you my loyal support, you ought to know your mind now, and if you don't know it, I want to get out now."

Well, he said, "Let me think this thing over." I said, "Mr. President, from several remarks you have dropped you must have something in your mind. Either you want me or you don't, and you know it now." He said, "I can't make up my mind." I said, "Well, Mr. President, I am going to write you a letter of resignation." I said, "Would you like me to stay while you are abroad or would you like to have it take effect immediately?" He said, "I would like you to stay while I am abroad." I said, "Well, I will write you a letter. Do you want me to put in a draft of an answer for you?" and he said, "Yes."

I said, "Do you want me to break in Vinson as my successor while you are gone?" and he said, "Oh, Vinson is going with me on account of Lend-Lease.

He said that he would say publicly that I was staying and I told him that I believed him but unfortunately the public didn't. I told him I was willing to stay until after he came back and he said, "You are rushing me." He repeated that several times. Then I said, "Well, if you don't give it out tonight I will be forced to give it out tomorrow, and I wouldn't like to do that while you are on the high seas," so he said that he would do it tonight.

He said several times - he kept repeating himself - that he wanted to think this over, and I said, "Either you want me to stay until V-J Day or you don't." I said, "After all, Mr. President, I don't think it is conceited to say that I am at least as good or better as some of the five new people you appointed in the Cabinet, and on some of them I think you definitely made a mistake." He said, "Well, this makes me feel very badly," and I said, "Well, don't feel badly." He said, "Well, Stettinius is happy - I have him feeling very happy." I said, "Well, I don't know what you did for Stettinius."

I found him very weak and indecisive, but I sensed definitely that he had it in mind that I was on the way out, but he wanted to choose the time, and I am very glad that my intuition was correct and that I picked the time rather than having him pick the time.

I said to him, "It is unfortunate that you haven't taken anybody from the Treasury with you because we have information nobody else has," and he made no comment. Then I asked him whether he would like to take the Morgenthau Plan with him, and he said, "Oh, I have read it, and I know everything that is in it, and I think it is very good." Then I said, "Well, once I am a private citizen, you won't have any objection to my giving it out?" and he said, "Oh, no, I am in complete accord with that."

I also told the President that the cable from Churchill dated May 28th hadn't been answered, and he said, "Oh, I am going to take care of that personally.

The President signed the letter to Senator Barkley on Bretton Woods. I told him about the 10 to 8 vote on the Advisory Committee, and that seemed to surprise him. I also told him about my giving Kung 10 million dollars, and that didn't seem to ring a bell at all.

ITEMS TO BE TAKEN UP WITH THE PRESIDENT

July 5, 1945 - 10:30 a.m.

1. Give President copy of the Morgenthau Plan.

2. Ask the President if a copy of the Morgenthau Plan may be given to General Eisenhower.

3. Tell the President he is going to have a Treasury man with him when he goes to the Three Power Meeting. *

4. Talk to the President about May 28th Cable from Churchill - (memo attached)

5. Elliott Roosevelt.

6. Talk to the President about Weisgal and Schwarz.

7. Talk to the President about Smith Troy, Attorney General for the State of Washington. ✓

8. 10 to 8 vote on advisory Com.

9. King $10. million currency gold seal

10. Who is in charge while he is away

Truman Again Denies He Wants Stettinius Out

Gives Emphatic No to Question at Press Conference

WA' 'NGTON, June 1 (AP).—The (.ion of the future status of Secretary of State Edward R. Stettinius jr. was brought up again today at President Truman's news conference.

Asked if any changes were contemplated, the President replied that he could not be more emphatic than he was last week when he said with some vigor that he did not propose any changes.

He said he did not know how it was possible to be more emphatic.

The question apparently was prompted by published speculation that Mr. Stettinius might be replaced by former War Mobilizer James F. Byrnes.

July 11, 1945

Present: Harry White
Herbert Gaston
John Pehle
Mrs. Klotz

HM Jr: Judge Rosenman has just been here for one hour, and he was with President Truman at five o'clock last Friday, and the only other person present was ex-Commissioner Allen. It seemed that all day long people had been calling up President Truman, insisting that he accept my resignation and send up Vinson's name.

He said that Truman had told them the whole story of what happened and said practically the same as I did. He said that I wanted to resign immediately, but that he had insisted that I stay while he was gone, and that he told me so, and that he didn't want to change his position, but that he was under great pressure to have me resign on account of the people worrying about the succession. So the President asked Sam Rosenman whether he wouldn't come over to see me and put the matter up to me. He said, "The President didn't do anything about it, leaving it entirely to me,"but he said that if I did send in my resignation it would make the President very happy.

I told Sam that I would have to think the matter over because I would have felt that the President did the proper thing if he had accepted my resignation promptly and sent up Vinson's name promptly, but he didn't do that, so now it was a matter of public relations. I asked him what he thought, and he said he didn't know and that he felt very uncomfortable. I told him that there was no reason to feel uncomfortable, but I said that I would have to think the thing over. I said that one thing which might influence me was if I thought Congress was going to adjourn and not convene until October because if that were going to happen then I would want the President to send Vinson's name up at once because I wouldn't want to stay that long.

Rosenman asked me what I had in mind for myself, and I said, "Nothing." He said, "Do you want to stay in public life because if you do I think it would put Truman definitely under obligation to yourself if you would resign." He said, "Then if you had any idea of doing something with Bretton Woods he would be under obligation to you." I said, "Well, I have no such ideas but people around me are talking about my being Governor of both the Bank and the Fund, or possibly President of the Bank," and then I said, "But I haven't really thought about it." Rosenman said, "Well, I can't promise you anything, but if you did resign he would be under obligation to you."

That's Sam, the politician, talking. I told him that I would have to think it over very carefully. Then I said, "I am going to ask you on your word of honor not to send any message to Truman unless he sends you a message asking whether you saw me and whether youdid anything about it." Rosenman said that he wouldn't.

I think that perhaps with the worry and bustle of leaving, the President might have been concerned about it, and when he gets on board he might not be worrying about it. Rosenman said he wouldn't do anything about it, but that Commissioner Allen might be back and ask about it, and I said, "Well, you can tell him that you have talked to me and I am thinking about it."

I asked him if he knew what Truman had in mind when he didn't want to give me any assurance about staying, and he said, "I just think that he wants to have his own people around him." I asked him about Byrnes and when he thought the President decided that, and Sam said he thought that was decided the day after Roosevelt's funeral at Hyde Park. I said, "Well, Truman knows I don't like Byrnes and that I can't get along with him because I told him so," and Sam said, "I told him that, too."

Then he said that it was only that afternoon that they had pulled Vinson off the boat. He said, "What they had in mind, I don't know." He said that it didn't make sense but they did it and that there must have been something in their mind but he didn't know what it was.

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July 13, 1945:

Present: D. W. Bell
John Pehle
Herbert Gaston
Harry White

My meeting with Judge Rosenman was very satisfactory. The Judge started out by wanting to talk to me about General O'Dwyer, and I said I thought we could let that go until some other time. He did say that O'Dwyer told him Morris Ernst was trying to keep Mrs. Roosevelt from taking any part in the campaign.

I showed him my letter to the President, and he thought it was excellent. He first thought that as to the timing of my resignation, he would make it after Bretton Woods had passed, but then on second thought he seemed to think that he wouldn't do that, and I didn't try to urge him. I didn't want to do any selling, so when he said he didn't think that would be so good I let it go at that.

Then I showed him the letter from the President to me, and he thought that was all right. Then I showed him the other letter from the President to me - the one having to do with his putting me on as Governor, and he liked that. I made it perfectly clear that this letter had nothing to do with the exchange of the other two letters, and that there were no strings tied to the other letters.

He said that he would cable these letters immediately to the President and would read to me his introductory remarks before they went.

When we came to this last letter to me, he asked me whether that was to be made public and I said, "No, Sam, I wouldn't make it public." I told Sam I thought he ought to tell the President that it was his idea because Rosenman told me that it was his idea and that the President hadn't suggested it. Sam said he would do that.

Sam asked me whether I would want the signed letters before it was made public, and I said, "No, I will be satisfied if you just send the cable and get an answer back from the President. Then when the President comes back he can sign his letter to me, and I will sign my letter to him."

He hesitated about sending the third letter to the President because he said that Byrnes would be there and he might discourage the President from acting on it. So I said, "Well, it is just as good a time now as ever to find out where Byrnes stands." I said, "That doesn't matter any way because no matter where Byrnes and the President are, the President might consult him, and from the President's own standpoint, I think he will have to make up his own mind whether he wants somebody like myself or whether he wants to have some important New York Wall Street banker."

Then I said that Vinson was coming over for lunch, and I would like to show him these letters, and Sam said, "Fine." Then I got what I thought was a brilliant idea, and I said, "I will call up Vinson on the telephone now and tell him that you and I have been talking things over, and before the letters go I would like to be sure that they meet with his approval, and that I would like him to see Judge Rosenman at once." Sam said that would be wonderful because he would like to put in the cable that all three of these letters have been shown to Vinson and that they meet with his approval, and he said he thought that would have a lot of weight with Byrnes - which I thought was rather revealing.

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My dear Mr. President:

When I wrote to you on July 5th, submitting my resignation as Secretary of the Treasury, I agreed, at your request, to remain in office until your return from Europe.

I have been giving further thought to this matter, and now take the liberty of suggesting that you may wish to reconsider this arrangement. Since you have now made your decision as to my successor, it seems to me that the delay we contemplated is no longer necessary but, on the contrary, may prove a handicap to Judge Vinson for whom I have the highest admiration. It is my earnest desire to be of every assistance to him in taking over the great responsibilities of this office.

Such matters as the continuation of war financing, the tax enforcement drive, revenue legislation, and many other Treasury problems call for prompt decisions. My successor should be given the opportunity to make these decisions, since it will become his duty to carry them out.

These considerations are given added weight by the possibility of a recess of the Senate, which would delay Judge Vinson's confirmation.

Accordingly, I urge that you appoint my successor at your earliest convenience, and make my resignation effective upon his appointment and qualification.

Sincerely yours,

Dear Henry:

I have given careful consideration to your letter of July urging that I send to the Senate immediately the nomination of Judge Vinson as Secretary of the Treasury.

I am inclined to agree with you that for the reasons you mention it would be preferable to take this action now instead of waiting for my return from Europe.

I appreciate very much the fine spirit and keen sense of public responsibility in which you have approached this matter.

With personal regards,

Sincerely yours,

Dear Henry:

While I fully appreciate the reasons which prompted you to resign as Secretary of the Treasury, nevertheless I want you to take on a further important assignment for me.

The Bretton Woods legislation will soon be enacted. Your contribution to the formulation of these proposals and the negotiation of the Agreements has been outstanding. I now want you to assume the task of making them work.

With that in mind, I plan, with your consent, to name you as the American Governor of the Fund and Bank on their establishment. I further hope that the International Bank for Reconstruction and Development will designate you as its President.

In the meantime, much work must be done preparatory to the actual establishment of the Fund and Bank by the end of this year. I am counting on you to participate in these discussions, and to give us the benefit of your close familiarity with these problems.

When I sign the Bretton Woods legislation, I should like to announce to the public that I intend designating you as the American Governor of the Fund and the Bank.

Sincerely yours,

July 13, 1945

Judge Vinson said that he had no idea about what Rosenman had talked to me about, and that the idea of my resignation becoming effective earlier than was originally planned came as a complete surprise to him.

I can't remember just what it was, but he gave me an opening to ask him the question about why he didn't want to let Rosenman send a cable saying that he, Vinson, concurred in Rosenman's suggestion that the President name me as Governor of the Bank and Fund. Well, he did some hemming and hawing, but I kept his feet to the fire, and after beating around the bush, he said that the President might get a false impression from it. I said, "How?" He said, "Well, the President might feel that he, Vinson, was in collusion with me and Rosenman to rush the President into an early appointment of Vinson as Secretary of the Treasury." He said, "I explained all that to Rosenman." I told him that Rosenman hadn't repeated that to me, but that he had suggested that I ask him what his reason was. Finally after lots of talk, always beating around the bush and saying that he had kept completely away from the Treasury and hadn't talked to anybody about the Treasury plans, he said, "Well, it would be very nice if you were the Governor." That's all he said.

He asked me what my plans were, and I said that I would stay here in Washington at the apartment until Mrs. Morgenthau was well enough to be moved. He said that he would want to consult with me, and I told him that I was ready any time and would be at his disposal. I said that I had made that same offer to President Truman, but the President had said that Vinson was going on the boat with him. Vinson said, "That is right," and he said that even his baggage had been sent ahead, and it was only decided late Friday that he shouldn't go, which checks with what Rosenman told me.

I told Rosenman that there was great restlessness around here, and I mentioned different people. I started with Dan Bell. He said, "Yes, I had heard that Dan Bell was thinking of taking another position," and then he said that he would shoot Dan Bell between the eyes if he left him, and that he would immediately on his return to the office call up Bell and ask him to come over to see him. He said he thought that

would be better than seeing Dan Bell in the Treasury, and I said that I thought so, too. He seemed to be particularly interested in Pehle and has a very high regard for him.

Then I said, that I supposed his name would go up on Monday and that he probably would be confirmed Tuesday, and he asked me whether I would want some time to pack up, and I said that I thought he should be confirmed promptly, but that it would be impossible for me to get all these pictures packed to take away. He said that I should take all the time I wanted. I told him that I wanted to move some of my files and that I might need a typewriter or two, and he told me that that was all right. He said that he would be willing to wait a couple of days in order to give me time to get packed up, but I said that I didn't want him to do that.

Vinson said that all his people were very restless because he didn't know and they didn't know who his successor was going to be. He said he had very carefully refrained from talking to anybody at the Treasury until he was confirmed.

Vinson said that Rosenman had suggested sending the letter on Bretton Woods one day later, but he said he didn't think that was a good idea because if the President got them together he might agree. I said, "I don't even know if I want it, but the boys around the Treasury would like me to take it, and if the President decides to offer it to me, I will have to take time to carefully consider it.

I spoke to him about my annual report, and told him that I couldn't finish it for at least a week, and that it would cover the last 12 years and make recommendations. He said that was entirely agreeable to him.

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