Oral History Interview

with

BERNARD BERNSTEIN

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New York, New York
July 23, 1975

by Richard D. McKinzie, Harry S. Truman Library

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BERNSTEIN: I was a student at the Columbia Law School from 1927 to 1930. In my first year at the law school I took, like all the other students that year in the opening class, the course in contracts. The professor who taught contracts was Herman Oliphant. He gave me the only A+ in the class.

After graduation from law school I went to work for a prominent New York law firm, Taylor, Blanc, Capron and Marsh, at what happens to have been the highest salary paid

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any law clerk in the City of New York at the time, $3,000 a year. I worked there for a few years.

President Roosevelt and the New Deal, obviously struck a response in the hearts and minds of young people all around the country. I read in November 1933 that Henry Morgenthau had been appointed Under Secretary of the Treasury and that his General Counsel was Herman Oliphant who had been his General Counsel at the Farm Credit Administration. I decided some time in December 1933 to write a letter to Herman Oliphant reminding him of the favorable relationship he and I had had as professor and student at Columbia and saying I would be interested in coming down to work. He invited me to come down to see him.

I went to Washington and waited in

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Oliphant's outer office for quite a while. He was a busy man. As soon as Oliphant and I began to talk he said that I should just start working.

I said that I couldn't quite do that; I'd been working with a law firm for several years and I had to go back and get their approval and prepare a memorandum about my cases so that an associate could take over my work.

He said that is all right, but I should come down as soon as I can.

I went back to New York. The man I worked for, a partner in the firm, was Charles Angulo, a wonderfully able lawyer, a very hard-working and dedicated lawyer from whom I learned a lot of law as I had occasion later to tell some of my colleagues at the Treasury. He understood my wanting to go to the Treasury. I think I worked over a Christmas four-day weekend, almost around the clock, dictating

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my views on various matters that I had worked on at the office, where the matters stood, what were the succeeding steps, and what we were trying to accomplish. I was told that for years thereafter the memorandum was used in dealing with the cases.

I then went back to Washington I think toward the end of December, just before the New Year weekend. Herman Oliphant found a legal division at the Treasury of just a few lawyers, who had been there many years and who were lawyers of modest ability. Herman Oliphant was a lawyer and professor of great ability, great imagination, and the highest standards. He was proceeding to put together a legal staff of considerably increased numbers and of outstanding quality. I make the point because I think the course that he followed had a direct

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relationship to the war effort, and had a direct relationship to what happened in Washington in the ensuing dozen or more years.

I wrote this in the little paper that I'm going to read in a minute. That legal division was the greatest single source of new ideas in the Treasury, and combined with it was a Treasury chief (Henry Morgenthau), who was not only receptive to new ideas, but affirmatively kept pushing the legal division to produce new ideas; a Treasury chief who had this unusual relationship with the President of the Unite States. They were close friends and that friendship and association gave the Treasury, through President Roosevelt, an opportunity to bring forward ideas on matters that weren't strictly Treasury business.

Well, the first couple of years at the Treasury I worked most of my time on matters relating to gold and silver. We were calling

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in all the gold at $20.67 an ounce. The President in January, 1934 had fixed a price of $35 for an ounce of gold. A lot of people who had gold were reluctant to turn it in at $20.67 an ounce. Similarly people who owned gold clause obligations did not like the idea of such obligations being paid off dollar for dollar after the devaluation of the dollar. Such people wanted $1.69 for every dollar of their gold clause obligation. The Joint Resolution of June 5, 1933 made all gold clause obligations, both public and private obligations, payable in any U.S. legal tender currency dollar for dollar.

We had a great deal of work in administering the various gold control orders and in participating in litigation that attacked gold controls and the gold clause resolution. It culminated in a famous group of cases

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coming before the United States Supreme Court, the famous gold clause cases. As a young lawyer I was given the opportunity of working on the briefs in the Supreme Court cases. This surely was, up to then, the high point of my career as a lawyer. I participated in the development of the Government's strategy in these cases, in the writing of the briefs and in the preparation for the oral arguments.

MCKINZIE: How was the strategy determined?

BERNSTEIN: A small group of lawyers from the Treasury and Justice Departments and the Reconstruction Finance Corporation worked together over a period of months in 1934 and 1935 on the group of cases that came from lower courts to the Supreme Court. Perry v. United States involved a gold clause in a U.S. Government Bond; Nortz v. United States

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involved U.S. currency called gold certificates; and Norman v. Baltimore & Ohio and United States v. Bankers Trust involved gold clauses in private obligations.

Because of the depreciation in value of greenbacks during the Civil War, the practice developed in the United States of including in all private and public obligations a provision for payment of gold dollars of a certain weight and fineness, which was really based on gold being worth $20.67 an ounce. President Roosevelt, on coming into office, sought ways and means to break the terrific deflation that was undermining the nation's economy. After extensive discussion with Treasury and other financial advisors, the President embarked on a program of gold purchases at prices in excess of $20.67 an ounce.

Herman Oliphant who at the time was

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General Counsel for Morgenthau at the Farm Credit Administration, found an existing statute which he felt authorized the President to pay more than $20.67 an ounce for gold.

At the Treasury from March to November 1933 the Under Secretary of the Treasury was Dean Acheson. The Secretary of the Treasury was William Woodin, an elderly and sickly gentleman. Therefore, in a sense, Acheson was the real driving force at the Treasury. I think Acheson also had some help from lawyers, young lawyers in the Government with whom he was acquainted, and with whom he had a great capacity to work. I found it a great privilege as a young lawyer to work with Dean Acheson.

In any event, Acheson had the view that the President could not pay more than $20.67 for an ounce of gold. It was that conflict of view that turned the President against Acheson and resulted in Acheson being fired and Morgenthau

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being brought over to the Treasury with Herman Oliphant as his General Counsel.

The gold buying matter not only played an important role in helping to turn the economy upward; it also played a great role in the change of personnel at the Treasury. Among the outstanding lawyers that Herman Oliphant brought onto his staff, there were Clarence Opper, who had been associated with Oliphant at the Farm Credit Administration and was also a graduate of Columbia Law School, and thereafter became a judge on the Tax Court; John Laylin, who happened to be very closely associated with Dean Acheson and remained on at the Treasury for a couple of years and then went over to Dean Acheson's law firm as a partner, an outstandingly able man; and Robert Jackson, who came to the Treasury as an Assistant General Counsel and who later held many important

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posts in the Roosevelt administration and ultimately became a Justice of the Supreme Court. At one point when Robert Jackson was an Assistant General Counsel his office was right next door to mine when I was Assistant General Counsel on what we called the first floor of the Treasury. Another Treasury Assistant General Counsel was Clinton Hester, a man of outstanding capacity to understand and work with the members of Congress and further the Treasury programs on the Hill. And then in turn, a lot of younger men were brought in, generally speaking of high caliber from good schools, hard workers and quite loyal to the Roosevelt Administration.

I do want to say this about the gold matter. There were probably in all between 75 to 100 lawsuits in various courts around the country. I think it's fair to say that

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we didn't lose any case. Even in the Perry case, the Liberty Bond case, where the Supreme Court said that not to pay in gold coin as provided in the bond was a breach, the majority of the Court nevertheless held that there were no damages because if the Treasury had paid in gold the bondholder would have had to turn the gold back to the Treasury at $20.67 an ounce.

There was also a good deal of work relating to silver. The Treasury was buying a great deal of silver at the time. There was a lot of criticism of the administration for buying silver. The feeling was that the administration was giving in somewhat to the so-called silver Senators. I remember one observation that Herman Oliphant made in defending the silver-buying program. I think we were paying roughly 60-odd cents for an

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ounce of silver. We were buying great quantities of it from China, among other countries. Oliphant said it seemed to him that it was better for international trade to move on a road paved with silver than on a road paved with defaulted paper. I think actually it proved in the end to have been a very successful program in terms of making money for the United States because ultimately the silver was sold by the Treasury at a price greatly in excess of the price the Treasury had paid.

In connection with the silver program, there was legislation enacted by the Congress imposing a tax on profits made by speculators in silver, and the tax was retroactive to the date the bill was introduced into the Congress. That was then a most unusual provision and it was subject to legal attack as being unconstitutional as a retroactive tax. As the Treasury

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lawyer handling the matter, I formulated the legal principle that the Congress had to have the power to freeze a situation while the Congress was considering what to do about it, and therefore, it was legitimate for the Congress to say in effect, "While we're considering whether there should be a silver tax, we have the right also when we decide that there will be a tax to make it retroactive to the beginning of our consideration." In that way someone can't take advantage of the fact that it's now become known that Congress is considering imposing a silver tax.

Well, the Supreme Court upheld that thesis and sustained the retroactive silver tax. It seems to me an important principle of law and important for Congress to have that power.

In 1937, the Japanese sank the American

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gunboat called the Panay in the Yangtze River in China. The President asked the Secretary of the Treasury if he had some ideas as to what the Government might do. Secretary Morgenthau talked to Herman Oliphant and Herman Oliphant talked to Clarence Opper and me. Clarence and I almost locked ourselves up in Opper's office. Oliphant was so concerned about possible leaks that he asked Opper to have the venetian blinds in his office shut so that nobody could spy on us from the Washington Hotel across the street. What we produced at that time, was the first document that ultimately came to be known as Foreign Funds Control, based on Section 5(b) of the Trading With the Enemy Act of 1917. We said that the President had the power to control banking transactions under certain circumstances. We drafted a document for the President by which he would impose controls on banking transactions in

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which the Japanese had an interest. For reasons formulated at the top level of Government, the President decided not to go forward with issuing that order.

Thereafter, for I would say three years to about--in any event, to April 1940, everytime there was a crisis in international affairs, generally speaking precipitated one way or another by Hitler and the Nazis, I would take out these old documents, redraft them in terms of the current crisis, and we always were ready with our written plans as to how to proceed. Now, if I may, it's at this point that I would like to read some ideas that I put down on paper.

Beginning sometime in 1936 or '37, the Secretary of the Treasury, Henry Morgenthau, Jr., as a result of his own foresight and sound judgment, as well as his close personal

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and official relationships with the President, began to be increasingly concerned about the dangers to the democratic nations of the world of Nazism and aggressions on the part of Germany and Japan. He was continuously studying and seeking ways and means of building up the strength of the United States, of the Western democracies, and of China, and of weakening the power of Germany and Japan. He directed his top staff to focus on the problems and to bring him suggestions and ideas. As Robert Sherwood in his book on Roosevelt and Hopkins states on page 162 and I quote:

> Outside of the Service Departments--which, as has been said, were at the time in enfeebled condition--the Treasury was the only one that was functioning on an emergency basis. Indeed, in his prolonged dealings with the French and British Purchasing Commissions, and in his promotion of aid for China, Henry Morgenthau had been exercising some of the most vital functions of the War Department and

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> even of the State Department, not by a process of usurpation, but by default.

Similarly in Volume II of his memoirs on page 557, Winston Churchill while discussing the period after May 1940, emphasized that, and I quote: "In Morgenthau, Secretary of the Treasury, the cause of the Allies had a tireless champion."

The Legal Division played a particularly active part in Mr. Morgenthau's program. As Churchill in the same volume on page 568 points out the lawyers of the Treasury Department, and I quote, "had been stirred by Secretary Morgenthau."

This was indeed true. Herman Oliphant, General Counsel until his death in 1938, Edward H. Foley, General Counsel thereafter until his entry into the Army in the latter part of 1942; Clarence Opper, Assistant General Counsel until appointed to the Tax

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Court in 1938; Charles Kades, Assistant General Counsel until the activation of his Reserve commission as an infantry lieutenant about the middle of 1942; Oscar Cox, Assistant General Counsel of lend-lease, and I as an Assistant General Counsel and my associates John Pehle, who later became director of the Foreign Funds Control, Ansel Luxford, who took over my desk when I went overseas with the Army in 1942, and Josiah DuBois who was one of my key assistants, were working under pressure to develop and submit to Secretary Morgenthau suggestions, plans, new programs and extensions of existing programs, to strengthen the position of the United States, Britain, France and China, against the threatening aggressions of Nazi Germany and Japan, and conversely to weaken the aggressors. I think it is fair to say that Secretary Morgenthau, beginning

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in about 1937, made of the Treasury Department--and the Legal Division in particular--a workshop to assist President Roosevelt in formulating plans to protect the security of the United States. I noted with a great deal of interest that Dean Acheson on page 22 of his excellent book, Present at the Creation, states and I quote:

> Meanwhile, two other potent instruments for helping friends and harming foes were being forged--furnishing supplies to our friends by lend-lease and withholding them from foes by financial freezing orders. Both came out of the Treasury. Henry Morgenthau was the most dynamic character in Washington; he had passion. His description of the kind of man he wanted hired was: 'Does he want to lick this fellow Hitler . . ., that is what I want to know . . . Does [he] hate Hitler's guts.' Henry did.

Well, this legal staff, as I say, was constantly formulating programs which would both protect assets of those we considered our friends and make things difficult for the Axis powers

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in the fields of finance and economics. For example, at one time when Hitler was taking over 25 million dollars worth of gold that belonged to the Czech National Bank, we prepared a little plan to try and prevent that gold from coming into the World Market and make funds available to Hitler. In April 1945 we found the gold in a salt mine in the middle of Germany.

But another more dramatic experience that I had was being called to Herman Oliphant's office sometime in 1938 and his saying to me that a Frenchman by the name of Jean Monnet had come from France to Washington for the purpose of trying to get a speed-up in the delivery of military planes for France. Against the background of what I've been saying about Treasury activities, naturally Monnet came over to the Treasury for help. Mr. Monnet was talking to

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Secretary Morgenthau about the procurement problem. The Treasury had as one of its divisions the Procurement Division.

In addition to that, Morgenthau was in a sense almost the sparkplug at that time in the administration to speed up production of military equipment which the French and the British needed. There was a considerable inadequacy in the Secretary of War at that time, and the President was anxious to have Morgenthau play a role in the speed-up of military production.

In the course of the discussion, Morgenthau brought up the problem of France's ability to pay for the planes and other war supplies that France was buying. That led to a discussion of France establishing a foreign exchange control because the French people don't readily accommodate themselves

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to the Government coming along and controlling their financial affairs.

Secretary Morgenthau said he would think about it and maybe the Treasury would come up with some suggestions.

He passed the word on to Herman Oliphant. I was at the time Assistant General Counsel handling, among other things, international monetary matters and stabilization fund matters. Oliphant told me of the discussions and asked if I had any ideas. I said that I did; that we could take a census in the United States of all assets belonging to our partners in the stabilization agreement. We had a stabilization agreement with Britain, France, Belgium, Holland and Switzerland. I said that we could take a census of assets belonging to nationals of those countries, by name and address, and as part of our stabilization

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arrangements, make that information available to our partners, including France. Oliphant said that I should prepare some papers.

I worked for almost two days pretty solidly except for a few hours of sleep. I drafted and I redrafted, I drafted and I redrafted, and I finally sent a paper up to Herman Oliphant. And about an hour later it came back to me with a notation in the upper right-hand corner, "A good first draft. HO." That was just intended to spur me on.

Well, I worked with Jean Monnet. This is when I first met Jean Monnet. He was a man of extraordinary dynamism and devotion to France, Britain and the West. He liked the idea of the census. He saw how it would make it possible for France to set up an exchange control and enforce it. A good part of the Frenchman's foreign assets were held in the

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United States either directly in the Frenchman's name or by way of Swiss banks. We had the power under the Trading with the Enemy Act of 1917, if we wanted really to use it, to compel the Swiss banks to furnish us the names of the real owners or we would keep the assets blocked and frozen.

The financial situation of France and its need for funds to pay for military equipment were very much in the air at that time. We said to Monnet that if he thought the idea was a good one he should telephone to [Edouard] Daladier, the Premier of France and discuss the idea with him over the phone and then we would push the plan along. Monnet said he could not telephone because it always leaks on the phone. He said he would have to carry the plan back to Paris. In those days he crossed the Atlantic by ship. While Monnet was at sea,

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the Daladier government fell on the issue of foreign exchange control, in part because some of the French believed a foreign exchange control could not be enforced. We did not set up the plan at that time, but the idea did not go to waste. When we set up the freezing control system we had an absolutely extraordinary census called TFR-300 which took the census as of June 14, 1941 of all assets of every description in the United States owned directly or indirectly by a foreigner. That census was greatly used during the war and after the war to assist some of our allies in finding assets they needed to meet their international obligations and also to facilitate many of the economic warfare activities of the U.S. Government during the war.

In April 1940, the Germans invaded Denmark and Norway. We had another one of these

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meetings in the Secretary's office that was typical when a crisis in the world arose. At the meeting there were officials from the State Department, Federal Reserve Board and the Treasury to consider financial and economic matters that we might engage in in view of the Nazi invasion. As usual, I had taken the old documents that had been drafted and rewrote them to apply to Denmark and Norway. I had the documents all prepared, the Executive Order, the Treasury Regulations, the instructions to the Federal Reserve Banks, etc., a whole sheaf of papers in a folder. There they were, all we really had to do was to take them out of a safe in the General Counsells office, make t em applicable to the current situation an we had a set of documents ready for signature.

The discussion went on almost all day in the Secretary's office as to what to do

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and how to do it. I think the consensus was that we have to take measures to protect assets in the United States belonging to Danish nationals and Norwegian nationals. One group thought we could do it in a sort of voluntary manner by giving some guidance to the banks. The other group, led by Secretary Morgenthau, said that this could only be done by executive order and regulations to apply uniformly to all banking institutions and anyone else who held any kind of property in which Danes or Norwegians had an interest. It would also be necessary to have a regulatory system in which you permitted some transactions and you didn't permit other transactions, and you got reports and so on.

At around 5 o'clock on April 10, 1940 Secretary Morgenthau picked up the telephone from the wall back of his desk, called the

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President, very briefly summarized the views that had been expressed at the meeting, and in almost less time than it's been taking me to make this statement the President told the Secretary to send over the Executive Order for the President to sign.

That night we issued Executive Order 8389 and the Treasury Regulation. That was the beginning of the Foreign Funds Control system. This program got to be applied to every country as that country was overrun. Then it got to be applied on a broader scale.

Soon after the Executive Order was issued a Dutch banker came to the Treasury, into the office of the Under Secretary of the Treasury, Daniel Bell. Dan Bell asked me to come to the meeting. The Dutch banker seemed very upset. He felt that Holland was going to be invaded. He had been talking in New York to

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some lawyers and to the Federal Reserve Bank people in New York as to whether the freezing control order applied to securities or whether it only applied to transfers of money in banks. He had been told in New York that the control only applied to bank transfers and didn't apply to securities and security transactions. The Dutch had a billion dollars or more of securities in American corporations that belonged to Dutch nationals.

I said I didn't agree with that construction of the freezing control. I believed that it applied to securities as well as to bank transfers. That gave the Dutch banker a little bit of reassurance. When he left I said to Dan that this was a question I've got to discuss with Ed Foley because it's not an open and shut question from the language of the statute.

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Bell said, "By all means do so."

I went down the hall to Ed Foley's office and told him of the problem. I had with me at the time the executive order and the quotation from the statute, and we began to discuss it. Ed is a very able and careful lawyer and he wanted to get another opinion. He called in Huntington Cairns, who was also an Assistant General Counsel. Among other things Cairns was in charge of the opinion section of the General Counsel’s office. The three of us continued to discuss the matter.

Cairns also talked to one of his assistants, Ernest Fiedler, who was a very able lawyer and in the opinion section. Cairns and Fiedler came to a different conclusion from mine. They said that Section 5(b) of the Trading With the Enemy Act only applied to bank transfers and didn't apply to securities or to transfers of securities.

Well, that resulted in a kind of a warm discussion. Ed Foley and I went into Dan Bell's office, and the discussion carried on. This was only one of two occasions when Ed

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Foley and I had a difference of view on a legal question. He was always very fair and a very fine lawyer to work for. Dan Bell at one point said he had never seen me so upset in discussing a legal question. I said to Bell that he understood just as well as I did the importance of the control applying to securities as well as to bank transfers.

We went back to Ed's office and he telephoned Judge Townsend at the Department of Justice. Townsend sort of headed up the Opinion Section of Justice. Townsend was an old Government lawyer, quite able and had a high prestige. His first reaction was similar to Cairns', that the statute didn't apply to securities.

Ed made an appointment right then and there, through Townsend, to have a conference the following morning with Robert Jackson who

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was then the Attorney General. I spent a good part of the night with my brilliant assistant Joseph Friedman going through the history of Section 5(b) of the Trading With the Enemy Act with a finetooth comb and lining up my arguments.

We went over to Bob Jackson's office the next day and Ed Foley presented his view, which was as I stated, that Foreign Funds Control and the statute were limited to controlling bank transfers of money. Townsend stated his view, which was the same. Then Ed who always treated me fairly and with understanding said to Bob Jackson, "Bernie has a different view."

Jackson said to me, "What's your view?"

I said, "What's open?"

Jackson said, "Everything's open."

So, for the next ten minutes I discussed the problem. I discussed the language in the statute, I discussed the language in the

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executive order and I discussed the profound importance in terms of protecting the interests of the United States and the interests of the overrun countries in preventing Hitler from taking over these assets and using them to further his purposes. I said in substance that the program should be as follows: We should issue from the Treasury a general ruling stating our position, namely that the executive order applies to transfers and holdings of securities as well as bank transfers. We should immediately draft legislation which clarifies the statute and which ratifies what the President and Secretary have done and we should take the proposed legislation up to the Hill with an urgent Presidential message to the Congress and try to persuade the Congress to enact it promptly.

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Bob Jackson then said that what Bernie has stated will be our program.

We left Bob Jackson's office and returned to Secretary Morgenthau’s office, who meanwhile had been briefed on the issue by Dan Bell. When Ed Foley and I came into the Secretary's office, the Secretary was almost sitting at the edge of his seat. He was very tense until Ed Foley told him what had been the decision in Bob Jackson's office. At that point Secretary Morgenthau was very greatly relieved and fully approved the program. It was about the second half of April 1940. The General Ruling was issued on April 19, 1940. Legislation was drafted and was taken to the Hill with a Presidential message.

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Ed Foley and I spent a considerable amount of time up on the Hill, furnishing information to Congressmen and Senators and doing what we could to get the bill through. One day I had, for me, an unusual experience. I was sitting at the back of the Senate floor with Ed Foley while the bill was being considered in the Senate. A Senator whom I didn't recognize, I had never met him and I don't recall having seen his photograph, came up to Ed Foley while we were sitting together and said, "Ed, what's this bill all about?" Ed in brief terms told the Senator what the bill was all about and why the Treasury and President felt so strongly about it. The Senator said, "I think you're right. I'll support the bill," and he left.

And Ed Foley said to me, "That's Senator Truman."

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That legislation was enacted by the Congress on May 7, 1940. The German invasion of Holland and Belgium took place on May 10, 1940. That gives an idea of the degree of cooperation between the President and Congress in a time of crisis and the prompt recognition by the Congress, as well as by the administration, of the necessity of protecting all the assets in the United States belonging to nationals of the countries being overrun and of foiling Hitler's efforts to use these assets for his aggressive purposes. Of course, the freezing control program was extended to Belgium, Holland and Luxembourg upon the commencement of the invasion by Germany.

The invasion of the low countries took about five days. As soon as the invasion started the Dutch came to the Treasury and asked could we do anything to help them with these vast amounts of securities and values that they had in Holland. The American foreign funds control was being applied basically to assets in the United States.

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On Sunday night a meeting was called atthe residence of Secretary Morgenthau. There were Treasury, State Department and Federal Reserve people there. I had prepared a plan and had worked on it with Adolph Berle, who was at the time Assistant Secretary of State. Basically the idea was that the Dutch Government would go into its banks, open up the vaults, open up the safe deposit boxes, take out all of the securities, anything of value, money, etc., and make lists and affidavits of what was taken out. Our consuls over there would verify the lists and affidavits and these valuables would be destroyed and not allowed to fall into German hands. The currency would be destroyed, the securities would be destroyed, etc. This was applying for the first time the scorched earth policy to money and securities and comparable valuables.

There was a long meeting that night at the Secretary's home. All of the representatives of the United States Government

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strongly supported the plan. The Dutch were very tense. Not only was the Dutch ambassador present but he had with him some of his colleagues, including a lawyer who made a good impression. He was a tall, imposing looking man, able, and spoke English well. The Dutch said they would have to take it up with their government. The lawyer's name I think was von Saher. He came to my office the following Tuesday morning to say that the Dutch Government was unable to go ahead with the proposed program. He then broke down in tears. Within another 24 or 48 hours the fighting was over--the Germans had overrun Holland.

The next great step in foreign funds control was in about June 1941. We had been arguing for a year at the Treasury that the foreign funds control should be applied to

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all of Europe, to Germany and to Italy, Russia, everybody in Europe, and should be used not only as a defensive instrument, to protect the assets in the United States, but as a strongly offensive instrument to try and interfere with Hitler's plans in which he used money and financial assets to wage his war.

The State Department had opposed this all the time. Interestingly enough I saw in Acheson's book that Acheson was sympathetic to our view all the time, but he was overruled at the State Department. It wasn't until June 1941 that foreign funds control was applied to all of Europe.

Incidentally, I think it's interesting to note that when Russia invaded and occupied the three Baltic countries, Estonia, Lithuania and Latvia, we just automatically applied the

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foreign funds control to those three countries and wouldn't allow the Russians to touch the assets in the United States belonging to nationals of those three countries. We treated the Soviet Union exactly the same way as we treated Nazi Germany, in terms of protecting assets in the United States of nationals of countries that were overrun. There was just no question about it. I prepared the documents; they were approved by the various divisions in the Treasury; the Secretary and the President signed the documents, and the documents were issued.

We also began in June 1941, as I said, the great census of foreign-owned assets. There was very extensive and painstaking preparation for it, and preparation of the forms and instructions. With the help of the Federal Reserve system and the banking system of the United States, we obtained this information which was invaluable to us and to our allies.

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MCKINZIE: How long did that take, sir, do you recall?

BERNSTEIN: The census?

MCKINZIE: Yes.

BERNSTEIN: Oh, it was being taken over a period of a couple of years. I think the Treasury published a report on the census. As I said information was made available promptly to the French Government and the British Government which was of help to them. We obviously were interested in their financial well-being. That brings me to another story.

There was a very famous press conference, a conference that President Roosevelt held in I think December of 1940, in which he first developed the lend-lease idea. He said in substance that when your neighbor's house is on fire, you lend him your hose, you don't

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ask him a price for it, and you let him use your hose. The President said that is what we have got to work out, to help Britain and France and the other democracies. Again he turned to Morgenthau for some ideas. Morgenthau turned to Ed Foley, his General Counsel. Ed Foley, Oscar Cox and I sat down and worked almost over a two-day period and produced a draft of the lend-lease bill that came to be known as HR-1776. I think Arthur Krock sometime in 1943 had a column in the New York Times in which he has the story of the origin of this lend-lease legislation, and mentioned various names, including names I just stated, and how the President got all the departments concerned to review it immediately. Dean Acheson, who at this time was in private practice, was called in by Morgenthau to assist on the proposed legislation, reviewing it and tightening it up. Colonel Stimson, the

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Secretary of War, reviewed the bill. The State Department, of course, reviewed the plan and a lend-lease bill was presented to Congress. This was another product of the Treasury and of the Treasury Legal Division and a result of this unusual relationship between the President of the United States and the Secretary of the Treasury, and the encouragement that the President and the Secretary of the Treasury gave to new ideas, to creativity, to new approaches to the solution of problems. However, I feel bound to say that in all fairness the real credit for lend-lease belongs to President Franklin D. Roosevelt.

You can understand that I may be a little biased about Franklin D. Roosevelt. I sit under an etching of him, which I think is more beautiful than the etchings by the same artist that are at Hyde Park. I think

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that some time, with the consent of my family, I want to donate this etching to Hyde Park. It was given to me as a gift. Isn't that a wonderful etching?

MCKINZIE: Indeed it is.

BERNSTEIN: He was a great force in the world and in my life. I remember a few years ago at a dinner meeting at Columbia Law School I said I felt that he was the greatest man who lived in my lifetime. It was obviously a marvelous experience and a wonderful opportunity to work in his administration.
For a good while, the Treasury had an active hand in the administration of the lend-lease program. I myself didn't work on it, I was working so much on the foreign funds control and other international financial matters. Oscar Cox was working on lend-lease a good deal as well as the Secretary and Ed

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Foley. Then lend-lease was lifted out of the Treasury and set up as a separate administration. I think it was first turned over to Hopkins to run and I think Oscar Cox was a big driving force in the development of the lend-lease administration. But Secretary Morgenthau was the one who sat on top of the problem of how were the British and the French going to pay for purchases in the U.S., and he drove a tough bargain in protecting American interests. He made the British sell their securities in some big American companies in which the British had a big direct investment. Morgenthau, with the backing of the President, forced the sale to produce cash to pay for war supplies that we were selling to the British. But the impact of that program was greatly to stimulate war production in the United States at a time when our war production situation was very weak. I think that men like Secretary Stimson

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and General [George C.] Marshall give credit to Morgenthau and to the friendship between Morgenthau and President Roosevelt for the stimulation of the war production facilities in the

United States in the period of 1939 to 1941. When we got into the war in December 1941 war production was moving ahead and we did not have to start from a standstill.

Well, throughout this period we were working closely with Latin-American countries. We had a conference with all the Latin-American countries to persuade them to adopt a financial and economic control program comparable to our program. Of course, we knew there were a great deal of Nazi German and Japanese interests down there that were working against us, and trying to get goods and supplies and financing to aid the Japanese and German war machines. We were anxious to stop such things and it took

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a lot of hard work. A considerable amount of progress was made.

Then, of course, the Treasury also had this program that I was telling you about before with respect to the Dutch. When the Japanese began their attack on Pearl Harbor and began landing in the Philippines, I took the program that we had worked up for the Dutch and reformulated it in terms of the Philippines. The program was approved by the administration. We sent Treasury people-flew them right out to the Philippines. I remember going down to the airport in Washington and seeing them off. We put the program into operation. Our people, with the cooperation of the Philippine authorities and the banks in the Philippines, went into the banks, opened the vaults, took out the values, made lists of all the securities, money and

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other values, prepared affidavits certifying to the contents of the safe deposit boxes and vaults, destroyed the securities and destroyed the money, etc., after making notes of the amounts and serial numbers, etc. Gold and silver were taken to Corregidor and remained there for a while. When it looked like Corregidor would fall we gave to the American authorities in Corregidor instructions to take the gold out by submarine and to consign the silver to Davy Jones. The silver was sunk in the waters off Corregidor and the gold was brought out by submarine.

Now, I'm not saying we burned every last dollar's worth of value. We couldn't have accomplished that. But what we did do was to reduce greatly the financial valuables that Japan was able to take. I think the Treasury had a press release on this program at the time and said that this was the first application

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of the scorched earth policy to financial assets. It worked extraordinarily well.

Well, if you recall this time, it looked very bleak for us in the Pacific. The Navy came to the Treasury to express their concern about Hawaii, the dangers to Hawaii, and asked did we have some program to suggest. We worked out a program comparable to the one for the Philippines, and we worked out one additional item. In Hawaii there were great quantities of U.S. currency and that was the currency of Hawaii. While Hawaii was still in our hands, Hawaii had to function economically and financially and had to have a currency. Hawaii had to have U.S. dollars.

So, we did a very simple thing. We printed U.S. currency with the word Hawaii overprinted on the currency. We took it out to Hawaii and substituted it for the U.S.

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currency in circulation. There was in circulation in Hawaii this overprinted U.S. currency. In case Hawaii fell into Japanese hands, we could repudiate the U.S. currency with the Hawaii overprint without destroying the U.S. dollar and the U.S. currency circulating in the United States and in other parts of the world. In this way if the worst happened, Japan would not acquire a large amount of usable U.S. currency.

The Navy was most enthusiastic about the plan, and they were very complimentary of the work done at the Treasury. Fortunately, because of the great victory at Midway, the Japanese never took Hawaii. The results might have been otherwise if we hadn't succeeded at Midway--if the Navy hadn't succeeded at Midway, in, as I understand it, one of the greatest naval victories in history.

In October 1942, Under Secretary of the Treasury Dan Bell called me to his office

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and said that we were now going to work on something that was the most secret thing that he had ever worked on or that I had ever worked on. We began to work on the financial plans in connection with the invasion--projected invasion--of North Africa, which meant that we had to know a little something about the invasion, what countries and so on.

We were interested especially in two things, what was the currency to be used by the invading forces--our forces and the British--and what was to be the rate of exchange between that currency and the North African currencies which were based on the French franc. We solved the problem of the currency very easily. We took the same U.S. dollar bill which has a green seal

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on the right side of it as you look at it, and we said, we will replace the green seal with a yellow seal.

MCKINZIE: I didn't know that.

BERNSTEIN: See, you have a green seal over here.

MCKINZIE: Yes, indeed.

BERNSTEIN: We took the identical currency, regular U.S. currency, just put a yellow seal there instead of the green seal. Again we wanted on the one hand to have a currency of strength, that would get us the supplies and whatever else we would have needed when we invaded. Yet if the unfortunate should happen, and we should be defeated in the invasion and thrown out, we didn't want a usable large stock of U.S. currency to fall into German hands. We wanted to be in a position to repudiate the yellow seal dollar without damaging the circulation of regular U.S. currency. So this is

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a comparable device to the Hawaii overprint idea that we had respecting U.S. currency in Hawaii.

Dan Bell and I were having discussions with two officers from the War Department. One of them was General Arthur Carter. Major General Arthur Carter, who was one of the fiscal chiefs at the Pentagon. We had just a few meetings with them on the currency and on the rate of exchange questions. The Treasury view was that we wanted to see the U.S. dollar exchanged for 75 French francs.

On Friday afternoon, October 9, 1942, I remember the occasion so vividly--the War Department officers were in Dan Bell's office and the four of us were having a discussion. Toward the end of the meeting, General Carter put a cable on the table and handed it to Under Secretary Bell, and said, "This is a cable from General Eisenhower."

Dan Bell read the cable aloud. The

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cable said General Eisenhower wanted to have a Treasury man on his staff to assist on financial matters in connection with the invasion of North Africa. Dan Bell told Carter he would have to take it up with the Secretary. They left and Dan and I were sitting there and I said that I felt I was the person to be sent in response to the cable, that I was younger (I was married at the time, but I was much younger than Dan Bell), and I knew the work and I had been in on these discussions.

He said he would have to talk to the Secretary. This was late afternoon on Friday.

A little while after I came in the next morning to my office Dan Bell phoned me, said that he had discussed the cable with the Secretary, and the Secretary felt that he could not spare me and that he wanted me to

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remain at the Treasury.

I told Dan that I thought that was the wrong decision; the country is at war and General Eisenhower is leading our first invasion and is absolutely entitled to the fullest cooperation of the Treasury and I thought I was qualified to represent the Treasury in this field in view of what I have been doing. I also told Bell I wanted an opportunity to talk with the Secretary.

Dan said he would tell the Secretary.

About an hour later my telephone rang and when the Secretary is calling you, or the Secretary's operator is calling you, there are three rings and you know it's the Secretary, or the Secretary's operator. I picked up the phone and the Secretary's operator said that I was to go to the Secretary's office.

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There was the Secretary alone in his office, standing behind his desk. He said that he just came back from taking a walk around the White House grounds and that he knew from Dan that I wanted an opportunity to express my views directly to the Secretary. So I said the Treasury of course wants to cooperate with General Eisenhower; this is a crucial moment in American history; I know the work of the Treasury in this field; and I've been working on it; I'm young enough to serve overseas, and I think you ought to designate me. I also said I'd be doing the work of the Treasury, because what we were talking about was Treasury work. The Secretary agreed that in a real sense I would be carrying on work I had been doing in the Treasury.

Secretary Morgenthau called the War Department and said that I was the Treasury

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man to join General Eisenhower's staff.

At the Friday afternoon meeting there had been a little talk with General Carter as to whether the Treasury designee would go in civilian clothes or uniform. Carter said the War Department would like to have him in uniform as a lieutenant colonel but he would be a Treasury designee.

On Monday morning, October 12, 1942, I turned up at the War Department. By about 5 p.m. I was processed through the War Department, possibly one of the fastest examples of being commissioned in the history of the War Department, sworn in, and handed orders. The orders said I was to leave for England to report to General Eisenhower.

I went back to the Treasury, I had a friend, one of my colleagues there, prepare a will for me, and I gave a power of attorney to my wife. We had one child and another

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child was on the way. I began finishing off my work at the Treasury. On Tuesday morning I finished off a lot of my work. Meanwhile my wife and Charles Kades who at that time was a captain and a close friend of ours, helped my wife in getting things for me. I don't know whether you know Lewis & Thomas Saltz in Washington, that was the famous men's haberdashery store. I showed up there around 11 a.m. to get my uniforms and overcoat. There was quite a scene in the store. Colonel Foley was over there, a couple other colleagues and my pregnant wife was in tears a little bit. When I used to run into the Saltz brothers for years thereafter they used to remind me of that scene. I had an appointment for 1 o'clock that day at Union Station to meet a Colonel Foster, who had been designated by General Carter to accompany me to New York and brief me a little bit. Colonel Foster had

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asked me the night before if we could fly up. I didn't tell him that I had never flown on a plane before. I was flying over to England-to Ireland and to England, but I thought that I'd rather have the trip to New York by train. So I said if he didn't mind, I'd find it more relaxing if we could have the discussion on the train. We took the 1 o'clock train, we were sitting in the dining car, opposite each other, at a table, and I said, "You know, this is quite an experience for me, I've never had any military training whatsoever, never ROTC of any form, I don't even know how to salute."

So, he saluted me, in the dining car. He said, "Now, you salute me back." I saluted. He said, "Now you've had your basic training."

My wife followed me to New York with all of the uniforms that were being adjusted and fixed at Lewis & Thomas Saltz, and with all kinds of pills that I could take on this flight.

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I was going over in a seaplane from LaGuardia to Ireland. I had been told at the War Department that Ireland was a neutral country and you can't wear any military equipment through there, and if they see it they will confiscate it. I took the instructions seriously.

I packed up all of my military gear and I wore a regular civilian suit, except I carried a paper bag with my helmet in it. The instructions I had said that I had to bring over a helmet. When I got up to the airline counter to weigh in my baggage I had $80 worth of excess baggage and I had to strip a lot of it out to get myself down to only $40 of excess baggage.

Well, we flew that night in what we'd consider now almost nothing of a plane. There were hardly any seats except some canvas seats. There was one woman on the plane,

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who was the head of the American Red Cross. She was a very distinguished lady. Some of the men threw their overcoats on the floor and she slept on the coats on the floor of the plane.

We arrived in Foynes, Ireland. In going through Irish customs, I had all my baggage on the table in front of the Irish customs guard, including the paper bag. I'd crumpled together the open end of the bag. The guard said, "What's that?"

I said, "That's my hat."

He didn't put his hand inside or look inside the bag. He just tapped it from the outside and said, "That's your hat alright, go ahead."

They took us by plane from Foynes to England and I reported to General Eisenhower's headquarters. My instructions were that I

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was to report to General Eisenhower. I asked for directions to his office, and I went to his office. There was a general sitting at a desk outside of the office, and I said, "Is this General Eisenhower's office?"

He said, "Yes, but you may tell me what your business is."

I said, "I was told to report to General Eisenhower."

And he said, "I'm General Bedell Smith."
I said, "Yes, sir, my name is Bernstein." And that was my first meeting with General Bedell Smith.

I was turned over to General Sawbridge in G-1. I was assigned a desk in an office in the building. I began working with Julius Holmes, who was a colonel at the time, and was an assistant to General Smith. At first I was instructed that I would go into North Africa

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at D plus 30, with General Eisenhower's staff that was going to go in by way of Gibralter.

Secretary Morgenthau came over to England at that time and we had meetings together. We were also talking with officials of the British War Office and the British Treasury about the rate of exchange question. This was a difficult problem because in some areas, some French colonial areas, where the British were with the Free French, the rate of exchange between the pound sterling and the franc was the equivalent of 50 francs to the dollar. We felt that that rate gave too high a value to the French franc and that in economic and financial terms a rate of 75 francs to the dollar was a more proper rate. The British were anxious to accommodate the French so far as possible on the rate of exchange matter because they were working closely with the Free French. The U.S. were a little bit aloof from the Free French.

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I think there had been some bad experience somewhere, of information being released through the French, to create in the Americans a sense of the French being a security problem.

While these discussions were going on Colonel Holmes told me that I was to go in on D-Day with the invasion fleet sailing for Algiers since I had to be on the spot to deal with financial questions as they arose.

I said, "Okay."

I sailed with the huge invasion fleet that sailed from Scotland. I was on a British-run ship, mostly British officers and troops. When we stopped near Algiers on the night of November 8, 1942, as you faced the land Algiers was on the left. I stood on the deck almost the whole night watching our forces going over the side of the ship into landing craft. It was very quiet on our front, but in the harbor of

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Algiers you could see gunfire. The French Navy was attacking British destroyers that were coming in and British destroyers were returning the fire.

Several of my Civil Affairs colleagues and I were scheduled to offload the next day, which was a Sunday, I think, but the seas were very rough and we couldn't be offloaded into the small boats. We sailed into Algiers harbor, got there in the afternoon before sundown and shortly thereafter were attacked by a number of German stuka bombers. While we were at sea a ship next to us on our port side had been hit by a submarine torpedo and had to proceed slowly and fell out of the armada.

They landed us Monday morning, I think that's November 10, 1942. We got off at the dock. The scene at the dock was a beautiful

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bright sunlight summer's day. It was as though we were arriving on a vacation. I hired a taxi--I knew the hotel I was supposed to go to--to go see Bob Murphy at the American Consulate. I wanted to get a picture of what we were facing and information relevant to the financial problems.
State and Treasury had always been working together on these things in foreign countries. I had never met Bob Murphy, but I knew his role, and he knew about me. So I just took a taxi, and I said to the driver, "Le Consulat Americain."

The Alerians were burning a substitute fuel in the autos. The ride from the port up to the Consulate was up a steeply inclined street. Every few hundred yards the car would stop, the Arabs would gather around and I'd hand out cigarettes to the men and

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chewing gum and candy to the kids. I finally arrived at the Consulate and had lunch with Mr. Murphy. He told me the story of what had happened in Algeria during the night, the famous night of the 8th of November, 1942 and a couple of days before when he worked out arrangements with most of the French to cooperate. The only ones whose cooperation he couldn't get was the French Navy. Then there was that touch-and-go situation about Admiral Darlan. The Frenchman we were counting on was [General Henri Honore] Giraud. Murphy and General Eisenhower decided to try to work out something with Darlan because our desire was to occupy as much of North Africa as quickly as possible and with as few casualties as possible. I think in the long view of history General Eisenhower and Murphy were right in dealing with Darlan although there

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was vast criticism of the Darlan episode, in the British especially as well as the American press. The British were very bitter about Darlan because Darlan was very anti-British because of his French Navy background. I think it's probably fair to say that our dealing with Darlan facilitated the occupation of North Africa at a reduced casualty total, and also facilitated the occupation of French West Africa. French West Africa was very important for American and British naval interests because the great bulge into the Atlantic gave the Allied navies important control over the whole South Atlantic. Our air movements to North Africa were also facilitated by our being in French West Africa.

Well, I continued with civil affairs and military government in its various stages. I had been sent back at the direction of

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Generals Eisenhower and Smith in January of 1943 to make reports to the Treasury and to the War Department about problems that we were dealing with in North Africa, especially the rate of exchange question. The French kept hammering at us to get us to reduce the rate from 75 francs to the dollar to 50 francs to the dollar. My French opposite number on this thing oddly enough, for a little while, was Admiral Fenard. But then quickly Couve de Murville came in and a couple of Inspecteurs des Finances from the French Treasury arrived and they dealt with the economic and finance problems for the French.

I flew back to Washington, six days in flight, by way of North Africa, West Africa, and South America. I reported back to the Treasury in Dan Bell's office. I began talking to him about the rate of exchange question

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and an odd kind of look came over his face. At this very time a summit meeting was taking place in North Africa at Anfa near Casablanca, Morocco. President Roosevelt and Prime Minister Churchill were discussing among other things, believe it or not, the rate of exchange of the U.S. dollar and the French franc. After commenting that it's kind of easier for the soldiers to calculate 50 francs to the dollar than 75 francs to the dollar, they decided it just like that, 50 francs to the dollar. Dan said, "Well, that's already been decided at a very high level." He told me about the cable advising of the decision.

I went down to Cuba where Secretary Morgenthau was with his wife. His wife was ill. These of course were pre-Castro days. I reported to the Secretary on the whole situation in North Africa.

I gave a number of talks at the War

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Department and at the Civil Affairs School at Charlottesville, Virginia.

General Carter ran a dinner at the Metropolitan Club in Washington. He had invited a number of generals and colonels. I was also invited to the dinner. I thought I was just going to be another guest at the dinner. There was a little dais and I was one of four or five people asked to sit on the dais. It was an enjoyable dinner and I was having a relaxed time. All of a sudden I heard my name being mentioned as the guest who's going to make the speech of the evening.

I stood up and talked for about an hour about our experiences, particularly as it affected finance and economics, but I also discussed the Darlan episode and the justifications for it, and the problems that we were facing in dealing with the French. Then for

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another hour I answered questions.

The officers at the dinner were largely in General Carter's fiscal division. They were mostly professional men from private life. They had not as yet served overseas. They were hungry to learn from someone who had been overseas what they themselves might face.

I spoke for about two hours and I hadn't been told prior to my being introduced that I was going to be the speaker. But I had previously given a talk like that at the War Department. I remember running into General Huebner a few years later. He had been at one of the talks and he mentioned it.

In the spring of 1943 I went back to North Africa and very quickly was assigned to the unit that was commanded by a British major general, General Rennell, that was to do the military government planning for the invasion of Sicily. Our headquarters were at a ski resort at Chrea to the east of Algiers. The British were very effective in integrating the British and Americans, and the senior officers ate at General Rennell's mess. We got to be very good friends with the British. I shared a chalet with two British colonels. The British batman used to bring in tea in the morning before we were up. The tea sometimes was strong enough that I said it was almost as strong as wine.

We were at Chrea on July 4, 1943. That was going to be a quiet day around the headquarters and I thought I'd go down to Algiers and see some of my old friends there, both in the Army and in the Treasury Department; also some of the Economic Warfare Board crowd who were in Algiers. I just stopped in to General

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[Frank J.] McSherry's office to say I was going into Algiers for the day, and to my surprise he said, "Well, all right, but be back here by 4 o'clock." General McSherry had never previously said anything like that to me. I was a senior officer and there was a relaxed relationship at headquarters. I said, "Yes, General."

I got back by 4 o'clock and I was washing up in my chalet when a soldier came in and said that General McSherry wanted me at 4:30 out in front of the main headquarters building in full uniform.

I completed my washing and dressing and appeared at the clearing in front of the headquarters building. There were all of the other American officers standing there and we lined up for a march. No one seemed to know what was up. Off we marched for about half

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a mile and we came around a turn in the road and there was a big clearing, a big field, and all the British officers were lined up and saluting US. They were giving us a 4th of July surprise party. Each British officer escorted his American opposite number. It was far and away the best 4th of July party I have ever attended.

[Since this interview was first recorded in July 1975 I was on the Forrestal in New York harbor on July 4, 1976. The Bicentennial celebration that day was surely the greatest.]

For military government for Sicily we did far more extensive and detailed planning than we had done in connection with the North African invasion. A considerable number of personnel were brought into the Army for military government in Sicily. These men had professional careers as bankers, lawyers, economists, and so on, and they were sorted out to the various units of military government depending on their background of training and experience. At Chrea we ran a multifaceted

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program. We were doing the planning, we were assigning personnel to various units, we were training the personnel generally on military government matters. Our own finance division people we were training specifically on the finance program.

The invasion of Sicily began on July 10, 1943. American and British military government finance officers went in with the invasion troops. One of the important tasks was to see that the Allied forces had adequate supplies of Allied Military Lira for their own uses and also to assure that Italian financial institutions continued to function normally.

Large stocks of such military currency had been printed by the Treasury in Washington and shipped and flown to North Africa where I received such currency and distributed some to the invasion forces. Another American and I in separate planes flew in additional

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supplies of Allied Military Lira, arriving at the airfield near Agrigento not long after the enemy had been expelled from the area. A depot at an Italian bank in Agrigento was established by the Allied Military Financial Agency (A.M.F.A.) for the stocks of Allied Military Lira until Palermo was captured by General Patton's forces after which the currency depot under the control of AMFA was transferred to a bank in Palermo.

Then General Rennell and the whole senior staff came over to Siracusa where we set up our headquarters and began the military government of Sicily. Fortunately the Italians became quite cooperative. The important role for military government was to act in a manner to reduce any burden on our military forces, to have things go as normally as possible, meanwhile weeding out Fascists and troublemakers. The Finance Division saw to it that

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the banks functioned, that Italian taxes were collected, that Sicilian civil servants who were working were paid, etc. We established a rate of exchange between the Allied Military Lira and the dollar and the pound sterling so that a man knew how much he was entitled to get for his dollar or pound sterling.

General [George S.] Patton was proceeding extraordinarily well on the left side; the British were having more tough going on the right hand side of the island. The Germans had the help of a mountain in staving off the British a bit. Finally, the Allied forces occupied the whole island and we moved the headquarters of military government to Palermo. From Palermo the Allied Military Government functioned through the Italian Government officials in Sicily to see that normal government activities were carried

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out. As I said before, known and significant Fascists and troublemakers were weeded out at the instigation of our military government. When the finance division was functioning effectively I was transferred back out of Palermo to North Africa because we were doing the military government planning for the invasion of the mainland of Sicily, and we had the headquarters . . .

MCKINZIE: Of Italy, sir?

BERNSTEIN: Oh, the mainland of Italy, yes, thank you. We had a headquarters group in Algeria at a town called, oddly enough, Tizi Ouzou. Again we had a British-American staff to do the military government planning.

At this point, there was a possibility of my going back to the United States because General Carter wanted to set up a finance school to train finance

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officers for military government and civil affairs work and he wanted me as director of the school. I was willing to do that, if that was what the Pentagon wanted. But Colonel Edward Foley was coming over into the area and Ed Foley wanted me in the area when he was coming over. We were roommates there in Tizi Ouzou. We continued the military government planning for mainland Italy along the lines we had worked out for Sicily. After the invasion began of the Italian mainland we set up our military government in a town called Brindisi. Ed Foley and I dealt with the Italian finance minister, a person by the name of Guido Jung who, although he was Jewish, was still an official of the Badoglio government which had also been set up in Brindisi.

In addition to talking about finance

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I talked with Jung about the problems of the Jewish population of Italy. He commented on the great difference in the attitude, even of the Italian Government, let alone of the Italian people toward the Jews as compared with the Nazi attitude. He recognized that nevertheless the Jews in Italy suffered a lot of hardships and a lot of losses and deaths and so on.

Once the King broke away from Mussolini and set up the Badoglio government, set up his own government with Marshal [Pietro] Badoglio as the head of the government, we again had a friendly government to deal with and again subject to eliminating the bad elements, we found that we could leave it to these officials to run the country. We'd keep an eye on what they were doing to assure that it (a) didn't interfere with the movement of our troops, and (b) eliminated

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the worst aspects of Fascism, and that people were being dealt with on a fair basis. And that was essentially the role our military government played as we moved slowly up Italy. When we reached Naples that was the furthest north that I went. At the beginning of 1944 I received orders transferring me back to London to the headquarters that General Eisenhower was to head up at SHAEF. I traveled by way of North Africa, to London.

When I reached Marrakesh, the weather over England was so bad that for four days no planes were flying in. So I had a four-day holiday at Marrakesh at the famous Mamoonia Hotel. Let me tell you, a more lush hotel I've never experienced in my life. There were a couple of other American officers there. On one of the days there was a parade of the French-North African troops. The parade was

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reviewed by Prime Minister Churchill and by General Charles de Gaulle. There were the two standing side by side. I was on the other side of the street. It was quite a scene.

When finally the weather over Britain cleared--I was always in touch with the American airport--our bombers were coming through there and were being flown up to England--I was given a seat on the floor of a bomber, underneath a bomber sergeant who handled one of the plane's machine guns. I sat on the parachute that had been given to me at Marrakesh. We flew from Marrakesh to Great Britain. As we were about to land the wheels of the plane would not come down. We spent an hour flying around. Finally the wheels came down and we landed at Wales. I took a train to London. I began working on military government for the invasion of Western Europe. Of course, that began taking

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on much larger scope.

On the one hand we were training and planning--we were getting prepared for invasion of friendly countries, France, Belgium, Holland, and Norway. On the other hand, we were getting ready for invasion of Germany, where we knew we were going to be in enemy country.

We had some of the French with us. I personally made available office space in my group of offices, for a French treasury official, Guindey, whom I had known from North Africa. There also was in London at the time as part of General de Gaulle's staff, Herve Alphand. Alphand was an Inspecteur des Finances at the French Treasury and had been the financial attache´ at the French Ambassy in Washington. I had known him from Washington days. We worked some with the French but mostly civil affairs and military government

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planning was between the British and ourselves.

My British opposite number was a British brigadier, Michael Babington Smith who was a well-known British banker, and the nephew of the then Earl of Elgin. Babington Smith and I worked quite well together. We dealt also with the British Treasury and War Office people and with U.S. Treasury personnel at the American Embassy in London. We also dealt with finance officials of Belgium, Luxembourg, Holland and Norway. The main difficulty we had was with de Gaulle.

The decision had been made at the top governmental level that we would in connection with the invasion of France use a currency which was printed at the U.S. Treasury, which we were treating as supplemental francs. The normal French franc was issued by the Bank of France. The supplemental franc didn't say

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who issued it, it just said, "Issued in France." It had on one side the French flag and the words in French "Ègalitè Libertè Fraternitè," and on the other side the number of francs, whatever number it was. We had a proclamation saying that this currency was legal tender in France.

SHAEF headquarters hadn't taken the currency problem up directly with de Gaulle, until the last day or two, a couple of days before the invasion. I think there was a great deal of fear, especially on the American side, that de Gaulle and the Free French leaked too much. Maintaining security on this thing was crucial, of crucial importance at that time.

A clever cover plan had been worked out, especially by the British, to convince the Germans that the invasion of Normandy was just a feint and that the real invasion was going to be at Calais. This cover plan was so

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effective that that's what Hitler was expecting. He was waiting for the main invasion to come in at Calais and he did not move some of his troops into Normandy as quickly as he might otherwise have done.

In any event, we at the SHAEF headquarters, in accordance with instructions, didn't clear this currency matter with the French. We had understood that at the Government level in Washington there had been appropriate clearance with the French. We didn't know what were the discussions in Washington.

All of a sudden de Gaulle heard that we were going to issue franc currency in France without his authorization. Shortly after the invasion began he made a violent attack on the supplemental franc currency and called it--whatever the French equivalent is--counterfeit money.

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Well, this was occurring at the very time of the invasion of France. A very big disturbance was created at SHAEF headquarters and General Marshall was drawn into the problem. I remember reading in a book about General Marshall that he was very bitter about de Gaulle for threatening the effectiveness of the invasion. In view of President Roosevelt's policy respecting France and de Gaulle the decision about the currency to be used was up to the President.

Our policy had been to say this was currency which we were issuing, we would deal later with the redemption question and what countries were obligated for what amount, and so on. But this heated discussion went on. I remember one day being called into General Smith's office while he was dictating a cable to Washington on the currency question.

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I suggested to him that he was saying something a little contrary to the policy that had come to us from Washington. He said he would take care of that.

I could see that he and General Eisenhower were trying to work out something of an accommodation with de Gaulle, because General Eisenhower wanted the full cooperation of de Gaulle and the French resistance group and wanted no interference with the invasion. Gradually an arrangement was worked out that the supplemental currency would be treated as though it was issued by the National Committee that was under the control of de Gaulle.

You will recall at the time President Roosevelt was very anxious to have, what we would say today "all his options left open." He didn't want to have de Gaulle in a position where he could force himself on France. The

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President wanted the French to make their own decision as to who was going to be their leader and what form of government they were going to have and so on. But de Gaulle was maneuvering against the President's policy.

General de Gaulle had considerable success. By the time Paris was liberated on August 25, 1944 he was pretty well recognized as the provisional government of France. I was sent forward to Paris to deal with financial matters. I came from London to General Eisenhower's advance headquarters in Normandy at a town called Grenville and then drove up to Paris arriving during the night of September 1, 1944. September 1, 1944 was not only one week after Paris was liberated but was five years to the day since my wife and I had to leave Paris on September 1, 1939 when war broke out.

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I worked with the French Treasury and Bank of France officials arranging for monies to be made available to the American military forces. Gradually franc currency issued by the Bank of France was substituted for the supplemental franc currency. Credit arrangements were set up and records kept of how much franc currency was made available to the Americans, how much we used for supplies, and so on.

In the fall of 1944 the President of the Bank of France and other high officials of the Bank of France gave a luncheon in my honor at the Bank of France. In 1945 I was one of six officers of SHAEF G-5 awarded a Legion of Honor by the French Provisional Government.

The French Provisional Government took over the control of France. We had a staff of civil affairs personnel stationed in Paris.

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I had on the finance side, first a Major Philip Allen, who was the son-in-law of Clarence Dillon and the brother-in-law of Douglas Dillon. I remember that first week I was in Paris talking to Phil Allen at great length and trying to persuade him to stay on in Paris on this assignment. He wanted to do more active military service. He ultimately got himself transferred. I replaced Allen with an officer by the name of Colonel John Harriman. Harriman was a cousin, I think, of Averell Harriman. I put Colonel Harriman in as our senior financial man in Paris. Essentially the position just involved a kind of watching and reporting back if there were any problems that might affect the security of the Allied military forces. But of course the French at that point were just as interested as the Americans and the British in the successful

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movement of the Allied armies that was going on across France.

We also had small civil affairs staffs in Belgium and Holland and Norway. I think Norway was mostly handled by the British. I dealt, for instance, with the Belgian Minister of Finance, Camille Gutt. The Belgians had decided to call in all their outstanding currency because much of it was in the hands of Germans and in the hands of collaborators. The Belgians felt they could only get adequate control by calling in all the outstanding currency and issuing a new currency. We had an interest in seeing that the interests of the Allied military forces were protected and the Belgians were very cooperative with us on the matter.

Very quickly we turned our principal attention to the German problems. General Eisen-

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hower's SHAEF headquarters was established in Versailles and the military government division called G-5 occupied the reconverted grand stables of the Versailles Palace. We had begun our German planning when we were in England. In August, 1944 Secretary Morgenthau had come over to England. He came on a number of occasions into the war theatre for the President, not just as the Secretary of the Treasury but also as the President's representative. The President couldn't move about easily and Morgenthau's visits were one of the means whereby the President kept abreast of developments.

I was designated by Generals Eisenhower and Smith to go with General Holmes on General Eisenhower's train to Scotland to meet Secretary Morgenthau and his party. You can imagine what a comfortable trip that was. I

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had a chance to talk with the Secretary. I had breakfast alone with him that first morning on the train. We discussed the German planning that was going on at the time. Then later that day Secretary Morgenthau had lunch with General Eisenhower at General Eisenhower's headquarters. The Secretary had considerable discussion of what should be the German program with General Eisenhower. Thereafter, Secretary Morgenthau, during the balance of his stay in England, discussed extensively with American and British officials what should be the Allied military government program for Germany. During those talks the matter of the SHAEF military government handbook came up for discussion. From the time of his trip to England, Secretary Morgenthau became deeply involved in the German program. He developed what was called the Morgenthau plan. The

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Morgenthau plan became a subject of great, great controversy.

MCKINZIE: Well, perhaps you would be good enoug to talk a little bit about your relationship with Secretary Stimson at an earlier period here and then we'll come back to this.

BERNSTEIN: All right. There was one case that I worked on that had many interesting aspects. At the time of the civil war in Spain our government recognized the Republican Government in Spain as the legitimate government. The President and the Secretary of the Treasury decided to purchase some silver from the Republican Government of Spain and from the Bank of Spain that was acting as agent for and under the authority of the Republican Government of Spain. As Assistant General Counsel I drafted the silver purchase agree-

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ments. We also learned that John Foster Dulles, a partner of Sullivan and Cromwell, was acting for the Franco side of the Bank of Spain and he was going to lead a legal fight against the Treasury's purchase of the silver. The first purchase of silver from Spain was bought by the Federal Reserve Bank of New York acting as the agent for the Treasury and the remaining purchases of silver were made by the U.S. Treasury directly from the Republican Government of Spain. Secretary Morgenthau discussed with the President the idea of retaining special counsel for the Federal Reserve Bank to represent it and the Government in connection with the lawsuit resulting from the purchases of the silver from Spain.

The man they decided to select to be the special counsel was Colonel Henry L. Stimson. Col. Stimson was deeply engaged in another massive litigation, relating I think to the

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Standard Oil Company of Indiana, and he was reluctant to take on the Spanish silver case. He was finally persuaded to do so. He and several of the partners and associates worked on the case. I had the privilege of working with them. A decision favorable to the Government was won both in the Federal District Court and in the Circuit Court of Appeals. I recall that after the argument in the District Court I was a little concerned as to the impact of Dulles' argument on the judge. As I was leaving the Courthouse in the company of Colonel Stimson and Allen Klotz, his partner, I mentioned my concern as to the impact of Dulles' argument, and suggested we might consider the filing of a further memorandum or brief in the case. Colonel Stimson looked at me and said in probably the strongest language he had used in a long time, "Why, we'll go back to my office and we'll roll up

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our sleeves and I'll go after that stinkadora."

As I say, the Government won the case in the Federal courts. The decisions in effect upheld the power of the Chief Executive to decide what Government legally represented a foreign country in any particular time. The decisions held that the acts of such legally recognized Government would not be questioned in an American court. There was one aspect after the conclusion of the case that left me a little troubled. Colonel Stimson had submitted a bill for $50,000 for the services of himself and his partners and associates covering work over a two year period. When the bill was presented by the Federal Reserve Bank of New York to the Stabilization Fund at the Treasury, the director of which fund was Merle Cochran, Cochran thought that the bill was very high. Merle Cochran is not a lawyer. All his mature life he had been in Government Foreign Service

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until he came to the Treasury. Probably he was just accustomed to the modest pay of Government officials and not to attorneys fees.

He impressed Secretary Morgenthau about the size of the fee. I found to my considerable surprise, at a conference in the Secretary's office, that the Secretary was opposed to paying such a fee. I pointed out that of all the people in the room, I was the only one who had been a lawyer with Wall Street experience. I then set forth in some detail the services that had been rendered by Colonel Stimson and his office in this case, the volume of work, the high quality of the work and the importance of the work. I stated that I felt confident that by all fair standards, Colonel Stimson's fee was reasonable and that his fee should be paid promptly.

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I still didn't seem to convince the Secretary. So I finally said, "Mr. Secretary, I think your honor is involved in this matter, and the honor of the President of the United States is involved. The fee should be paid and either you or the President ought to write Colonel Stimson a letter of appreciation." Secretary Morgenthau turned to Cochran and said, "Pay the fee."

It wasn't long thereafter that President Roosevelt invited Colonel Henry Stimson to become a member of his Cabinet, as Secretary of War. Colonel Stimson was a tower of strength in his administration during World War II.

I think on the fee matter I had rendered a public service.

MCKINZIE: There was a dramatic incident during the course of the movement, the physical movement

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of the silver from Spain to New York. I wonder if you would be good enough to relate the circumstances of that?

BERNSTEIN: Well, one shipment of silver came in around the 4th of July weekend. We had been told that Dulles had obtained an attachment order, which was going to be served by the Sheriff of New York in an effort to prevent the Treasury from getting the silver. A good part of Saturday evening I spent on the telephone talking to Colonel Stimson about the matter and considering what steps we should take to forestall Dulles' legal proceeding and to obtain the silver for the Treasury. At the end of the discussions I told Colonel Stimson I was taking the night train to New York and would appreciate his having an assistant of his meet me at the dock. believe the ship that brought the silver

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was at the dock of the U.S. Lines.

When we got to the dock, we saw the stacks of silver. We had had wooden horses placed all around the silver, saying that this was the property of the U.S. Government. There were also on the dock many deputy sheriffs from the New York Sheriff's office. I carried on discussions with some officials of the U.S. Lines. I noticed that every time I would make a point one of the officials would leave the room and walk down the hall and come back in about five or more minutes and present me with a counter argument. I said, "Who is that you're talking to down the hall, a lawyer for your company?"

And he said, "Yes."

And I said, "Well, ask the lawyer to come down here. I'd like to talk to him face-to-face."

The lawyer came in and just shortly after he arrived I again made the demand that we be

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allowed to take the silver off the piers on our trucks. The entrance of the pier was blocked by a huge steel door that was down to the floor. I asked the lawyer to have the steel door lifted so our trucks could move the silver.

The lawyer suggested to me that it would be all right as far as the U.S. Lines were concerned if I broke down that steel door. I had a quick thought of what that would look like in the next day's newspaper, and I told them we were going to do no such thing. "You're going to lift that door because otherwise you're interferring with the movement of Government property."

Apparently the argument worked, the steel door was lifted, the silver was moved to the Assay Office, and the next part of the case took place in the courtroom.

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There was one other matter that we talked about at lunch. Toward the end of 1940, or perhaps the middle of 1941, a man by the name of Leo Istorik came to see the Secretary of the Treasury. Mr. Istorik was a member of the Board of Directors of the Anglo-Palestine Bank, which was the Jewish owned bank in Palestine. The bank was having some financial problems and was seeking loans or financial assistance in the United States. Secretary Morgenthau delegated me to work with Mr. Istorik on the matter. I made a careful study of our statutes and authorities and reached the conclusion that the U.S. Treasury and the U.S. Government could not give any financial help to the Anglo-Palestine Bank. The Secretary agreed with that conclusion. The Secretary also agreed with my recommendation that he write a letter (which I had prepared) to the governor

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of the Bank of England, talking about the situation and in a sympathetic manner suggesting that the Bank of England might want to consider giving some financial help to the Anglo-Palestine Bank.

While Mr. Istorik was in this country he had a number of meetings with Justice Louis Brandeis, who was at the time retired from the U.S. Supreme Court and who had been prior to his appointment to the bench, the head of the Zionist movement in the U.S. Mr. Istorik had told Justice Brandeis about me and about what I was doing at the Treasury. Justice Brandeis told Mr. Istorik that he would like to see me at his apartment. I had on a number of occasions previously attended Sunday afternoon teas at Justice Brandeis' apartment. I was among those who sat with the Justice from time to time on his couch and talked.

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Within a five or ten-minute period, Justice Brandeis could pick your mind clean of all ideas you had about the work you were doing. But on this occasion, which happened to be about a month before he died, I was alone with Justice Brandeis at his apartment. We talked for about three quarters of an hour, and the Justice did most of the talking. He was telling me about economic developments in Palestine and the potential economic development in Palestine if help was given, and also the great importance of Palestine as a place of refuge and as a home for great numbers of Jews who were being so badly persecuted in Europe and elsewhere. I had the feeling that Justice Brandeis was seeking deliberately to inspire in me the desire to be of help to this cause. And I always have tried to help, having been profoundly aroused by what

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had been done to the Jewish communities of Europe, in the Nazi controlled areas.

MCKINZIE: You indeed had.

I wonder if I could ask you to talk about the--you had already explained something about the planning for movement into Germany that took place in London, and then your own movements crossed channels in this would be 1944, would it not?

BERNSTEIN: Well, as I think I mentioned earlier, when Secretary Morgenthau came to London in August, 1944, both for discussions with the British on financial matters and the World Bank and International Monetary Fund matters, and also to talk with the Army about matters of interest to the Treasury and to the President, Secretary Morgenthau became greatly interested in the military government program with respect

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to Germany.

I had had discussions with Secretary Morgenthau, beginning with breakfast on the train when I met him in Scotland on his arrival. I outlined to him the trend of the thinking of SHAEF on military government planning, and I discussed with him the handbook that had been prepared. I also pointed out to him what I felt ought be the financial policy vis-a-vis Germany. Secretary Morgenthau told me that he later in the day had discussed the problem with General Eisenhower at General Eisenhower's headquarters when they had lunch together, together with some staff of Secretary Morgenthau and General Eisenhower. From that time on, Secretary Morgenthau personally, as we as Treasury staff, and myself as the American financial man on General Eisenhower's staff, played an increasing role in trying to develop

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a program, an American program, for dealing with military government in Germany.

Great divisions took place between the departments of the Government on the matter, particularly between State, Treasury and the War Department. President Roosevelt himself had views, which seemed at some time to reflect support of Secretary Stimson's position and at some time support of Secretary Morgenthau's position. I think it's probably fair to say that in the end, the point of view of Secretary Stimson was adopted as American policy and basically determined the policy followed by Generals Eisenhower and Clay, and later by John McCloy when he became High Commissioner in Germany.

I do want to make one point, which arose in these discussions. I was of the view that Germany, and Germans, had the capacity to

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create a strong heavy industrial economy despite the destructions of the war. I remember one afternoon in mid-1945 I was in a small plane with General Lucius Clay and another American general, and we were flying over the Ruhr. The scene below us was of devastating destruction of Germany's Ruhr industrial machine. General Clay, looking at the scene, said to me that I didn't have to worry about Germany ever reviving its industrial power.

I said to General Clay that I feared that Germany would not only revive its industrial power but it would do it with new plants and new equipment and be far greater industrially than before. I think the history since then bears out the validity of my point. I think further one has to remember that in 1945 the planning, at least on the side of the United States and Great Britain, with respect to Germany, was on a basis of a unified Germany,

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apart from those parts of Germany that were going to be ceded to the Russians and the Poles and the French. I think we can see now that if what we now call West Germany and East Germany were a single unified Germany, that country would clearly be the dominant industrial power of Europe.

I moved with General Eisenhower's headquarters from London to Versailles where the military government, or G-5 staff, consisting of British and American officers, had their offices in the building with the beautiful title of the Grande Écurie, which means the big stable of the Versailles palace.

We continued military government planning there and training of personnel for military government to go to Germany when our armies occupied it.

In April 1945, on a Sunday morning, I

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was having a late breakfast at the Army mess and then walked over to my office with a copy of the Stars and Stripes under my arm. Before getting to work I read the Stars and Stripes and saw on the first page a story out of Germany of American troops finding a great quantity of gold and other treasure in a salt mine at Merkers, Germany.

Not long thereafter my telephone rang. General McSherry was telephoning me from the advanced headquarters at Rheims, France, and said that General Patton had telephoned General Eisenhower and asked General Eisenhower to take over the responsibility for handling that quantity of gold and other treasure that had been found in the salt mine, and that General Eisenhower wanted me to go to Germany and take control of the matter.

I came up to the forward headquarters and spoke to General McSherry that afternoon.

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The following morning I spoke to General Lucius Clay who had only recently reported to the forward headquarters and was scheduled to be General Eisenhower's deputy in military government in Germany. General Clay told me of some experiences in World War I when the U.S. forces used Cologne, Germany as a big depot. We also talked about the possibility of Frankfort being used as the depot since Frankfort was to be the headquarters of General Eisenhower's staff and the headquarters of the U.S. group control council when we got to Germany. At the conclusion of our conference General Clay asked me if I had any questions, and I said, "Only one, General, may I act as it seems to me wisest to do?"

And General Clay said, "Yes."

Well, I went forward with another officer who was to help me on transportation matters and

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I picked up Colonel Barrett, who was a senior financial man at 12th Army Group, General [Omar N.] Bradley's headquarters.

First we drove to Cologne and looked for a place that could be the depot. I could find nothing that was adequate, that was secure and was dry enough to be able to put paintings in there, since there were paintings in the salt mine. And then we drove over to Frankfort and very quickly saw the branch of the Reichsbank which was located less than a mile from where our headquarters was going to be in the Farben Building. I saw what an excellent building the Reichsbank was for storing the gold and the money and the art treasures. I arranged for the Germans in the bank to be removed. I then went forward to the salt mine.

After making a preliminary inspection of the salt mine and the contents of it and leav-

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ing some instructions with the officers with me about calling up personnel to assist in the handling of the matter, I drove over to General Patton's headquarters and reported to General Patton. General Patton said he was very glad that General Eisenhower was taking over the responsibility for this gold. I said that I had found this branch of the Reichsbank in Frankfort and that I wanted to move the gold and other treasure back to Frankfort as quickly as I could.

General Patton said that there was no chance that the Germans would be able to push him out of this area, and that it was safe enough to leave the gold and the other treasure down in the mine. General Patton said he was satisfied as long as General Eisenhower was taking over responsibility for the gold and other treasure.

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I said to General Patton that I didn't for a minute question the correctness of his statement that the Germans were not going to push him out of this area, but that under the Big Three arrangements this part of Germany would be taken over by the Russians for military government control after the fighting ends and we certainly wanted to get all of this out of here before the Russians get here.

General Patton looked astounded at what I had told him. He said he didn't know that at all, but he would do everything possible to facilitate me in my mission, which he very much did. I felt it was a great honor and privilege to work with General Patton and his senior staff officers on this matter.

I went back to the salt mine and continued my work down in the mine giving thought to all the things that had to be done. When I got

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back to my quarters that night, there was a message that General Patton had called and I was to be at the entrance of the mine the following morning at 9 o'clock. That was all the message said. I was at the mine long before 9 a.m. and continued doing some work. At 9 o'clock I was at the mine entrance but no one had arrived for me. I began to walk up and down thinking of the work I had to do. Suddenly my eyes lighted on the front end of a jeep on which was a plaque with five stars in a circle on it. I automatically straightened, because I knew there was only one person entitled to that designation in the theater, and I saluted and found myself looking into the faces of General Eisenhower, General Patton and General Bradley, the three of them sitting in one jeep.

I ran to the entrance of the mine and greeted the generals and took them on an inspection of

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our mine for well over an hour. I had some bad moments which I didn't reveal to them. We were going down a long elevator shaft on what was essentially a wooden platform that was operated by a German. There were an awful lot of stars there at risk, but we managed to go down to the mine and get back up safely with the German operated elevator.

General Eisenhower was very interested in learning what was in the mine. I told the generals about the gold, gold bars, gold coins, the boxes containing almost 3 billion reichsmarks and the valises filled with the loot taken by Germans from the victims in the concentration camps. General Eisenhower looked through a number of valises. I also showed them the art treasures, which I later ascertained constituted almost 25 percent of the Berlin Art Museum, and also showed General Eisenhower

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the plates of the Reichsbank used for the printing of the Reichsmark currency. I told General Eisenhower how I was planning to proceed to take an inventory of everything that was there, so that we would know just what we had, and to begin our studies on certain matters, especially with respect to the gold and art treasures, and that I was arranging to move the treasures as promptly as possible to the branch of the Reichsbank in Frankfort. General Eisenhower approved the entire program. At one point as we were walking around the mine, General Eisenhower saw some writing on the wall and he asked me what it said. The writing was in German. I didn't tell General Eisenhower that I didn't know German but that I knew some Yiddish. I didn't ask General Eisenhower whether he knew German. I could read what was on the wall, and in English it

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said, "The State is everything and the individual is nothing."

General Eisenhower said what an appalling doctrine.

General Eisenhower and the other generals were accompanied by a large staff of newspapermen and photographers and a lot of pictures were taken.

I was in constant touch with General McSherry for the purpose of getting personnel up to the mine. I not only got our uniformed officers up to the mine but got some civilians, including a man by the name of Maurice Germaine. Germaine was working at the Guaranty Trust Company in Paris. He had been the colleague of two of my officers, Colonel Claiborne and Colonel

Barrett, who also had worked for the Guaranty Trust Company. The three of them did the major work in the inventorying of the gold and of the

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money. Lincoln Kirstein assisted in handling the art treasures.

Interestingly enough, about 24 hours after General Eisenhower left the mine, General McSherry telephoned me and said that General Eisenhower hadn't heard from me in 24 hours and he wanted to know what I was doing.

I said, "Tell General Eisenhower I'm working around the clock to carry out the program that he and I discussed."

The feeling I had is that General Patton had spoken to General Eisenhower of the discussion I had had with General Patton viz that this area was to be the area taken over by the Russians and that we certainly wanted to get the treasure out before the Russians got here, and the way the war was going we didn't know how quickly the war

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might end.

General Eisenhower of course was in full agreement that we wanted to get that treasure out quickly. In fact, it was quite a big job, working around the clock, with a lot of soldiers helping in the moving of the gold, the money and the art treasures from the mine up the elevator shaft and on to trucks.

General Patton not only provided all the trucks but he provided a battalion of Rangers, air cover and tanks. I remember one afternoon the regimental colonel and the battalion lieutenant colonel were visiting me at my headquarters and we were discussing the plans for the movement. Somebody threw a hand grenade into a body of water near the house and apparently exploded some sunken munitions that had been in the water. There was a bit of an explosion.

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At one point, after the trucks were loaded with the gold and the money I saw that a soldier was going to be put up in front of the truck to be with the driver. I asked the colonel of the regiment whether he would be willing to allow one of his soldiers to stand on the back of each truck so as to prevent the possibility of some Germans trying to get on the back of the truck and taking some of the gold or the money. The Ranger colonel looked at me and said, "I think we're better off taking our chances with the Germans. These are very tough soldiers."

The whole convoy drove from the salt mine at Merkers to the Reichsbank in Frankfort. We worked through the night unloading the gold and the treasure. I then went back to Merkers and we loaded all the art treasures onto the trucks. In six days we had completed

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the inventory and removal of all the gold, money, art and other valuables to Frankfort where they were very effectively stored and secured.

The security that we maintained came up once in a somewhat interesting little story. Shortly after all the treasure was moved to Frankfort, General McSherry called me into his office and said that General Bedell Smith wanted five gold coins to make medals for President Roosevelt, Prime Minister Churchill, General Marshall, Field Marshal Montgomery and General Eisenhower. I said to General McSherry that was rather an unusual request, that the Army and the American Government had a fiduciary responsibility with respect to the gold, that the gold might belong to our Allies and other countries with whom we had friendly relations, and that General Eisenhower might be subject to criticism for taking these gold coins,

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particularly since General Eisenhower's headquarters had issued stringent regulations against looting and taking property that belonged to others. General McSherry said he would discuss it again with General Smith.

The following afternoon I ran into General McSherry in the hall. He stopped me and said that I might be interested in knowing what happened earlier; that General Smith and he were in a car driving from the headquarters over to the Reichsbank for the purpose of getting the five gold coins. That as they were driving General McSherry asked General Smith if he had any idea what a tight security Bernstein had set up over the gold, and that a few moments later General Smith told the driver to turn around and go back to the headquarters.

I think General Eisenhower was spared

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an embarrassment. Not long thereafter an Army major and a WAC captain became the subject of world-wide public scandal for having taken from a German castle things that didn't belong to them.

Years later I was in a bookshop near my office on Fifth Avenue in New York City and I saw on the shelf a thin book entitled Letters Written by General Eisenhower to General Marshall During the War. I thumbed through the book and I saw that General Eisenhower wrote a letter to General Marshall on the day he had been at the salt mine or the day thereafter. In any event he referred to what he had seen in the salt mine, and he expressed regret in the letter that he didn't find any diamonds among the things that had been taken from the victims of the Nazi camps. I wasn't quite sure what General Eisenhower had in mind by that.

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All that treasure was very securely guarded. The more than 200 battered valises and bags filled with the valuables taken from the concentration camp victims were kept in a separate vault of the Reichsbank which had strong wirework so that anyone from the outside of the vault could see anyone who was on the inside of the vault. No one was allowed on the inside other than myself, and I could go into the vault only when other officers and American civilian visitors were present and were watching me.

When American officials and other prominent American visitors came to the Frankfort Reichsbank, I took them on a tour and told them some of the stories of the treasures. I would go into this caged area alone and open up some of the valises to show the eyeglass frames, wedding rings and the melted down pieces

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of gold from the gold fillings and so on. Nothing was ever taken from the treasures while it was under my control.

After the war I understand some of the gold was returned to France because it had been the equivalent of gold that the Germans had taken from the Bank of France and that had belonged to the Belgian Government. France had made good to the Belgian Government and France's loss was made good in part out of this gold. The art treasure, from the studies made by the art experts of SHAEF, seemed to have been the legitimate property of the Berlin Museum. Our Government turned all of that art back to the West German Government. Some of it has been taken by the German authorities on tour in the United States and was shown some years ago at the Metropolitan Museum in New York City and some of the other

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great museums in the United States.

MCKINZIE: Sir, were there any records at all in that mine concerning the treasure? Were there any records?

BERNSTEIN: Well, in the area of the mine, we picked up two German civilians who turned out to be officials of the Reichsbank. They had been sent down from Berlin to keep an eye on that gold and treasure. We began our examination of the gold question by our examination of these men, and it was started even while I was there in Merkers. We got a great deal of information from them including location of some other places in Germany that were available to us where we picked up some treasure and brought it all to the depository in Frankfort. This was many years ago, but my recollection is that among the information

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they gave us was that the Reichsbank and the German Government decided to move the gold and the other treasure into an area that was more likely to be occupied by the American Army than leave it in an area that was more likely to be occupied by the Russian Army. And in a sense it reflected the German feeling of confidence in the essential decency of the United States and the American Army as against the feelings that the Germans apparently entertained of the Russian Army and the Soviet Union.

We gradually got together extensive reports for governmental files, some may have gone to the Treasury or the State Department, or mostly I suppose to the Pentagon, as to the origins of the gold and the various nations that had an interest in the gold. With respect to the battered valises, etc.,

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filled with the treasure taken from concentration camp victims, we got together a good deal of evidence showing the role that the SS and the German Reichsbank and Funk, the German Finance Minister, played in gathering this treasure and the wickedness that they had indulged in. Incidentally each one of these valises had an SS mark on it.

I turned over copies of these reports to Mr. Justice Jackson and his staff in connection with their preparations for the trials at Nuremberg. One of the defendants who was found guilty was Walter Funk, and one of the counts on which he was found guilty related to this treasure found in these valises and taken from the concentration camp victims.

MCKINZIE: Did you talk, sir, to Colonel Harrison, who made an inspection of the camps at General Eisenhower's invitation?

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BERNSTEIN: Yes, he carried a letter of introduction to me from Secretary Morgenthau, I can't recall now in what connection they had worked, or how they had known each other, but I remember meeting him there. AndI myself went through the province of Thuringen where the Merkers salt mine was located, and one night I came to Weimar. I had these two German Reichsbank officials with me, and I had one or two other army officers with me. In the morning we went out to Buchenwald and as we came through the entrance to the main building there were three trucks that we in the Army used to call ten-ton trucks, filled with naked corpses. Then I went into one of the buildings where there were furnaces and there was half a body lying in one of the furnaces. I also saw the hooks on the walls where bodies were hanged before burning.

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I know from my talk with General Patton on the day I reported to him earlier in April in connection with the Merkers salt mine matter, that he and General Eisenhower and General Bradley had visited concentration camps the day before. General Patton was still showing a sense of deep emotion and shock that he said the three generals experienced when they saw these frightful scenes at the concentration camps. General Patton also said that General Eisenhower was going to have officials from the American Government and prominent private American citizens come to Germany and view the camps so that in the future it could not be said that this was propaganda. My recollection is that General Eisenhower,and General Smith made great efforts to help the inmates who were still alive in the concentration camps and these victims were fed, given clothing and

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taken care of, given medicine and so on. I think the record of the American Army in this respect was outstanding.

MCKINZIE: Senator Kilgore's subcommittee. This must have been about . . .

BERNSTEIN: Well, may I tell you one other incident before the war ended? I had a telephone call from General McSherry saying that I was to go up to Pilsen to General Huebner's headquarters; that the Czechoslovak Government had just issued a decree which increased tenfold the value of Czech currency against the dollar. The American Army was outraged, as a soldier or officer who sent a shirt out to be washed expecting to pay 25¢ for the washing was being asked to pay the equivalent of two and a half dollars.

An Army pilot in a small plane flew me to Germany where I picked up Colonel Barrett,

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who delayed me 3/4 of an hour by going to the wrong airfield. This delay resulted in all of us almost getting killed because we arrived at General Patton's headquarters at Erlangen, Germany, after dark with no lights on the airfield and while the war was still on. The pilot was flying around and flying around, and finally he said, "Colonel, I think this is it." I said that he was the pilot and if he thought this was the airfield at Erlangen we would do what he thought best. Down he brought the plane and we hit the ground and rolled into a ditch. The pilot said he thought that was it for the night. As I stepped out of the plane there was Major Perera, General Patton's finance officer. He said that they had heard a plane circling around and wondered who it was.

I said that it was us and I'm glad we made it.

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The next morning we came back to the airfield. The pilot had arranged to get the plane pulled out of the ditch. He told me to look at the airfield; that it's about the size of a baseball park and there was a mountain at the end of it. I asked him if he thought he could make it. He said he thought he could. I said let's go.

So, we flew to Pilsen and we came to the airport at Pilsen. It's a huge airfield with great concrete runways. The first thing we saw on one of the runways were a couple of airplanes that had cracked up.

We arrived in good order and I reported to General Huebner. He told me what had happened and I said that we would try to persuade the Czech Government and Central Bank officials to reverse their decree and get the old rate back.

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I called up the Central Bank of Czechoslovakia which was located in Prague. There was telephone communication even though the Russian troops were between us and Prague. The Prague Central Bank officials invited me to come down to Prague. I had no desire to go through the Russian lines. I told the Czech officials that they had to come up to Pilsen, which they did that night. They arrived at Pilsen, three or four officials, and I had with me one or two finance officers from General Huebner's staff in addition to Barrett and Perera. We began a discussion which lasted several hours. I couldn't persuade the Czech's on economic and financial grounds to cancel the revaluation of the Czech krone. I then tried pulling out all the stops. I told them what General Eisenhower had done to help Czechoslovakia, I told them what President Roosevelt had done to help Czechoslovakia, what

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Secretary Morgenthau had done, and what I personally had done to try and help on that 25 million dollars worth of gold that I mentioned earlier. None of these arguments persuaded them.

So, I tried a new argument. I said that we had tried to be very fair with them, that we had tried to give support to the Czechoslovakian currency and that if the Czech Government was not willing to act fairly on this matter we would simply use our yellow seal dollars. Our troops would be paid in yellow seal dollars, our disbursements would be made in yellow seal dollars and your Czechoslovakian currency would be absolutely destroyed because no one would want it. Everybody will want to have yellow seal dollars. Thereupon one of the American officers said that we don't have any yellow seal dollars. I turned on him and I said he didn't

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know what he was talking about; that the stocks of yellow seal dollars are kept at General Eisenhower's headquarters and that I knew it because I am in charge of the stocks of yellow seal dollars.

In actual fact we didn't have any yellow seal dollars in the theatre. But the bluff worked. The Czechs said they would revoke the revaluation of the Czech currency. They restored the old rate of exchange. I reported back to headquarters about the discussion and results.

When we had a few hours' time before the arrival of the Czech officials, I was taken on a tour of Pilsen which included a tour of the famous Pilsen brewery. The manager of the brewery was sufficiently impressed by his guests that he gave me a case of export 14 percent beer, one bottle of which I gave to

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General Eisenhower, one bottle to Secretary Morgenthau, one bottle to General Smith and a bottle each to several other senior officers.

Part of the function of my division in the military government included the investigation of German big business, particularly the cartel arrangements of German big business and the role German big business played in Hitler's war of aggression. Some years before at the Treasury we had conducted an investigation of General Analine & Film and General Dyestuff companies, and a few other industries in the United States that were closely related to German companies.

We took over a building in Frankfort right next to the Reichsbank and we brought to such building great masses of materials that we had gotten from various companies. We thought these documents might throw some

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light on the role of German business during the war. I had a substantial staff of officers and civilians, civilians coming from the Justice Department, Treasury, other branches of the Government and armed services. We had some very thorough-going investigations. The investigation at I.G. Farben, the huge--the largest I think of the German companies--resulted in evidence for a case to present to the international tribunal at Nuremberg for prosecution for war crimes.

We were writing reports and we used the German officials of these companies to assist us in these studies. We housed these German officials in a prison. Each day they would be taken by truck from the prison to these buildings that we maintained where they were questioned by our officers, or they themselves wrote out reports of the roles played

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by their companies before and during the war.

One evening, shortly before I was due to return to the United States at the request of the United States Treasury to make reports to the Treasury Department and to the War Department, I was at a dinner in Frankfort given in honor of some Senators and Congressmen who were visiting. This was toward the end of May 1945. At the dinner I sat next to Senator Kilgore of West Virginia. We were talking about these investigations that we were conducting of German business. Senator Kilgore was very much interested in them and expressed a belief that German big business had played a role in the war of aggression and were subject to great condemnation for their conduct. During the course of the discussion, one of my colleagues, James Martin, who was on my staff from the Depar-

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tment of Justice, said to Senator Kilgore that I was going back to Washington in a day or so to make reports to the Treasury and War Department. Senator Kilgore said that when I was in

Washington he wanted me to see President Truman and tell President Truman the work I was doing; and that the President would be very interested in it.

When I got back to Washington, the Treasury assigned me an office in the Treasury Building. I was working both at the Treasury and the Pentagon. I called the White House and spoke to Secretary Matt Connelly, the President's secretary, and identified myself and told him of the discussion with Senator Kilgore. Mr. Connelly asked me where I was and I said I was at the Treasury. He said that I should come right over and see the President.

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I went to the White House and waited in Mr. Connelly's office. A few minutes later the President's door opened and out came Secretary of State [James F.] Byrnes and Admiral Leahy and some other senior officials of the Government. When they left Mr. Connelly took me in to the President and I had a very interesting conversation with President Truman. I told him of the investigations of the German businesses. I also mentioned to him that one of the purposes of my trip back to Washington was to try and get additional personnel from the Government to assist in the investigations. The President directed me to see the Attorney General and other top people of Justice, Treasury and the War Department and the Board of Economic Warfare, and to tell them that the President was interested in my getting personnel for these investigations and that I was to report back to the President

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before I went back to Europe.

I did go around to the various departments and got some personnel, the largest number from the Treasury. In view of the directive that I had from the President I again called Mr. Connelly and again he said come over. While I was waiting in his office he asked me if I would like to have a photograph of the President autographed by the President and I said that I most surely would. And Mr. Connelly wrote something on a little card and when he took me in to see the President he took this card and photograph in to the President. The President autographed the photograph writing the following, "Best wishes to Col. Bernard Bernstein from Harry Truman." You can see it's the photograph of President Truman that I have on the wall here. I took the photograph with me back to Germany and then brought it back from Germany

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when I came back to the United States.

The President was interested in knowing that I had gotten personnel. The President said when I told him that I got them mostly from the Treasury that he figured that's the way it would work out. President Truman sent a letter to General Eisenhower indicating his interest in the work. I think all in all it indicated a considerable interest on President Truman's part in the work we were doing in Germany.

During the course of the meetings, especially the second meeting with the President, he commented on some of the problems he was facing in terms of the Russians and the conference that was to take place on the United Nations. He felt he had some strong cards in the situation because of the financial needs of the Russians and the losses they had suffered during

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the war. It was certainly a very unusual experience for an Army colonel to have two meetings alone with the President of the United States.

I don't know if there is anything else that I know that would be of any interest to you.

MCKINZIE: The fact that you talked to the President ought to have given you a somewhat easier--eased your operating problems once you returned to Germany I should think.

BERNSTEIN: Well, I think it's fair to say in that respect that the policy differences that had previously existed, continued to exist. I think President Truman himself was too new in office to attempt at that time to resolve the differences of view on what ought to be the program in Germany. And as I said earlier, the point of view originally espoused by

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Secretary of War Henry Stimson gradually came to be the dominant view and I was identified more with the view that had been expressed by Secretary Morgenthau.

I think General Clay, and I think it's quite understandable, wanted to have as a senior finance man someone who would be closer to the point of view that Colonel Stimson and he espoused rather than to the Treasury point of view. Joseph Dodge was brought over for that purpose. General Clay said he was happy to have me continue doing the work of the division of investigations of cartels and external assets (DICEA). I said I felt that we had reached a point in our investigations where I would like to write some reports and deliver them to the Government and then, after having served for quite some time, I thought I might like to go back

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to private practice.

I think I left the theatre some time in September, 1945 and I came back to Washington. I wrote some reports both while working at the Pentagon and while working at the Treasury, especially a very lengthy report on I.G. Farben. I had some help in writing the reports, of course. I had had some help in Germany in the gathering and preparation of material. The reports were delivered to the governmental departments. Some of them were reflected in testimony which I was asked to give before Senator Kilgore's committee in the Senate. I think it was the Military Affairs Committee. I testified for a couple of days, especially about the Farben investigation and what we had found out. I believe that the Senate committee felt that my reports and testimony made a contribution to the understanding of

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the role of German business in Germany's aggressions.

And I think it's fair to say that American business did not have a record of participating in the wickedness that German big businesses had engaged in. German big business was deeply involved in the slave labor camps, and with the production of the chemicals that the Nazis used for the slaughter of--at the concentration camps, the Jews and others, and of the deliberate program of war and aggression. I think German big business in that respect had a very bad record.

And so at the end of 1945 I concluded my Government service and I re-entered the practice of law in New York and in Washington.

MCKINZIE: I wonder if you might say something about another financial monetary problem that did arise in Germany--I think it was a little

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later than that--and that was the business of the plates for military currency that had got into the hands of the Soviet Union.

BERNSTEIN: Yes. We at General Eisenhower's headquarters had no role in the decision about the plates for the printing of the Allied military marks. A couple of cables came to General Eisenhower's headquarters and in the regular course they were routed to me. I saw that this problem had arisen back in Washington and was being considered by the governmental departments, particularly Treasury, War Department and State, and they also were discussing it with the British. But General Eisenhower's headquarters wasn't asked for any opinion about the matter. All we wanted was--we needed currency, Allied military marks for our forces when we got into Germany.

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Now, I think there's been some misunderstanding about the consequences of the plates being given to the Russians. As I say, this was a governmental decision joined in not only by the three departments that I mentioned but also by the Joint Chiefs of Staff. The Russians said if the plates weren't going to be made available to them, the Russians would print their own currency and that would run counter to the overall policy of trying to have a unified currency for all of Germany. In fact, when the currency printed by the Russians was available to us for examination after the fighting was over, we saw that there was a difference, a ready difference, between the currency printed by the Treasury and the currency printed by the Russians. The Soviet numbering system was different and there were also some other differences and we embodied

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this information immediately in reports that went back to the Government in Washington. If there had been any desire in some way to isolate the Russian printed currency from that which the U.S. Treasury had printed, it would have been possible to have done it. But as I say, the policy at the time was to have a unified currency as a part of the program of having a unified Germany.

Now, where the difficulty arose is in a different area. It's quite true that the Russian Army had very substantial quantities of Allied military marks when their troops came into Germany, and it's probably also true that they spent the currency very liberally. That didn't mean that the Russians got any American dollars for Allied military marks which the Russians printed. The dollars that were overspent fell into the hands of the Americans.

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This is in part what happened. An American soldier would go into the PX and buy some merchandise in the PX or through some other source he might buy a Mickey Mouse watch for two dollars, and directly or indirectly held sell that Mickey Mouse watch to the Russians for Allied military marks equal to say fifty dollars. Then the American soldier would take those Allied military marks, whether they were printed by the Russians or printed by the Americans, to his finance officer and ask him to remit back to the United States $50 in exchange for these marks.

This business went on in a huge scale. There was an enormous demand in Germany right after the fighting for what we had in our PX stores, for American-owned clothing and for almost anything. I remember one official around SHAEF making the remark that a Russian would pay any amount of Allied military marks

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for a Mickey Mouse watch because he figured he's going to be made the mayor of his town if he comes back to Russia with a watch. The answer is that the American wound up with Allied military marks for which he got $50 from the American finance officer and the Russians wound up with the Mickey Mouse watch.

Now, I quickly saw that there was a great risk and danger from the fact that there was no limit on the amount of marks the American soldier could take to his Army finance officer and remit back to the United States, and that what was going on was a looting of the U.S. Treasury. In view of my background, I didn't view looting of the U.S. Treasury with any kind of enthusiasm or approval. I wanted to see if something could be done to stop that. I was told by senior officers at SHAEF that it was important for the morale of the Army for a soldier to be allowed to remit his winnings in a crap game

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or other games of chance, and that therefore there should be no restrictions on what an American soldier or officer could remit to the United States by converting Allied military marks into dollars.

MCKINZIE: That is, greater than his salary.

BERNSTEIN: Which might be much greater than his salary. At one point when I was in Berlin--I had headquarters both in Berlin and in Frankfort--I conducted an investigation of the amounts of pay of the American forces in Berlin and the amounts of money the American forces were remitting back to the United States. I found that the total amount of remissions back to the United States were substantially in excess of total American pay.

I was talking to the press, which I was permitted to do from time to time as a part of my job. I told the press that we were

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conducting a study of the funds being remitted by American personnel because there seemed to be an excess of remissions over and above the total payroll of the Army. I told them that sometimes you win and sometimes you lost in a crap game, but that I had found a most unusual thing in Berlin because it seemed that all the soldiers won in the crap games.

Not very long after my statement hit the press wires, the matter was called to the attention of General Bedell Smith, who was in the headquarters in Frankfort. I understand he immediately called in the press and said that the Army was not conducting any studies looking to controlling remission of funds back to the United States by military personnel.

I had at a number of staff meetings urged consideration of this problem, and said that it could become the greatest financial scandal of the war. When I was back in Washington in

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May and June ‘45, in talks that I had at the Treasury and at the Pentagon, I again raised the problem and suggested the possibility of a program of giving each Army officer or soldier a card which would reflect his pay and the amount he draws down in Allied military marks, the amount he spends in PXs in Germany, and the difference would be the limit of what he could remit back to the United States in transferring marks into dollars.

Some such plan was ultimately adopted, first by the Government in Washington and then by the Army authorities in the field. Prior to adoption of such a program, I understand an amount in excess of a half billion dollars over the total pay of the American forces in Germany was paid out to Americans in transferring Allied military marks into dollars.

I think it's a very sad thing that the

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problem wasn't grasped earlier by the senior military authorities because it was simply an improper expenditure of over a half billion dollars of Government funds. It's perfectly all right to give some special benefits to military personnel after the war, but it ought to be done pursuant to an act of Congress and not by self-help.

MCKINZIE: Mr. Bernstein, were you at all worried about what the next year or two were going to bring for the countries in which you had had some experience especially Britain, France, and Germany in terms of whether or not their monetary systems were going to be adequate to the task of reconstruction and of sustaining them through a difficult transitional period, or were the problems simply coping with the war?

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BERNSTEIN: I myself worked on the problems that arose during the war and then immediately after the war ended I continued the work on Germany that I've already referred to.
I had heard from time to time of discussions going on with the British. I think at some point in 1945 there was a mission headed by Judge [Samuel I.] Rosenman that had talks with the British. The story that I heard then, and I think it's later been confirmed in some of Churchill's memoirs, is that Churchill said that the Americans are going to have to have another brain wave to help the British the way they did on lend-lease.

I think the British were very cognizant of their dire financial picture. I think they were also very cognizant that they were reduced to the role of being a junior partner with the United States. I think they were hoping for assistance and counting on the

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relationship that they built up with the Americans during the war starting from President Roosevelt down. The British were very skilled and in a very natural way developed a warm and friendly relationship with their American opposite numbers. The British people of quality were obviously very decent and very able people, and our cultures were so similar.

I remember once being invited to a dinner at one of the four great Inns of Court in London to which the barristers are attached. One of the greatest groups of barristers is the Inner Bench of the Middle Temple Inn.

They invited the American officers who were lawyers to one of their dinners. Well, no American lawyer could go to a dinner like that without being absolutely delighted and charmed by the atmosphere, the high intellectual

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caliber and the conviviality and warmth of the barristers and their competence in legal matters. So, it was easy to have a sympathetic relationship with the British. Of course, my own friendship with the British had antedated my being commissioned in the Army since we had dealt with them considerably when I was at the Treasury in Washington. And I also felt that while Morgenthau was at the Treasury he felt such a deep attachment to the British and placed such a deep value on the British that he would do what he could to help the British. Well, as you know, after the war, even after Morgenthauls days at the Treasury, great financial assistance was given by the American Government to the British and the French Government and ultimately to the German Government. And in a sense the American Government had that great brain wave

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that Churchill was talking about. I think the Marshall plan in a sense is the counterpart of lend-lease, and both made an enormous contribution to the security and defense and well-being of the Western World.

MCKINZIE: Mr. Bernstein, could you say something about the relationship of Treasury officials with the officials of the Department of State in this latter period? Would it be fair to say . . .

BERNSTEIN: Well, now if you're talking of the period of the German program

MCKINZIE: Yes.

BERNSTEIN: . . . there was a committee designated by the President originally consisting of the Secretary of State, Secretary of the Treasury and Secretary of War, that quickly got down to the level of Dean Acheson, John McCloy and

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Harry White. They were constantly working with and over each other on what should be the Government program in Germany. There were a number of other things that affected the relationship between the Treasury and the State Department.

For years now the Treasury was doing things in the field of foreign affairs that you would normally expect to have originated in the State Department. But there wasn't that relationship between the President and Secretary [Cordell] Hull that existed between the President and Morgenthau and there wasn't that productivity at the State Department that there was at the Treasury, although there were individuals at the State Department of first-class quality. Obviously Acheson, [Adolph A., Jr.] Berle, and Herbert Feis were of first-class quality as were also some of the men down the line

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at State. But I think the Treasury was geared up in a sense, it was the dominant thing in the mind of the Secretary of the Treasury and his key staff always to be considering what can be done to help the United States and to help the Western World, and also China against the axis powers. Whereas the State Department was not geared up that way to procure ideas and plans. Then, of course, there was a fundamental difference of opinion on what the policy should be and a lot of bickering came from that.

There was also another problem that I personally didn't get in on but about which I was very sympathetic. The Treasury was largely responsible for advising the President to create the War Refugee Board. The Government's record during the war in dealing with the refugees was not 100 percent. More, much more, I think could have been done, not just to

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help the Jews because it wasn't only the Jews who were being persecuted by the Germans. There were millions of Poles and other Eastern Europeans and great numbers of Western Europeans, French and Belgian and Dutch, who were being crushed under the heels of Germany.

Now, I think there was a certain feeling around the Treasury that at State Department, reflected let's say in men like Dunn, James Dunn, there was no great concern about this refugee problem. I don't suppose they felt quite the way Lord Moyne was supposed to have expressed himself. He was the senior British official in the Middle East, who said, when someone came to him with a proposal that the Germans themselves had made, to allow a million Jews in Europe to be freed in exchange for trucks and other payments. Lord Moyne was supposed to have said, "A million Jews, what will we do with them? Where will we put

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them?" It wasn't long after that that he was murdered.

As I say, I don't think that's a fair way of describing the feeling in Washington. I think maybe in part Morgenthau felt as he did because he was Jewish, but I think it was not limited to Morgenthau. I think John Pehle, Ansel Luxford and Josiah DuBois, among others, had very deep feelings that not enough was being done to deal with the refugee problem. It was the Treasury that took the initiative and had to overcome difficulties with the State Department. When the President signed the executive order setting up the War Refugee Board it was a Treasury man whom he put at the head of it, John Pehle, who not only was a Christian and a Protestant, but from the spelling of his name may have had German ancestry. Pehle was a very fine person. He had been an assistant of mine when I was

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Assistant General Counsel at the Treasury. He came up a long way. He helped save lives through the War Refugee Board.

I think that may have been a factor in the relations between State and Treasury. I think though when you got to the Army side, at least at the end of the war, the American Army did make a very big effort to take care of the people in the refugee groups, a very big effort. General Eisenhower brought on his staff Jewish advisers including Judge Simon H. Rifkind who is now involved in the big MAC program in New York. Judge Rifkind is a great lawyer. He was General Eisenhower's Jewish adviser.

General Bedell Smith said to me once--I went to see him in 1946 when he was ambassador to Moscow and was also a member of the American delegation at the peace

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conference in Paris. I was the chairman of the group of representatives of the leading Jewish organizations of the Western World that were in Paris for the peace conference.

My committee formulated and presented to the Peace Conference proposals for "Amendments to the proposed Peace Treaties with Rumania, Italy and Bulgaria, designed to ensure for the Jewish populations in those countries reparations of past wrongs and guarantees for the future." We were trying to enlist support of friendly governments for our proposals. I went to see General Smith at the hotel in Paris where he was staying. We were talking about anti-Semitism and about what the Nazis had done and what the problems were with Russia. He said to me that if he had been. living in Nazi Germany he would have been considered a Jew because one of his grandparents was Jewish. I had not heard this before.

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General Smith then talked about the extent of anti-Semitism in the Soviet Union. He said that despite the provisions in the Soviet constitution, the Russians have a long record of wicked anti-Semitism. I told General Smith that my family was well aware of Russian anti-Semitism; that both my parents left Russia when each was young because Russian anti-Semitism was deeply and widely rooted and harsh. The families of my parents saw no future for themselves in Russia and all of them migrated to the United States and became American citizens.

I thought it was a good thing that General Smith who was our Ambassador to Moscow was aware of and repelled by the history of Russian and Soviet anti-Semitism.

MCKINZIE: Mr. Bernstein, you were--if you don't wish to answer this question we'll take it

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from the record--but you were legal adviser to the American-Jewish conference, 1946-1948.

BERNSTEIN: Right.

MCKINZIE: And obviously you are highly knowledgeable, and doubtless had a good deal of communications with people who were working in the United Nations in 1948, and I wonder if you'd care to comment on President Truman's contention that there were some people in the Middle Eastern Division of the State Department who were emotionally unsympathetic, to say the least, perhaps anti-Semitic to use his words, in their consideration of partition of Palestine, or of recognition of the State of Israel.

BERNSTEIN: Well, I read the newspapers like I suspect you have, but I don't think I have any direct testimony that I can give of personal knowledge on that. I think President Truman

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himself was a wonderful friend of Israel and certainly made an enormous contribution to the creation and to the development of the State of Israel. I think it's interesting to observe that with all the unhappy record of President Nixon, Israel feels he was a very great friend of theirs.

I must confess I was troubled by the American Government's Middle East policy in 1956. I think there was a chance to have dealt most effectively with the Egyptian question as well as with the question of building Western World influence in that area. I feel that we really missed an opportunity and instead, in a sense, opened the door for Soviet power to come into the Middle East. It is possible that if President Eisenhower had channels of advice, effective channels of advice, beyond that of Dulles, President Eisenhower might not have reached the conclusion that he did.

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Dulles was obviously a man who had deeply held views--some people call them prejudices. One of them was, of-course, his feeling about Anthony Eden. It was very unfortunate to have the two foreign ministers of these two great Allies so personally antagonistic to each other at that time.

[Anthony Eden was Britain's Prime Minister at the time of the Suez Crisis.]

I think President Truman played a vital role in getting increased refugees to be admitted into Palestine. The story is told of him that when he was first being informed about the Jewish refugees problem, he said, "What's the trouble, why don't they come to Brooklyn?"

The extraordinary coincidence that President Truman should have had as a partner in the haberdashery business . . .

MCKINZIE: Eddie Jacobson?

BERNSTEIN: . . . Eddie Jacobson. Two men who must

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have gone through the trying time that going into bankruptcy or disintegration of their business must have involved, nevertheless wound up such good and longtime friends. And this friendship gave an opportunity to bring to President Truman's attention the point of view that's been so helpful to the State of Israel. This association helped undoubtedly in the thinking of the President of the United States. An extraordinary coincidence but for the State of Israel, a very fortunate one.

I don't know whether it is of any interest to have for this record the citation I received at the time I got the Legion of Merit. There is a copy of it.

MCKINZIE: I'd like to read this. It says, "Colonel Bernard Bernstein, General Staff Corps, United States Army, for exceptionally

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meritorious conduct in the performance of outstanding services as Deputy Chief, Financial Branch, G-5 Division, Supreme Headquarters, Allied Expeditionary Force, from 15 September 1944 to 12 June 1945. As Senior United States financial advisor to the Supreme Commander, Colonel Bernstein had a major part in framing the policies under which the combined command dealt with the diverse problem of finance and property control in the liberated countries of Western Europe and in Germany and Austria. Colonel Bernstein's wise and energetic action in organizaing control of vast sums of bullion and currency hidden by the Germans, and in instituting an examination of seized enemy financial records, was a material contribution to the success of the Supreme Commander's mission in Germany. Entered military service from Maryland."

That's very good indeed, sir!

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BERNSTEIN: Thank you, I'm very proud of that decoration and citation.

MCKINZIE: How, would you, looking back on it now, assess the worth to you personally and in terms of your career of those years you invested in Government service?

BERNSTEIN: Well, it isn't simply that I invested in Government service. In a sense the Government also invested in me. There is no doubt in my mind that those 12 years are the most fruitful years of my life, and therefore, the happiest, because that's a major source of a man's happiness. I've enjoyed private practice, earned a little money as a lawyer, and accumulated a little bit of money. But other than the work I did for Jewish organizations, both the American-Jewish Conference and the Coordinating

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Board of Jewish Organizations, which gave me an opportunity to present views at the U.N. on the question of protection of human rights, and the work I did in 1946 and '47 on behalf of the Jewish organizations in terms of the peace conference, and peace treaties. I haven't in the years since I left the Government service had the opportunity of participating in the handling of great public problems as I had as a lawyer, as a Government official, and as an Army officer. Those 12 years gave me a sense of having made a public contribution.

MCKINZIE: Sir, we thank you very much.

BERNSTEIN: Thank you.

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