

DIARY
Book 839
April 20-24, 1945

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Follow-up

4/20/45

Dan Bell

Secretary Morgenthau

I wish that between now and Saturday you would talk to me about how many tax exempts the government owns. I am thinking about selling some more of them, and replacing them in the Seventh War Loan with the long 2-1/2s. Please be sure to talk to me about it.

Done -

Assistant Secretary of the Treasury

Date... APR 11 20 19 45

To: Secretary Morgenthau

This is to remind you that you told Senator Pepper, in reply to his request, that the Treasury would be glad to work on suggestions as to how the small businessman could get more export business.

I've asked Coe to take care of this.

H.D.W.

Mr. White
Room 3434

April 20, 1945

I told Stettinius after Cabinet that I wanted to talk to him and he asked me what I had on my mind. I told him that I felt things weren't going very well on reparations, and that I felt that Grew just represented the old line tradition in the State Department. I told him that Clayton was fine, so he said that he would have Clayton come over to see me.

I have the feeling that Stettinius is the kind of man who carries grudges a long ways. He still hasn't gotten over that cable that was sent while he was in England telling him not to take up financial matters, and I think what is burning him up now is that after the President signed that March 10th memorandum it had to be withdrawn and replaced with a new one.

April 20, 1945
8:45 a.m.

GROUP

Present: Mr. D. W. Bell
Mr. O'Connell
Mr. White
Mr. Gamble
Mr. Blough
Mr. Pehle
Mr. Luxford
Mr. Haas
Mr. DuBois
Mr. C. S. Bell
Mr. Russell
Mr. Coe
Mr. Felts
Mr. Bartelt
Mrs. Klotz

H.M.JR: Did you get your memo?

MR. C. S. BELL: Yes. There is a very short one with a bit of glamour in it which omits Customs, Secret Service, and makes no mention of some of the financing operations. If you wanted to go a little further, there is a second set that brings in those other activities. I think possibly you will like the shorter form, and we can get it on three pages.

H.M.JR: Good morning, everybody. Mrs. Morgenthau is better; otherwise I wouldn't be here. What was the word they used? They thought she had a spasm instead of another attack. All indications last night, electrocardiograph, blood pressure, and all seemed to indicate a spasm, and there was no damage to the tissue otherwise. Those things usually show up within twenty-four hours, so I thought I would come up for forty-eight hours and then go back again.

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The main thing I asked you people to come in so early for is because I am seeing President Truman at nine-thirty. I am seeing him on this thing (indicating). If you can't hear me, Harry, why don't you bring your chair up?

MR. WHITE: I haven't seen the final document, but I am a little of the opinion, Mr. Secretary, that a much shorter one is appropriate, because it looks a little too much as though we are trying to impress him with all the Treasury activities. And I thought if a shorter one could be used, which should include just the problems you would like to take up with him, I think it would be a little more appropriate and a little more effective.

MR. C. S. BELL: Dan has seen the short one.

H.M.JR: Let me just go over this, because he may ask some questions. Tax stuff--that I understand is perfect, isn't it?

MR. BLOUGH: Sure.

H.M.JR: Law enforcement, I understand. China--Seong--

MR. WHITE: I want to talk to you about that; it is important.

H.M.JR: Do you want an appointment?

MR. WHITE: On that? Seong has seen him, and I would very much like to see you before nine-thirty.

H.M.JR: Shall I give him an appointment for tomorrow morning?

MR. WHITE: You decide that after I talk to you. I don't think so, but I want to talk to you in some detail about it.

H.M.JR: Is that so?

MR. WHITE: It wouldn't take long, five or ten minutes.

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H.M.JR: Well, what about gold? I mean, he will ask me and say, "What about it?"

MR. WHITE: Chinese gold--

H.M.JR: President Truman will say, "Shall we or shall we not let them have gold?"

MR. WHITE: I want to talk to you today.

H.M.JR: My dear fellow, I have from now until nine-fifteen.

MR. WHITE: It will only take five minutes; it is important.

H.M.JR: What is the answer?

MR. WHITE: No.

H.M.JR: The answer is no.

MR. WHITE: We will need five minutes to discuss it.

H.M.JR: Try two minutes. Go ahead.

MR. WHITE: Well, Soong is here, and Leon Henderson is here primarily to get as much gold as possible. The story that they have appears to be a very defensible one that they are going to re-establish, order reforms in China, but that is not the real reason in either Soong's mind or the Generalissimo's mind. I don't know what is in Henderson's mind. He now is adviser to the Chinese Government at a very fancy salary.

H.M.JR: How much?

MR. WHITE: I don't know how much, but name your own figure, and you won't be far from it. And the political ramifications are the most important things, Mr. Secretary, I think, that are on the docket.

H.M.JR: Yes, but I am going over the paper and--

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MR. WHITE: I don't think you will be in a position to discuss it intelligently with the President. If, after Soong has discussed it with him--I don't think the President will be satisfied with just a no answer. I don't know, but I think you will have to go into it in more detail, and I believe--wouldn't you agree, Frank--that it is the most important thing that is likely to come up?

MR. COE: Yes, I think another thing, though--they say they are going to do all these things in China. They will only do it if we pay them gold. They'll cut the Army to three and one-half million if we pay them gold.

H.M.JR: They'll cut the Army?

MR. WHITE: Their own Army.

H.M.JR: Why should they cut them down?

MR. COE: To save on the budget and have better troops, and so forth. The Generalissimo says he will do that if we pay them more gold.

MR. LUXFORD: From what I have heard, I agree with Harry. This is one of the most important things.

MR. D.W. BELL: These items, Mr. Secretary, that you want to point out to the President are something you want to discuss with him very carefully in the future and before he takes any action on them.

MR. WHITE: That is right.

MR. D.W. BELL: And that he ought to get a complete story because Soong has already seen him.

H.M.JR: That is a good point.

MR. WHITE: That is the point. Not only has Soong seen him, but Leon Henderson is seeing everybody in town, The Secretary of War, Navy, Commerce, Nelson, and Crowley.

H.M.JR: He hasn't seen Mrs. Klots or me.

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MR. WHITE: He wants to.

MRS. KLOTZ: Thank you, Harry.

MR. FARLE: He is earning his salary.

H.M.JR: Well, where does that leave Tom Corcoran?

MR. WHITE: I wouldn't be surprised but we will hear from him, too.

H.M.JR: Well, I think Dan Bell made a good suggestion. In other words, I should handle these as a sort of red flag--

MR. D.W. BELL: This is an agenda that you want to discuss with him.

H.M.JR: Have you got a copy with you? I will take the short one.

MR. C.S. BELL: Yes.

MR. WHITE: That would be particularly true about the British, for example.

H.M.JR: What about the British coming in?

(Mr. C. S. Bell leaves the conference temporarily)

MR. WHITE: I think you can give him a brief statement of how you left it with the British authorities and that they are coming here right after V-E Day to discuss financial assistance with you. That is another thing you will want to talk to him about.

H.M.JR: I think that is the best approach. I only asked for fifteen minutes.

France--

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MR. WHITE: The same thing there--they are here now. They have just arrived with a group to give us all the factual data.

H.M.JR: Was Plevin here?

MR. WHITE: Plevin is coming this week, and he is going to see you, but their Treasury man came here with the answers to the questions that we had asked him before the negotiations.

H.M.JR: Did he bring any cognac with him?

MR. COE: He brought Monnet instead.

MR. D.W. BELL: This is a stimulant.

H.M.JR: Jean--

MR. WHITE: There is a mass of discussions on that, and that is something else you will want to talk to the President about later.

H.M.JR: I see.

MR. WHITE: And if you want to go down the list there--

H.M.JR: That is what I am doing. Mexico.

MR. WHITE: Mexico, you will remember, wanted to re-establish their stabilization loan which ends in June, and that is, too, something you may want to take up with them later.

H.M.JR: India.

MR. WHITE: Indian silver.

H.M.JR: Enemy assets.

MR. COE: There is one more development on Indian silver. FEA is running out of money and can't give them enough to hold them over.

H.M.JR: What about having the Alien Property Custodian back in the Treasury, in with Foreign Funds? Would you like to have it?

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MR. COE: I think the answer is no.

H.M.JR: You don't know.

MR. PHILE: I doubt whether Treasury would want it. I doubt it.

MR. LUXFORD: You just got rid of one of these dirty jobs, Mr. Secretary.

MR. PHILE: Unless the Treasury is awfully free to handle the thing, there will be all kinds of complications like Colonel Johnson of the General Dyestuffs Corporation, and you ought to be awfully free to snuff all that out. Unless you are, I think it would be pretty bad at this moment.

H.M.JR: How are the directives coming along on the peace plans?

MR. WHITE: Well, there may be a serious development with regard to reparations, and you got a memo, didn't you?

(Secretary holds a telephone conversation with Colonel Adams)

H.M.JR: Just to break the tension a minute, I took these two doctors down from New York, one a famous heart specialist and the other the family doctor, so when we got up about ten thousand feet I said, "You know, I don't know whether you want oxygen or not." So Doctor Levy takes his pulse, and Doctor Ryman quickly takes his, and I said, "Who is going to do Morgenthau?" (Laughter) Each one grabbed his own pulse, you know, so quick, and as a matter of fact, as you go up, your pulse speeds up. But they were very nice. If you had seen Ryman, you would have thought so.

MR. FELTUS: The only doctor I ever saw was completely green-skinned.

H.M.JR: He walked in the plane, and I said, "Meet Mr. Feltus." "Not the Mr. Feltus," he said. "I have been looking after your wife for weeks. She is a very nice lady." Luxford is the cruelest person you ever saw. If you had seen him laugh at Feltus and Bernstein. They got paler and paler.

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MR. LUXFORD: They were a sickly green.

H.M.JR: After we were up an hour I had Ryman eating a pickle.

(Discussion off the record.)

MR. COE: The rest of the German stuff is going comparatively well.

H.M.JR: That is the interpretation of 1987, but the reparations is lousy, huh?

MR. COE: State's opinion--according to the latest word, they are trying to bring Clayton back.

MR. DuBOIS: There was a meeting Monday at which Clayton completely changed his position on the whole thing. He showed his true colors all right.

MR. WHITE: I am getting in touch with McCloy to settle what's going to be a major issue. He has just come back.

H.M.JR: All right, that is a very good memo, Charles. I compliment you.

MR. C.S. BELL: Dan has been over it. You are in agreement with it, aren't you, Dan?

MR. D.W. BELL: Yes, for the purpose you are going to use it. It is not very complete as a report, but as an agenda, it is perfect.

H.M.JR: Now, I would like to say this. (Signs memo to the President, dated April 20, 1945.)

Where is Fussell?

MR. FUSSELL: Here.

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H.M.JR: This memo that you sent me--this article for the New York Times of its kind is the best thing that has ever been given me by far.

MR. FUSSELL: Mr. Murphy did it.

H.M.JR: It is superb. Well, I want to see it. Did he do that entirely himself?

MR. HAAS: He had the first draft written by somebody on his staff, and I went over it and made some changes, so it was primarily his.

H.M.JR: It's a superb job. I have two little suggestions. I never like to speak of soldiers as "our boys." I put in "our men," and I put in one other word, "good," and under my name if they would put--say this article by Henry Morgenthau Jr., and I would like to have it "donated to the New York Times." I don't want to say I don't want any compensation. Just say donated to the New York Times.

MRS. KLOTZ: They know that.

MR. WHITE: They won't use that phrase.

H.M.JR: Why not?

MR. D.W.BELL: They certainly wouldn't leave that in there.

MR. WHITE: There must be some other phrase that will meet the same purpose.

MR. FELTUS: They have their own formula. I don't know what it is, but they are not going to use it.

H.M.JR: Fussell, see what you can do. Does that appear on the 13th?

MR. GAMBLE: In the magazine section of the week of the 13th.

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H.M.JR: It's a good job. He has taken some of the material from some of the speeches I made on the trip to Los Angeles, and incorporated a lot of the stuff I used before. It is put together beautifully.

MR. WHITE: Was that Henry Murphy?

MR. HAAS: Yes.

MR. WHITE: Try him on the next speech. I don't think he has had much chance to do any of your speeches, has he, George?

MR. HAAS: Henry is not looking for any--

MR. D.W. BELL: Leave him alone.

H.M.JR: He said, "Do I have to turn the clock back ten years," but it is--I mean, get a thing like that that is well put together--I recognize speeches I made in Los Angeles and--

MR. HAAS: The AF of L speech.

H.M.JR: But the way it's put together, it's a beautiful job. Now, let me just talk to my sister-in-law a minute.

I am planning to go back there tomorrow afternoon. Joan is down there now. You will be interested, and I haven't told you this--just to digress--that Joan did a paper for graduation about the embargo of England and France against Spain during the Revolution, and she got the first A Vassar had given in two or three years. I talked to her history teacher, and he said it was worth an M.A., and she went to the original debate in the Parliament and all that for her source. They have that at Vassar. It is very interesting.

MR. WHITE: Is she looking for a job?

H.M.JR: No, she'll continue school in the fall.

MR. WHITE: She's going to continue in history?

H.M.JR: No, physicians and surgeons course, but I thought I would bring it down anyway. I thought you would be

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- 11 -

interested in reading it. It's interesting. It is in the Vassar Library. They have the original debate that took place in the French Parliament.

MR. WHITE: They have a good library at Vassar.

H.M.JR: In the ten minutes we have left--I find President Truman runs on time--are you all set?

MR. GAMBLE: I'll double check before we go.

H.M.JR: Where are those two men?

MR. GAMBLE: They are due here now. I will see if they are here. (Mr. Gamble leaves conference temporarily.)

(The Secretary holds a telephone conversation with Mrs. Josten.)

MR. WHITE: Mr. Secretary, I am supposed to go up to the Senator Pepper Committee to read your statement. Now, that was all right, you weren't here, but with your being here, I think that wouldn't take much of your time or much out of you if you go up and read your own statement. We can postpone it until eleven o'clock if necessary, because if they hear you are in town, and after all the fuss they have made about postponing their time for you, and then to have me go up to read it, I kind of think it would be--

H.M.JR: Well--

MR. WHITE: If you could get through about half past ten--

H.M.JR: I hoped to join you fellows at the Speaker's this morning.

MR. O'CONNELL: Ten-thirty.

H.M.JR: If I have fifteen minutes with Mrs. Roosevelt, I think I can go up there. They never start on time.

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MR. O'CONNELL: They start on time with Rayburn.

I don't quite agree with you on that, Harry.

MRS. KLOTZ: I didn't get that.

MR. O'CONNELL: I don't quite agree with Harry. I don't think there will be the difficulty with Harry reading your statement this morning that Clayton got into the other day reading Stettinius' statement, because everyone knows when it was decided Harry would read your statement it was because you were not in a position to be there. The fact that you are temporarily in town for a day doesn't make it necessary for you to go in there this morning if you want to go somewhere else.

H.M.JR: I'll come up the minute I get through over there. I will go from Mrs. Roosevelt to Speaker Rayburn's room and from there to Senator Pepper.

MR. WHITE: I'll tell Senator Pepper that you have just arrived and that you want to appear, and that you might be a little late.

H.M.JR: I would like White, Luxford, and Bernstein to go with me.

MR. WHITE: Unfortunately, Luxford and Bernstein ought to be at the hearing of the Banking and Currency Committee.

H.M.JR: Can you go with me from one to the other?

MR. WHITE: Yes.

H.M.JR: That's sufficient.

MR. WHITE: Thank you.

H.M.JR: You're welcome.

MR. WHITE: Hearings on Banking and Currency are still on. I was on yesterday morning and yesterday afternoon. This morning O'Neal and several others are going on.

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(Mr. Gamble reenters conference.)

H.M.JR: Where are your boys?

MR. GAMBLE: They are all here. The third one came yesterday from Iwo Jima. The Indian is here, and they have added him to the party.

H.M.JR: Have you got the picture?

MR. GAMBLE: The picture is here. Do you want to see it?

(Mr. Gamble leaves the conference temporarily.)

MR. WHITE: If you are going to see Mr. McCloy, I would get in touch with him, because you can handle that problem with him better than we can outside, and if you can get an understanding with him in your discussions--

(Mr. Gamble reenters the conference and shows the Secretary the poster for the Seventh War Loan.)

H.M.JR: Who framed it?

MR. GAMBLE: We framed it. It's more likely to be put up in the White House if it is framed.

H.M.JR: Well, why don't I try to see if I can get Mr. McCloy over here tomorrow morning?

MR. WHITE: Fine, and give us a few minutes either later this afternoon or tomorrow morning.

H.M.JR: What else?

MR. LUXFORD: Mr. Secretary, Wright Patman stopped us yesterday and asked whether or not you would be willing to see Fred Florence, who is President of the second biggest bank in Southwest Texas.

H.M.JR: Who?

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MR. LUXFORD: Fred Florence.

H.M.JR: I know him.

MR. LUXFORD: He thinks he has an idea on Bretton Woods that may be able to swing the bankers, and he would like to talk to you Tuesday or Wednesday of next week, if that's possible.

H.M.JR: Wednesday would be all right, at three o'clock.

MR. WHITE: Could you call Senator Aiken? He has made a wonderful speech about Bretton Woods and is making another tonight. He's a Republican from Vermont.

H.M.JR: Sure.

MR. WHITE: Compliment him on the speech he made on the Floor of the Senate.

H.M.JR: When you go back dictate a little memo and give it to Mrs. Klotz.

MR. WHITE: I'd do it before he speaks tonight.

H.M.JR: I'll do it.

Where does Surplus Property stand now?

MR. PERLE: The Executive Order is on the President's desk, isn't it, Charles?

MR. C.S. BELL: It was since last night. We followed it up, and at five o'clock it was still in the basket.

MR. PERLE: The whole thing has gone much more smoothly than we hoped.

H.M.JR: I want to say in front of the nine-thirty staff who are present that I have been delighted at what John Pehle has done. He has done better or as well as anybody else could have done. It's wholly up to him whether he wants to stay or not, but I hope he will come back to me, and I want to say it in front of the nine-

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thirty group.

MR. FEHLE: I am going to. Thank you, Mr. Secretary. I talked to Mr. Wallace yesterday and he asked me to come over, and I said I wouldn't. I sent you a memo on that, but as far as that is concerned, I think the shift will be made pretty well.

MR. WHITE: Mr. Secretary, I don't believe the publicity is satisfactory. That's my own impression. I think it should be made clear in the papers that this was done at your request and initiation. There were some passing remarks.

H.M.JR: As we say up in Minnesota, "A 'yob' has been done." It won't be done for a couple of days.

MR. FEHLE: On the whole it is pretty good so far, and they should improve the publicity.

MR. C.S. BELL: Some of it is very good, this one in particular, (indicating clippings).

H.M.JR: Yes, but I think--

MR. WHITE: Before today, I didn't think the job was satisfactory.

H.M.JR: In a sense it is much better to have nothing that you know of than to have them say--

MR. FEHLE: The talk was that Wallace got something, but there was very little talk that the Treasury is being stripped. I saw none of that, Harry.

MR. WHITE: No, I didn't either.

MR. FEHLE: I think we were lucky, myself.

H.M.JR: Lucky?

MR. FEHLE: I know the work that was done; I did some myself. But, nevertheless, it could have gone wrong.

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MR. C.S. BELL: Harry, they didn't get the press release out at the White House. It was difficult to do a whole lot with it.

MR. WHITE: As long as it is going to be done sometime in the future--

H.M.JR: Would you people like to meet these three fellows and see what they look like?

(Pfc. Gagnon, Pfc. Hayes, and P.M. 2/c Bradley enter the conference.)

H.M.JR: I thought you people would like to meet the gentlemen around Treasury, good or bad, and I think if we could start over and go right out this elevator, we could all go down together.

Go out that door and I will join you, and we will all go over and see the President.

(Pfc. Gagnon, Pfc. Hayes, and P.M. 2/c Bradley leave the conference.)

H.M.JR: Is this a public hearing of Truman's?

MR. WHITE: Yes.

MRS. KLOTZ: Pepper, you mean.

H.M.JR: Oh, yes.

MR. LUXFORD: They are likely to have a lot of guest Senators on it, too. Any Senator that wants to come in and be a guest can do so.

H.M.JR: Feltus, supposing you go up and take Mrs. Klotz with you and be up there at eleven o'clock.

MR. WHITE: Where do we see you next?

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- 17 -

H.M.JR: I'll meet you at Rayburn's office as near ten-thirty as I can.

MR. WHITE: They particularly want you to speak yourself.

H.M.Jr: You will have to have my speech.

MR. WHITE: We'll have it.

April 30, 1945.

My dear Madame Taboulet:

It was most kind of you to write with so much feeling upon learning of the death of President Roosevelt. It is, as you say, a tragedy for America and for the world, and Mrs. Morgenthau and I also appreciate your understanding of our own personal loss.

Thank you also for your word of support for the program and principles which our great President exemplified. I have received the copy of "Four in Victory" which you were so good as to send me and thank you for it. I also appreciate what you said of my own service to the Administration.

With renewed appreciation of your letter,
Sincerely,

(Signed) H. Morgenthau, Jr.

Madame Genevieve Taboulet,
Director and Publisher,
Four in Victory,
625 Fifth Avenue,
New York 17, New York.

GEP/dbs

pour la
VICTOIRE
JOURNAL FRANÇAIS D'AMÉRIQUE

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April 17, 1945

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

Dear Mr. Morgenthau,

I tried to get in touch with you and Mrs. Morgenthau since the death of President Roosevelt because I knew how immeasurable is your sorrow and I myself was in such despair that I felt that my only possibility of consolation and hope for the future could come from seeing you who have been one of the great builders of the Roosevelt New Deal for America and for the world.

These few words are to tell you how deeply I have been thinking of you and Mrs. Morgenthau; and also that, although I feel great despair, I consider it my duty and the duty toward my life-long work to continue more than ever before to defend and support the wonderful world policy of the President both here in my paper "Pour la Victoire" and in the two Paris papers, "L'Aurore" and "Unité et Jour" of which I have been foreign correspondent since the liberation of France.

A ray of hope came to me this morning when I saw in the Times that it was believed you would accept to continue working for all of us throughout the world, as you have been doing. I am going to pray that this is so.

Please convey to Mrs. Morgenthau my kindest thoughts and believe me to be, dear Mr. Morgenthau,

Faithfully,

Genevieve Taboulis

Genevieve Taboulis
Director and Publisher

April 30, 1945.

My dear Captain Pulleston:

Thank you for your warm expression of sympathy in the death of President Roosevelt. I appreciate your speaking with so much understanding of my own close association with him during these difficult war years. It has indeed been an inspiring period on which to look back.

I appreciate your having written me, and your expression of sympathy.

Sincerely,

(Signed) H. Morgenthau, Jr.

Captain W. D. Pulleston, U.S.N. (Ret.),
2434 Belmont Road, N.Y.,
Washington 8, D. C.

GEF/dbs

CAPT. W. D. PULESTON, U. S. N. (RET.)
2434 BELMONT ROAD, N. W.
WASHINGTON 8, D. C.

17 April, 1945

Dear Mr. Morgenthau:

My year in the Treasury Department revealed to me your deep devotion and loyalty to our late President and Commander-in-Chief. I know better than most what a personal loss his death is to you. In the depth of your grief, you can recall with sombre pleasure and profound satisfaction the fact that your loyal services helped him to carry the immense burdens of his great office, especially in 1939 and 1940, when you assisted him in that most difficult of undertakings, giving prompt assistance to Great Britain.

Sincerely,

W. D. Puleston

The Honorable
Henry Morgenthau, Jr.,
Department of the Treasury,
Fifteenth Street and Pennsylvania Avenue,
Washington, D.C.

26

April 20, 1945.

Dear Mr. Hartman:

Thank you for your letter of personal sympathy in the death of the President, and for sending a copy of your son's letter. I can well understand your pride in his service to his country. His expression of devotion to the memory of President Roosevelt is indeed a fine one.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Joel S. Hartman,
33-16 137th Street,
Flushing, Long Island, New York.

GKF/dbs

33-16 157TH STREET
FLUSHING, LONG ISLAND

My dear Mr. Morgenthau -
When you see your dear, dear
friend, Mrs. Roosevelt, I thought a
copy of the letter from our son may
bring a tiny might of added comfort.

At 17 he volunteered out of
Harvard University to join the Army
Air Force and was Radio Operator on
a search mission for a lost plane
over the Atlantic Ocean when a
cut-in announced the President's
passing.

Mrs. Hartman and I send our
deepest sympathy to you and yours
in your great personal loss.

Sincerely,
Josh S. Hartman

April,
1945.

Dear Dad,

I'm sorry I missed you at Essie's today - I wanted very much to speak to you.

The President's death brought to an end the career of a man, the like of which we'll probably never see in this generation or century again. As I hear and see all the tributes being paid him, I just wonder whether the American people are as willing to do justice to a man's work as they claim they are. The irony of having to die to be appreciated will never be fittingly explained to me.

During the last campaign I thought many times about that Sunday in 1941 when the Japs hit us. I wondered then if the American people would remember how they felt on that day. I know I thanked God that at least one man had had the foresight to prepare us as much as he had. When 1944 came - people forgot and not until now, as he lay dead, was his real greatness realized and extolled.

I only hope and pray that in these past few days the supplications of a nation and a world were heard over that "last barrier" and he at last could hear our thanks and know the real, the deeper feeling we all had for him. The wonderful things that he did for us as a nation and therefore indirectly the entire world, can never be forgotten. We're fighting now for the things he worked for most - peace and security.

No man in the service of his country has given more than Franklin Roosevelt - his life was the last contribution he could possibly have given. We must now prove to him and to our consciences that we are worthy - worthy to have had such a man as he work for our futures.

I've grown up under the tutelage of the times - certainly his enlightened policies have had their effect on me and will in the future do much to mold my thoughts. Needless to say countless others of the young people today will be influenced in the same way.

Let's hope we are worthy of his faith in us.

Love,

Arthur

4 15 45

26

April 20, 1945.

Dear Mr. Leffingwell:

Thank you very much for your letter of April 16. What you said of the President's death is indeed true. The loss is a terrific one to the country, and those of us who were personally acquainted with him experienced a shattering blow.

It is good of you to say what you do of my own work as Secretary, and to express such confidence in the future. I also appreciate your comment on the interview with Harry D. White, and I am glad you felt that you could both approach the subject on which you disagree in a frank and objective manner.

We have been very much concerned by Mrs. Morgenthau's illness, but I am glad to say that she has improved considerably in the last day or two. I feel that she is in very good hands, but of course I am anxious for her to reach the point where she may return home for her convalescence.

With thanks again for your letter, and cordial personal regards,

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. R. G. Leffingwell,
23 Wall Street,
New York 8, New York.

RMJ/dhe

23 Wall Street
New York 8

H. C. LEFFINGWELL

April 18, 1945

Dear Mr. Secretary:

President Roosevelt's death has been a great shock to all of us. His loss is irreparable. I felt his death deeply myself. I had known him a long time and had not only high admiration but sincere affection for him. I know what his death must mean to you his close friend and I send you my heartfelt sympathy.

I have been greatly relieved to read in the papers that you are to continue as Secretary of the Treasury. Your administration has been very successful. You have carried the appalling load of war finance manfully and well. The job is being well done.

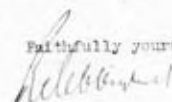
I was distressed to hear, at

the reception for the opening of the Seventh War Loan effort, of Mrs. Morgenthau's illness; and greatly relieved to hear from Assistant Secretary White that she is better.

I did enjoy our talk with Mr. White very much. He is persuasive and interesting, and his knowledge and understanding of the problem are profound. I wish I could say I agree with him. Though I cannot say that, I was much impressed by his comprehension of the problem and by his full and frank discussion of it.

With very high regard, I am, my dear Mr. Secretary,

Faithfully yours



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

April 30, 1945.

Dear Mr. Dailey:

It was good of you to write me as you did on April 18, expressing your own great sense of loss in the death of President Roosevelt, and extending your sympathy because of the ending of the close association which I have enjoyed during the past years. This came, as you say, as a terrific personal blow, and it is an even more tragic loss to the country. Your word of sympathy is much appreciated.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Donald A. Dailey,
Postmaster,
Rochester 3, New York.

GHP/dbs

OFFICE OF THE POSTMASTER
ROCHESTER 3, NEW YORK

DONALD A. DAILEY,
POSTMASTER

Apr. 18
19 45

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

My dear Mr. Secretary:

I know how keenly you must feel over the passing of President Roosevelt as one who has been so closely associated with him during the past several years as you have. His death must fill your heart with sorrow and I sympathize with you.

I feel it has been a privilege for me to have known the President as long as I had and to know I was one of the great army of citizens in this country whom he considered a friend. We will all miss him a lot. It is too bad he couldn't have lived a few more years to see the fruits of his labors.

Sincerely yours,

Donald A. Dailey

DAD:LSR

Donald A. Dailey

April 20, 1945

To All Radio Advertisers, Advertising Agencies,
Radio Networks and Radio Stations:

In the Seventh War Loan we will need your cooperation more than ever before. With a 7 billion dollar quota for individuals, 4 billions in Series E bonds alone, the Treasury is undertaking the greatest financing operation in history.

The next few months will be crucial to the whole American war effort. The good news from Europe may breed dangerous overconfidence in our people and encourage a spirit of let-down and relaxation. Such a reaction would imperil such that has been accomplished in the past, and leave us in no position to deal with the tremendous problems of the present and the future.

It is vitally important, therefore, that the Seventh War Loan be given all possible support. It is the most significant way in which Americans on the homefront can express their determination to see the war through to ultimate victory.

The generosity of advertisers, their agencies and broadcasters in allocating radio advertising time to previous war loan drives encourages us to hope that you will go all-out for a Mightier 7th!

Sincerely,

/s/ Henry Morgenthau, Jr.

Typed 4/19/45
HM:ag:ag

April 20, 1945

To All Radio Advertisers, Advertising Agencies,
Radio Networks and Radio Stations:

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Sincerely,

/s/ Henry Morgenthau, Jr.

Typed 4/19/45
HM:ag:ag

26

April 30, 1948.

Dear Mr. Snyder:

It was with much pleasure that I learned of your appointment as Federal Loan Administrator, and I want to congratulate you upon being the President's choice for this important office. I shall hope to see you soon and look forward to our association as you take up the duties of the post. If there is any way in which my office can be of service to you, I hope you will not hesitate to call upon us.

With cordial regards and best wishes,

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable John W. Snyder,
Federal Loan Administrator,
Washington, D. C.

GEF/dbe

The New York Times.

APR 20 1945

FEDERAL LOAN HEAD



John W. Snyder

Assistant Vice President

SNYDER APPOINTED
LOAN AGENCY HEADTruman Names an Old Friend,
St. Louis Banker—Nominee
Praised by Jesse Jones

By LEWIS WOOD

Special to The New York Times

WASHINGTON, April 17.—President Truman in his first appointment since taking the oath of office, today nominated John W. Snyder, Vice President of the First National Bank of St. Louis, as Federal Loan Administrator.

Mr. Snyder, one of the new President's most intimate friends since the First World War, was Executive Vice President and Director of the Defense Plants Corporation, and assistant to the director of the Reconstruction Finance Corporation from 1940 to Jan. 1, 1943. For three years previously he was manager of the St. Louis agency of the RFC.

Succeeding Fred M. Vinson, recently made War Mobilizer, Mr. Snyder, if confirmed by the Senate, will be administrative head of the governmental loan agency whose subsidiaries have already made authorizations of \$40,000,000.

It is understood that President Truman urged the late President Roosevelt two weeks ago to make Mr. Snyder Loan Administrator, and that Jesse Jones, who for many years guided the loan agency, also had made the same recommendation.

"President Truman could not have made a better appointment," said Mr. Jones today.

Some speculation had Mr. Snyder stated for the Treasury portfolio, but President Truman, as announcement goes, has now assured Secretary Morgenthau of continuing "indefinitely."

The nominee has much the same background as has President Truman. He was born almost forty-nine years ago in Jonesboro, Ark. The Snyders gave a large reception for the Trumans when Mr. Truman was inaugurated as Vice President. In January, 1944, when Miss Margaret Truman sponsored the Missouri, the Snyders accompanied the Trumans to the ceremony. In the First World War the two men were in different batteries of the same division. The President was

a field artillery major; Mr. Snyder was a field artillery captain.

While Mr. Snyder was executive vice president of the Defense Plants Corporation, Government-financed factories and other war production mechanisms sprang up all over the country, at an aggregate cost of from \$5,000,000,000 to \$4,000,000,000. His knowledge of the Reconstruction Finance Corporation and its subsidiaries is regarded as a great asset. Government lending agencies taken from the Commerce Department by the George Hill bill retained under the direction of the Loan Administrator include the RFC and subsidiaries such as the Defense Plants Corporation, Metals Reserve Company and Rubber Reserve Company. Each is autonomous and controlled by a board of directors, but responsibility for coordinating and supervising their administration and policies is lodged with the Loan Administrator.

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APR 20 1945

My dear Mr. Minister:

I am writing in response to your letter of April 3, 1945, concerning your proposed purchase of a house near Geneva, Switzerland.

Representatives in New York of Foreign Funds Control have consulted with Mr. Alexis Coudert concerning the matter, and I am happy to inform you that the necessary Treasury license was issued to Coudert Brothers on April 19, 1945.

Many thanks for your kind wishes, and may I extend my regards to you and Mrs. Tuck.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable S. Pinkney Tuck,
The American Minister,
Cairo, Egypt.

CPS:itz:mbw 4-19-45



AIR MAIL

LEGATION OF THE
UNITED STATES OF AMERICA

Cairo, Egypt, April 3, 1945

PERSONAL

Dear Mr. Secretary:

I am writing in the hope that you will be kind enough to assist my wife and myself in connection with a matter which is of great personal interest to us both.

We are at present negotiating for the purchase of a house near Geneva, Switzerland and the matter is in the hands of my wife's lawyer who is Alexis Coudert, 2 Rector Street, New York City. The house in question is the property of a certain Baron Emeric de Pflugl, a former well known Austrian diplomat who was for years associated with the League of Nations and who later, after the Anschluss, resigned from his country's service and became a naturalized Swiss citizen. He now resides in America with his wife who is American born.

Baron de Pflugl, for reasons which Mr. Coudert can explain, desires a partial payment for the property to be made in Swiss francs and it is therefore necessary for us to apply for a license from the Treasury for that purpose. Mr. Coudert will shortly apply for a license, if he has not already done so by the time this letter reaches you. He will explain at the same time why a payment in Swiss francs is necessary and can also furnish the Treasury with any pertinent details it may require with regard to the proposed transaction.

We would be most grateful if you would give favorable consideration to our application for a Treasury license as the acquisition of the Geneva

property

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

AIR MAIL

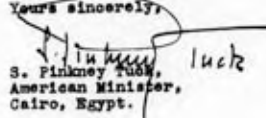
-2-

property means a great deal to us both. I had spent many happy years there when my father was still alive and Katherine, whose father was a Swiss citizen, is as anxious as I am to have a home in Switzerland after my retirement from the Service.

We so often look back on those peaceful days of 1938 spent at Antibes when we came to know you and your family. I hope that all goes well with your sons. My older boy is a Corporal in the Marines. We were fortunate to have been able to leave Germany a year ago after a long period of internment and we are now greatly enjoying our stay in Egypt. I may have told you that my father lived in this country for twenty-six years when he was the American representative in the Mixed Courts.

Please convey our kindest regards to Mrs. Morgenthau. Anything that you feel you can do to help us in connection with our application for a Treasury license would be deeply appreciated.

Yours sincerely,



S. Pinkney Tuohy,
American Minister,
Cairo, Egypt.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 30, 1945

TO Secretary Morgenthau (For information)
 FROM Mr. Coe *FC*
 Subject: China

In connection with discussions which you may have with Dr. T. V. Soong, you may be interested in the following summary of Treasury's recent experience with the Chinese Government. The record clearly indicates that the Chinese Government not only tries to get as much as possible from us, whether justifiable or not, but continues to misuse the financial assistance which has been given. Moreover, there is considerable evidence that top officials of the Chinese Government have enriched themselves from funds granted to China under the \$500 million financial aid agreement.

Gold sales in China.

The matter in which the Chinese have shown the greatest interest and concern in their dealings with the Treasury in recent months is the export of as much gold as possible to China. They would like to withdraw \$180 million of the \$240 million which remains on the books of the Treasury under the \$500 million financial aid agreement to purchase gold to be exported for sale to China in addition to the \$27 million of gold which has already been purchased and exported. This gold is being sold at inexcusably low prices to speculators and hoarders. Moreover, it has provided the Government with an easy way to avoid taking effective measures to retard inflation. Instead, the Government sells precious national assets which could be put to excellent use in the post-war reconstruction of China.

U. S. Army expenditures in China.

The U. S. Army pays its own way - and at exorbitant prices - for everything it obtains in China, except food and lodging of U. S. troops. Nevertheless, the Chinese not only make us pay heavy taxes but also repeatedly try to get us to pay for things which are solely for their benefit or for which they have promised to pay. In the current negotiations for the settlement of U. S. Army expenditures in China during the last quarter of 1944 the Chinese figure of the amount of U. S. Army expenditures for which the Chinese ought to be reimbursed is about 33 percent more than the U. S. Army figure.

- 2 -

The Chinese follow the practice of padding the bill, although we have always been most generous to them. Thus, in terms of prices in the United States, the approximately \$275 million which has already been paid to the Chinese Government for U. S. Army expenditures in China obtained no more than \$175 million of goods and services. The difference can be considered an American contribution to China in compensation for the burden placed on the Chinese economy by the presence and activities of American troops.

Sale by Chinese Government of \$200 million of U. S. dollar savings certificates and bonds.

One of the uses which the Chinese have made of the funds advanced under the \$500 million financial aid agreement was the issue of \$100 million of U. S. dollar savings certificates and \$100 million of U. S. dollar bonds. The certificates and bonds were sold at much lower rates than prevailed in the black market and the purchasers of these certificates and bonds obtained U. S. dollars at anywhere from one-half to one-fifth of what they should have paid for them. At present these certificates and bonds can be sold for more than 15 times their original purchase price. Under the guise of an anti-inflationary measure, the Government has permitted hoarders, speculators, militarists and "insiders" to reap illicit fortunes in foreign exchange. For example, from the information available to us, there is little doubt that persons and organizations intimately connected with Dr. T. V. Soong and Dr. H. H. Kung have purchased millions of dollars of these certificates and bonds. Tu Yueh-seng, the notorious underworld gangster leader, has been among the largest purchasers, while Dr. Wei Tiao-ming, present Ambassador to the United States, has purchased more than \$100,000 of these U. S. dollar securities. We have done our best to control the use of the proceeds of these securities through the Treasury's Foreign Funds Control administration.

Expenditure of \$60 million on bank notes.

The Chinese are now requesting that we permit the withdrawal of \$60 million of the \$240 million which still remains on the books of the Treasury under the \$500 million financial aid agreement to be used for the manufacture of bank notes. According to information received from the Chinese, these bank notes are in small denominations which are practically useless in the present inflationary situation. They are only distinguished by the fact that they will have on them the portrait of the Generalissimo instead of the traditional portrait of Dr. Sun Yat-sen. The Chinese, of course, have other funds with which to pay for the manufacture of such bank notes.

- 3 -

Chinese hold up tin exports to United States.

China has been providing the United States with tin, a much needed strategic commodity. At the request of the Chinese, the Treasury has allowed payment for the tin to be made in gold. The Chinese, however, have argued that this gold must be sent to China in order to maintain tin production and tin exports to the United States have been allowed to decline. Nevertheless, the Bank of China admits that it has in China stockpiles of tin which it is keeping as collateral against an intra-governmental loan made to the Chinese tin procurement agency, the National Resources Commission. Thus, the Chinese could be exporting more tin to the United States if they so desired.

Requested \$16 million Export-Import Bank loan.

The Export-Import Bank has been requested to grant a \$16 million loan to a private Chinese chemical firm. The Chinese Government has nearly \$1 billion of deposits, U. S. Government securities, and credits on the books of the Treasury which could be used to finance imports from the United States of the kind for which an Export-Import Bank loan is being requested. Moreover, it is admitted that the proceeds of the Export-Import Bank loan could hardly be used until after the war. Nevertheless, the Chinese Government does all possible to encourage the Export-Import Bank to grant immediately this \$16 million credit.

\$75 million lend-lease trucking project.

Arrangements are now being carried through for the lend-lease of a large number of trucks to China. Moreover, the lend-lease funds will be used to pay the salaries of American personnel who will train Chinese personnel to take over the driving and maintenance of the trucks. The cost of this project is about \$75 million. In addition, the Chinese attempted to get the United States to pay U. S. dollars for the Chinese national currency which will be needed to pay the salaries of Chinese employed in driving these Chinese trucks and to construct and maintain garages and repair shops for these Chinese trucks. These local currency needs which the Chinese can meet merely by printing more bank notes might have cost us up to \$20 or \$30 million. The Chinese undertook to meet these local currency needs only after we took a firm position against providing U. S. dollars for such purposes.

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Import of textiles into China.

The Chinese have asked the Treasury to support its request for large scale imports of textiles, arguing that they will be used for anti-inflationary purposes. The Chinese have been told repeatedly of the very tight position of textiles in the United States. Moreover, they know the urgent need to conserve transport facilities into China, whether over the "hump" or on the newly opened Burma road. It is safe to say that, as in the case of gold sales, the anti-inflationary effects of the sale of such textiles would be very small, if anything, to encourage domestic textile production. Thus, moreover, the Chinese Government has done very little, while one-third of the cotton spindles in Free China have ceased operations because of a shortage of raw cotton resulting from erroneous government policy and inefficient and corrupt administration. Large amounts of raw cotton are being smuggled out of Free China into occupied China. Furthermore, large quantities of cotton textiles in Free China are being hoarded, while the Government fails to take effective anti-hoarding measures.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 20, 1945

TO Secretary Morgenthau
FROM Charles S. Bell

RE: HAROLD SMITH AND THE SURPLUS
PROPERTY TRANSFER

Mr. Smith's participation in this transaction is an excellent illustration of why the Budget has gone down in the estimation of certain members of Congress and high Government officials.

As per your instructions, after making the early negotiations with the agency heads primarily concerned with this transfer, I called Director Smith in the afternoon on Tuesday, April 17, and failing to reach him, left a very complete story with his secretary and a request that he call me for further details. (At this time it was indefinite that the entire Procurement Division would go over to Commerce or remain in Treasury, and the whole matter was being handled along very confidential lines.)

Not only did Mr. Smith himself fail to call me, but what is more, no member of the Budget staff made any effort to keep abreast of the deal or get accurate information from me or John Pehle, the only two men in Treasury actually in

- 2 -

the know" at that time. In place of this, Mr. Smith's people were sent out as though on an "under-cover" job. Mr. Scott of Budget called our Mr. Parsons in Procurement to inquire of him what he knew of the matter, and the Department's Budget Officer, Schoeneman, was approached by Mr. Broadbent of Budget along similar lines. They made no effort to contact this office.

I learned later from Mr. Gladieux, Secretary Wallace's assistant, that Mr. Smith talked with Secretary Wallace and urged him not to go through with the transfer. I strongly suspect that Mr. Smith's objections came, for the most part, from the fact that he has other ideas as to the location of the Procurement Division proper and had been given to understand that the Procurement Division would move with Surplus Property.

APR 20 1945

Dear Mr. Minister:

I wish to thank you for your letter of April 3rd and for the personal message and regards you were kind enough to send through Mr. Adler.

As you know, the cause of Sino-American friendship has ever been close to my heart, and I am happy to find myself in full agreement with you on the need for maintaining close financial and economic cooperation and for strengthening the traditional ties between our two countries. Please rest assured that we shall continue to do all we can to attain both these objectives.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable C. K. Yui,
Minister of Finance,
Chungking, China.

SA/efn 4/18/45

Chungking
Ministry of Finance
Chungking

April 3rd, 1945.

My dear Mr. Morgenthau,

I avail myself of the opportunity of Mr. Adler's return to Washington to extend to you my greetings and deep appreciation of the cooperation that you have kindly given us.

As total Allied victory is drawing near, our task has even proved to be more difficult and the need for closer collaboration between the United States and China has become more urgent than ever.

It is my sincere wish that the traditional friendship between our countries be further solidified through closer economic cooperation and I trust we can rely on your good offices toward its attainment.

Yours sincerely,

O. K. Yui

O. K. Yui
Minister of Finance

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

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 20, 1945

TO Secretary Morgenthau
FROM Frank Coe and Orvis A. Schmidt

FOR YOUR INFORMATION

As you know, in January we designated Florence Gould a Special Blocked National on the basis of her participation, with certain German and French interests, in the establishment of the Banque Charles for the purpose of cloaking collaborationist and German assets.

We thought you would be interested in the following secret intelligence information concerning Mrs. Gould which was recently received from our Embassy at Paris, and which confirms our suspicions of Mrs. Gould's collaboration with the Nazis:

1) Her participation in the Banque Charles was an outgrowth of her many close and confessed relations during the occupation with notorious French collaborators and with Germans (including the Gestapo), of whose official connections she was fully aware.

2) There is evidence that the Germans regarded her as an informer to the Gestapo.

3) Ludwig Vogel, engineer of the Focke-Wulf Aircraft Company, now held as a prisoner in Paris, took Florence Gould to Germany on several occasions under a false name and without identification papers. She was permitted to visit an aircraft factory at Friedrichshafen.

4) Mrs. Gould claims that she had social relations with Germans in order to obtain their protection against being sent to a concentration camp because of her services to Allied intelligence. According to her own admission, however, she was not in contact with Allied intelligence services until December 1943, whereas most of her relations with the Germans began before that date. Moreover, there is no evidence that

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she ever gave any important information to Allied intelligence or disclosed her relations with the Germans.

5) Her recent claims that she participated in the Banque Charles to save Mr. Gould from deportation is in direct variance with the explanation which she gave to the O.S.G. in October 1944 to the effect that her only interest in the Banque was to create a refuge for American money during the war.

J.P.
F.C.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE: APR. 20, 1945

TO Secretary Morgenthau
FROM Mr. White *WCH*

My wife informs me:

The Bible (Job 31:35) contains this statement:
"Oh, that I had one to hear me. Lo, here is my
signature. Let the Almighty answer me. And that
I had that indictment which mine adversary hath
written."

A footnote in our version of the Bible refers
to the fact that the word "indictment" probably
means "book".

Mrs. White believes that the interpretation
of the above phrase is something like the follow-
ing:

People know I (Job) have been
righteous and if my enemies who are
claiming the contrary had written a
book containing their unfair criticisms
I (Job) could display that book and
their unfair criticisms so that the
people would know how unjust those
criticisms were -- or something like
that.

I believe that must have been the phrase to
which the President referred. Though it doesn't
seem to fit well, I suspect it's what the
President had in mind.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

April 20, 1945

TO Secretary Morgenthau

FROM E. D. Russell

Subject: Press seminars

Recently the Foreign Funds Control people held a half-hour press conference dealing with a press release which had been put out for use the following day. The discussion was nearly all on background material rather than as spot news, but it attracted a number of correspondents who do not normally visit the Treasury and held their attention.

This led me to believe that there is a field for seminar type conferences, on subjects which of current interest, or approaching the news stage, but are not yet ready for spot news treatment.

I canvassed several Treasury people, including White, Haas and Lynch, and also a few reporters, and found them enthusiastic for the idea. I also found some Treasury people, outside of those dealing with such subjects, who said they would appreciate an opportunity to hear background explanations of such subjects as Bretton Woods, taxes, etc.

Haas said his shop would be able to put on immediately a discussion of Government borrowing -- substantially the same slide illustrated lecture being given Seventh War Loan groups -- subject to Ted Gamble's approval.

White said he believed some discussions of taxes and of the postwar European economic situation could be arranged -- the latter probably broken down into a number of discussions.

TO:

Mrs. Klotz

This memo does NOT require any immediate attention. However, it might interest the Secretary, at some early date, when he might have time on his hands, either while flying, or in Florida. How would it be to put it in his package as "any time" material, or how do you handle things of this nature?

E. Russell

Mr. Russell

- 2 -

Max Hall of AP (incidentally the smartest of the reporters covering the Treasury) was enthusiastic over the idea and suggested such subjects, rather more complex and less immediately newsworthy, as a detailed explanation of the Daily Statement, methods by which public debt was calculated, etc.

I think the advantages to the Treasury would be two:

1. Better press relations.
2. Better informed reporters and consequently better reporting.

I do not imagine that all the reporters would actually be as keen about the idea as Hall, who is out to get himself all the education he can, wherever he is working. But they would be stirred, by competition, to pay some attention, and whatever they learned would be all to the good.

The conferences would have to be planned carefully, to avoid impinging upon spot news fields. It would be my idea to make them all background affairs, lecture-discussions followed by a question and answer period. It would probably follow that some questions on policy matters, relating to the subject discussed in the seminar, would greet you at the next press conference, but you would be ready for it and the broadening of the field of questions at your press conference would also be advantageous, it seems to me.

Now as to how the subject might be broached:

I suggest that at your next press conference you might say that the idea of seminars, on newsworthy subjects, or subjects that will soon be in the news, has been suggested to you, and that you would like to see what the reporters think about it. If there is a favorable response from those present you might suggest that they contact me with their suggestions as to subjects they would like covered. Then we could put one of the seminars on almost

- 2 -

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immediately (Friday at 11 a.m. probably will be the best time) and judge from the result whether it is worth continuing.

E. B. Tamm

*Copies to
Lyford & Miller
4/21/45*

THE WHITE HOUSE
WASHINGTON

April 20, 1945.

MEMORANDUM FOR THE
SECRETARY OF THE TREASURY:

After consultation with the President's Secretary in charge of press relations, it is felt that the President should not at this time appear in news reels to advocate the Bretton Woods proposal or any other single or individual legislative proposal, especially when such proposal is before the Congress for action.

We do wish to be helpful. We know you are familiar with the statement the President made at his first press conference with regard to the Bretton Woods proposals. It is suggested that if a silent motion picture of the President is made a part of your proposed film and you would use the sense of the President's statements at his press conference, this question might be solved. An off-stage voice could be used for sound when the President's picture is on the screen, and in this way it would be possible for you to include the President's endorsement as part of the motion picture Paramount is to produce for you.

Matthew J. Connelly
MATTHEW J. CONNELLY
Secretary to the President.

4/20/45

Secretary's statement before Senator Pepper's Committee on Small business. Subject: Bretton Woods.



THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

April 20, 1945

TOP SECRETTO THE SECRETARY:

I just received a report through the War Department of an inventory of the currency and gold discovered in the salt mine at Merkers. There was a small amount of Norwegian kroner, French francs, Belgian francs, lire, kuna (Croat) and koruny (Czech). There were also 2,760,000,000 reichsmarks. There are about 3,000 bags (at about 81 pounds per bag) of gold coin and 4,100 bags (at 55 pounds per bag) of gold bullion. Considering the gold coin on a straight bullion basis, the total value is about \$196 million.

*sub*TOP SECRET

Statement of Secretary Morgenthau

Prosperity for this country is essentially a problem of finding markets to match the miraculous producing power of our factories and farms. We can keep our people gainfully employed at high wages if we can find buyers for the food and fibers, for the cars and refrigerators, that we can produce.

Our primary dependence must always be on the home market. We have in this country the greatest concentration of consuming power in all the world. The 135 million American people buy most of the world's production of automobiles, refrigerators, and radios. These are the goods typical of American production. These are the goods that are symbolic of the high American standard of living.

But we must not overlook the importance of foreign markets. During the 1920's, one-tenth of our agricultural and industrial output was sold abroad. Our exports declined drastically from 1929 to 1932. And even after recovery had gone quite far, our exports in 1938 were only half what they had been ten years earlier.

Our exports may seem to be only a small part of our

- 2 -

total production. They are, nevertheless, vital. They mean a good deal in factory payrolls and farm income. They mean the difference between prosperity and depression for both agriculture and industry.

When we think in terms of particular industries and of particular farm products we can see what foreign markets really mean to business, to labor, and to agriculture.

I cite examples from only a few industries. In 1938, our exports accounted for 27 percent of our production of aircraft and parts, 22 percent of our office machinery and appliances, 18 percent of our printing and book-binding machinery, 17 percent of our farm machinery and appliances, 15 percent of our pharmaceuticals, 14 percent of our industrial machinery, 14 percent of our automobiles and trucks, 12 percent of our radio equipment, and 11 percent of our refined oil products.

It is no less true that export markets are essential to our agriculture. In 1938, our exports accounted for 30 percent of our production of tobacco, 28 percent of our cotton, 19 percent of our rice, 13 percent of our

- 3 -

apples, 11 percent of our wheat, 11 percent of our lard, and 11 percent of our hops.

It is clear enough what these exports of industrial and farm products mean to business and labor and to agriculture throughout the country.

Your interest in an expansion of foreign trade for small business coincides with one of the principal objectives of the program drawn up at the Bretton Woods Conference last summer, and now pending before this Congress.

All of the 44 nations participating in that conference recognized that a large volume of foreign trade is essential to the realization of the United Nations' hopes for a prosperous and peaceful world. We in this country have a special stake in this program since we, more than most countries, must carry on a large volume of trade abroad in order to assure full utilization of our manpower and productive facilities at home.

In order to achieve these overall objectives--increased world trade and capacity production at home--we must set in motion the machinery to restore to the devastated countries their producing and consuming

- 4 -

power and to further the development of greater production and greater consumption in the more backward areas of the world, inhabited by perhaps half the world's population. We must provide an environment of stable and orderly exchange practices--free from the currency warfare and the restrictions of the 1930's--in which international trade can flourish.

In considering the significance of foreign trade to small business, it will be helpful to divide the subject into two broad segments.

There are industries that will participate only indirectly in an expansion of foreign trade. In this group are the majority of the service industries, such as laundries, dry cleaners, garages, repair shops, hotels, and retail outlets of every description. Their well-being is linked to foreign trade to the extent that an expanding foreign trade is indispensable to an expanding American economy.

Then, there are industries engaged in manufacturing, transportation and commerce where small business can share directly in the increased trade. Our small busi-

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ness firms should be able to sell abroad as well as at home, particularly if some of the uncertainties can be removed from international currency transactions.

But let me repeat, the best market for all types of small business has always been, and will continue to be, our own domestic market. In a prosperous America, every year should witness a new crop of promising small entrepreneurs, and those already established should have ample opportunity to expand.

I will not attempt to go into the details and mechanics of the Bretton Woods proposals at this time. These Agreements are now being considered by the House Committee and will soon be considered by the Senate Committee on Banking and Currency. The important thing for us to consider at this time is the significance of the Bretton Woods proposals to American foreign trade in general and to small business in particular.

The Bretton Woods proposals, by stabilizing rates of exchange, by maintaining freedom in exchange transactions, by preventing competitive depreciation of foreign currencies, and encouraging the revival of

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private international investment, will go a long way--indeed, farther than we have ever gone before--toward creating an environment in which small business will not only prosper, but will help to preserve our democratic institutions.

In the past, small business has not played a prominent role in this country's foreign trade, and that for two principal reasons. First, the small businessman has not been conscious of the importance of finding markets abroad. The cost of maintaining a sales force for the export market has been too burdensome for the small business man. It is necessary to find better and more economical ways of selling abroad the products of small business.

The small businessman has always been confronted with the discouraging complexities of fluctuating exchange rates. He does not as a rule understand the workings of the foreign market, nor is he able to employ specialists who do. In general, a successful foreign trader has had to be something of a dealer in foreign currencies. This has been necessary because the values

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of currencies in terms of one another were subject to constant yet unpredictable change. Unless the trader had the means and the ability to hedge, his normal business profits might be wiped out overnight by fluctuations in exchange rates.

The Bretton Woods proposals, when adopted, will provide all of the essential elements of stability. They will require all countries to define their currencies in terms of gold, and to maintain their exchange values stable within one percent of that parity. They will also hasten the removal of all artificial barriers against the making of payments across international boundary lines, and encourage a revival and an expansion of private international investment for reconstruction and development purposes.

Once stability of exchange rates is achieved, American investments abroad will have as their counterpart an immediate and direct foreign demand for American goods. Many of these demands, could be filled by little business--indeed, must be, if a big increase in business is to come our way.

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As I have said, inadequate marketing facilities have been one factor in reducing the small businessmen's share in our foreign trade. A large corporation producing automobiles or electrical equipment has an export department in this country; it has sales agents abroad; and it may have a financial department equipped to handle credit and exchange problems. Such a corporation is conscious of the fact that the sale of \$20 million or \$100 million of its output to foreign buyers means the difference between profits and losses in its annual statement of earnings. And it is willing to spend the money to get these sales.

The small businessman is not in so fortunate position. Perhaps he could sell \$100,000 worth of his products abroad. But he can't afford to set up an export department. He couldn't possibly keep agents abroad to look for foreign orders. He hasn't the facilities for granting credit to the customers that come to him. And he can't overcome the handicap of restrictions and fluctuations of foreign currencies.

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Of course, this doesn't mean that small business is entirely out of the export market. Some firms have foreign customers who buy directly from them. Export houses in this country are on the look-out for specialties they can sell abroad. And in some cases, a group of small business firms cooperate in forming an export company to handle jointly their various products. This practice, in my opinion, should be encouraged.

But the fact remains that small business does not export enough. Partly this is because our aggregate foreign trade has been so small. And very largely it is because present export marketing facilities are not suited to the needs of small business. This is a problem to which your committee will want to give serious consideration.

While I have been primarily concerned in this discussion with the question of export markets, I want to make clear my view that our imports are an equally important part of the foreign trade problem. Imports

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are necessary to provide raw materials for our industries, fertilizers for our farms, consumer goods for the public. Without imports, production would be handicapped and our standard of living would be lowered.

We must not forget that imports are part of the business of being paid for our exports. When countries stop buying our exports, it is because they haven't enough dollar exchange. When we import from them, they get the means to pay for our goods. That is why I believe that to secure the greatest benefit from foreign markets, the level of international trade must be raised throughout the world.

If I have gone a little beyond the topic that you expected me to cover, it is because I am convinced that the future welfare of the United States is intimately associated with the survival and the expansion of small business. When hostilities cease and war production tapers off, we must find markets for our greatly increased productive power, we must keep up employment. Little business, in my opinion, is one of the most promising areas for an expansion in post war employment.

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The Bretton Woods program will provide the necessary setting for a large expansion in our foreign trade. Small business should share in these new foreign markets. Your committee will want to explore ways of bringing small producers and foreign buyers together.

April 20, 1945.

Charles Bell

Secretary Morgenthau

I want you to participate in making the decisions affecting the transfer of the surplus property program to Commerce. You know what Cliff Mack will need in order to run his shop efficiently, and you also know what sort of commitment we have made to Secretary Wallace.

I want to protect Mack's program, but at the same time give Wallace an active organization. You can serve as something of an arbitrator on questions arising among John Pehle, Cliff Mack, and the Commerce people. Keep me advised on the personnel and administrative angles.

(Ligh) H. W. J.

(in mail to Mr. Bell.)

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date
APR 20 1945

TO Secretary Morgenthau

FROM Mr. O'Connell

Regarding your memorandum of today on the current tax drive:

1. The Commissioner and I agree that your suggestion for the interchange of weekly reports between the various districts is a splendid one and it will be placed into effect at once.

2. As to the April 10 report from Sanders, Acting Special Agent in Charge, Atlanta District, which impressed you unfavorably, our investigation reveals that this unfavorable impression probably arose from artless expression rather than from spiritless effort or lack of cooperation on Mr. Sanders' part. Mr. Sanders is acting in the place of Mr. Palmer, who is the regular Special Agent in Charge at Atlanta. Mr. Palmer is of such outstanding ability, and his district under his direction reflects such a splendid record, that he was detailed to assist Mr. Woolf in the direction of the entire drive and the coordination of the activities of the various districts. Since the April 10 report, Mr. Palmer has visited the Atlanta District, surveyed activities there, and assisted Mr. Sanders in establishing the procedure for intensive conduct of the drive. Mr. Palmer reports that Mr. Sanders is keenly interested in the drive and is satisfactorily organizing his district. I believe a reading of the April 10 report of Mr. Sanders will not reflect the same spirit which impressed you in the earlier report of April 10. Mr. Palmer will return from Atlanta tomorrow, at which time we can get further information.

Joseph J. O'Connell

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

April 20, 1945

TO Secretary Morgenthau

FROM J. W. Pehle

The following is a summary of significant developments in the Surplus Property and Procurement offices for the week ending March 24, 1945:

Surplus Property:

We continued to work with the Surplus Property Board in drafting regulations and forms to be issued by the Board to implement the priorities to Federal, state and local governments envisioned by the Surplus Property Act. Work is continuing also within our own organization to develop programs, procedures and relationships that will facilitate operations under the Board's proposed regulations.

Instructions were prepared for the regional offices with respect to the new synchronized spot sales method for the disposal of construction machinery and farm equipment, which will be put into operation on a nation-wide basis on April 19. This plan is designed to maintain a constant flow of surplus farm and construction machinery and equipment to the public through normal trade channels and combines the most desirable features of the formal bid and auction sales methods. The plan has the approval of the Surplus Property Board.

The Army Air Forces have indicated that they will request that we sell 44,000 yards of nylon cloth, heretofore declared surplus by the Army, to certain firms for use in the manufacture of carburetors for Air Forces.

We have formally requested the Food and Drug Administration to cooperate with us in the examination and classification of surplus pharmaceuticals and medicinals, and similar property,

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in order to facilitate their orderly disposal.

We have submitted to the Surplus Property Board the question whether disposal agencies should accept from the War Department surplus reverse Lend-Lease materials in view of an arrangement between the United States and the supplying nation, whereby the proceeds of the sale of such property are to be turned over to the supplying nation.

Notwithstanding our formal submission of the matter, the Board has not, as yet, expressed its views with respect to export policy, but in the meantime, work is going forward within our organization in order that we may have a better understanding of the issues involved.

A sales program for cut film and photographic paper is being formulated. Arrangements are being made for our Boston and Denver regional offices to consult with representatives of farm cooperatives to ascertain their needs for farm equipment.

Work is continuing on the development of a procedure for the selection of an advertising agency. Progress is being made in the preparation of a publicity guide to be issued to the regional offices in order to secure some uniformity in publicity practices and procedures.

A survey has been made of surplus X-ray equipment on hand. It appears that only comparatively small amounts of such equipment have as yet been declared and that the demands of institutes having priorities under the Act will leave no such equipment for commercial sales. The Office of Scientific Research and Development indicates that it will soon declare a large number of scientific instruments to us and to the Defense Plant Corporation, which they would like to see sold to educational institutions, hospitals and similar organizations. Although the bulk of this material will be declared to the Defense Plant Corporation, the Office of Scientific Research and Development is of the view that both groups of property should be sold together and we indicated our willingness to cooperate with the Defense Plant Corporation in the development of a program for the sale of such property.

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The Attorney General approved, under Section 20 of the Surplus Property Act, our proposed sale of approximately 23,400,000 Carlisle first-aid dressings. The sale was thereupon consummated, the total proceeds thereof exceeding \$220,000. Effective liaison with the Department of Justice has been established and conferences are being held frequently in order that we may become acquainted with the Anti-Trust Acts.

The Army has declared as surplus 12,000 additional blitz cans. Approximately 11,000 yards of canvas duck and 1900 mattresses were transferred to the Maritime Commission.

Procurement:

Total purchases for the week amounted to \$26,889,524.02, including \$26,300,000 for Lend-Lease (schedule attached) and \$589,524.02 for regular purchases.

Unusual requisitions for the week included 14-250 KW turbo generators with controlling switchgear for Russia; 4,441,800 yards of sheeting for Algeria, Morocco and Tunisia and 20 cranes with swinging boom and spare parts for France.

Unusual purchases for the week included 67,200 pounds of aluminum covered paper for Russia; 55 Anti-typhus units for USSR and 194,904,348 pounds of GRS synthetic rubber for the United Kingdom and Russia.

Total Lend-Lease carloadings for the week amounted to 3,595 cars.

The Price Adjustment Board disposed of five 1942, two 1943 and one 1944 cases, recovering excessive profits in the amount of \$165,000.

Work is continuing in the preparation for the hearings on the Potomac Electric Power Company's proposed allocations of rate reduction. The Federal Works Agency, the Department of

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Justice and this office, have agreed upon the strategy to be followed.

At the request of the Bureau of the Mint the Procurement Division is participating in negotiations looking forward to the settlement of claims arising from the termination of the American Nickeloid Company contract for the manufacture of war one-cent pieces. The Company has asked that the settlement include an allowance for anticipated profits. If an agreement is reached, the General Accounting Office will be consulted before actual payment is made.

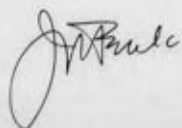
Administration:

The Toledo Medical Depot is expected to be transferred from the War Department to Treasury on or about April 15, but not later than May 1.

The overall personnel situation is beginning to show an improvement.

We are working with the Bureau of Accounts and the General Accounting Office on plans to simplify certain accounting forms and procedures with a view toward reducing our operating costs.

Plans for the transfer of the state of North Carolina from the Washington region to the Atlanta region have been completed.



LEND-LEASE
TREASURY DEPARTMENT, PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF MARCH 24, 1945
(In Millions of Dollars)

	Total	U. K.	Russia	China	Administrative Expenses	Miscellaneous & Undistributed
Allocations	\$6020.4 (6014.3)	\$2628.1 (2628.0)	\$2457.4 (2457.4)	\$172.9 (172.9)	\$18.6 (18.6)	\$743.4 (737.4)
Requisitions not Cleared by W.F.B.	\$ 115.5 (115.1)	\$ 28.0 (22.5)	\$ 23.6 (42.4)	\$.4 (.5)	-	\$ 65.5 (49.7)
Requisitions in Purchase	\$ 140.0 (167.7)	\$ 26.7 (19.4)	\$ 19.0 (27.3)	\$ 1.1 (1.6)	-	\$ 93.2 (119.4)
Obligations (Purchases)	\$4784.2 (4757.9)	\$2100.7 (2094.5)	\$2113.5 (2099.3)	\$105.2 (105.1)	\$17.4 (17.3)	\$447.4 (441.7)
Deliveries to Foreign Governments at U. S. Ports*	\$3707.2 (3085.5)	\$1882.9 (1631.1)	\$1591.6 (1366.3)	\$ 30.4 (26.4)	-	\$202.3 (61.7)

*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of March 17, 1945.

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**LET
GERMANY
EARN THE
PEACE**

including an outline of
THE MORGENTHAU PLAN
and comment upon it

by **SAMUEL GRAFTON**

FOREWORD

Once again, as in Abraham Lincoln's day, the time approaches when it is necessary for "that government of the people, for the people, and by the people" to dictate peace terms to those who have tried, unsuccessfully, to cause it to "perish from the earth."

The phrase, "government of the people," means a basic truth. It is for us, the people, who constitute the government of the United States, to say whether Germany shall have a "hard" or "soft" peace. We will say it with our votes; we will say it by our attitudes, by our discussions with our fellow citizens.

This, our decision, will be the most important, most momentous one we will ever have the opportunity to make. A wise decision will delay, if not prevent, another war in our time. An unwise one will surely shorten the time between the possible close of World War II and the opening of World War III, perhaps, even, provide the cause for World War II to continue indefinitely.

Because only an informed people can make wise decisions, the New York Post Syndicate is presenting in this book several plans which have been suggested for formulating the peace with Germany.

The most controversial official plan for dealing with Germany was announced on September 24, 1941, by Henry Morgenthau, Secretary of the Treasury of the United States. Briefly, this plan proposed that Germany be converted into a predominantly agricultural country by internationalizing the Ruhr, heart of her heavy industry, and distributing to other nations, as reparations, the machinery of her war plants.

This plan has been savagely attacked, and as warmly defended, according to the point of view on two basic questions: (1) Is this plan likely or unlikely to prevent the rapid economic rehabilitation of Europe generally, and (2) will the slower rate of economic rehabilitation, which this plan would bring to the area now known as Germany, help or hinder the reconstruction of Europe. Quite naturally, the author and his supporters believe in the negative side of both of these questions.

Mr. Samuel Grafton, columnist, author, and commentator, has presented, in two separate series of column articles, the most interesting and thought-provoking plan offered by any unofficial source, except, perhaps, the equally controversial Vanantier plan. Mr. Grafton's views have been gaining ever wider reception in Europe and Asia, as well as in this country, because of the simplicity of the course of action he proposes. He suggests that the most useful attitude toward the Germans is one of letting them accept full responsibility for their own future in the working out of a peace plan, or a series of peace plans, acceptable to us. Whether it takes the Germans five years or fifty years to do this does not disturb, in any way, the basic soundness of the idea; because, in the meantime, the United Nations will be in control under armistice terms.

The New York Post has recommended very serious consideration for both the Grafton plan and the Morgenthau plan. In some form, each can be useful within the framework of the other.

NOTE: A brief biography of Mr. Samuel Grafton appears on the inside back cover of this book.

WHAT KIND
OF PEACE
SHALL WE
MAKE WITH
GERMANY?

by Samuel Grafton

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BIOGRAPHICAL Sketch of Samuel Grafton
INSIDE BACK COVER

What Kind of Peace Shall We Make With Germany?

CHAPTER ONE

We're Fresh Out of Peace Treaties

There is, actually, no reason why we should sign a peace treaty with Germany for ten, fifteen or even twenty years after the defeat of Hitler. Most of the legal and constitutional difficulties barring prompt use of American force to prevent future German aggression simply evaporate if we substitute the idea of a long armistice for that of a formal peace. It seems to me that the best way to make sure this war really ends is not to end it.

If, then, Germany should violate any of the armistice provisions, military force could promptly be brought into play against her. No new declaration of war would be needed. It will be the same war.

Let's Let the War Go On

Let the war, as a legal concept, simply go on indefinitely, in the form of an armistice. It would be a war in which there was no shooting, and that will, after all, be pleasanter than the last peace, which was so often interrupted by the sound of firearms. There is no reason why every war must promptly be followed by a formal peace treaty. That is merely an assumption which we have all accepted and swallowed without much examination.

A peace treaty is an extremely valuable document to a defeated nation. It sets it up in business again. We gave Germany a peace treaty out of hand, last time; she promptly proceeded to spit upon it; she bent all her energies to skillful violation of it. This time, let us make her use her might and guile for a generation merely to obtain for herself what she so despised on the previous occasion.

Make Germany Work for Peace

In effect, let us make Germany, too, like every other nation on earth, work for peace. Before the long armistice went over, Germany would have come to value peace, formal peace, as deeply as any nation has ever valued it, and once she had obtained that long-delayed and precious legal instrument, she would cherish it with a wholly new appreciation of its beauties.

What Kind of Peace Shall We Make With Germany?

The long armistice would be self-enforcing, to a considerable measure, for any German who violated its terms, and thereby further postponed the consummation of peace, would draw upon himself the attention of the entire German nation. No hero he, this time; but a marplot, who prolongs the war.

To German queries as to when we propose to make a final peace, our answer might well be: "Take your time, pal. No hurry. Make a somewhat better Germany, and we shall see what we shall see." I confess that I relish a certain touch of diabolism as well as of democracy in a scheme of things which would place upon Germany the burden of solving the German problem.

The Long Armistice

A long armistice, in place of a formal peace treaty, would profoundly alter the dynamics of the relationship between Germany and the rest of the world. There could be no German revisionist movement, because there would be nothing to revise; Germany could hardly beg for a peace treaty, and denounce it, at the same time. Instead of a Germany trying to see how far she could go without provoking a declaration of war, we would have a Germany trying to discover what she must do to end the war.

Meanwhile, the Allies would remain, in truth, Allies, for Germany's unconditional surrender would merely mean the end of shooting, not the end of the war. The war would continue in the form of an armistice. That, in point of fact, is what actually happened last time, only we did not know it was an armistice. This time we would know, and we would realistically call it that. This war would end only when a Germany had at last evolved which was fit to make peace, and could be trusted to make peace. And can it really end before that day?

CHAPTER TWO

Don't Call It Peace

The best defense against future German aggression is simply to continue the present war, after the shooting ends; to continue it in the form of an indefinite armistice, without concern as to whether it lasts ten, fifteen, or even twenty years.

It seems fairly clear that we must throw out of our current thinking the perspective of a formal and final peace treaty with the German nation; discussion of such a treaty is like discussion of a marriage contract with a boy who has still to be born, to go to school, and to grow up.

Shooting Stops, but War Goes On

The concept of a permanent armistice merely puts into legal form what has been the actual fact of the relationship between Germany and the rest of the world for the last thirty years. For nine of those thirty years, or almost one-third of the period, Germany has been engaged in active, shooting war with most of the rest of the world. For six additional years, 1933 to 1939, she has manifested a malignant and unconcealed hostility toward other nations. For fifteen of those thirty years, therefore, the relationship between Germany and the world has been one of war, or incipient war. The proposal for a permanent armistice is a proposal that we stop calling such a state of affairs peace, and that we call it what it is.

The thought is, that the best we have to offer Germany is an armistice, until a new Germany arises, with which the world can safely conclude a formal peace. The answer to the threat that Germany may immediately begin to plan a new war is that we will not let her out of this one. The shooting stops, but the war goes on.

Under such an arrangement, Germany would not be inclined to make little experiments in hostility, to see how far she could go without provoking a declaration of war; for the existing declarations of war would remain in effect, and German violations would be put down as routine by Allied field commanders.

What Kind of Peace Shall We Make With Germany?

The Permanent Armistice

The purpose of this procedure would be to allow time for the emergence of a Germany which shall be thoroughly sick of war, and anxiously desirous of stable peace. When such a Germany does arise, the signing of a formal peace treaty with her will then be only a reduction to writing of a satisfactory state of affairs already achieved; instead of the expression of a pious hope. The time for a formal peace treaty would arrive naturally, in due course, and when it came, the treaty itself would be a mere formality, rather than an hysterical, a piece, whipping together of gadgets and incantations.

Germany has patiently taught the world that its normal relationship with it is one of the war. The policy of a permanent armistice would be a sign that we have learned that lesson, and accept it. It can be an amiable armistice, if Germany proves amiable. But the continued existence of a formal state of war would teach Germany that peace must be worked for; that Germany cannot hope, continually and automatically, to receive peace, each time, as a reward for having waged war.

Through War to Peace

The great question in German politics will then be how to get out of the war, how to transform the long armistice into a peace; and it will be a salutary change to compel Germans to debate the question of how to make a peace, rather than how to break one. We may then legitimately hope that the new heroes of German politics will be men who will come forward with plans for a general reconciliation with the world.

It will be seen that this approach is profoundly democratic, in that it actually leaves the question of Germany's future to the Germans. And who will say that a generation of formal, declared war with a real peace at its end will not be wholesomer far than our previous experience with a generation of false peace, and war at its end?

CHAPTER THREE

Let Us Wait for the Facts

The proposal for a long armistice with Germany, rather than a peace treaty, an armistice of even ten, fifteen or twenty years' duration, would allow for a certain wholesome flexibility in the world's relationship with Germany. We could make an initial attempt to set up a sound economic base for the German nation; if that failed, we could revise the plan, or adopt another, without the bewildered and awful feeling that the sacred terms of a sacred treaty had been violated, and that the peace had been a failure.

No More Midnight Inspirations

The worst of a formal peace treaty is that it attempts, without experiment, and in advance of the facts, to solve all problems. But once the formal treaty is written, it becomes our only basket, and all our eggs are in it; it develops a mystic value of its own; and we have to defend it, even after we have lost confidence in it.

A treaty is the basic law of the land, but it is a form of law not subject to amendment, except by such hysterical processes as led to the grudging Dawes and Young plan revisions of last time. The policy of an indefinite armistice would give the world time to make several tries at the economic re-establishment of Germany; when, finally, a condition of stability had been reached, the writing of a peace treaty would be merely the making of a transcription from reality. Whatever plan had proved practical would become the basic plan of the final, formal peace.

The policy of a long armistice would allow us to try out several alternate "peace plans," if necessary, and that is substantially better than committing ourselves, a priori, and forever, to the midnight inspirations of some nervous and haggard conference.

Call It an Armistice

We have been frightening ourselves for years with our own talk about the horrid danger of "losing the peace"; but we have made most of these difficulties for ourselves, by setting up the doctrine that we must have a formal treaty at the outset; that we have only one chance to make a good peace, one solemn and awful throw of the dice. But we cannot "lose the

What Kind of Peace Shall We Make With Germany?

peace" if we continue the war, in the form of an armistice of unlimited duration.

The policy of a long armistice would keep us, here in America, on our toes to maintain the peace; it would not have the effect of lulling us into that long sleep into which formal peace treaties have a way of waiting our unimaginative and idealistic republic. I use the word "idealistic" in its worst meaning, of course, to express our wonderful faith in formalities and gadgets and in the surface appearances of things.

A formal peace treaty would be the isolationists' one-way ticket out of Europe; not the beginning of a chapter of international collaboration, but the end of one.

We do tell ourselves that, even after the peace treaty, we shall have to watch Germany closely; we shall have to keep her from building munitions of war, we shall have to supervise her international conduct and tendencies. This necessity for close supervision, these dark stigmata of suspicion and distrust, are not the characteristics of a peace; they are the characteristics of an armistice. Let us call it an armistice. We shall be more likely to do what we should, if we call things what they are.

Let Us Wait for the Facts

Thus, though the shooting stops, the war continues, and as against Junkerdom's restless passion for planning the next war, let us oppose democratic stubbornness in refusing to terminate this one. If a new Hitler should appear in Germany, he could be handled as routine by Allied field commanders, without need for a special blessing by Senator Burton K. Wheeler. Contrariwise, if, under these pressures, a Germany emerges in a comparatively short time which can be trusted to keep the peace, we can shorten these perspectives.

But let us wait, this time, for the facts. Though that should take twenty years, it would not be too long. Let us move into the house of peace when the house is built, and tested; let us not, as last time, make a muddle of it for ourselves among the blueprints.

CHAPTER FOUR

Peace First, and Then the Treaty

The policy of a long armistice with Germany, an armistice of decades, if necessary, rather than a formal peace treaty, would compel both sides to approach the postwar problem with a heightened sense of realism. There are certainly men in Germany today who are only waiting for the peace treaty to be written, so that they can make political livings for themselves forever after by denouncing it. We do not know the names of this new cast of characters, but that they will appear is certain; give them a formal, final peace treaty, and you give them careers of revisionism and denunciation.

The Next German Hero

Surely we know enough about the easy demagoguery of revisionist politics to be certain that the first German who denounces the new treaty, the morning after it is written, will become a national hero.

To present the Germans with a blank, instead, to offer them only the barren nothingness of a permanent armistice, an empty space which they must fill in with their own ideas, if they have any, is the only procedure which can compel the Germans to come to grips with the ultimate question of their relationship with the world.

Versailles made it rather too easy for the sinister figures in German politics; they did not have to try to solve Germany's problems; it was enough to be against Versailles, and to shoot in the streets those Germans who had found themselves compelled to sign it.

A Winter Among the Comras

We must proceed this time under a schedule of operations which makes the formal peace treaty a remote objective, to be achieved only after Germany shall have thrust forward men and movements fit to make a treaty; so that when treaty-time finally comes, the entire German nation will be eager for it, and so that the unknown German statesman of the future

What Kind of Peace Shall We Make With Germany?

who finally succeeds in establishing a treaty relationship with the rest of the world will be the true German national hero, one for whom the Germans will build statues, and after whom they will name streets.

We have our own supply of Congressional demagogues, too, who have long promised themselves a party when the peace treaty is presented to them, a wonderful winter of revelry amid the commas and semicolons.

There are Americans, too, who will find it pleasant and easier to base their careers on attacking a document, rather than on solving the problems of the real world.

The policy of a more-or-less permanent armistice, instead, during which we can actually try out our peace plans for Germany, rather than risk everything on writing one plan in advance, like a prophecy, will enforce a higher realism upon such men.

Peace First, and Then the Treaty

We can thus gain experience in living with successive German governments and movements, and, when, finally, a condition of stability has been attained, that will be the peace. It will only be necessary to write down on paper what has been proved in practice. The policy of the long armistice would permit us to avoid armchair philosophizing, a priori reasoning, and also, meaningless harshness toward the conquered; it would enable us to draw a line between punishment and reconstruction, handling each separately, and avoiding the muddled and agitated tangle of the two which customarily makes up a peace treaty.

Let us not, this time, cry: "Peace! Peace!" until we know we have peace. This time let there be peace first, and then the treaty, rather than the treaty first, and then the war.

WHAT SHALL WE DO WITH GERMANS?

by Samuel Grafton

What Shall We Do With Germans?

CHAPTER ONE

The Final Battle of The War

It seems to me we are going to run into serious trouble if we depend on "trials" after the war to rid the world of axis leaders, great and small. What will keep us going until the job is done?

A spirit of revenge? But the revenge motive (as Somerset Maugham once brilliantly pointed out) is an anachronism in western life. The lust for revenge is no longer a respectable emotion among us; our writers haven't dared use it as a motive in fiction or drama for decades. The last great revenge play was "Hamlet," and it took Hamlet five acts to make up his mind, and then he bungled it.

Must We Have Trials?

Louis Nizer's book, "What to Do With Germany," proposes trials of axis leaders and axis criminals; and yet the most persuasive section of this fine book is that which shows how completely we failed to go through with our proposed trials after the last war. Mr. Nizer outlines a more efficient system of courts and judges this time. But even he, a sound legal scholar, draws the line at depending on trials for the 5,000 top Nazis. He asks that they be executed out of hand, as a condition of the armistice.

We have a tendency to slide into legalistic arguments about the "trials" of axis war leaders. These are arguments about the form of things. We must not forget the content of our problem, more important than the form. The content of our problem is that we must break the political power of the axis leaders and subleaders forever.

Make It a War Aim

Our problem is not to try them, not to judge them, but to smash them; to smash them as a condition of our own survival, now and after the war. The very concept of a trial shows that we suspend judgment. Or, if we do not suspend judgment, we are insincere in talking of trials, for a trial is a suspension of judgment. I do not want to see the leading elements in axis

What Shall We Do With Germans?

countries tried as criminals; I want to see them destroyed as enemies.

Their destruction, political or physical (either will do), should not be a separate, post-war issue; it should be encompassed as an act of war, as a part of the war, as a condition of bringing the war to an end.

I don't know whether we are entitled to sit in judgment on our fellow-creatures or not, but I do know we are entitled to fight our mortal enemies. The permanent exile, or imprisonment, of at least 100,000 members of the leading circles in Germany, and equivalent numbers in Japan and Italy, should be one of our war aims, an unchangeable war aim, not subject to trial. This would be a clean and honest act of war, in line with the morality of war, which is the destruction of the enemy by force.

The War's Last Battle

This would seem to me far more honest than to try to invent courts, and to write statutes, after the offenses complained of. In line with this view, I do not care whether Hitler is considered a criminal or not; I know he is a military objective.

These exiles should be ordered as a simple act of military government, the removal of dangerous persons. A guard should be set up over them, wherever they are sent. No doubt many Poles, for instance, would be willing to establish such a uniformed guard as an honorary, life-time service. We should dismantle the fascist political apparatus as unemotionally and as automatically as we propose to dismantle the fascist armies and war plants. There seems to me no room or need for trial procedure in any of these areas.

Perhaps the Germans themselves, knowing this to be one of our war aims, might oblige us by rising and disposing of the 100,000 before we arrived. Well and good, those Germans who did our work would show themselves to be on our side. But this job must be done, either as an act of revolution or an act of war; as part of the war; as that which gives meaning to the war. This will be, in effect, the final battle of the war, and we cannot separate it from the war without losing it.

CHAPTER TWO

How To Lose In The Last Round

If we set up a system of courts to try axis war leaders, great and small, these leaders will, of course, become prisoners immediately the armistice begins. They will be subject to the mercies of these courts. But they will also be entitled to the protection of these courts.

Oddly enough, therefore, the first administrative result of any system of "trials" for axis leaders will be to save their lives. Our courts, however constituted, will have to insist that their dignity and orderly routine be respected. Revolution against fascists will become contempt of court.

The Day Will Pass

There is no way out of this dilemma if we insist upon "trials" for the one hundred thousand or so leading members of the Nazi apparatus. Our soldiers, storming into Germany for the destruction of fascism, will find thrust upon them the final, ironic function of becoming a police squad to protect the fascist leaders from harm.

We know that moments of deep, popular excitement, when the political imaginations of men are really stirred, when they are really ready to make fundamental changes, are rare and brief; perhaps a day in a century. A system of "trials" for axis leaders will make revolution illegal on the only day on which it could possibly happen. The moment will pass. The cold routine of ordinary Mondays and Thursdays will succeed. The passage of a year will save half of the one hundred thousand leading Nazis from punishment; the passage of two years will save almost all of them.

The very essence of the "trial" plan is its postponement of the critical decision; and every criminal lawyer knows the enormous value of postponement.

There Is a Compromise

The only possible compromise, therefore, between our own desire for order, and the desire of the plain people of Europe to be rid of their fascists,

What Shall We Do With Germans?

is to make the immediate and permanent exile of 100,000 members of the leading circles in Germany one of our war aims; an act of war, a part of the war, a condition for bringing the war to an end.

It may be asked why I suggest instant and automatic exile, instead of trial and potential death sentences. That is because I am not impressed by our ravings and fummings; I do not believe we ever shall, or even can, methodically kill 100,000 human beings in time of peace. I ask that we stick to the possible, and do it, rather than reach for the impossible, and fail.

I ask that we dismantle fascism systematically, by socially tolerable and socially permissible means, rather than give ourselves the luxury of dreaming up all manner of horrid, violent ends for fascism, only to come out of our own emotional stew refreshed, purged, and ready to let it pass without really doing anything.

An Inseparable Part of the War

I know that the fascists of Germany will be much more horrified by a proposal for cool and methodical exile, as a condition of the armistice, than by all the bloodthirsty demands for "trials," "justice," the gallows, etc.

The military governor of an occupied area is entitled summarily to remove dangerous persons from regions under his control, and who will say that a trial is necessary to establish that a known fascist functionary is a dangerous person? A mere act of identification will suffice.

I also suggest that time will pass for us, too, while it passes for the people of Europe, as the spectacular "trials" of the fascists are awaited. There will be demands here for an end to occupation, for bringing the boys back home. Time will sharpen our desire to get out of the mess by any means at all, preferably an easy one. We can avoid this danger only by making the destruction of the fascist system the final battle of the war, an inseparable part of the war.

CHAPTER THREE

Only History Can Teach The Germans

If I were asked to become a teacher in the German schools after the war, I would insist on using "Mein Kampf" as a text-book. I would make the little Germans in my class memorize the entire volume, page by page. I know they would hate me, as a foreign teacher imposed upon them by force, and so I would try to make them hate "Mein Kampf," too. I would make them sick of it, as well as of me.

I exaggerate, I spoof, yet this seems to me at least as practical as any other scheme for "educating the Germans" I have come across. Who are the golden minds among us, serene, poised, with all problems solved, ready to do the educating? Shall we tell the Germans how capital and labor ought to deal with each other? But we are still in the process of solving that one for ourselves. We haven't found an answer for home use yet, let alone for export.

No Answers for Export

We are still in a great, frightful rage with each other over so old an American problem as state-federal relationships, yet many of us do not doubt that we are quite ready to go across and tell the Germans how to live. What shall we teach the Germans about "democracy"? Shall we teach them to believe in collective bargaining and the closed shop? But our own minds are not yet made up on these points, and one can imagine the Congressional uproar that would follow any such attempt to indoctrinate Germany.

Shall we teach the Germans that every man and woman ought to be allowed to vote, or that there should be a system of poll-taxes? Either choice will lead to a frantic argument back here at home. The German pupils will listen while their American teachers quarrel.

Let's Stick to the Possible

Once again I ask that in our approach to the Germans, we stick to the possible, and realize it, rather than reach for the impossible, and fail.

What Shall We Do With Germans?

A new way of life does not start in the schools; schools merely reflect whichever way of life already exists. We Americans are not democratic because we have democratic schools; we have democratic schools because we are democratic. Schools sum up the answers which society has reached. But society must first reach the answers, of and by itself.

We are already putting the Germans through one important educational experience, by beating them. We are already teaching them a great lesson, the lesson of the failure of fascism. That is truly how a society learns. I suggest that in our approach to the German people, we build on this beginning. I suggest that we address the German people in the following terms:

"Germans! We are going to exile many thousands of your leaders. We are going to occupy Germany. We are going to dissolve your state; you are not to have army, navy, munitions factories, or foreign policy. As for the rest, we say this to you:

They Must Solve Us

"We do not love you, we do not hate you. You are caught in a certain historical predicament. Very well, then, get out of it, as best you can. It is not our problem. It is your problem. Try to solve your problem. We promise you nothing. Run your schools as you please. If you pick unsuitable teachers, very well, you will pay the penalty; the occupation will be prolonged.

"It is your problem, we cannot solve it for you; we do not intend to try. Your past mistakes have placed you in a predicament, out of which, it so happens, you can emerge only by convincing us and persuading us that you can be trusted. You are not our problem, for we intend to make ourselves safe against you, whatever happens. But we are your problem. You must solve us.

"Very well, then, solve us. It is you who must answer the hard questions, not we. It is a matter of indifference to us whether you succeed in answering them, or not. It is up to you, whether you care to face the ultimates at last and whether you care to think your way through your predicament."

CHAPTER FOUR

The "Hard" Way or The "Soft"

Let us start with the question of whether we are at war with the German people, or only with their leaders. The question answers itself. We are at war with whomever is at war with us. Thus if a little German jungfrau is stuffing machinegun belts for Hitler, we are at war with her, even if she is only 17, even if she is as cute as apple pie, and even if she has never had a political idea in her life.

I go further: There may be a German worker, polishing artillery shells, who secretly hates fascism; who in his heart of hearts, loves democracy and prays every night for Hitler's downfall. Are we at war with him? The answer is obviously, yes. This is not a Chekhov war. We are not interested in a people's secret thoughts, but in the work of their hands. If their hands help Hitler, they are our enemies, though their hearts be breaking.

Shall We Be Soft or Hard?

Now, it has been suggested that a "soft" attitude toward the Germans may encourage them to make a revolution; that is, if we promise to feed them after the war, to let them run their own affairs, if we guarantee their independence, they may be stirred to an uprising. This is the "bait" theory, which holds that revolutions are obtained the way mice are trapped, with a bit of cheese. Actually, the "soft" attitude only relieves the pressure on the German people.

If we are going to be amiable, anyway, after our victory, then the Germans may safely continue to brood about life and polish artillery shells.

Oddly enough, the mechanical adoption of a "hard" attitude has much the same effect. If conditions are going to be intolerable after the war, if we are going to kill, sterilize, partition, etc.; then, again, there is no reason for the Germans to act. If the matter is out of their hands, then it is out of their hands, and that is that.

Let the Germans Solve It

All our specific plans, therefore, from partitioning Germany to teach-

What Shall We Do With Germans?

ing in the German schools, are a little silly, because they relieve the German people of the necessity of making a choice. If it doesn't matter what they do, then it doesn't matter what they do, and there is no need for them to do anything.

Our planning, hard, soft and medium rare, merely cushions the Germans against reality, and encourages them in their inertness. We are forever "filling in the future" for the Germans. We break our heads over such questions as "Are there any good Germans? Are the Germans a sick people? Are they incurable? Can they be re-educated? Who shall teach in their schools?"

No Way to Teach

But it is the Germans who must be made to break their heads over these questions. It is precisely by straining against these problems, by struggling with them, that the Germans will re-educate themselves, if at all. We cannot reform the Germans by answering these questions for them, any more than we can teach a child algebra by doing its problems for it.

So, our first step in solving the German problem is to make the German people face it, to give them a sense of the blankness of their own futures, to convince them that their futures are not "filled in," but empty, beyond the merest police surveillance; that if they want something more than that, they had better, in their loneliness, and faced by our indifference, go to work on the problem.

What should our "attitude" be toward the mass of the German people? It should be that we have no attitude. If they want us to distinguish good Germans from bad Germans, they had better find some way of establishing the distinction themselves.

CHAPTER FIVE

Not "Hard" Not "Soft," But Democratic

Our attitude toward the Germans should not be that we propose to solve their problems, but that we have no solutions and intend to leave them unsolved.

This may seem heartless, but it is also honest. For, in actual fact, we have no solutions. We have a solution only for our own problem, which is to smash the fascist power. Our solution of our own problem will necessarily leave all manner of loose ends dangling. Where shall Germany tell her goods? Who shall run whatever governing functions we leave to the Germans? Who shall teach in the German schools? It seems like a formless and uncomfortable future for Germany, it is prickly with questions.

But we are not in the tying-up-loose-ends business: we are in the smash-fascism business. Let us say frankly that we know the answer only to our own problem, which is to make ourselves safe.

To leave the Germans thus, naked on the side of the moon, facing reality, facing ultimate responsibility for their own futures; this should be our attitude, our only attitude toward them. For there is no educational process we could devise for them which would be half so rich as to compel them to fill in, for themselves, the empty spaces of the unknown future that gapes before them.

If we set up a complicated plan for the Germans, complete down to democratic indoctrination in the kindergartens, then we give the Germans something to fight; we give them, in effect, a rallying point; we give them slogans. The new German leaders will then not have to have plans of their own; it will be enough to be against our plan. For this and other reasons, I would give the Germans no plan at all, beyond the merest police surveillance; I would give them a round, ripe nothing, and bid them fill it in.

Perhaps, under these challenging pressures, it will occur to them that they had better convince us that there are two kinds of Germans, "good" and "bad." If so, it is their problem to make us believe that. It is not up to us to disentangle one kind of German from another; it is up to the Germans

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to disentangle themselves, possibly by making a revolution before the war ends.

It is not the United Nations' job to solve all German problems; it is up to the Germans to solve the United Nations problem.

Let us say the war ends, and they have made no revolution. Very well, we continue our same challenging attitude. (It is one of its merits that it is equally serviceable for war or peace.) We occupy Germany, concentrating on our military safety. That is our problem, and we will solve it. The Germans will have shown a certain incapacity by not removing their own top fascist leadership. We accept this German demonstration of incapacity. We dissolve German state organs, and we police the German nation.

No, not the German nation; for it is no longer a nation; we police the German land. If the Germans want a nation, it is up to them to invent one.

What about foreign trade? What about schools? If these questions pinch, let the Germans meet, let them talk, let them sit in their rooms and stare at reality; let them make offers. It is not up to us to specify the size of the postage stamps in Utopia. It is for the Germans to grapple with the future, if they want a future. Should they choose to play silly games, to flaunt nationalist flags, as they did last time, we shall take appropriate measures to prove to them that such exercises are not solving their problem.

We do not know whether the Germans can find solutions. But let us be honest. We do not know whether we can find them, either. If our attitude forces the Germans to realize the meaningfulness of their actions or non-action, now and after the war, we shall have made a contribution; we shall have forced the Germans back into the community of men seeking their way.

It will be seen that this approach is neither "hard" nor "soft." It is profoundly democratic, in the sense that it concedes that what people do is important, that their decisions and actions really matter. We avoid the absurd postulate that we know the answers.

CHAPTER SIX

The Danger of The Unfinished War

During war we think of the top German fascists as deadly enemies who must be destroyed. What reason, if any, exists for changing this attitude the moment peace arrives?

Must we, on that day, stop thinking of German fascists as deadly enemies to be destroyed, and begin to think of them only as criminals to be tried? Or perhaps not even as criminals, but only as indicted men, presumed innocent until proven guilty?

The only difference the coming of the armistice should make is that it ought to give us the right to substitute methods of peace for methods of war in carrying out our policy. But our policy must remain the same, the destruction of the fascist power.

No Solution Short of Exile

That is why I see no solution short of the instant and automatic exile, without trial, of, say, the 100,000 top Nazi functionaries. That alone can be the logical culmination of the war, to be carried out as the final battle of the war.

The great danger is that we may tend to make too sharp a differentiation between the period of war and the period of peace. Our high political policy should be a continuing policy, equally valid for war and peace. The chief difference between war and peace should be the difference in methods used for carrying out our policy. Naturally, methods change when the armistice arrives, but policy itself need not change and should not change.

Why Let It Become Another War?

It will be strange and wavering conduct on our part to fight a desperate war for the purpose of destroying fascism, and then, the moment we win the war, change over to another purpose entirely, that of putting fascists on trial for horrible, condemnable, but still only collateral offenses, called atrocities. But the most atrocious fascists have probably committed no physical atrocities.

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How, then, shall we handle Julius Streicher, publisher of the infamous and pornographic "Der Stuermer," which has poisoned the minds of a generation? Under the blearily legalistic "trial" system, the worst we could probably do to Streicher would be to deny him second-class mailing privileges.

The proposal that we stage "trials," no matter how well-meaning, is a proposal that we shall not do what we are at war to do, the moment it becomes possible to do it.

Let us keep our sights up. This is not a war about atrocities, though atrocities have been committed during the war. It is not a war about the Hague Conventions, though the Hague Conventions have been violated. It is a war about fascism. If the coming of the armistice changes our purpose, then it will not be an armistice, but a subtle and concealed defeat.

They Will See the Trains Leave

Let us keep our sights up: It is our job to dismantle the Nazi Party as unemotionally and methodically as we propose to dismantle Nazi arms factories.

This is our task, by methods of war so long as the Germans prefer war, by methods of peace when they tire of fighting. The task remains, through war and peace. We are liberators, not judges. We are liberators, not school teachers for the children of Germany. We are liberators, and unless we liberate, unless we physically remove the fascist bureaucracy to a place of exile, all our schemes for democratic schools and democratic trolley cars and democratic porridge for the new Germany will be window-dressing to hide a failure.

But if we do remove the fascist bureaucracy, without trial, on mere identification, then all these subordinate problems instantly become more manageable. It will not seem nearly so hard then to teach the German children that fascism does not work. They will actually have learned that lesson before they come to school. They will have seen the trains leave, carrying the fascists and fascism to the border and oblivion.

THE MORGENTHAU PLAN

by Sylvia F. Porter

The Morgenthau Plan

CHAPTER ONE

Why They Fight The Morgenthau Plan

Powerful forces both in the U. S. and Britain are inspiring the opposition to the so-called Morgenthau plan for reducing postwar Germany to a predominantly agricultural nation—for the simple reason that they want a strong industrial Germany to offset the "threat" of a strong industrial Russia.

And although these groups in both countries are making an intense effort to ridicule the proposal and have it shoved aside as grotesque and impracticable, informed Washington sources revealed today that the Treasury's scheme is "still very much alive."

It has not been repudiated by the President, as was reported this past weekend.

The Men Against It

On the contrary, there's a good chance that at least the main outlines of the Morgenthau plan will form the basis of our official policy toward Germany.

The story behind the first gabled leaks on the Treasury's proposal and the suspiciously sudden storm of opposition which followed reaches deep into the paths of "power politics."

It's not just a question of an inter-cabinet argument on the best method to make sure Germany will be unable to wage another war in 15 or 25 years.

Involved are the groups here and in England who fear Russia.

Once this key point in international politics is recognized, the premature disclosure of the Treasury plan, which imperilled its position, and the violence of the criticism are explained.

The misleading stories about the Morgenthau plan published to date have almost obliterated the fundamental issue involved.

This, as authoritative sources put it, is one of viewpoint:

(1) Shall we restore Germany to full industrial strength as soon as possible so that there shall be a balance of power in Europe and try to cut the risk of war by maintaining controls over strategic industries?

(2) Or shall we turn Germany in the direction of an agricultural economy and make another German war extremely difficult if not impossible?

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The dominant groups in British government and industrial circles favor the first viewpoint.

Russia's stand has not been disclosed officially, but it is reported she definitely will fight any plan for rebuilding Germany on the same industrial basis.

Here the split involves the Treasury Dept. on one side and subordinate groups in the War Dept. and State Dept. on the other.

Secretary Hull is believed to be much more favorable to the Morgenthau plan than his subordinates, led by James C. Dunn.

Churchill is said to lean somewhat more toward the scheme than his subordinates, led by Foreign Minister Eden.

Facts About the Morgenthau Plan

Here, for the first time, are accurate details of the Treasury's proposal:

(1) Germany would be divided into two major parts, the north and the south, and each would function as a "separate unit." The south would be tied in with Austria and be made a self-sufficient whole through elimination of tariff barriers and creation of a customs union. The north and south would be divided by tariff barriers.

(2) All armament industries and potential war-essential plants would be dismantled and stripped. Machinery from heavy industry factories would be removed and given to devastated nations.

(3) There would be no cash reparations, therefore.

(4) The Ruhr Valley would be internationalized and operated by a three-power commission. The Ruhr coal mines would be shut down temporarily.

(5) Imports of capital into Germany would be controlled and permitted only for the purpose of developing agriculture or light civilian industries.

(6) The Saar, a major industrial area, would go to France. Parts of Silesia and East Prussia would go to Poland.

(7) The big German estates would be cut into small farms.

This is the long-range economic policy.

CHAPTER TWO

Rebuild Europe Without a Strong Reich

No matter how rigid we make our industrial inspection of Germany in the first postwar era, all common sense warns us that in 10, 15 or 25 years, our bitterness will die down and the initial Allied controls will be chipped away—which is a basic reason for Secretary Morgenthau's insistence that Germany's industrial might be slashed to a minimum from the beginning.

The so-called Morgenthau plan starts out with the one fundamental objective of so directing Germany's economy after the war that she never again will be able to threaten world peace.

Thus, the proposals emphasize the need for turning Germany into a predominantly agricultural nation, for permanently eliminating potential war-making industries. Then, long-range inspection systems and outside controls won't be essential.

Other schemes for dealing with Germany also may have that as a prime goal but they aim too at maintaining the balance of power in Europe and at creating a powerful Germany to offset the "threat" of a powerful Russia.

Thus, the plans worked out by subordinates in the War and State Depts. stress the need for returning Germany to a strong industrial position as soon as possible.

Basic Differences

Although this may be over-simplification, it highlights a fundamental difference in viewpoint.

And as Treasury experts see the argument, the Morgenthau approach rather than the other is the realistic one. "The idea that we can maintain controls indefinitely over a developing industrial state is naive," one authority remarked.

"The danger of another war will not be in the next 10 years, when we may have strong controls. It will come after that, when we have helped rebuild Germany and when, in the natural course of things, our inspection system will be less complete."

Reich Importance a "Myth"

One of the harshest criticisms of the Morgenthau plan has been that it would undermine the economy not only of Germany but also of all Europe

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because of the Continent's dependence on an industrialized Germany for supplies and for purchasing power.

This, informed Washington sources said today, "is a myth which has been carefully nurtured by the Nazis."

The dismemberment of Germany's heavy industrial plant and its transfer to nearby lands devastated by the Nazis admittedly would lower the standard of living in Germany, but at the same time, it would help raise the standards of other countries.

Belgium, Holland, France, Poland, Czechoslovakia, for instance, would benefit tremendously from the receipt of new industries. The machinery and factories would give employment to millions, would swell payrolls and create desperately needed buying power.

Instead of going to Germany for industrial supplies, these nations would find them within their own borders.

Not a Needed Market

As for Germany as an essential buying market, that too cannot be backed up by fact. In 1938, for example, when Germany was buying large amounts of goods from other European nations to prepare for war, she was not of vital importance to any country.

Only 5 per cent of the United Kingdom's exports, only 7 per cent of France's sales went to Germany. Not one country sent more than 15 per cent of its exports to this nation.

To be even more realistic about it, Germany won't have much money to buy goods after this war, unless we turn right around and hand it over to her.

A Higher European Standard

For a while, at least, the Treasury's plan foresees a lower standard of living for the Germans but they would not starve by any means. Germany even now is a great agricultural country, virtually self-sufficient in dairy products, meat, grain, etc.

What's more, Treasury officials see nothing wrong with a lower standard for the Germans. "They asked for it," was the comment of one source.

Simultaneously, though, the proposal aims at a more industrially balanced Continent.

CHAPTER THREE

Wouldn't Uproot 30 Million Germans

The persistent report that the Treasury's plan for turning postwar Germany into a predominantly agricultural nation would necessitate the deportation or emigration of 30,000,000 Germans is plain, downright poppycock—and there's not a line in the so-called Morgenthau plan that even suggests this revolutionary move.

No informed source gives this "war rumor" the slightest credence, a check disclosed today.

It originated out of the first, garbled leaks on the Morgenthau proposals. And its constant repetition by presumably responsible columnists is imperiling the whole public debate on what to do with Germany after the war.

Here's the true story on that rumor and on the German unemployment situation after the war.

During the early, secret conferences on the Morgenthau plan, one of Secretary Stimson's off-hand comments was that "it would turn the clock back to 1870."

At that time, he continued, Germany's population was roughly 40,000,000, compared with an estimated 70,000,000 after this war.

And what would happen, he asked, to "the extra 30,000,000?"

His question was answered in detail by Treasury experts, who pointed out that Germany even now was virtually self-sufficient in most foods, that she would be more so when her population concentrated on agriculture, and that, therefore, there would be no need for large-scale emigration.

Stimson is said to have accepted the answer. But out of his first remark grew an utterly baseless rumor.

What's more, an examination of the facts indicates unemployment will be substantially smaller than advocates of a "soft peace" say.

For instance, 8,000,000 to 9,000,000 foreign workers now in the Reich will return to their homelands as soon as possible.

By the war's end, it is estimated that 5,000,000 to 6,000,000 Germans will have been killed or seriously wounded.

Another 1,000,000 to 3,000,000 German prisoners of the Russians probably will be kept in Russia to help Soviet cities.

That accounts for from 14,000,000 to 18,000,000 Germans. And, in addition, millions will find jobs rebuilding their homes.

"Of course, Germany will have an unemployment problem during the

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initial transition period," informed sources state, "for millions will be demobilized and more will be released from permanent plants."

"But the major point is that an agricultural Germany can support its population."

Closing of Mines

Another oft-repeated criticism of the Morgenthau plan involves closing of the Ruhr mines for a while. This, it is said, is unnecessarily harsh and would deprive Europe of essential supplies.

Again, experts hint the purpose of this objection is "to throw a smoke-screen." If the mines aren't closed temporarily, the Allies will be forced to ask Germans back to operate them, an obviously dangerous concession.

As for supplies, authorities here are assured that England is not rubbing the support of this suggestion, at least, for Britain's mines can meet the demand and this move would help her solve her own employment problems.

Many other criticisms seem to fade away under serious scrutiny. For instance, a great cry has been raised about the difficulty of "moving industrial plants to other countries."

But that wouldn't be hard. The important things are the machines, which can be relocated easily. The buildings aren't essential.

Another shout has gone up over the "value of German industrial inventiveness to the world."

That's a shocking admission of weakness among the Allies which is not backed by fact in any way.

As was shown in yesterday's article, the argument that industrial Germany is essential to all Europe's economy is just as baseless.

No sensible person even attempts to demand that the Morgenthau plan be accepted 100 per cent. The Treasury itself recognizes compromise on such major points as the division of Germany into northern and southern regions and on such minor points as the temporary closing of the Ruhr mines will be necessary.

The entire scheme and its background have been distorted by the premature leak and those who fear the program are using this to their own advantage.

But the basic issue remains just this:

What shall we do with Germany to make sure that never again will she be able to threaten world peace?

New York Post Editorial on The Morgenthau Plan

September 27, 1944

Let's Hear More

One excellent test of any plan for settling the German question is whether it is likely to prevent the Germans from starting another war as soon as they recover from this one.

Secretary Morgenthau has worked out a plan with that test in mind, but the result is shocking to some people. The cry that Morgenthau wants a "hard" peace has gone up. Some people seem to believe that a "soft" peace would straighten out the Germans.

Actually, what Morgenthau urges is neither a "hard" peace, in the vengeful sense, nor a "soft" peace, in a forgiving one, but a realistic peace.

In brief, the Secretary proposes this: that Germany be converted into a predominantly agricultural country by internationalizing the Ruhr, heart of her heavy industry, distributing as reparations to the countries she has looted the machinery of Germany's war plants, and giving Silesia and East Prussia to Poland.

Morgenthau is convinced that if Germany remains an industrial nation after the war she will rebuild her heavy industry, now in the process of destruction, and be ready for war in another ten or twenty years.

It Makes Sense

But if she is forced to work out her destiny as a largely agricultural nation, Morgenthau reasons, it would take her two to three generations to prepare again for war—even if Allied commissions and armies of occupation are withdrawn much sooner than we hope they will be.

Secretaries Hull and Stimson, who, with Morgenthau, are members of a special Cabinet committee appointed by the President to work out plans for postwar Germany, are reported to be opposed to Morgenthau's plan.

We think the plan makes a good deal of sense, and we are particularly

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pleased that it is smoking out Hull and Stimson. Perhaps, if there is enough debate of Morgenthau's proposals, all government officials charged with planning Germany's postwar existence will take the public into their confidence.

We earnestly hope that Morgenthau's plan is causing the State Dept. to reconsider the wisdom of its policies in respect to France, Spain and Italy, and also the quality of its recent appointments—especially that of Robert Murphy, as political adviser to General Eisenhower in Germany.

It seems obvious that any German plan finally adopted will depend upon the men carrying out policy on the scene.

A Bad History

Hull is said to favor stern measures for Germany, but not Morgenthau's particular set of measures. However, the State Dept., as now constituted, may prove incapable of carrying out a sound German policy.

What can we reasonably expect from the department in view of its "tough" policy with de Gaulle, its "soft" policy with Franco, its compromises with Badoglio and the House of Savoy?

We like the Morgenthau plan because it recognizes that the Germans cannot be trusted to run heavy industry. They have twice made it their arsenal for a world war. We believe the Allies should adopt this idea as a basic principle, and make all other phases of a German settlement—political, territorial, etc.—fit it.

Also, we think that the grandchildren of Nazi soldiers would not want to conquer the world if the value of peace were at once made clear to the Germans. Samuel Grafton has proposed a plan consistent with Morgenthau's, under which the Germans would learn to cherish peace.

Grafton has urged that we sign no treaty with Germany, granting her instead a long armistice. After she had proved to the world she is building her future peacefully and democratically, she would be restored to the family of nations through a formal peace treaty.

Let's protect ourselves against Germany and then make her show us that we can trust her.



Samuel Grafton

Writes column, "I'd Rather Be Right," appears in the New York Post and other leading papers throughout the country.

SAMUEL GRAFTON got his start in the newspaper business in the place where many first-rate newspapermen end up—writing editorials. From there on it was but a step towards becoming that national one-man newspaper, the conduct of the column known as "I'd Rather Be Right."

In his newspaper column, which originated in the New York Post, which he had been brought from Philadelphia as an editorial writer, Mr. Grafton has scored so many "firsts" that it becomes impossible to give a detailed list in the short space available.

He was, for example, one of the first and most consistent of the columnists to insist that the Government place an embargo on the sale of scrap iron and steel to Japan. All told, he wrote more than seventy separate columns on this subject prior to Pearl Harbor. His famous line, "The Arsenal of Democracy Is The Filling Station of Fascism," was one of the classics of that campaign.

He was among the first, if not the first American writer, to use the phrase "Second Front." The phrase was coined in the beginning of his campaign to get America to do something specific toward getting under way with the war for Democracy. Here again he scored with a phrase that went winging across the country, "If Politics Were Plagues, Democracy Would Fly."

He was the first to conceive the idea of "Free Ports for Refugees," the plan under which the United States and other governments of the world opened their borders as temporary havens to homeless refugees, giving them an opportunity for a breathing spell from the terrors of war.

In addition to his work as a columnist for the New York Post and fifty odd other newspapers throughout the country, Mr. Grafton has found time to write two successful books, "All Out For Democracy," and "An American Diary." He has also done a great deal of work as a radio commentator and has lectured and traveled from coast to coast.

MEMORANDUM FOR THE SECRETARY.

April 20, 1945.

Mail Report

The death of President Roosevelt overshadowed everything else in the mail received during the past week. Communications took every form from printed cards to cablegrams, and offered many suggestions, but all with the same objective -- to honor fittingly a great man. Letters came in every mail urging that the Seventh Drive be a memorial to him, and many asked that his picture be used on one or more denominations of the "E" Series to be offered during the Drive. Special bonds for school children, with his picture, were also suggested, and there was continuing recommendation for bonds of smaller denominations than any yet issued -- these to be especially commemorative of President Roosevelt's interest in "the little man".

There was a great deal of pressure for coins or paper currency, varying from a Roosevelt 5¢ piece to a \$25 bill. The most popular, however, was the idea that a dime be minted with the head of Roosevelt on one side and a symbol of Warm Springs on the other. More ambitious plans included trust funds, shrines, and even international unions. Aside from these, there were many letters from persons who said nothing about specific memorials, but simply expressed their heartfelt grief over the passing of the President.

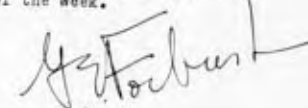
Tax mail, though slightly increased, brought in no new comments or ideas, and the rest of the bond mail was along the same lines as that we have received earlier. There were a few scattered suggestions following the lead of a radio commentator that the Seventh Drive be dedicated to Mr. Truman as an expression of confidence and support. Military successes in Europe brought an increased number of

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Memorandum for the Secretary.

April 20, 1945.

questions about German currency, the defaulted bonds of several countries, and control of foreign funds. There were a few suggestions regarding disposal of the Nazi gold hoard, but this had about disappeared from the mail by the end of the week.



General Comments

Michael Stern, Kelso, Washington. According to reports in the Press and on the radio, U. S. Army troops have taken as a prize of war, German gold reserve funds of approximately \$100,000,000. I herewith announce my claims on this taken treasure, the amount of which I reserve the right to specify later on. I have lived all my life in Berlin, Germany, as a citizen of Austria. When the Nazis conquered Austria in 1938, I was forcibly deprived of my Austrian citizenship and robbed. * * * Now as an American citizen I am sure that legal and moral considerations will make American legislators see the justice and righteousness of my claim. I herewith urge the Honorable Secretary of the Treasury to consider my claim as a first step to become reimbursed for my losses out of this captured German treasure.

C. M. Wynne, Export Managers Club of Chicago, Chicago, Illinois. The members of our Club, by referendum, have voted over 12 to 1 in favor of the Bretton Woods Agreements, involving participation by the United States in both the International Monetary Fund and the International Bank for Reconstruction and Development. * * * I thought you would be interested in learning of this action on the part of our Club, especially in view of the fact that it is based on a vote of the membership, and not simply that of our Board of Directors, as has been the case by a number of organizations who have opposed the Bretton Woods proposals.

Richard Rucier, Philadelphia, Pennsylvania. I would like to congratulate you on the wonderful job you are doing as head of the Treasury Department. I am only fourteen but I still appreciate the job you are doing. Keep up your good work.

Joseph W. Walter, Atlantic City, N. J. I am just a teen-aged boy in the Atlantic City Public Schools, and I would like to know if it would be possible to have our former President Roosevelt's picture put on a new American bill of about eight dollars. I think we should, in remembrance of our beloved former President. If it is possible, I would like to know if you would send me one of the first off the Press, and I would send you the money for it right away.

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Favorable Comments on Bonds

George Burns and Gracie Allen, Hollywood, California. (Telegram) We respectfully suggest that the Seventh War Loan be designated the Franklin D. Roosevelt Memorial War Loan.

Max Goldberg, Chicago, Ill. (Telegram) May I suggest that you consider very carefully the possibility of designating one of the series of the 7th War Loan to be known as "Franklin D. Roosevelt Memorial Bond" to bear no interest, or very little interest due in ten or twenty years. I believe the citizens will honor our past President by their subscription to ten billion dollars of Roosevelt Memorial Bonds as a mark of esteem and admiration for our beloved Chief who gave his health and life so that our nation can survive. If you agree with me, I would like the privilege of being the first one to subscribe \$2,000 toward the Roosevelt Memorial Bond in recognition of my two sons in service, one who is in France and the other in Iran.

Joseph Costa, Bronx, N. Y. In this the hour of a Nation stricken numb with grief at the untimely passing of our beloved President, it has occurred to me that there must be millions of people throughout these U. S., humble, everyday people like myself, who, although their hearts are filled with sorrow will not be able to find an outlet to express their grief. These people are asking of the man in the street, "What can we do? Who will show us how to prove our loyalty and devotion to the man who now lies sleeping his last sleep?" * * * What better way could we find than to dedicate the 7th War Loan Drive to his memory, make it the Franklin Delano Roosevelt Memorial Drive. Thus we will serve notice to the world at large that in Death as well as in Life, the ideals for which he strived will live on and be brought to a swift and complete realization.

- 4 -

Wm. Gintel, Mamaroneck, N. Y. As we Americans bow our heads in mourning for the loss of our great leader, we should also remember that it is our duty to carry out his policy of a United America for complete victory. It is in his memory that I suggest we set aside one day during the 7th War Bond Drive as F.D.R. Day and call upon all Americans to support what our great leader so willingly gave his last full measure of strength.

Mrs. Dolly Hill Brown, Wichita Falls, Texas. I am one of the million common people that have lost a friend in the death of our President, Franklin D. Roosevelt. Would it be out of line to ask if a day or week be set aside to honor the President by buying more bonds to show our faith in the country he loved and died for?

Henry J. Faber, New York City. The 7th War Loan Drive is the first chance the American people have to give the new and honorable President Truman a vote of confidence. * * * If we expect that President Truman is to become the great leader of democracy our late President Roosevelt has so deservedly been credited with, and if he is to grow to be the symbol of freedom for the world, if he is expected to speak for the American people at future conferences, he must get an overwhelming endorsement by the public. * * * To my opinion, this can be displayed best by the average American by lending more money to the Government than in previous War Loan Drives. * * *

- 5 -

Mrs. John F. Coulon, Johnny Coulon Products Co., Chicago, Illinois. * * * Would it be possible to have the 7th Loan changed to "Franklin Delano Roosevelt Loan" in tribute to the greatest man the world has ever known? I have been so saddened by the passing of our beloved President that I thought we could do nothing that would please him more than to buy more bonds, so when I am selling them now I ask them to buy in tribute to the late President Roosevelt. I sold two \$500 Bonds to a little man today who felt this same way. * * *

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Unfavorable Comments on Bonds

Wesley A. Taylor, Santa Ana, California. Twice in recent months when I have tried to buy some U. S. Treasury 2 1/2% bonds, I have been informed that they were not available, and that I would have to defer my purchase until the next bond drive. I am wondering why, when every newspaper and magazine blazes forth in huge type, and every radio blares forth admonitions to "buy War Bonds", I should be confronted with this situation where I must either let my funds lie idle for a time or else buy some type of bond which is not my preference. If there is any good valid reason for this situation, I would be pleased to know what it may be.

Mrs. Edward C. Fray, Philadelphia, Pennsylvania. I'm writing to you to see if you can give me any information regarding two twenty-five dollar War Bonds purchased by my son who was killed in France on October 7, 1944. I've written several letters to the New York address, but I have received no answer whatsoever. Will you please see that I get a definite answer to this letter?

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD
WASHINGTON 25, D. C.



OFFICE OF THE
EXECUTIVE DIRECTOR

APR 20 1945

My dear Mr. Secretary:

I am pleased to send you herewith a copy
of the report of the War Refugee Board for the period
from March 26 to April 7, 1945.

Very truly yours,

William O'Dwyer
William O'Dwyer
Executive Director

The Honorable,

The Secretary of the Treasury.

Enclosure.

Report of the War Refugee Board
for the period from March 26 to April 7, 1945

SITUATION IN GERMAN-CONTROLLED TERRITORY

From late reports, it seems clear that the situation of civilian internees in Germany and German-occupied areas is very precarious. Camp populations are being shifted from one area to another, on foot and over long distances, and since thousands of persons are unable to endure the rigors of these forced marches, the number of deaths is increasing. It is feared that, as the Germans are faced with mounting difficulties, they will cease all attempts to feed internees who are not useful in their war effort. The rapidity of recent military developments has the paradoxical effect of rendering problematical the fullest execution of our feeding and evacuation programs and at the same time redoubling the importance of measures to bring relief to detainees who otherwise may not receive even the minimum quantities of food necessary to sustain their lives.

While news reports from Germany indicate that almost all internal telephone and telegraph communications are disrupted, so that any general last-minute extermination of large groups of civil detainees may be precluded by lack of centralized SS control, it is feared that the Nazi program for the extermination of these people may nevertheless be carried out not only by the Nazi hierarchy but by organized or roving bands of terrorists and by individual Germans. The Board presented this situation to the Department of State with a strong recommendation that serious and immediate consideration be given to the issuance by this Government of a new warning directed to all groups and individuals in Germany and stating that this Government considers such acts as death caused by starvation and neglect the same as murder in cold blood and punishable as war crimes.

Turkish-German Exchange - Reports of Exchanges

As a result of a recently effected Turkish-German exchange, more than 130 Sephardic Jews claiming Turkish nationality left Lisbon on March 29 en route to Istanbul as a part of a group of 700 Turkish citizens. It was reported that these refugees, all of whom are without documentation, were released from Bergen Belsen and that there were included in the group 32 women recently transferred from Ravensbrück, 2 from Auschwitz, and 5 from Theresienstadt.

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According to information furnished by the refugees, large numbers of internees have been transferred from camps in Poland and there were said to be between 45,000 and 50,000 persons interned at Bergen Belsen and approximately 50,000 at Ravensbrück. Of the latter, 5,000 are Jews, for the most part Hungarian. The group of 155 Spanish Sephardics deported from Athens were reported to be still at Bergen Belsen but were expected to leave soon for Switzerland. Although there are apparently no basic changes since the last reliable reports, conditions in the camps were said to be terrible, and all of the refugees urged that food be sent to the camps.

RELIEF AND EVACUATION PROJECTS

Operations from Switzerland

Representatives Mann, McClelland, and Katski met in Paris to discuss with military authorities certain phases of transportation problems incident to the sending of relief parcels to civilian detainees in Germany and German-held territory and the removal of such detainees to safety in Switzerland. As a result of these discussions, a number of truck tires and tubes were obtained and arrangements were made for weekly deliveries of gasoline. Representative Katski is now in Switzerland assisting McClelland in working out the details of the program.

Prior to his departure for Paris, Representative McClelland reported from Bern that several large trucks obtained on a rental basis in Switzerland were to be available soon to transport relief supplies to civil detainees in the Eichenwald and Vienna areas. A smaller number of trucks, obtained commercially by a private organization with Representative McClelland's assistance, were expected to leave shortly with relief supplies for internees in Bergen Belsen. (It was later reported that these trucks left on March 29 for Theresienstadt instead of Bergen Belsen.) It was indicated that, with tires available, more trucks could be rented in Switzerland, and there were prospects of obtaining additional vehicles from other sources. In addition to truck transportation, one railway car carrying 1,170 Board parcels and other relief supplies destined for Theresienstadt and two cars carrying 4,900 Board parcels as well as other relief materials for the Vienna area were scheduled to go forward about March 24.

After his return to Bern, Representative McClelland informed us that Swiss trucks were being equipped with the tires and tubes which had been secured but that the only trucks available in Switzerland for this purpose were of the type that burn Diesel oil instead of gasoline. With the

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cooperation of the American and British Legations with regard to blockade aspects of replacement, a quantity of Diesel oil was released from Swiss commercial sources for the use of the International Red Cross.

Late reports from Representative McClelland outline plans of InterCross for parcel distributions. In view of the rapidly worsening condition of detainees in the concentration camps of Oranienburg, Ravensbrück, and Hamburg-Neuengamme, and in view of the imminent possibility that the Berlin-Lübeck-Hamburg area, where no trucks are presently available, may soon be cut off, first efforts are being directed to the dispatch of supplies and means of transport to this region. Five trucks were scheduled to leave Switzerland on April 9 for Lübeck to unload supplies at Bergen Belsen en route and then work out of Lübeck distributing to concentrations of detainees at Ravensbrück and Hamburg-Neuengamme Board parcels shipped from Göteborg. InterCross is checking on the number of Board parcels already at Lübeck, and it hopes to be able to distribute all of such parcels in this area within about three weeks time. A shipment of some ten tons of relief goods for the women's concentration camp at Ravensbrück is to be carried by a small convoy of wood-burning trucks which belong to a Swiss commercial concern and which are expected to leave soon for Denmark to repatriate Swiss citizens there.

Probably the greater part of relief shipments by truck will be made to the Munich region and areas east and northeast of that point which it is felt may be accessible for a longer period than camps in the northern areas. Deliveries will be made to camps of Dachau, Landsberg-am-Lech, Flossenbürg, and Mauthausen near Linz, as well as emergency relief distributions to evacuated deportees on the roads. Four trucks with a capacity of 3,200 kilograms each are scheduled to leave on April 12 or 13 for Dachau, where they will remain to distribute parcels to a large number of smaller camps in this area administered from Dachau. Within a few days the balance of approximately 50,000 Board parcels remaining in Switzerland are expected to be shipped by rail to the new InterCross depot at Ravensburg, between the Swiss border and Munich. The Division of Special Assistance of the International Red Cross is soon to receive eleven more trucks, which will be used to move these parcels on as rapidly as possible from the depot to accessible camps near Munich and to the east and northeast.

Operations from Sweden

Representative McClelland was informed by the International Red Cross that two railroad cars containing 5,400 Board parcels each left Göteborg on March 16 for the women's concentration

- 4 -

camp at Ravensbrück and that two other cars carrying 4,800 Board parcels each left for the Hamburg-Neuengamme concentration camp on March 17. We were advised by our Legation in Stockholm that the InterCross delegate at Goteborg has reported shipments of Board parcels totaling 28,800 to Hamburg-Neuengamme and 12,800 to Ravensbrück. Representative Olsen has been authorized to make available to the Swedish Red Cross or the Swedish Y. M. C. A. 40,000 of the parcels remaining at Goteborg for delivery to internees at Bergen Belsen.

According to the report of a private organization representative who recently returned to London from Sweden, a Swedish Red Cross official has succeeded in obtaining from the Germans approval for the establishment near Weimar of a special camp for Danish and Norwegian civilian internees, to be under the protection and administration of the Swedish Red Cross. The suggestion was made that the Germans be approached with a proposal for the establishment of similar camps for Jews, and it was indicated that the Swedish Government and the Swedish Red Cross are willing to cooperate in such a plan.

EVACUATIONS FROM SWITZERLAND

Recent information from military authorities indicated that the earliest possible date for moving the two groups of Bergen Belsen and Theresienstadt refugees from Switzerland to UNRRA camps was April 15. According to a late cable from Paris, however, it is planned to effect the evacuation of these refugees to Philippeville and southern Italy in two groups and April 30 has been set as the preliminary target date for the first half. Arrangements for their transportation from the Swiss border will be made by military authorities, who are now arranging feeding and shelter accommodations for the refugees while in France. The United Nations Relief and Rehabilitation Administration has suggested that its Versailles mission offer military authorities supplementary medical and welfare personnel for the care of the refugees en route.

A report from Bern informed us that six of the exchangees from Bergen Belsen who had to be hospitalized in Switzerland have now recovered sufficiently to be able to travel and Representative McClelland will endeavor to include them in the convey of refugees to go to Philippeville. It is contemplated that the remaining three exchangees who were ill will also be transferred to Philippeville if they are physically able to undertake the journey when the refugees leave Switzerland.

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REPORTS ON SURVIVING JEWS

According to reports of representatives of a private organization the present Jewish population of Budapest is estimated at approximately 150,000, and thousands are reappearing from deportation, labor, and concentration camps. There are 2,000 Jews still in hiding in Bratislava who are being aided by the International Red Cross representative; the food situation there is said to be fairly good. About 1,600 Jews in Zagreb, where the situation in general is described as fairly good, with stocks of clothing and food available, are also being assisted. There remain in Greece some 8,500 Jews, approximately 10% of the pre-war Jewish population of that country. Of this number, 4,500 are in Athens, including some 1,500 Salonika Jews.

SPANISH REPUBLICAN REFUGEES

We recently learned from our Embassy in Lisbon that the situation of Spanish Republican refugees in Portugal has become more precarious. Private agencies have been supporting these refugees in hiding to prevent their arrest by Portuguese police and deportation to imprisonment and possible execution in Spain. In recent weeks, however, the hiding places of a number of them have been discovered, resulting in the arrest and imprisonment of many of them and in increasing danger to the others. In a cable to Ambassador Winant and Mr. Harrison the Board called the attention of the Intergovernmental Committee to the plight of these refugees and strongly recommended that the IGC take over the maintenance of this group as a part of its over-all program on the Iberian Peninsula and that it arrange for the speedy evacuation of the refugees in question to places of safety.

INTERGOVERNMENTAL COMMITTEE

It was reported by Mr. Harrison, Representative of this Government on the Intergovernmental Committee, that as a result of discussions between the French authorities and the Assistant Director of the IGC, the Committee has been advised by the French Ministry of Foreign Affairs that the French Government, having ratified the Convention signed at Geneva on February 10, 1938, concerning the status of refugees coming from Germany and having decided to adhere to the additional protocol extending the provisions of the Convention to refugees coming from Austria, wishes the Intergovernmental Committee to assume officially within the framework of its general mandate the protection of the refugees coming from Germany and Austria. The French Foreign Office further stated that if the Committee accepts

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the official mission, the French Government is prepared to take measures by decree to enable the Committee's representative in France to exercise the same powers for the legal and political protection of German and Austrian refugees as were formerly conferred upon the League High Commissioner in France with respect to the protection of Nansen refugees. Mr. Harrison has been authorized by this Government to vote favorably on acceptance of the proposals of the French Government at the meeting of the Executive Committee called for April 11 to consider the French Government's invitation.

In view of the urgent need for funds to proceed with a number of action programs now in readiness, and as a result of Mr. Harrison's strong recommendation that to avoid further delay this Government contribute to 1945 IGC administrative and operational expenditures in conformity with earlier commitments, appropriate recommendations for this purpose were submitted to the Bureau of the Budget. Mr. Harrison was informed of this action and advised that every effort is being made to secure consideration and final action before the Executive Committee meeting scheduled for April 11.



William O'Dwyer
Executive Director

WFO-1749
Distribution of true
reading only by special
arrangement. (SECRET W)

Bern
Dated April 20, 1945
Rec'd 5:57 p.m.

Secretary of State,
Washington.

2315, April 20, 8 p.m.

FOR WFO FROM MOLELLAND

Regarding possible relief to Armenians in Germany
ICRC has now informed us that (Department's 1390
WFO's 484 April 5) committee possesses no utilisable
information whatever concerning Armenian refugees
of POWS in Germany.

There are apparently Armenians among Russian
POWS but their number and location are unknown since
Germans have never as general rule supplied ICRC with
data on Soviet POWS. There are similarly doubtless
Armenian forced laborers deported from Soviet Union
to German occupied regions but any information concerning
their number or whereabouts are also lacking. ICRC
has never, as you know, undertaken relief programs for
forced workers in Germany.

Any needy Armenian civil detainee who happens to be
in a concentration camp accessible to our WFO deliveries
will benefit from them exactly as do inmates of others
nationalities.

HARRISON

JMS

MS-1637

PLAIN

London

Dated April 20, 1945

Rec'd 2:05 p.m.

Secretary of State

Washington

4054, Twentieth

FOLLOWING MESSAGE FROM HARRISON INTERGOVERNMENTAL
COMMITTEE ON REFUGEES LONDON FOR EARL HARRISON AMERICAN
REPRESENTATIVE INTERGOVERNMENTAL COMMITTEE ON REFUGEES.

Message begins. We have now received approval of
British Government to proposals relating to Spain and
Portugal contained in my memorandum of the 16th February
1945. No conditions are attached to the approval but
hope is expressed first that we should try to persuade
the Spanish and Portuguese Governments to contribute to
the cost involved and second having regard to high cost
of living in Spain and difficult currency problem in
Portugal. High priority should be given in due course
to removal and resettlement of the refugees in the
Iberian peninsula. We shall be grateful if you can
expedite approval of Government of United States.
Message ends.

WINANT

RR

EX-1588

This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (RESTRICTED)

Bern

Dated April 20, 1945

Rec'd 11:10 p.m.

Secretary of State,

Washington.

2299, April 20, 3 p.m.
WHS FROM MOORELAND

Department's 1205, WHS'S 476, March 24.

Plans are shaping up satisfactorily now for evacuation special groups of Jewish refugees from Bergen Belsen and the Resienstadt from Switzerland to UNRRA reception camps in North Africa and perhaps Italy.

Swiss authorities are making all preliminary preparation including formation of convoys, supplying railroad cars, medical personnel, etc. and move is being coordinated with SHANZ G-4, G-5 and UNRRA with whom this question was thoroughly discussed in Paris at end of March.

First group of approximately 1100 persons is scheduled leave Geneva on or about May 2 for Marseille. Second group of similar size should depart mid-May. It may be necessary send a third, smaller group later. Refugees of all nationalities represented within these special groups are being evacuated with exception of Dutch nationals. They are mainly Hungarians, Rumanians, Czechs, Yugoslavs, Poles and former Germans from the Resienstadt.

Will keep you informed of progress this movement.

HARRISON

HDA

PLAIN

Lisben

Dated April 20, 1945

Rec'd 10:25 p.m.

Secretary of State,

Washington.

834, Twentieth

WHS 389 JMG 221 FOR LEAVITT FROM THOSE.

Year 166. Gottfarb insists stockpiles owned by American Red Cross under supervision of Mr. Ehrenbalt of International Red Cross who probably took over stockpiles formally. Congress parcels were Keesher and turned over after Congress negotiations in America and local Congress paid nothing. Certain quantities clothing in Goteborg's free port belonging to American Red Cross. Suggest New York negotiations with American Red Cross if we could borrow feed and clothing until Joint can get material to Sweden.

BARUCH

RB

12"

PLAIN

Lisben

Dated April 20, 1945

Rec'd 10:12 p.m.

Secretary of State

Washington

833, Twentieth

WRB 290, JDC 222, FOR LEAVITT FROM THOM BYCHOWSKI

Association Polish Jews in Sweden received cable dated Moscow twelfth. Necessary help for saved in labor camps clothing, shoes, food, tools for tailors, shoemakers, joiners, keymakers. Send us lists persons searched Sweden, England. Central Committee of Polish Jews, Warsaw, Szereka 31, Dr. Emil Hammerstein. Gottfarb attempted contact Hammerstein several times but never received reply. Perhaps you should consider authorizing Gottfarb give Bychowski money establish search service for us. Please advise.

BARUCH

JT

PS-1836

This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (RESTRICTED)

Madrid

Date April 20, 1945

Rec'd 9:14 p.m.

Secretary of State

Washington

835, April 20, noon

Following non-preference quota numbers allotted for refugee children for month of March 1945 returned unused. Figures represent 25% of block allotted Department's inclusive.

German 442-4791; Polish 1794-1831; Belgian 262-269; Netherlands 503-522; Czechoslovakia 589-603; French 529-548; Hungarian 348;385.

ARMOUR

JMS

MS-1659
Distribution of true
reading only by special
arrangement. (SECRET W)

Lisbon

Dated April 20, 1945

Rec'd 3 p.m.

Secretary of State,
Washington.

835, April 20, 11 a.m.

FOR LEAVITT FROM THOM.

Anticipate British steamer will take within few days
253 Tangier's certificate holders. (This is MRB 388 JDC
220). \$120 average cost passage. Regarding method
payment, instructions will follow.

BARUCH

LJS

CABLE TO AMERICAN EMBASSY, LISBON, FROM THE WAR REFUGEE BOARD

Please deliver the following message to Harold Trobe from M. A. Isavitt, American Jewish Joint Distribution Committee:

QUOTE FOR BUREAUX AWAITING RECOMMENDATIONS MAY ADVISE. OUR THOUGHTS ARE:

1. ELIMINATE POLAND NEXT BUDGET VIEW SUBSTANTIAL BALANCE AVAILABLE WHICH WILL TAKE SEVERAL MONTHS TO EXHAUST
2. ELIMINATE REPATRIATION VIEW BALANCE LAST YEAR WHICH PROBABLY CAMELEADING AND 500,000 PROVIDED THIS YEAR ON UNDERSTANDING WILL CONSIDER PROJECTS AS ABOVE
3. YOUR INFORMATION REQUESTING REDUCTION BALANCE APPROPRIATIONS EXTENT PURCHASES USUALLY VIEW OUR REGULAR MONTHLY REFINANCING SCHEDULE FOR THESE COUNTRIES. ADVISE WHAT EXTENT POSSIBLE REDUCE SUCH INVESTIGATIONS BELOW 500,000 APPROVED APRIL, EARLIER OR LATER WOULD FUND TO APPROX PURCHASES

PLEASE ADVISE REMAINING POSSIBLE REDUCTION OTHER FUNDING. IMPORTANT TO EXPLORE ALL POSSIBILITIES SAVING CURRENT RESOURCES. FOR YOUR INFORMATION MAKE INITIAL GRANT REQUESTS MAXIMA 110,000. UNQUOTE

THIS IS OUR LISBON CABLE NO. 175

4:40 pm.
April 20, 1943

NOT TO BE RETRANSMITTED

COPY NO. 4

SECRETOPTEL NO. 126

Information received up to 10 A.M. 20th April, 1945.

NAVAL

1. Mediterranean. 16th/17th (Night). Coastal forces sank two, possibly three, ships in convoy in Gulf of Venice, while Yugoslav coastal craft and an M.T.B. sank an F-Lighter and probably an E-boat same area. MTB 697 mined and sunk south of Fiume.
2. Anti-Submarine Operations. 19th. U.S. Destroyer made promising attack on U-boat S.E. Halifax. Aircraft attacked 4 U-boats and an Escort vessel in the Skagerrak when two probably sunk and a third and the Escort vessel damaged.

MILITARY

3. Western Front. (Southern Sector): 1st French Army and 7th U.S. Army continued make progress with latter capturing Ansback and now engaged clearing Nuremberg where heavy fighting taking place. (Central Sector): Patrols of 3rd U.S. Army have crossed Czech frontier East of Hof. 1st U.S. Army has partially cleared Leipzig and also mopped up area between this city and River Mulde. Considerable German forces have also been cut off in Hartz mountains by junction 1st and 9th U.S. Armies near Bernsburg. (Northern Sector): U.K. armour reported on River Elbe at Lauenburg and within 5 miles Harburg while further west 1st Canadian Corps report southern edge of Zuider Zee between Kampen and Harderwijk clear of enemy.
4. Eastern Front. (Central Sector): Germans report three days violent fighting East Berlin, admitting fighting now taking place 20 miles west of Oder, while further south they report Russian spearheads as having reached River Spree between Cottbus and Bautzen. Russians describe these operations as reconnaissances in force which during last three days have developed into battles aiming at the capture and widening of bridgeheads over Oder and Neisse. They state bridgehead over Oder, west of Kustring widened while another made to south over Neisse, S.E. of Cottbus. (Southern Sector): Further advances made in areas S.E. (Bruno?) and North Vienna.
5. Italy. On 8th Army Sector U.K. formations have advanced 4 miles along West shore Lake Comacchio and now mopping up Porto Maggiore while East of Bologna British troops have advanced 1 to 2 miles against determined resistance. On 5th Army sector advances of up to 4 miles made on 16 mile front S.W. Bologna.
6. Burma. (Central Sector): Villages of Singu, Chauk and Sale on Irrawaddy occupied without opposition and much equipment taken. S.E. of this armoured column advancing westwards from Taungdwingyi now within 3 miles of Irrawaddy while further East another armoured column had advanced 12 miles south Shwemyo.

AIR

7. Western Front: 19th Bomber Command Lancasters 47 bombed through cloud railway transformer station at Munich (189 tons) while further escorted Lancasters 33 dropped 204 tons (including six 12,000 pounds) on three batteries Heligoland when some direct hits or near misses obtained. U.S. escorted heavy bombers 589 (outstanding bombers 5 and fighters 5) dropped 1359 tons visually on five railway targets in area Leipzig/Fraue/Dresden, inflicting enemy casualties 18:05 in combat. SHAEF (Air) - Medium bombers 475 dropped 681 tons on three railway centres Southern Germany and 105 tons on Dunkirk, while 1847 fighters and fighter bombers (missing 10) operated all sectors destroying 500 M.T. and inflicting enemy casualties 17:05 in combat and 81:8:66 on ground. Halifaxes attacked shipping in Skagerrak and Kattegat when hits obtained on two 3,500 ton ships.
8. Mediterranean. 17th/18th (Night). Liberators dropped 137 tons on communications Porto Maggiore.
- 18th. Escorted U.S. heavy bombers 473 dropped 974 tons on targets Bologna area.
- Bombers 371 attacked railway bridges Austria and supported both armies while fighters and fighter bombers 1133 (missing 11) operated battle areas.

100
April 21, 1945
4:05 p.m.

GROUP

Present: Mr. D. W. Bell
Mr. Bartelt
Mr. White
Mr. Gamble
Mr. Haas
Mr. Slough
Mr. Fehle
Mr. C. S. Bell
Mr. DuBois
Mr. Coe
Mr. Fussell
Mrs. Klotz

MR. D. W. BELL: That is the stamp the President approved before he died, and after he died they decided to put this in quotations and put his name on it. That will be on sale Wednesday (indicating).

MR. C. S. BELL: I thought you might want to see the flag showing the number of servicemen that have gone to war and those we have lost. We are going to hang it up in the reception room. All the boys have seen it outside. We will keep that up and just change this figure.

H.M.JR: I see. That is a lot. I have about twenty-five minutes.

Gentlemen, what I would like to say is this:

Where is White?

MR. WHITE: Right here.

H.M.JR: Let's start on Bretton Woods. This man Hannegan was in here today, and he tells me that in the talk he had with Barry and--

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(Mr. O'Connell and Mr. Luxford enter the conference.)

H.M.JR: Hannegan was in today, and in the talk he had with Barry, Barry told him he would positively vote for Bretton Woods.

MR. WHITE: Did he say how recent that talk was?

H.M.JR: No, but I couldn't quite understand--you can find out Monday. He talked some and Joe Nunan talked some.

H.M.JR: I will see Joe Nunan.

And there is a man that sounded like Lauchlin, who is a lawyer.

MR. LUXFORD: President of a bank in New York.

MR. O'CONNELL: I am not sure that he is the same one.

H.M.JR: He represents some bankers, but he said that between him and Joe Nunan Barry unequivocally promised to vote for Bretton Woods.

MR. O'CONNELL: Good.

(Secretary leaves the conference temporarily.)

H.M.JR: That was Fred Smith.

Where is Fussell?

I told Smith anything he wanted in doing this article about me you would be glad to cooperate. Draw Mrs. Klotz' attention to that.

Well, anyway, get in touch with Joe Nunan, will you?

MR. O'CONNELL: Yes.

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H.M.JR: And get the story straight. But Hanneran said he had a private talk with this fellow, and between the two of them it was understood that it was a deal that he would vote for Bretton Woods.

MR. O'CONNELL: Yes.

H.M.JR: I don't know any more, but there was some kind of a deal.

MR. O'CONNELL: O.K.

H.M.JR: But no if's, and's and but's. Now, I called up Crowley to follow up on what he had done about Congressman Hull because I hadn't heard from him, and this is the answer. He is out of town, but Crowley had already spoken with Congressman Hull about some amendments. Mr. Hull will go along. The Congressman seems reasonably friendly about the matter, according to Crowley, so I think somebody should call on Congressman Hull.

MR. O'CONNELL: All right.

H.M.JR: I will be away not more than Monday or Tuesday at the most. And as I understand it for the time being there will be no talks with the bankers. Do we understand that?

MR. WHITE: But Mr. O'Connell and Mr. Luxford had a conversation with--

MR. O'CONNELL: ...Wolcott--

MR. WHITE: ..this afternoon.

MR. O'CONNELL: We just came from there.

H.M.JR: Let's have the facts.

MR. O'CONNELL: Mr. Wolcott is getting from Burgess a written statement of the bankers' position, at which time we are going to talk again to Wolcott, not with the bankers. He outlined what he understood the bankers' position was,

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and it was pretty nearly the first point in your memo, Larry, that is, the Council. We didn't discuss anything in detail, but the over-all Council, the CED proposal, and that is about all. What was the other, Luxford?

MR. LUXFORD: That is all he mentioned.

MR. O'CONNELL: Our understanding is we will talk to Wolcott again when he has a document from the bankers. We are giving him nothing.

H.M.JR: You are giving him nothing, and I haven't agreed to anything.

MR. O'CONNELL: Oh, yes.

H.M.JR: Let's understand we keep the bankers--if the bankers want to talk with Wolcott and Wolcott wants to make a deal, then I can find out what it is and we can go to Spence and talk it over with him.

MR. D. W. BELL: That is all right with me.

H.M.JR: But I want to be emphatic.

MR. LUXFORD: What Wolcott is seeking ultimately to do is get something he can propose that everybody will agree to.

H.M.JR: All right, but I haven't agreed to anything yet. Nothing for the bankers, see? You know, he is our main banker fellow, Mr. Banker Luxford. He sits there, and he will be wearing a vest and snats soon.

MR. LUXFORD: Don't I look like one?

H.M.JR: Shall we associate with him? (Laughter)

MR. LUXFORD: Well, anyway, the main proponent now--

MR. D. W. BELL: I think going through Wolcott is all right. I don't think we ought to be discourteous to the bankers. After all, we have been discussing the matter

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with them, and some place along the line I think we ought to sit down with them.

H.M.JR: Yes, but when the time comes to sit down--I have reached the point that I want to do it, see.

MR. D. W. BELL: That is right.

H.M.JR: But in the meantime while I am away and this is going on, Luxford, no talks, just so we understand each other. And I think the thing is coming along fine.

While White is gone we could have--Joe is here and Luxford is here.

MR. WHITE: I sent you a memo.

H.M.JR: I read it. Luxford will try to get into White's shoes.

MR. LUXFORD: I will try, but I won't steal them, Harry.

H.M.JR: But the relationship has been all right.

MR. WHITE: If you don't, it is because they are too small.

MR. O'CONNELL: There will be no trouble.

H.M.JR: Is that all right?

MR. O'CONNELL: Perfectly.

H.M.JR: There is a perfectly happy relationship around here.

MR. O'CONNELL: Fine. I get along fine with Luxford.

H.M.JR: Luxford? (Laughter) Anybody who isn't happy on the representation on the Hill on Bretton Woods from the Treasury, speak up.

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H.M.JR: Now, White, I am going to have to read your stuff on the plane, see?

MR. WHITE: All right.

(Mrs. Klotz enters the conference.)

MR. WHITE: The boys have come back with the latest copy of the reparations thing and it is much better than we had hoped for, so we won't be in any difficulty on that.

H.M.JR: So much happened today that I don't know how I can get it all over, but I had a very good talk with McCloy, and what I am saying here is to stay in the room here, if you please, and that goes for me as well as the rest of you. I don't want to have some of these people tell you, you know, about so and so--one of your men told me, and I said, "No, I hope to hear about it tonight."

MR. WHITE: You are looking at the right guy. (Laughter)

H.M.JR: And General Eisenhower and General Bedell Smith were entirely satisfied with the memo of the 23rd, sec. And for three nights he talked to them and told them just what had happened, and he was there one week in advance of General Clay. He had a little trouble selling Clay because some of the other boys thought that was a job they might want, but he did sell them Clay. I didn't finish my conversation, although we had an hour and a quarter. Needless to say the picture he paints of Germany is even worse than you read about in the papers as to a complete disorganization. The cities in Germany stand out like so many decayed teeth. He said there was nothing for General Doolittle to do any more, there were no strategic targets left, just use the planes to transport French prisoners and slave labor from the front to their homes, and the same with the Belgians. That is what General Doolittle is doing now. They also agreed to keep the Russian liberated people up forward so when a juncture was made they could shove them across the Russian line into the hands of the Russians and not have this terrific group traveling first back and then forward, and save on the food, which makes sense. Baruch was unbelievably good.

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He met with the War Cabinet, and they asked him about the German thing, where did he stand on the Morrenthau Plan, and he practically told them Morrenthau was a sissy, and on his return he was much stronger for the decentralization of Germany than when he left. And in the room I mentioned that Clayton had a change of heart after President Roosevelt's death, and he said, "I will cut his heart out if he doesn't behave himself, and he won't be able to stay around Washington after I get through with him. He either is right on this German thing or he will leave town."

MR. PERLES: Is this McCloy or Baruch?

H.W.JR: Baruch. He said, "I will cut his heart out. That is all I have got to live for now is to see that Germany is deindustrialized and that it's done the right way, and I won't let anybody get in my way." And I think he meant it. He got so emotional he had tears in his eyes. I have never heard a man talk as strongly as he did. And he is going to give me stuff next week when he comes down.

He told President Truman that he is very much bothered that they are so slow in moving. "For heaven's sake, make up your mind what you are going to do," he said. "There is no plan around here."

MR. WHITE: Has he discussed his views with the President since his return?

H.W.JR: Yes, he had a long talk with him.

MR. WHITE: You don't know whether he got any favorable response?

H.W.JR: I couldn't tell, but he said he asked Stettinius to leave the room so he could talk frankly to the President. (Laughter) He had certain things he wanted to tell the President very confidentially so he asked Stettinius to leave the room. He told me that, and I don't like to think he is kidding me, but he certainly went way out of his way to convince me he wants to do everything to be helpful. He said the English still haven't made up their

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mind on account of the fear of Russia, which is more important, to build Germany up or get the business they might get by deindustrialization. He said England still hasn't crossed that bridge, which makes sense from what we know. He wants to talk to me about that. He said, "They still haven't made up their minds." He said, "I painted a beautiful picture of recovery and I saw the labor unions, and so forth, and so on," and he has the whole story about the sterling debt. Somebody suggested they cancel it. He said Beaverbrook struck the table and said, "The British will never go back on their debt." Not more than once in a century!

The talk with McCloy was good, and the talk with Hannegan this morning was very good. The talk with Baruch was good. Bonnet's only worry was, could I see Plevin? He gets in Sunday night, and he is going to get in contact with Mrs. Klotz. I told him that if he were only going to be here Monday afternoon, I didn't think it would be worth his while, and if it had anything to do with the war effort, I would come back.

He said it had nothing to do with the war effort and it could wait. He gave me an invitation to come to Paris in May to talk to the French. He thought that it would be very good for their morale to carry on the Roosevelt--or whatever you call it--line of thought. He said it would be very lovely. He didn't want Plevin to invite me unless I would say yes or no in advance, and I said it would not be convenient, but I would talk it over without coming to an understanding in advance, and he laughed. He is very discouraged, very down-in-the-mouth. He said Europe is absolutely downcast over President Roosevelt's death.

McCloy attended the service at St. Paul's and he said that Churchill broke down and cried like a baby. He said the King was there, too. He said that he walked down the streets in France and the people would just stop him and talk to him about President Roosevelt. They think over there it is just unbelievable. They are sorrowful all over Europe and feel they have lost their greatest friend. He said the services at St. Paul's were something he will never forget, and I think that McCloy feels it very deeply. I was able to tell him that just shortly before the President died he had said that since he had--the President had set McCloy right on France that he, DeGaulle, and the President had great confidence in McCloy, and he felt McCloy had been very loyal to the President. And naturally that pleased McCloy. McCloy wants to work with us, and he wants to get this thing cleaned up. I didn't get much in about Clay because we didn't have time.

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MR. DUBOIS: Are you going to get rid of Flaven on this German thing?

H.M.JK: I did, and with Patterson. I have been fairly accurate. It's Patterson--where is Frank Coe? Now listen, Frank. Oh yes, I told Dean Acheson I couldn't see him today because I have seen nothing but fellow travelers on their way to San Francisco. When you go over there what you want from the War and State Departments is a plan to defeat Japan. Now, when General Wedemeyer was here--I got it from Leahy at lunch today--he gave the War Department a plan on how many Divisions they want; so they had Wedemeyer while he was here work that out, according to Admiral Leahy. When you go over there what I want from the War Department and the State Department, is a plan to defeat Japan, see, and then after that we will do it the way we did my bootleg story--give them a half a thousand dollars now and give them the other half when they make good.

MR. COE: There is just one part on that, John Carter Vincent, when I was going with, is in San Francisco.

H.M.JK: Get somebody else, and Mr. Bell can call up the Acting Secretary of State and say we want to get started on this thing, and President Truman has asked me to please have something on China on his desk.

This is economic. There's Will Clayton. He has been designated--I'll do it myself.

I am sorry if I am talking emphatically, but I am fighting time.

MR. WHITE: Does Leahy have any views on the subject, Mr. Secretary?

H.M.JK: No, but I got this feeling which is very important, and I will get more of it--I got the feeling from Baruch that he realizes the importance of being friendly with Russia. I am seeing Baruch next week. He made a better impression than he has ever made. I feel he is right on Germany and Russia and feels what

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the whole problem is, and is a very much stronger man than when we went over, and his brain today was absolutely crystal clear, no fuddy duddy business today. It's very encouraging. I didn't get down to Admiral Leahy. I don't know where he stands.

MRS. KLOTZ: Baruch wouldn't miss anything.

H.M.JK: He was clear today. Now, I am just trying to give you fellows a little accounting. My advice to Mr. John Pehle is that on the first of May you take a couple of weeks vacation. Get the stuff out of your system. Get a little health. You never had a chance to recover from your brother and everything. You have had a bad time. You have done a swell job, so get a little rest, a little sunshine, and come back and we'll work the hell out of you!

MR. PEHLE: Thank you very much. I'll do it, too.

H.M.JK: I would do that.

MR. PEHLE: Thank you.

H.M.JK: There is one fellow over there, an economist you have.

MR. PEHLE: Silvermaster.

H.M.JK: I have heard good things about him, and we may want him over here.

MR. PEHLE: He is needed over there, too.

H.M.JK: Well, as Joan said, "Morgenthau first." So, talk to Frank Coe about it. I have a special assignment in mind for him anyway, so don't give him a job until he comes here. I have a special assignment in mind for him.

H.M.JK: Now, I'll have to read that stuff on the plan.

MR. WHITE: There is nothing important, nothing that can't wait.

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H.M.JR: I just thought I would give you people a report. I'll be back--if the teletype system is working-- I want to leave so I can see Mrs. Morgenthau tonight. He said if I got there by ten--the most I'll be gone is Monday and Tuesday. I wrote a letter to President Truman saying that I would like on my return to talk to him about the economic future of Germany.

Do you have anything, Charles?

MR. C.S. BELL: I can hold up everything until Wednesday.

H.M.JR: Do that. Who has something they want me to sign.

MRS. KLOTZ: I do.

H.M.JR: John, will you help me again a little bit with this refugee business?

MR. PERLE: Yes, I'll watch that.

H.M.JR: Miss Hodel is outside. She's coming in now. Do you mind staying?

MR. PERLE: Not in the least. I'd be delighted to.

H.M.JR: Harry, how long are you going to be gone?

MR. WHITE: Just as long as I possibly can. (Laughter)

MRS. KLOTZ: That's being honest. That's wonderful!

MR. WHITE: Between the telegraph system and telephone and ticker system, I am not hoping too much, but I am going to stay as long as I can for several reasons, Mr. Secretary. I can make very good use of the time there. I am interested in what is going on. There are some important things going on that do affect us, and I'll enjoy being there.

MR. D.W. BELL: You should have put that first.

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MR. WHITE: That really is first, but I thought I would put it second so it wouldn't sound so bad. Things are going along very smoothly here on anything I have, together with Bretton Woods.

H.M.JR: I am listening.

MR. WHITE: And so, if you feel--when you want me I can come back within a day. I can fly back, and I am just hoping that you won't want me for some time.

H.M.JR: For how long, huh? How long?

MR. WHITE: Oh, I don't know, two or three weeks.

H.M.JR: You're crazy. He's crazy. I thought you said three days.

MR. WHITE: Three days?

MR. LUXFORD: It's weeks instead of days.

H.M.JR: Well, I'll be very honest, Harry. Don't misunderstand me. If it's a question of my doing your work, I am not going to do it.

MR. WHITE: I understand that and I hoped you wouldn't. It's a question of my doing it or Mr. Gee or Mr. Luxford or Mr. O'Connell. I wouldn't like you to do it. I mean, if they are doing satisfactorily, and I am sure they are--

H.M.JR: If it's going satisfactorily, but if it means am I going to pick it up and do it--

MR. WHITE: I know you will let me stay as long as I can, and when you feel you want me back, I'll be glad to come.

H.M.JR: That's fair enough, and I'll give you all the time I can. I don't know why you want to stay so long.

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MR. WHITE: I am not running that conference. I am more or less an observer.

H.M.JR: I know.

MR. WHITE: And there are a number of--well, never mind.

H.M.JR: Well, we understand.

MR. WHITE: I won't waste all of my time, just some of it.

H.M.JR: I know, you never do. Now, Ted?

MR. GAMBLE: I have nothing that can't wait.

H.M.JR: What else is there? I want to break the story soon on some of that law enforcement stuff.

MR. O'CONNELL: Well--

H.M.JR: Put some heat on.

MR. O'CONNELL: We'll do all we can.

H.M.JR: Those reports weren't too good. I read them all.

MR. O'CONNELL: They'll get better.

H.M.JR: You may need some new blood there.

MR. O'CONNELL: That's pretty hard. New blood is hard to find.

H.M.JR: What about a blood transfusion or something? Those reports weren't too hot.

MR. O'CONNELL: They were studies.

H.M.JR: Did you get my suggestion?

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MR. O'CONNELL: I sent you an answer. We are doing that right away. The Commissioner and--

H.M.JR: A weekly bulletin.

The reports weren't too good, do you agree?

MR. O'CONNELL: Yes, but it's hard to--

H.M.JR: There's gold in them thar hills, though, and you know it's two or three weeks since I asked them to check on farmers. You know he told me while you were gone that they went out on an R.F.D. route and found one-third of the farmers were not paying any income tax, and I haven't had any more reports.

MR. O'CONNELL: I didn't even get that--two-thirds?

H.M.JR: In the one route they found one-third of the farmers were not paying any income tax.

MR. O'CONNELL: I didn't know that.

H.M.JR: Start in South Dakota or somewhere. This fellow--

MR. O'CONNELL: Bushfield, that's where you should have started. You started in New York.

H.M.JR: Well--

MR. O'CONNELL: It was a Republican neighborhood.

H.M.JR: I picked a Republican neighborhood.

MR. WHITE: We couldn't get Mr. Green. When you come back you'll have to get him. He is too much of a prima donna.

H.M.JR: Harry, don't misunderstand what I said. I am glad you are going. I wish you a good trip and I don't mean a pleasure trip either.

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MR. WHITE: I want to make it as much a pleasure trip as I can. That's one reason I am going.

H.M.JR: And if I go to France in May--it's too bad Joe never wrote up the report on London. (Laughter)

MR. WHITE: He has from now to May to do it.

H.M.JR: Good bye, Harry.

MR. COE: Can you take any more reading matter? These are what I promised on China.

H.M.JR: What we want is a plan from War. I didn't get Clayton.

MR. COE: I'll get him. I'll take care of it.

H.M.JR: Where are Fehle and Miss Model?

April 21, 1945
2:53 P.M. ✓

HMJr: Hello.

Mr. Robert
Patterson: Hello.

HMJr: Bob?

P: Yes, sir.

HMJr: McCloy --- in the first place, may I thank you for all the things you have done to make Elinor comfortable.

P: I haven't done half enough.

HMJr: Well, what you have done I'm most grateful for.

P: Yes. Glad to do it.

HMJr: Thank you, Bob. McCloy just called me and Mr. Stimson said you'd like to --- have you handle this Japanese -- Chinese thing.

P: All right. He told me. McCloy told me.

HMJr: Now what time Monday could Frank Coe - you know Frank Coe?

P: Yes.

HMJr: come over and sorts bring you up to date on it?

P: Any time Monday. A good time would be eleven o'clock.

HMJr: He'll come over at 11 o'clock Monday.

P: I'll be glad to see him.

HMJr: Thank you. Then we can sort of get started.

P: Then we can talk about it when you return.

HMJr: That's right.

P: Thank you, Henry.

HMJr: Thank you.

P: Good bye.

April 21, 1945
2:57 P. M.

HMJr: Mr. Stinson wants Bob Patterson to handle this thing with China, see?

Mr. Coe: Oh, he does?

HMJr: Yeah.

C: Well, that's good. He is a good one.

HMJr: Yeah, I picked him. You are to go over there at 11 o'clock Monday morning and see him.

C: Go over and see him at 11 Monday.

HMJr: Yeah.

C: All right.

HMJr: And my suggestion is that you take John Carter Vincent with you.

C: And talk over the situation.

HMJr: And talk it over with Patterson.

C: All right, I'll do that.

HMJr: Now, I don't know whether you want to see this fellow Pei before that or not.

C: I think perhaps -- no, I think we can't very well.

HMJr: You think you can't.

C: Well we could early Monday morning.

HMJr: Why couldn't you see him early Monday morning?

C: All right. He hasn't rung. How did you leave him? Am I supposed to get in touch with him?

HMJr: Well, I would in view of the thing the way it ---

C: All right, all right. Now when are you coming back?

HMJr: Tuesday or Wednesday.

C: Tuesday -- well, I was asking because you wanted to have the preliminaries over by the time you got back.

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HMJr: Yeah. Well, I think-- you go over there Monday and see Patterson with John Carter Vincent.

C: Yes.

HMJr: and bring him up to date, and talk about it.

C: All right. We'll have the first session with Pei Monday morning.

HMJr: Right.

C: Thank you.

April 21, 1945
3:50 P.M.

HMJr: Hello.

Operator: Mr. Smith will not be at his office any more this afternoon. Would you like for me to call his residence?

HMJr: Yes.

Operator: All right. I have Mr. Acheson.

HMJr: All right.

Operator: Go ahead.

HMJr: Hello. Dean?

Mr. Dean Acheson: Yes, Henry.

HMJr: I've been thinking of you but all of these fellow travelers on their way to San Francisco...

A: Yes.

HMJr: Fellow-travelers. Did you get that?

A: (Laughs) I do. They are not fellow-travelers of mine because I'm going to stay here.

HMJr: Well, they're not of mind, but they have been dropping in, and I'm leaving this afternoon to go to see Elinor.

A: Yes.

HMJr: When I come back I'll ask you if we can't have a meal together, and I'll be back Tuesday or Wednesday.

A: I shall be delighted to do it.

HMJr: You'll be here?

A: Oh, I'll be here. Ed told me that he had a talk with you after the Cabinet....

HMJr: Yeah.

A: and worked out with you that Will was going to handle certain things directly with you, and I think that will speed things up.

HMJr: Well, I hope so, but I'd just like to have - oh, as one friend to the other off the government payroll

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HMJr:(cont.) I'd like to talk to you.

A: Fine I'd love to do it, Henry.

HMJr: Well, I know what President Truman wants me to do here. I'm all right. He has been very reassuring as far as I'm concerned.

A: I'm delighted to hear that.

HMJr: But what we are going to do on some of these foreign affairs' things bothers me like hell.

A: Yes.

HMJr: And, you'll be interested -- Mr. Hannegan was in and assured me very confidentially that Berry has promised him that he will vote for Bretton Woods.

A: Oh, well, that's very good.

HMJr: Definitely. No if, and, or but--

A: Yes.

HMJr: So that's good.

A: Yes.

HMJr: Dean, again I can't tell you how much I appreciate --at Cabinet again I brought up the splendid co-operation that you have been giving us - yesterday.

A: Well, that's very kind of you. Ed told me that you had said that, and I appreciate it very much.

HMJr: Well, I feel it and I wanted President Truman to know it. When I know I'm coming back, I'll have the office get in touch with you.

A: Fine. I will be at your disposal whenever you want to see me.

HMJr: Thank you so much.

A: All right, Henry. Give our love to Elinor.

HMJr: I'll do that. Thank you.

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April 21, 1945
4:00 p.m.

FINANCING

Present: Mr. D. W. Bell

MR. BELL: We have twenty-two billion dollars in Government securities in the various trust accounts. There are about thirty of them in number, and seventeen billion of that is in special and non-marketable operations, two percent special, and four billion six are in marketable securities, and there is about a billion three--these are the five accounts, and there are about twenty-five others I didn't pick up because they are miscellaneous business, one billion two hundred and sixty-eight million in tax-exempt issues in these three accounts, and those two, I think, are the only ones that we ought to consider.

H.M.JR: These two?

MR. BELL: Yes, because we have the Government life insurance fund a special rate of three and one-half percent with the understanding they would not sell marketable securities.

H.M.JR: Just these two?

MR. BELL: Yes, those two, and we have that much in marketable securities on the taxable issue.

Here is what we have done, sold one hundred and fifty-one million dollars in securities since January 1 from those two accounts. We have sold ninety-one million of taxable and sixty million tax-exempt, which is pretty good, and the market today, in fact for the week, has been kind of dead.

This is what they have got, an authorization to sell five million each in Federal deposits and savins and two percent bonds '52-'54 taxable, and that cleans up those two.

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The two and one-half, '37-'73--that market has been very strong since we announced that the banks could not buy anything in the Seventh War Loan except the one and one-half's, so we gave them authority to sell five million, and they have got ten million on each account to sell various tax-exempt issues.

H.M.JR: Let's tell them this next week that if the market is at all strong, I would like them to sell for postal savings twenty million each.

MR. BELL: Twenty million each! They can push that. They can do that just as the market gets good.

H.M.JR: Next week if there is any opportunity. This I will give the girl. (Hands reporter "Pending Authorization," copy attached.)

Anything else?

MR. BELL: Here is something to go to the President with his withholding taxes. (Hands Secretary "Memorandum to the President, copy attached.")

H.M.JR: He ought to sign it and send it back. (Signs memo.)

All right?

MR. BELL: Yes.

PENDING AUTHORIZATIONS

<u>Issues</u>	<u>Postal Savings</u>	<u>Fed. Dep. Ins. Corp.</u>
2% Treasury Bonds of 1952-54.....	\$5,000,000	\$5,000,000
2-1/2% Treasury Bonds of 1967-72....	5,000,000	5,000,000
Various tax-exempt issues.....	10,000,000	10,000,000
	<u>\$20,000,000</u>	<u>\$20,000,000</u>

MEMORANDUM TO THE PRESIDENT:

There is transmitted herewith for your signature Form W-4 Revised, Employee's Withholding Exemption Certificate, which should be filed in accordance with the provisions of the Individual Income Tax Act of 1944.

It would be appreciated if you will return the certificate to me when it is completed so that appropriate action may be taken in connection with the payment of your salary.

The President's salary is paid monthly on the last day of each month by check of the Treasurer of the United States, based upon a certificate of settlement issued by the General Accounting Office.

JAN Woodson/sc 4/20/45
BY Bartelt:bbw 4/21/45

April 21, 1946
4:35 p.m.

WAR REFUGEE BOARD

Present: Mr. Fehle
Miss Model
Mrs. Klotz

M.M.JR: Hello, Miss Model. Talk fast, will you please on why you want to go, and why the General wants you to go?

MISS MODEL: He wants me to go because the meetings are being held by the United Jewish Welfare Fund of Los Angeles, which supports the JDC and the Palestine Appeal Unit of the refugee service. The JDC people in New York are anxious for the General to go because they feel his presence there, and a speech from him telling for the first time some of the work of the War Refugee Board and what the JDC did will enable them to raise about two million dollars. They have a large number of groups there who are interested in this work and particularly the work of the JDC. The JDC people in New York and the General, too, seem to feel that in this informal group that will be meeting before the large meetings questions will be raised on the work that has been done in the past, and the General is very unsure of himself with respect to that. That's why he wants me, because he says I am the only one around here that knows about all those things. I know in detail what the JDC has been doing.

M.M.JR: Oh.

MISS MODEL: In the last few days he has been pretty involved in political stuff that is going on in New York, and he wants to take the time to actually forget everything in New York and really work on this thing and do a good job for them.

M.M.JR: Why can't you go by air?

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MISS MODEL: We have reservations to go by air Sunday night, but yesterday after he had gotten clearance from you for my absence for six days, he decided that he didn't want to risk the chance of going out there at the last minute, and he decided that he would rather use the train reservations which he had, and he wants to have a period to rest up and work this thing out with me. Going by train a few days in advance would mean I will be away from the office nine working days. I have a reservation by plane back.

M.M.JR: The point is this: I am tied up doing other people's work. It is nothing personal, but I am not going to do it any more. He telephoned me asking if he could take you for a week, and I said yes. Now he wants you to go for two weeks, and if something should happen down here, you don't know what, both you and O'Dwyer are away. I am tired, too, but it doesn't make sense, Miss Model. I mean, I don't see why the two of you--you get priority three, don't you?

MISS MODEL: I have priority three coming back, but he got somebody in New York to make reservations going out for Sunday night, and we checked on it and it is marked "no priority," and he was nervous.

M.M.JR: You can get a priority. Charles Bell will get you one.

MRS. KLOTZ: I think, from what Miss Model has told me, that he doesn't want to go by air. He is afraid--

MISS MODEL: Yesterday afternoon he got nervous about going at such a late date.

MR. FEHLE: He could get grounded.

MISS MODEL: They are building this up so big.

M.M.JR: When?

MISS MODEL: Day 1 and 2, one night in Los Angeles to a large group, and one night in Hollywood.

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H.M.JR: You are starting Sunday?

MISS HOEGL: Tuesday night, if we go by train, and next Sunday night if we go by plane.

H.M.JR: You decide. It doesn't make sense to me. Do you want to run the thing two weeks while she is gone? You are leaving on a vacation May 1st. I really shouldn't be bothered about this.

MISS HOEGL: I don't think you should.

H.M.JR: You settle it.

MR. PERLE: We will settle it.

H.M.JR: If, while they are gone, something comes up I am not going to do it, and they come back and cry on my shoulder I'll do it anyway, and I don't think it's fair to me. It's just damn nonsense.

MISS HOEGL: I didn't make the request of you, Mr. Secretary. I realize--

H.M.JR: It's damn nonsense, because if something breaks and goes wrong--I told John to go away the first of May--I'll be here and I am going to have to do it, and I am not going to do it. This man doesn't mean anything to me. It's damn nonsense.

MR. PERLE: Leave it to me, I'll settle it.

H.M.JR: In order that the fellow can rest--you are the only person left. When is this speech?

MISS HOEGL: May 1st and 2nd.

H.M.JR: It's the craziest thing I have ever heard of. He's childish. Unless Perle overrules me, and he has that privilege, you go by air. You have ample time to get priorities 3 and Charles Bell can get them out of the White House. It's ridiculous.

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MR. PERLE: We'll settle it, Mr. Secretary. You forget about it.

H.M.JR: To make a two-day speech he takes Miss Hoegl out of here for two weeks.

MR. PERLE: We can work that out.

H.M.JR: It's your responsibility.

MISS HOEGL: Five thousand Jews, Danish and Norwegian Jews have just been released into Sweden. And as a result of negotiations with Count Bernadotte, sixty-nine Jewish refugees arrived in Switzerland from Czechoslovakia, and all of the war refugee food parcels stocked in Sweden have gone into Germany.

H.M.JR: I am very emphatic today because I feel that--this has nothing to do with you. I know you are not looking forward to it. Anything I say in no way refers to you, but I realize you are working for this man and you are in a position where you have to try to please him. Now, John is Assistant to the Secretary of the Treasury, and I have delegated the authority to him. It won't be your decision, but John is a tough guy, and he doesn't care.

I think it's the most childish thing I ever heard of.

MR. PERLE: I'll take care of it.

H.M.JR: It is in no way directed at you, but suppose something breaks, what do I do? I'm carrying the ball. I have enough to do.

APR 21 1945

Eugene
My dear Mr. Meyer:

There were two reasons why this morning's issue of The Washington Post appealed to me especially.

One was the editorial on the Seventh War Loan. The other was the editorial on Bretton Woods.

Both editorials are well written. In each case, the writer knew his subject. And the result, in both cases, will be very helpful.

I appreciate very much the recognition by The Post that monetary, and general economic stability, must be attained if the world is to hope for an era of peaceful development. And the intelligent way in which the problem of war finance is presented is in line with the active support The Post has given the Treasury in past War Loan drives.

Please accept my thanks for The Post in the case of both editorials. And will you be so kind as to pass along to the writers -- or writer -- of the two editorials, my appreciation?

Sincerely,

(SIGNED) Henry

Mr. Eugene Meyer
Editor and Publisher
The Washington Post
Washington, D. C.

EHF:vm 4-21-45

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April 21, 1945

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

(No action required, but would like you to read)

In harmony with a policy approved by you and Mr. Gaston, I have participated in a number of off-the-record conferences with individuals and groups on the subject of postwar taxation and am planning to continue this practice. In these discussions, I go into the ways we are endeavoring to develop a postwar tax program. I also indicate the problems faced and seek to get factual information and opinions bearing on them. My impression is that these conferences have been successful and useful from our point of view.

The following additional conferences are scheduled:

Wednesday, April 25, New York City: Interviews with financial and other editors of the Times, Herald-Tribune, and the Wall Street Journal.

Thursday, April 26, New York City: Luncheon meeting with the "New York University Men in Finance." An off-the-record talk and discussion.

Thursday, May 10, Cincinnati, Ohio: Luncheon with representative businessmen and community leaders. An off-the-record discussion.

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Wednesday, May 16, New York City: Evening meeting with Tax Executive Institute Incorporated, at which perhaps 100 high-ranking corporation officials will be present. An off-the-record discussion.

Friday, May 18, Buffalo Chamber of Commerce: On-the-record speech at luncheon meeting. There will probably be 400 or more present at this meeting.

As you will observe only the Buffalo meeting involves an on-the-record talk. Mr. Gaston and I both felt that it was very desirable to accept this invitation. I hope to discuss the subject matter of this talk with you at your early convenience.

Roy Blough

APR 21 1945

Dear Charley:

My heartiest congratulations! But the President, and the newspaper men and women, and the radio and movie people, who serve as contacts between the White House and the public, are the ones who really deserve to be congratulated, as you move into your new post.

It is always a matter of personal gratification for me to see a friend of long standing get the recognition he deserves. And when that recognition means for you an opportunity to serve in a new and broader field -- and keeps you in Washington besides -- I could not ask for more.

Meanwhile I hope you have a pleasant time in San Francisco. I know you will do a good job on your last newspaper assignment for the time being -- and thereafter in whatever assignments may be given you.

Sincerely,

(signed) Henry Morgenthau, Jr.

Mr. Charles G. Ross
117 Kennedy Drive
Chevy Chase, Maryland

EBF:vw 4-21-45

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April 21, 1945.

Dear Bob:

It is with pleasure that I now write to congratulate you upon your appointment as Deputy Director for Reconversion. I know the affairs of that office will be ably administered under your direction, and I send you best wishes as you take up your new duties.

With cordial personal regards,

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Robert A. Nathan,
Deputy Director for Reconversion,
Office of War Mobilization and Reconversion,
Washington, D. C.

K:chw

IMMEDIATE RELEASE

APRIL 17, 1945

Fred M. Vinson, Director of War Mobilization and Reconversion, today announced the appointment of Robert R. Nathan as Deputy Director for Reconversion. Mr. Nathan was formerly Chairman of the War Production Board's Planning Committee. He left the War Production Board in 1943 to enter the army as a private, and subsequently received a medical discharge.

APR 21 1945

Dear Mr. Vanderpoel:

Your column of April 17 is one of the best of your many splendid contributions. I say this, not merely because of the compliments you pay me, which I greatly appreciate, but because you have stated so clearly and succinctly the purpose of the Treasury, both in war financing and in matters of general policy. That, it seems to me, is a type of interpretative reporting that is desirable at all times. It is of particular importance now, with the Seventh War Loan about to be launched.

The public deserves to know not only WHAT is being done in the realm of public finance, and HOW it is being done, but also WHY. And your evident purpose has always been to give this information.

I thank you for the kindly references to me, and even more for the effect that your column will have in furthering good relations between the Treasury and the public at large.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Robert P. Vanderpoel
Financial Editor
Chicago Herald-American
326 West Madison Street
Chicago, Illinois

ESF:vw 4-21-45

ROBERT P. VANDERPOEL

FINANCIAL EDITOR
THE CHICAGO HERALD-AMERICAN

FINANCE

Tuesday

APR. 7, 1945

**Tip to Truman. Eye
Morgenthau Record**

By Robert P. Vanderpool

Financial Editor

The "hatchet boys" already have been busy. They have been operating on the President's cabinet with great gusto. This member and that is to go, but quick, and so forth.

Undoubtedly there will be changes. It is only natural that there should be. But most of the "ax'nde dope" that we have had thus far represents either wishful thinking or guessing in an effort to beat the game.

For example, we heard one of the poison pen brigade from Washington broadcast that very quickly Henry Morgenthau would be out as head of the Treasury Department. The facts are that the commentators and others have been saying the same thing for years.

Why have they wanted to get rid of Morgenthau? We suspect because he has worked tirelessly to plug tax loopholes and it has been worth less than to change federal laws than to merely think. Then, too, he has insisted upon a tax structure based upon ability to pay. Finally, decisions regarding government financial policy under Secretary Morgenthau have been made in Washington, not dictated by Wall Street.

Friend of Roosevelt

Henry Morgenthau was a close personal friend of Franklin Roosevelt. It may be that he will be able to give up the arduous Treasury job now that his chief has passed on. But if President Truman examines the record, he may be very sure that he will do everything in his power to persuade Morgenthau to remain.

What is this record?

The Treasury Department, under the direction of Morgenthau, has collected by far the greatest tax revenues in history. Tax receipts last year alone reached the stupendous sum of \$44,000,000,000. This contrasts with a peak of less than \$7,000,000,000 collected in the high year of the World War I period.

Not only is this a remarkable achievement in itself, but it has been accomplished with the majority of people believing that they have received fair tax treatment.

Fair, 85 Pct. Admit

Following the last March 10 collection period a Gallup poll found 85 per cent of the people regarding their tax contributions toward victory as "fair." Future magazine at about the same time made a study of corporate financial statements and reached the identical conclusion — that their tax treatment had been fair.

This record alone should be enough to give Morgenthau the highest decoration for service to his country in time of war, but it is no more outstanding than the Treasury's borrowing achievement under his direction.

During the first three war years the Treasury borrowed \$177,000,000,000. This money was raised at the lowest interest rates in history. The result seems to the people of this country compared with the average borrowing

cost of World War I exceeds \$4,000,000,000.

No One Has Lost

Further, this financing has been handled in such a manner that practically no hour of a government security has lost money on the market. Following World War I the American people lost billions as their Liberty Bonds matured. Under Morgenthau's direction the financing of this war has been handled so that such a catastrophe cannot take place.

There remains only this barest outline of the record, but it is sufficient to make it clear that if Henry Morgenthau does retire from the cabinet the nation will have lost an administrator who has served it extraordinarily well and the new President will be deprived of an aid who has handled the biggest borrowing and financing jobs of all time with the finesse of a master.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 21, 1945

TO Secretary Morgenthau
 FROM Mr. Haas
 Subject The Government Security Market and the Pricing of the Seventh War Loan Issues

In response to your request, this memorandum has been prepared to compare the estimated premiums on the Seventh War Loan issues now and at the time the maturities were announced. The first section analyzes market movements during this period, and the second section takes up the effect of the market changes on the pricing of the Seventh War Loan securities.

I. Market Movements Since Your Announcement of the Maturities of the Seventh War Loan Issues

Since your announcement, after the close on April 2, of the maturities of the marketable issues to be offered during the Seventh War Loan, the price behavior of Government securities has been mixed. Movements, classified by maturity areas, fall into four well-defined groups:

- (1) Prices of bonds in the short-term area -- about three years -- have risen only slightly (about $2/32$).
- (2) Prices of bonds in the intermediate-term (2 percent) area have advanced on the average about $15/32$; and these issues are now selling at all-time highs.
- (3) Prices of the long-term restricted 2-1/2's, on the other hand, have declined on the average about $7/32$ since the close on April 2.
- (4) Prices of the unrestricted 2-1/2's have moved up sharply in contrast to the movement of the restricted bonds. This is illustrated in the following table which

Secretary Morgenthau - 2

compares the restricted Sixth War Loan 2-1/2's of 1966-71 with the unrestricted 2-1/2's of 1967-72, which were issued before Pearl Harbor:

	April 2	April 20	Change
2-1/2's of 1966-71	101.09	100.31	-.10
2-1/2's of 1967-72	102.13	103.19	+1.06

Note: Decimals are thirty-seconds.

This sharp difference is presumably caused by the fact that, with the elimination of the 2 percent bond from the Seventh War Loan basket, banks have sought to buy the unrestricted 2-1/2 percent issues before the supply in the market runs out. The restricted issues, on the other hand, will again be available in unlimited amounts in the Seventh War Loan.

II. The Pricing of the Seventh War Loan Issues

At the time you placed maturities on the new issues (April 2), we estimated their approximate premiums, based on the then market, as follows:

2-1/2's of 12/15/50	12/32
2-1/4's of 6/15/52-62	19/32
2-1/2's of 6/15/67-72	16/32

Since that time the outstanding issues most closely approximating the ones to be issued in the Seventh War Loan have changed in price as follows:

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Secretary Morgenthau - 3

1-1/2 percent area:

2's of 9/15/50-52 +13/32

2-1/4 percent area:

2-1/4's of 9/15/56-59 +18/32

2-1/2's of 6/15/62-67 -2/32

2-1/2 percent area:

2-1/2's of 3/15/66-71 -10/32

1-1/2 Percent Issue. The first of the issues listed above -- which most closely approximates the 1-1/2 percent bond to be issued in the Seventh War Loan -- has risen 13/32 since April 2. If our estimate of the premium on the new issue were to be increased correspondingly, it would be 25/32, based on yesterday's market. Such a high prospective premium will put quite a strain on the policing mechanism, and it will be desirable to watch developments closely.

2-1/4 Percent Issue. The 2-1/4 percent bond to be offered in the Seventh War Loan falls between the two middle issues in the preceding list. It should be noted that the restriction on the outstanding issue which rose 18/32 has less than 18 months still to run; while the restriction on the outstanding issue which fell 2/32 still has about seven years to run. The new issue will also be restricted for about seven years, and it appears a reasonable supposition, therefore, that its behavior, if it had been outstanding, would have more closely approximated that of the outstanding issue with the longer restriction. We would, therefore, retain substantially unchanged our original estimate of the premium on the new issue (19/32).

This, of course, is a theoretical premium which may partly be "eaten up" by market adjustments as the war loan effective date approaches. This issue, and the 2-1/2's, will be available in unlimited supply, so it will be difficult to maintain a large premium; whereas the 1-1/2's should hold a good sized premium because of the small amount of the issue and the potential large bank demand after the drive.

Secretary Morgenthau - 4

2-1/2 Percent Issue. The outstanding issue most closely resembling the 2-1/2 percent bond to be issued in the Seventh War Loan declined 10/32. About 4/32 of this decline can be explained, however, by the interest "run-off" characteristic of 2-1/2 percent restricted issues, which was allowed for in the original pricing. Our estimate of the theoretical premium on the new 2-1/2 percent issue, based on the market April 2, was 16/32. On the basis of the market yesterday, we would reduce this estimate to about 10/32.

Summary. The following table compares the estimated premiums on the Seventh War Loan issues, based on yesterday's market, with those based on the market immediately preceding the announcement of maturities:

	Estimated Premiums	
	April 2	April 20
1-1/2's of 12/15/50	12/32	25/32
2-1/4's of 6/15/59-62	19/32	19/32
2-1/2's of 6/15/67-72	16/32	10/32

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
April 21, 1945

TO Secretary Morgenthau

FROM Mr. Coe

Subject: Purchases of \$200 Million of Chinese U. S. Dollar Savings Certificates and Bonds

1. In March, 1942, without prior consultation with the U. S. Treasury, The Chinese announced the sale of \$200 million of U. S. dollar savings certificates and bonds by the Chinese Government at official rates. During the period of time during which these issues were sold the prevailing market rates were from two to five times the official rates. At present these certificates and bonds can be sold for more than 15 times their original purchase price.

The Treasury has always suspected that top Chinese Government officers were among the principal beneficiaries of these issues, particularly as a result of the manner in which they were sold. Thus, of the \$100 million of certificates a total of \$50 million was sold between April 1942 and June 1943. During the last few days of July, however, the equivalent of \$50 million were sold of which about \$30 million were purchased in Chungking in the last three days of sale.

2. The history of the sale of the \$100 million of 10 year bonds was, if anything, even more spectacular and more suspicious. Thus, between April 1942 and October 12, 1943 only about \$11 million or about 1/9 of the bond issue was sold. On October 12, however, a leak took place that the government was about to close its sale of these bonds and by October 15 - three days later - the government had sold out the remainder of the \$100 million issue. Both Adler and Friedman were informed by Ambassador Gauss that he, Ambassador Gauss, had it from a highly reliable source that Madame Chiang Kai-shek and Madame Kung had between them purchased \$50 million of these bonds. This story jibes with what we know about the sale of most of the issue in a period of three days.

3. In the case of the short-term certificates, we have more exact and detailed evidence than in the case of the bonds since about 1/2 of the \$100 million have already been presented

for payment to the Bank of China, New York Agency. As might be expected, it has been found that most of the leading political figures in China have not purchased certificates in their own names or, at least, have not purchased certificates in their own names which have been presented for payment. It was found, however, that a small group of purchasers accounted for the great bulk of the total purchased and that among the largest purchasers are organizations and individuals intimately connected with some of China's leading political figures.

4. An analysis of \$43 million of certificates which have been presented for payment reveals that 86 individuals or organizations or less than 2 percent of the total purchasers accounted for about \$28 million or about 70 percent of the total. These 86 persons and organizations each purchased \$100,000 or more of the certificates.

5. Because of the difficulties involved in the identification of Chinese names, it has not yet been possible to identify all of the principal purchasers in terms of whom they actually represent. There is attached hereto, however, a list of principal purchasers who have been identified with comments indicating the individual whom they probably represent.

It will be noted that organizations or persons intimately connected with Dr. T. V. Soong purchased \$4.4 million of the certificates; K. P. Chen, \$4.1 million, and H. H. Kung, \$1.4 million. Moreover, the Ambassador to the United States, Dr. Wei Tac-ming had purchased about \$134,000, K. C. Li about \$189,000, and the Minister of Food, Hsu Kan, \$124,000. Organizations controlled by Tu Yueh-seng, the notorious underworld gangster leader had purchased more than \$400,000 of these certificates and organizations and individuals intimately connected with Lung Yung, Governor of Yunnan Province and one of the leading militarists of China, had purchased nearly \$370,000 of these certificates.

Chinese purchasers of U. S. dollar savings Certificates

<u>Purchasers</u>	<u>Amount</u>	<u>Comments</u>
Bank of China	\$ 642,053	Controlled by T. V. Soong
Bank How	257,697	Vice-President, Universal Trading Corp.; Chairman of Board, China Assurance Corp. (Subsidiary of Shanghai Commercial Bank); leading stockholder, Commercial Press. confidant of both K. P. Chen and Chang Chia-ngan and link between the two interests.
Bank of China, Burma Agency	107,081	Controlled by T. V. Soong
Bank of Communications	115,024	Controlled by Dr. H. H. Kung
Bank of Canton, San Francisco	1,289,841	Private bank owned by T. V. Soong, actively managed by his brother T.A. Soong. Business done usually with overseas China etc.
Central Bank of China	154,533	Controlled by Dr. H. H. Kung
Chang, H. C.	113,530	Perhaps Chang Mai-chi, President of Shanghai Industrial Corp., formerly subsidiary of Shanghai Commercial Bank. Shanghai Commercial Bank is controlled by K. P. Chen.
Chao, G. H.	451,411	Assistant Manager of Central Trust, manager of Yangtze Trading Corporation, a business confidant of the Kung family.
Chekiang Industrial	295,427	Controlling interest in the hands of Li Ming, who is closely associated with Chang Mai-ngan and friendly to K. P. Chen.
China Automotive Co.	104,258	Controlled by K. P. Hu, leading Szechuan capitalist.
China Development	690,220	A holding company controlled by T. V. Soong
China Insurance Co.	349,911	A subsidiary of the Bank of China which is controlled by T. V. Soong.
China Products Trade	280,221	Controlled by T. L. Soong
China Sugar Refining	154,518	A subsidiary of the Bank of China which is controlled by T. V. Soong.
China Hsin Chen Bank	149,371	The leading bank of Szechuan landlords and financiers known as Yang brothers to foreigners.

- 2 -

<u>Purchasers</u>	<u>Amount</u>	<u>Comments</u>
Chung Yuan Paper Ma.	\$ 309,067	Government concern
Commercial Bank of China	309,066	Controlled by Tu Yueh-seng - famed leader of Shanghai underworld, confidant of Generalissimo.
Central Trust Company India office	177,121	Controlled by Dr. H. H. Kung
Dah Hwa Cotton Spinning	561,472	A trading subsidiary of Shanghai Commercial Bank controlled by K. P. Chen, the most money-making concern of all K. P. interests chiefly deals in salt and other commodities.
Dah Yeh Trading Co.	204,428	Representative of Jardine Matheson in China.
Foh Sing Flour Mill	109,296	Controlled by Tsang Chien-hui, C. Tsang's brother financially linked with K.P. Chen.
Hwa Hsin Cement & Co.	103,022	Controlled by K. P. Hu, Szechuan Corp.
Hwanan Railway & Co.	128,778	Government concern.
Hwanan Railway Co.	128,778	Government concern.
Kung, Rosamond	151,443	Dr. H. H. Kung's eldest daughter.
Kunding Bank	103,022	Controlled by Governor Lung Yung.
Lee Dong Chun	262,498	General manager of Dah-Yeh Trading Corp. and one of K. P. Chen's chief lieutenants.
Li, Y. C.	188,779	President of Wah Chang Trading Company.
Miao, Y. T.	264,984	General Manager of Fukien Bank in Kunding; one of Gen. Lung Yung's chief lieutenants.
Nanyang Bros. Tobacco	171,017	Controlled by T. V. Soong.
Shanghai Commercial Bank	1,088,193	K. P. Chen's bank.
Shasi Cotton Spinning	103,022	Controlled by Tu Yueh-seng, Shanghai underworld leader.
Sun Patrick	103,804	Son of Dr. Sun Fo, Pres. of Legislative Yuan.

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<u>Purchasers</u>	<u>Amount</u>	<u>Comments</u>
Sung Sing Cotton Mill	\$ 697,915	Controlled by Tsang Chien-hual, C. Tsang's brother, financially tied up with K.F.Chen.
Soong, T. A.	228,105	One of the Soong brothers, who is closest to T. V. Soong.
Tsang, C.	983,890	K. F. Chen's confidential secretary and one of his most trusted lieutenants in the U.S.
Tung, C. L.	123,627	Vice Chairman of Foreign Trade Commission, close to Hsu Kan, Minister of Food.
Universal Trading	1,332,103	government concern.
Wei Tao-ming	133,929	Ambassador to the United States.
Yangtze Trading Corp.	334,823	Controlled by Kung family
Yu Foong Cotton Mill	126,785	Subsidiary of Bank of China controlled by T. V. Soong.
Yu Ya Ching	103,022	Former President of Shanghai Chamber of Commerce, close friend of Generalissimo
Yu Hwa Commercial	175,138	Dr. Kung's private bank
Yu Hwa Cotton Spinning	370,880	A subsidiary of Bank of China which is controlled by T. V. Soong.

April 21, 1945

My dear Mr. President:

I am leaving this afternoon to spend a few days with my wife at Daytona. On my return I would appreciate an opportunity to talk with you about the future economic treatment of Germany.

Yours sincerely,

(Signed) Henry Morgenthau, Jr.

The President,

The White House.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 21, 1945

TO Secretary (Information) (for Information)

FROM Mr. C. E. F. *HPW*

Revised drafts of the political, economic, and financial directives on Germany have been completed.

We have succeeded in deleting some objectionable provisions in the revised directives, but there remain several provisions to which I feel we should object in the Drafting Committee. These provisions are the following:

1. Political Directive

The last two sentences of Paragraph 2 (arrest of Axis and others) now read as follows:

If in the light of conditions which you encounter in Germany, you believe that certain persons within these categories should not be subjected immediately to this treatment, you should report your reasons and recommendations to the Joint Chiefs of Staff. If you believe it desirable, you may postpone the arrest of those whose cases you have reported.

The underscored sentence inserted at the request of the Army seems quite objectionable to us. This provision would permit persons admittedly within the categories required to be arrested to remain at large pending determination as to whether they deserve special consideration. Such a provision can easily be abused to protect prominent personalities in the political and industrial life of Germany. We, therefore, urge that the sentence in question be deleted.

Moreover, in order to ensure that special favor is not granted to persons like Krupp and von Papen, we propose the addition of the following new sentence at the end of Paragraph 2:

In no event shall any differentiation be made between or special consideration be accorded to persons arrested, either as to manner of arrest or conditions of detention, upon the basis of wealth or political, diplomatic, industrial, or other rank or position.

2. Economic Directive

The basic point of difference between Treasury and the other agencies in the economic directive concerns the question of the imposition of controls on the German economy. State and other agencies are bent upon requiring our military forces to exercise widespread controls over the German economy. We have taken the position that this is completely inconsistent with the President's Directive and that in general the administration and responsibility for such controls should be left to the Germans themselves.

For example, the State Department insists upon a provision which would result in the immediate imposition by the Commander of widespread controls over the German economy in order to prevent inflation. We oppose this position and are suggesting alternative provisions which would make clear (1) that controls of wages, prices, etc., are only to be imposed in exceptional circumstances, and (2) that the question of control of inflation in the initial period is to be left entirely to the Germans with the specification that if inflation assumes such proportions as to endanger the objectives of occupation, the Commander is to report that fact to Washington with his recommendations for action.

Our position regarding control of inflation is based on the following:

(1) It will be an impossible task for the Army to control inflation in Germany and it would be a distinct disservice to the Army to impose upon it a responsibility which it cannot successfully discharge without reconstructing the German economy.

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(2) There is no evidence that price changes will seriously interfere with the objectives of military occupation, such as reparations, etc.

(3) The German people have a greater interest in preventing inflation than we do; they alone can tackle the job, and it should be left entirely to them. If we try to control inflation in Germany it will become the patriotic duty of Germans to sabotage our efforts.

3. Financial Directive

(a) Paragraph 6(c) of this directive also is an inflation control device which is objectionable for the reasons indicated above. This paragraph makes the military Commander responsible for assuring the reconstruction of the German tax and fiscal system. We propose that this paragraph be deleted from the directive.

(b) Paragraph 7(a) provides for the seizure of all German external assets. Under the provision as it now stands, these assets are to be used for reparation, restitution, "or for other purposes." State Department, over our objection, insisted upon the inclusion of the words "or for other purposes" with a view to assuring that German external assets are used as partial payment for supplies which they say we will inevitably have to send into Germany. It is our position that this supposed financial advantage is completely illusory. The United States already has claims against Germany for war costs, etc., which far exceed any amount we can possibly obtain as reparations out of Germany's external assets. Accordingly, it is merely self-deception to suggest that there is any financial gain in using German resources which are already ours by virtue of existing claims to pay for goods to be delivered to Germany during the control period. Moreover, the application of German assets to this purpose may well serve to increase the ultimate financial loss of this Government, since the fact that we apparently would be receiving partial payment for goods furnished would be used as an argument for giving the Germans additional goods. It would be much better to make clear to Congress that if we furnish goods to Germany we are doing so entirely at our expense.

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Accordingly, we should urge that the words "or for other purposes" be deleted from Paragraph 7(a), and that German external assets be held exclusively for reparation or restitution.

April 21, 1945
12:30 p.m.

visit from Baruch

B. M. Baruch came to see me at 12:30. He told me that he met with the War Cabinet, and that they asked him how he stood on the Morgenthau Plan, and he said the Morgenthau Plan was all right, but he was much tougher than Morgenthau.

He told me of the argument he had with Churchill and the others about de-industrializing Germany. According to Baruch, Churchill is still doubtful - and the thing that is worrying them is Russia. They can't make up their minds whether they want a strong Germany to oppose Russia, or whether they don't. He said he used the argument with them that if you de-industrialize Germany - look at all the business you'll get. And, of course, that was the argument I used, and to the best of my memory, I told them about it after Quebec. I gather also that there is a great muddle amongst the English Cabinet members on reparations, but Baruch gave them a great sales talk on how England could recover at the expense of Germany. He seemed very sincere, and this time his mind was clear. I really believe the man means what he says. He claimed that he wants to devote all of his time to solving this German question.

He said to me, "I don't see how you can go ahead with Bretton Woods until the reparations question is settled." But he wasn't near as positive about it as he was before he went to England. He did say this - that the English were worried about the election coming up immediately after V-E Day, that Bretton Woods might be harmful to them. So he questioned me very closely as to how long Bretton Woods would take to pass, and I said at least another 30 days in the House, and then maybe two or three months in the Senate. He said, "Oh, that's all right, that's all right." He said the British election would be out of the way. In other words, before he left he wanted to postpone Bretton Woods until the reparations question was settled, and now he's willing to postpone Bretton Woods until the English election is over. I can't help but come to the conclusion that he can't be very strong for Bretton Woods, although he said he was. He's always looking for some excuse to postpone it. And the idea that he should postpone it in order to wait until the election in Great Britain is over is just damn nonsense to me. He evidently

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has a report which he is going to give the President. I asked whether I could see it, and he didn't say yes or no. He's convinced that there should be a group of State, Treasury, War, Navy, and R&A to handle reparations and other similar questions. He was talking about Sam Rosenman for secretary of this group. I said "That is all right, but I am kind of surprised that Sam wants us to open up the German coal mines." And he said, "Yes, they have to." I said, "How about getting it from England?" "Oh," he said, "I know that is the way you feel, but, Henry, you're wrong on that." He said, "The English can't do it because they may even have to get coal from Germany." Well, I'm still not convinced that that is right, but I went along with him on Sam Rosenman because I think that they could do a lot worse. I gather that is what he is pushing.

Baruch said further that he tried to encourage England and the English people looking forward after V-E Day and give them more confidence in themselves. I again say that he certainly seemed to be friendly to me, and I suppose the reason is that this time he feels that he and I are on the same track. Oh, yes, I told him that my boys had told me that since President Roosevelt's death that Clayton had turned a somersault for the worse on reparations. And the old man got fire in his eyes and said that if Clayton doesn't behave himself, he's going to cut his heart out and drive him out of Washington.

He also told me that Jimmy Byrnes was for a strong Germany - and that he was one of the real advocates working for it behind the scenes.

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

DATE APR 21 1945

TO Secretary Morgenthau
FROM Miss Hodel

The following information has just been received in cables from Stockholm and Bern:

1. 5,000 Danish and Norwegian Jews arrived in Sweden April 18th from Germany. Their release from German concentration camps is the result of special negotiations conducted by Count Bernadotte, President of the Swedish Red Cross.
 2. 69 Jewish refugees arrived in Switzerland April 19th. They came mainly from Bratislava.
 3. The stock of War Refugee Board parcels in Goteburg has been exhausted with the shipment on April 16th of 140,000 parcels to Lubeck.
- Hodel*

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date April 21
1945

TO Secretary Morgenthau
FROM Mr. Coe *FC*

For your information

Re: Dutch lend-lease agreement.

On April 20 the State Department handed to the Dutch a proposed lend-lease agreement under section 3(c) of the Lend-lease Act. This agreement and the accompanying papers were practically identical to the lend-lease agreement signed by the Belgians this week.

As in the Belgian agreement, the Dutch agreement contains only one schedule. This schedule totals \$242,000,000, and does not contain articles having a long production cycle and a long life. It will be understood that such items will not be given to the Dutch under Section 3(c) but if procured in the United States must be paid for in cash or through other means of financing. The schedule applies only to Metropolitan Netherlands. In a draft letter from the Secretary of State to the Netherlands Ambassador, accompanying the agreement, reference is made to the fact that the agreements contemplate reciprocal aid from the Netherlands East Indies but that no straight lend-lease is included at the present time for the Netherlands East Indies. At our request, the letter was toned down so that it would not sound like an invitation to the Dutch to request a lend-lease program for the Netherlands East Indies immediately after the signing of this agreement.

It is assumed that if the negotiations do not result in any substantial departures from the Belgian pattern, the Treasury should not object to the signing of the agreement.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Apr. 21, 1945

TO Secretary Morgenthau
FROM Mr. White

While I am gone, I would suggest that you look to Mr. Luxford to substitute for me in the responsibility of following through on Bretton Woods matters. Mr. Feltus has charge of the public relations aspects of Bretton Woods, Mr. Bernstein of technical aspects of speeches, selection and preparation of witnesses and drafting of technical letters, etc. Mr. O'Connell takes care of arrangements on the Hill.

That's how we have been operating and I think that each of them understands what are his responsibilities.

Mr. O'Connell and Mr. Luxford are seeing Mr. Wolcott this afternoon (I arranged meeting) to find out what happened at the conference which Wolcott had with Burgess.

I am appending a memorandum which gives my detailed views on the proposed compromise.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
April 21, 1945

TO Secretary Morgenthau
FROM Mr. White

I am appending below the changes in the bill which in my judgment we could accept without significant harm to the functioning of the Fund and Bank and without significant effect on the chances of adoption of the Agreement by other countries.

Under Part I I am including those items which we can very readily accept. Under Part II I am including those suggested changes which I think we ought to accept reluctantly and only if essential to get Wolcott's support.

It is understood, of course, that no changes will be accepted which involve amendments to the Agreement itself. All the changes are those that would be incorporated only in our own legislation and will not modify any of the provisions in the Articles of Agreement.

Part I

1. A new section is to be added, entitled "STABILIZATION LOANS BY THE BANK": (this is the substance of recommendations by the CED).
"Sec. 18. If the management of the Bank does not interpret its powers under the Articles of Agreement as authorizing the Bank to make or

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guarantee loans for programs of economic and monetary reconstruction which may include long-term stabilization loans, the governor and executive director of the Bank appointed by the United States are hereby directed to propose and support an amendment to the Articles of Agreement for the purpose of explicitly authorizing the Bank, after consultation with the Fund, to make or guarantee such loans. The Council is hereby authorized and directed to accept such amendment on behalf of the United States."

2. Section 3 is amended to read as follows:

"OBTAINING AND FURNISHING INFORMATION"

"Sec. 3. So long as the United States is a member of the Fund, the President may require at any time, in the manner and under the penalties provided in Section 5(b) of the Trading with the Enemy Act (U.S.C., title 50, App. Sec. 5), as amended, the furnishing of any data that may be requested by the Fund under Article 8, Section 5, of the Articles of Agreement of the Fund."

3. Section 4 is amended to read as follows:

"INTERNATIONAL MONETARY AND FINANCIAL COUNCIL AND REPORTS"

"Sec. 4. (a) There is hereby established the International Monetary and Financial Council (hereinafter referred to as the Council), consisting of the Secretary of the Treasury, as Chairman, the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System and the Foreign Economic Administrator. The Council shall act under the general direction of the President and in accordance with such policies as the Congress may prescribe from time to time.

(b) The United States governor and executive director of the Fund and Bank and their alternates shall keep the Council fully informed of their activities and shall act in a manner consistent with

- 3 -

general policies established by the Council. Except as otherwise provided in section 5 of this Act, the Council is hereby authorized, through the governor and executive director to give or refuse the approval, consent, or agreement of the United States whenever, under the Articles of Agreement of the Fund or the Bank, such approval, consent or agreement of the United States is required before any act may be done by the Fund or the Bank, respectively. No governor or executive director representing the United States shall, without prior consultation with the Council, vote in favor of any waiver of conditions under Article V, section 4 or in favor of any declaration of the United States dollar as a scarce currency under Article VII, section 2, of the Articles of Agreement of the Fund."

Part II

The suggested changes below in my judgment are not necessary and they will, to some extent, make a little more difficult the adoption of the Agreements of other countries, particularly Britain. However, I don't think their inclusion would be a decisive factor in Britain's decision or in the decisions of any other countries, and if it is going to be a significant help in winning Wolcott's support, I would not object to their inclusion. The sentences are somewhat changed from those originally indicated in Mr. Luxford's draft, but the changes are in my mind important and I feel it would be unwise to accept the wording in Luxford's original draft where it differs from the wording indicated below. I have already discussed these changes with Luxford, Bernstein, and Brenner.

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1. Add to Section 4:

"Sec. 4 (c) The Council and the United States Governor and their alternates are directed:

(i) To exercise their full powers and influence to secure coordinated policies on the part of the Fund and the Bank and the highest degree of cooperation and collaboration at every point between their respective managements in carrying out the purposes of the Fund and Bank.

(ii) To exercise their full powers and influence to see that the Fund is used only where it can appropriately be used for current stabilization operations and that the Bank is used only where it can appropriately be used for reconstruction and development projects and for programs of economic and monetary reconstruction which may include long-term stabilization loans.

(iii) To exercise their full powers and influence to develop the basic economic conditions essential to sound prosperity, to a growing and balanced international trade and to the establishment and maintenance of stable and orderly exchange arrangements; to encourage the Fund to communicate its views to members on economic and monetary conditions and developments which would tend to disturb stable and orderly exchange arrangements; to eliminate as soon as conditions permit all forms of restrictive and discriminatory currency arrangements among members; and to facilitate and encourage in other ways the elimination of discriminatory trade arrangements that hamper world trade and other forms of economic warfare that disturb harmonious international economic relations.

(iv) To exercise their full powers and influence to assure the constructive use of the resources of the Fund and the Bank and to see that they are not used in a manner that imperils the financial integrity of either institution; to see that the Fund does not undertake or continue exchange transactions with any member while its basic economic conditions are such as would lead to use of the Fund's resources on a scale prejudicial to the Fund to sustain an untenable exchange rate.

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(v) To exercise their full powers and influence to prevent the use of the Fund and the Bank, for relief or for indebtedness arising out of the war; to see that the resources of the Fund are used only to promote exchange stability, to maintain orderly exchange arrangements, and to avoid competitive exchange depreciation; to see that the Fund is kept informed of the necessary corrective measures that are being taken by members that use the resources of the Fund; to limit the use of the resources of the Fund to meeting seasonal, cyclical and emergency needs for foreign exchange for current stabilization purposes.

(vi) To exercise their full powers and influence to see that when a general scarcity of a currency is developing the report issued by the Fund shall set forth fully the causes of the scarcity and shall contain recommendations designed to bring it to an end; to see that the report recognizes fully the common responsibility of the countries whose holdings of the currency are scarce and of the country whose currency is scarce, and that the recommendations are made not only to the country whose currency is scarce but to the country whose holdings of the currency are scarce; to see that prompt corrective measures are taken so that the scarcity of any currency can be terminated as soon as possible, that the limitations on the transactions in a scarce currency are no more restrictive than is necessary, and that they are relaxed and removed as rapidly as conditions permit; and to see that the right of members whose currency is scarce to make representations on the administration of restrictions on exchange transactions in a scarce currency is fully safeguarded.

(vii) To transmit to the President and the Congress a quarterly report on the work of the Council, the operations and policies of the Fund and the Bank, and the action of the United States governor and executive director and their alternates.

(viii) To transmit to the Congress not later than two years after the establishment of the Fund and Bank a special report on the operations and policies of the

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Fund and the Bank, the extent to which they have achieved the purposes for which they are established, recommendations as to how the Fund and the Bank may be made more effective, and recommendations on any other necessary or desirable changes in the Articles of Agreement for the Fund and the Bank or in this Act.

(d) The Council, with the approval of the President, is also directed to coordinate the activities of all departments and agencies of the United States relating to international monetary and financial matters to the end that they guarantee such loans. The Council is hereby authorized and directed to accept such amendment on behalf of the United States."

2. Add the following section:

"WITHDRAWAL"

"Sec. 14. The United States Government expressly reserves the right to withdraw from either the Fund or the Bank, or both, at any time in accordance with the provisions of Article IV, section 1 of the Articles of Agreement of the Fund and Article VI, section 1 of the Articles of Agreement of the Bank. Notice is hereby given that the acceptance of membership in the Fund and Bank shall not be deemed in any way to morally or legally bind the United States to continue such membership if (a) in the opinion of the Government of the United States the policies of either the Fund or Bank are not in accord with the letter or the spirit of the respective Articles of Agreement or the provisions of this Act or (b) if for any other reason the Government of the United States determines it to be in the interest of the United States to withdraw."...I am a little troubled about the section on withdrawal. It seems to indicate that the United States is not entering this agreement either with confidence or wholeheartedly. However, I do not have any strong objections to it.)

I feel rather strongly that it would be a mistake to have one executive director appointed for both Bank and Fund. If more coordination between the Bank and Fund is needed, it can

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be supplied through the newly created U. S. Committee which is being recommended and through an amendment which can be later submitted to the governments after the Fund operates, which would do what we had originally in mind, namely, make one of the members of the executive committee of the Fund a nonvoting member of the Bank executive committee and vice versa.

If that isn't satisfactory, I would not feel too strongly about having one governor appointed to act on both Fund and Bank board of governors, though I think that, too, would not be a wise move.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

April 21, 1945

TO Secretary Morgenthau
FROM Mr. White

The item on the agenda of the San Francisco Conference of especial interest to the Treasury is "Arrangements for International Economic and Social Cooperation".

It is proposed to set up under the General Assembly an Economic and Social Council which shall have for its purpose "the creation of conditions of stability and well being which are necessary for peaceful and free relations among nations. The organization should facilitate solutions of international economic, social and other humanitarian problems and promote respect for human rights and fundamental freedoms." (A copy of some of the provisions is appended.)

There are, I believe, seven Advisers to Secretary Stettinius to deal with this aspect of the conference: Mr. Bowman of Johns Hopkins, John Foster Dulles, Charles Laff of State Department, Mr. Brannan, Assistant Secretary of Agriculture, Oscar Cox, Mr. Waring of Commerce and myself.

There are a number of provisions under this general heading, which include the structure and framework of the organization, its functions and powers, and relationships to international economic bodies such as the International Monetary Fund and International Bank for Reconstruction and Development.

How far the Conference will go toward working out all the details is uncertain. Some of the countries regard the organization, function and powers of the Economic and Social Council to be at least as important as any of the other aspects of the Conference, but I think the desire of the U.S. delegation will be to postpone consideration of many of the details. Besides the relationship of the Economic and Social Council to the Bretton Woods proposals, the Treasury should have, I believe, a keen interest in the organization and powers of the Council as they relate to a lot of other economic matters touched upon in the preliminary provisions.

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If anything of significance comes up which requires a decision, I shall, of course, get in touch with you before any decision is made.

While at the Conference I will try to learn whether there are any unnecessary obstacles to the quick consideration by other foreign governments of the Bretton Woods proposals, in the event Congress adopts the proposals.

How much I will be able to contribute with respect to the matters dealt with at the Conference depends upon the extent to which the Secretary of State or other members of the U.S. delegation will want my advice, and also on the extent to which the Conference will go into details of international economic matters.

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ADDRESS OFFICIAL CORRESPONDENCE TO
THE SECRETARY OF STATE
WASHINGTON, D. C. 205DEPARTMENT OF STATE
WASHINGTONIn reply refer to
A-C

April 16, 1945

CONFIDENTIAL

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith for his information copies of two documents approved by the Executive Committee on Economic Foreign Policy for consideration of the United States Delegation to the United Nations Conference on International Organization. These documents are (1) "Social and Economic Objectives of the General International Organization" (D-58/45) and (2) "Outline of Proposed Relationships between the International Trade Organization and the General International Organization" (D-59/45). Copies of these documents have been transmitted to the United States Delegation.

Enclosures:
ECEFF D-58/45
ECEFF D-59/45



Department of State

BUREAU
DIVISION A-CENCLOSURE
TO

Letter drafted 4/7/45

ADDRESSED TO

The Honorable the Secretary
of the TreasuryECEFF D-58/45
D-59/45

CONFIDENTIAL

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ECEFP D-58/45
April 4, 1945EXECUTIVE COMMITTEE ON ECONOMIC FOREIGN POLICY
Committee on Specialized International
Economic OrganizationsSOCIAL AND ECONOMIC OBJECTIVES OF THE GENERAL
INTERNATIONAL ORGANIZATION(As approved by the Executive Committee at
its meeting on April 4, 1945)

CONFIDENTIAL

SOCIAL AND ECONOMIC OBJECTIVES OF THE GENERAL
INTERNATIONAL ORGANIZATIONChapter IX of the Dumbarton Oaks Proposals pro-
vides in part as follows:"Chapter IX - Arrangements for International
Economic and Social Cooperation

"Section A. Purpose and Relationships. 1. With a view to the creation of conditions of stability and well-being which are necessary for peaceful and friendly relations among nations, the Organization should facilitate solutions of international economic, social and other humanitarian problems and promote respect for human rights and fundamental freedoms. Responsibility for the discharge of this function should be vested in the General Assembly and, under the authority of the General Assembly, in an Economic and Social Council."

It is the view of the Committee on Specialized International Economic Organizations that the foregoing provisions should be elaborated in the Charter of the General International Organization so as to indicate more fully the objectives in the economic and social fields in respect of which it would be advantageous from the viewpoint of the United States to obtain wide international agreement. The Committee suggests that consideration be given to a statement of objectives along the following lines: 1/

Section A.

1/ These objectives should be set forth in the Charter wherever may be most appropriate. The opening phrases of the following statement might be placed among the general objectives of the Organization which would presumably appear in Chapter I of the Charter. The specific objectives listed in the economic and human welfare fields, however, might well appear in the same Chapter of the Charter which deals with the establishment of the Economic and Social Council. In order that these objectives may be readily accepted by the other governments no effort should be made to express them in any greater detail.

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Section A. Purpose and Relationships. 1. With a view to the creation of conditions of economic stability and social well-being which are necessary for peaceful and friendly relations among nations, the Organization shall promote the adoption, by all nations, of appropriate measures for the fullest and most effective development and enhancement of the human and material resources of the world, including measures

A. In the Economic Field

- for the maintenance of high levels of employment and real income in agriculture, industry, and other pursuits and the achievement, under conditions of progressive economic development, of improved labor standards, working conditions, and social security;
- for the development of productive resources throughout the world, the conservation of natural resources and the orderly distribution of essential commodities;
- for the expansion of the production, exchange and consumption of goods and services, the elimination of all forms of discriminatory treatment in international commerce and the reduction of tariffs and other trade barriers;
- for the development of orderly and stable exchange relations and the expansion of productive international investment;
- for the development and maintenance of communications and of transportation and the preservation of freedom therein;

B. In the Field of Human Welfare

- for the promotion of respect for human rights and fundamental freedoms;
- for the protection and improvement of health, including nutritional standards; and for the promotion of welfare standards for men, women, and children;

for

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for the control of opium and other dangerous drugs; and for the prevention of traffic in women and children; and

for the enrichment of the cultural endowment of all nations by increasing their opportunities for scientific, educational, and other intellectual achievement.

2. The Organization, acting in cooperation with specialized international organizations, shall facilitate solutions of economic, social and other humanitarian problems in accordance with the foregoing objectives. The Organization shall, where appropriate, initiate negotiations among the nations concerned for the creation of any specialized economic, social, or other organization or agency for the accomplishment of these objectives.

3. The responsibility of the Organization for the discharge of the functions set forth in this Section shall be vested in the General Assembly and, under the authority of the General Assembly, in the Economic and Social Council.

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CONFIDENTIAL

ECCFP D-59/45
April 4, 1945

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EXECUTIVE COMMITTEE ON ECONOMIC FOREIGN POLICY

Committee on Specialized International
Economic OrganizationsOUTLINE OF PROPOSED RELATIONSHIPS BETWEEN
THE INTERNATIONAL TRADE ORGANIZATION AND
THE GENERAL INTERNATIONAL ORGANIZATION(As approved by the Executive Committee at
its meeting on April 4, 1945)

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OUTLINE OF PROPOSED RELATIONSHIPS BETWEEN
THE INTERNATIONAL TRADE ORGANIZATION AND
THE GENERAL INTERNATIONAL ORGANIZATION

I

General Framework Governing the Establishment of Relationships

Chapters I, II, V, and IX of the Dumbarton Oaks Proposals contain provisions regarding the responsibilities of the proposed General International Organization in the economic and social field.

1. It is provided that the General Assembly and, under the authority of the General Assembly, the Economic and Social Council "would facilitate solutions of international economic and social problems" with a view to the creation of conditions of stability and well-being. This language implies that the GIO and more specifically the General Assembly would be responsible for the formulation of policies or programs for national and international action designed to promote the fullest and most effective use of the world's economic resources and to achieve and maintain a high and stable level of employment. When the Charter is drawn it may be desirable to use this more specific language rather than the language of the present proposal.

2. The Proposals make it clear

a) that the General Assembly of the General International Organization, acting through the Economic and Social Council, is to coordinate the activities of specialized international economic and social organizations, which would have responsibilities as defined in their respective statutes;

b) that such coordination is to be achieved through advice and consultation (not instruction); and

c) that

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c) that the specific means of establishing channels of advice and consultation between the GIO and the specialized organizations is to be left to future agreements to be concluded between the GIO and each specialized organization.

The foregoing points provide the general terms of reference for working out a draft agreement to establish relationships between the GIO and the proposed International Trade Organization. The main purpose of such an agreement would be to place the GIO in a position to harmonize the activities of the ITO with those of the GIO and of other major specialized agencies. It is assumed that the agreements to be concluded between the GIO and such other agencies will, in so far as appropriate, be substantially similar. It will be obvious from what follows that unless all of the important economic agencies are brought into harmonious and close relations with the GIO the whole framework of coordination would be seriously impaired.

II

Reciprocal relations between the GIO and the ITO

The agreement between the GIO and the ITO should make provision for the following relationships:

Representation

Representatives of the Economic and Social Council of the GIO should be entitled to participate, without vote, in the deliberations of the Conference of the ITO and in other than closed sessions of the Executive Board of the ITO. Representatives of the ITO should be entitled to participate, without vote, in the deliberations of the General Assembly of the GIO and in other than closed sessions of the Economic and Social Council.

Information, Agenda, Reports and Recommendations

a) The ITO should keep the Economic and Social Council fully informed regarding the activities of the ITO. The Economic and Social Council should keep the ITO fully informed regarding the activities of the GIO which are of concern to the ITO.

b) The

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b) The ITO should transmit to the Economic and Social Council the agenda and documentation for conferences and meetings of the ITO, and should afford the Council a reasonable opportunity to comment thereon.

c) The ITO should transmit to the General Assembly and to the Economic and Social Council all reports, recommendations, resolutions and draft conventions of the ITO, and the Assembly or Council should be free to comment thereon.

d) The ITO should be entitled to make recommendations to the General Assembly and the Economic and Social Council. The General Assembly and the Economic and Social Council should be entitled to make recommendations to the ITO with regard to its activities or policies in the light of the functions or powers of other specialized organizations or in the light of the economic principles and objectives of the GIO. Such recommendations may include (1) proposals for the undertaking by the ITO of new activities dealing with subjects falling within its constitutional terms of reference; and (2) proposals for joint collaboration by the ITO and other specialized organizations on subjects of joint concern and on methods for giving effect to such collaboration.

Procedure for resolving conflicts of jurisdiction or policy

The ITO should be authorized to raise with the General Assembly or the Economic and Social Council any question involving a conflict between the policies and activities of the ITO and those of other specialized organizations 1/ or of the GIO itself. The General Assembly and the Economic and Social Council should be authorized to review, on the initiative of the ITO, or on the initiative of any other specialized organization, or on their own initiative, any conflict between the policies or activities of the ITO and those of other specialized organizations or of the GIO itself, and to make recommendations to the specialized organizations concerned. If such recommendations do not result in resolving the conflict, the General Assembly should, if necessary and after hearing the

organizations

1/ It is assumed that before referring any such conflict to the GIO the specialized organizations concerned would have made efforts to settle the matter through their liaison arrangements with each other.

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organizations concerned, make recommendations directly to governments.

Administrative matters

The ITO should cooperate with the GIO in working out such arrangements as may be found practicable for the establishment of uniform personnel practices, procedures and standards of compensation, for interchanges of staff, and for the standardization and centralization of administrative services, including the collection and preparation of statistics.

III

Budgetary Review by the GIO

Under the Dumbarton Oaks Proposals, the Economic and Social Council would be empowered "to examine the administrative budgets of ... specialized organizations or agencies with a view to making recommendations to the organizations or agencies concerned."

This clause could serve several purposes. In the first place while its adequacy to settle jurisdictional disputes is open to debate, it does reinforce the other techniques for coordination set forth in this memorandum. In the second place, it will provide a useful stimulus to sound uniform accounting and administrative practices. Next, it will give an opportunity for bringing together at a central place the total of each country's prospective budgetary assessments. Finally, it will give a platform for making clear the necessity for universal financial support of essential organizations.

Since these points are not spelled out in the Proposals, the agreement between the GIO and the ITO should make them clear in such a way as to facilitate the advisory function of the GIO.

IV

Possible Elaboration of Dumbarton Oaks Proposals

If the Economic and Social Council is to discharge effectively its functions of coordinating the activities of specialized organizations, it will need to have

authority

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authority in certain circumstances to make recommendations directly to governments. The Dumbarton Oaks Proposals are not clear on this point. While certain provisions seem to imply general authority to make recommendations to governments, 1/ under other provisions dealing specifically with the coordination of specialized organizations the Council would appear to be restricted to the making of recommendations to the specialized organizations 2/. The Economic and Social Council should clearly be empowered to make recommendations concerning the work of specialized organizations to the General Assembly, and these recommendations should be available to governments. To deal with questions not adequately comprehended within the jurisdiction of any single specialized organization or where time does not permit prior consideration by the General Assembly, the Economic and Social Council should be empowered to make its recommendations directly to governments. It is believed that in the Charter of the GIO this matter should be clarified. Specifically, it should be made clear that the Economic and Social Council could be empowered to make recommendations not only to the General Assembly and to the specialized organizations but also to governments of member states of the GIO 3/. It should be understood that such recommendations to governments should be limited to recommendations which are clearly in harmony with the broad policies of the GIO as developed by the General Assembly.

1/ Point 1(b), Section C, Chapter IX, provides that the Council may "make recommendations, on its own initiative, with respect to economic ... and social matters."

2/ Under points 1(c) and 1(d), Section C, Chapter IX, the Council is to coordinate the specialized organizations through recommendations to such organizations, and to examine the budgets of specialized organizations with a view to making recommendations to the specialized organizations.

3/ The agreement between the GIO and the ITO outlined elsewhere in this paper would contain an agreed limitation on the authority of the Economic and Social Council to make recommendations directly to governments regarding the resolution of conflicts between specialized organizations. It would not be appropriate, however, to provide for such a limitation in the Charter of the GIO itself.

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April 21, 1945

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

(For your information; no action required)

After receiving your memorandum of April 16 regarding your talk with Fred Vinson, I tried to reach him by telephone but have not succeeded thus far.

I have talked with his assistant, Mr. Pritchard, who informs me that Judge Vinson received the copy of your memorandum to the President on tax developments. It may be that further information at this time on the subject has a low priority for Mr. Vinson, considering his other duties.

Roy Blough

C O P Y

Truman
6-21-45

MEMORANDUM TO THE PRESIDENT:

There is transmitted herewith for your signature Form W-4 Revised, Employee's Withholding Exemption Certificate, which should be filed in accordance with the provisions of the Individual Income Tax Act of 1944.

It would be appreciated if you will return the certificate to me when it is completed so that appropriate action may be taken in connection with the payment of your salary.

The President's salary is paid monthly on the last day of each month by check of the Treasurer of the United States, based upon a certificate of settlement issued by the General Accounting Office.

ME-147
Distribution of true
reading only by special
arrangement. (SUBJECT W)

Stockholm

Dated April 21, 1945

Rec'd 4:45 p.m.

Secretary of State,
Washington.

1490, April 21, 5 p.m.

THIS IS OUR NUMBER 136 FOR HAN REPURPOSE BOARD IN
REPLY TO WHB 354 (Department's 694, April 18, 2 p.m.)

Problem of finance has been discussed with local Norwegian labor group. They receive last \$50,000 installment from the United States in March and these funds will probably be insufficient to carry them through April operations. Olsen promised to make available to group seven 5,000 kroner of \$95,500 transferred to him from WHB confidential funds in Ankara. However except for such additional funds as Olsen may make available from his special funds, local group will lack funds for May operations and still owe Olsen \$50,000 previously loaned them.

Tranmael and Evensen have supplied report covering March operations in Norway, translations of which are being forwarded by pouch. During March 1, 135 parcels were sent into Norway through licensing channels, containing approximately 15,000 kilograms of food, 3,310 kilograms of clothing and 300 pairs of shoes. About 9,000 kilograms of food and clothing were sent in through underground channels, as well as other supplies contributed by Swedish organizations. During March approximately 1,100 Norwegians were brought to Sweden through escape facilities financed in part by American labor relief.

JOHNSON

MHN

PLAIN

R_{me}

Dated April 21, 1945

Secretary of State

Washington

1020, April 21, 11 a.m.

TO HOSHE LEAVITT FROM JOSEPH SCHWARTZ NO. 26.

You appropriated for Yugoslavia the sum of \$10,000 for the first quarter which appropriation was exceeded by actual expenditure from here by \$5,000. We'd recommend therefore appropriation for Yugoslavia for second quarter \$5,000 which will make total expenditure for six months period \$25,000. Funds are being used to provide urgent relief necessities in the form of food parcels and financial assistance. We continuing our efforts obtain permission for JDC representative proceed Yugoslavia at which time more precise budgetary requirements and information will be made available.

KIRK

RR

PLAIN

R_{me}

Dated April 21, 1945

Rec'd 9:16 a.m.

Secretary of State

Washington

1019, April 21, 11 a.m.

TO HOSHE LEAVITT FROM JOSEPH SCHWARTZ NO. 26.

In the light of present developments and after full discussion with Henrik recommend appropriation \$50,000 monthly for northern Italy for three month period beginning May 1st. This represents the same rate of expenditure that we maintained in liberated Italy during early months operation. Important you bear in mind that under agreement UNRRA will not be operating in the forward military areas and while we hope receive some help for displaced persons the major responsibility at least in early phase will fall upon us. Reply urgently to Lisbon.

KIRK

RR

PLAIN

Rome

Dated April 21, 1948

Rec'd 9:20 a.m.

Secretary of State

Washington

1020, April 21, 11 a.m.

TO MORRIS LEAVITT FROM JOSEPH SCHWARTZ NO. 26.

You appropriated for Yugoslavia the sum of \$10,000 for the first quarter which appropriation was exceeded by actual expenditure from here by \$8,000. Would recommend therefore appropriation for Yugoslavia for second quarter \$18,000 which will make total expenditure for six months period \$28,000. Funds are being used to provide urgent relief necessities in the form of food parcels and financial assistance. We continuing our efforts obtain permission for JDC representative proceed Yugoslavia at which time more precise budgetary requirements and information will be made available.

KIRK

RR

180

London

Dated April 21, 1948

Rec'd 4:35 p.m.

Secretary of State,

Washington.

4096, April 21, 6 p.m.

FOR WEB FROM MANN.

Please deliver a paraphrase of the following message from Harold Linder to M. A. Leavitt of the American Joint Distribution Committee.

(MESSAGE ENDS) Reference Belgium. Efforts being made here collect clothing by private organizations. Small stocks on hand which should be shipped to our committee shortly. General appeal not permitted by government. Purchases impossible except used from municipalities. From accounts no longer required for air raid precautions. IJC has cabled Harrison urging again prompt action your side approving grant of \$280,000 first six months 1948 which British have approved.

Greece. Every assurance from Mente Fiere that ICA will participate extent equivalent \$100,000 less taxes which, however, subject approval British Treasury and formal action ICA Council.

Arranging through Lublin press agency transmit by cable to here next days or weeks lists approximately 35,000 survivors Bialystock, Lwow, Lublin, Gdansk, cost 750 pounds, of which believe one-half for GEF account. After months negotiation have arranged reimbursement \$400,000 which unpaid by Polish Government for purpose originally intended. Accordingly, I have \$200,000 and in due course will arrange transmission. \$200,000 remaining your side hence contact Counselor Bogusinski, Polish Consulate, New York, who in few days should have received cabled instructions from his government here to reimburse you. Please advise when you have received since I have agreed to make \$100,000 available to Polish Rescue Committee which includes Scherer and Schwartzbart for assistance Polish Jews outside Poland provided whole \$400,000 received by us and provided Polish Government

181

#2 4096, April 21, 1945, from London

makes available \$200,000 or \$300,000 additional for Rescue Committee program which will be subject to approval Polish Government and myself and provided money not be used to relieve Polish Government or JDC of such aid as they now rendering. (MESSAGE ENDS)

VINANT

JT

182

PLAIN

Name

Dated April 21, 1945

Rec'd 9:16 a.m.

Secretary of State

Washington

1019, April 21, 11 a.m.

TO MORRIS LEAVITT FROM JOSEPH SCHWARTZ NO. 26.

In the light of present developments and after full discussion with Resnik recommend appropriation \$50,000 monthly for northern Italy for three month period beginning May 1st. This represents the same rate of expenditure that we maintained in liberated Italy during early months operation. Important you bear in mind that under agreement UNRRA will not be operating in the forward military areas and while we hope receive some help for displaced persons the major responsibility at least in early phase will fall upon us. Reply urgently to Lisbon.

KIM

NR

ASH-56

This telegram must be
paraphrased before being
conducted to anyone
other than a Government
Agency. (RESTRICTED)

Sofia via Army

Dated April 21, 1945

Rec'd 2:50 p.m.

Secretary of State,

Washington

215, April 21, noon.

I have received the following telegram from Troutman

Istanbul:

"The Joint Distribution Committee would like to forward in care of your mission substantial shipments of relief supplies for distribution by its committee in Sofia. Does this meet with your concurrence?"

Have replied: "I believe that supplies should be consigned to Dr. Namice Marcus address Tear Simeon 101 Sofia. The Mission is prepared to assist him in whatever way possible."

If Department has other views please instruct.

BARNES

NR

NOT TO BE RETRANSMITTED

O.T.F.

SECRET

OFFICIAL No. 127

Information received up to 10 A.M. 21st April 1945.

NAVAL

1. Baltic. The LUTZOW bombed at Swinemunde on 16th now observed by reconnaissance to be down by the stern and probably aground.
2. Homo astors. 20th/21st. One of H.M. Frigates sank at least four explosive motorboats in Scheldt approaches when five prisoners were taken.

MILITARY

3. Western Front. Southern Sector. On 18th and 19th First French Army continued its steady progress in Black Forest area South of Strasburg while East of Froudenstadt it advanced 15 miles over-running number of places including Tubingen where bridge over River Neckar captured intact. This advance Eastwards continued for further 15 miles, together with Southward thrust of 20 miles from direction of Halle by Right Corps of Seventh U.S. Army now threatens on-circle Stuttgart. On 19th Nuremberg taken by Seventh U.S. Army and armoured elements pushed 15 miles S.E. in direction Regensburg.
- Central Sector. Third U.S. Army made gains up to 15 miles on wide front between Bayreuth and Plauen. Further North First U.S. Army took Leipzig on 19th and on same day cleared Halle after heavy house to house fighting. Considerable progress also being made in clearing up Herta Pocket where resistance collapsing. Also on 19th enemy attacked in divisional strength, supported by some 25 tanks, half tracks and self-propelled guns, in area H.M. Brunauack penetrating some 15 miles towards Klotze before being brought under control.
- Northern Sector. Second Army troops have cleared South bank of Elbe from South Lauenburg Eastwards to suburbs of Harburg while other troops cut Hamburg - Bremen autobahn. South of latter town resistance stiff and progress slow while further West enemy also resisting strongly against our advances on Oldenburg and Emden where some heavy counter attacks encountered.

Other areas. The Ruhr Pocket now completely eliminated as also German resistance on North side Rhine Estuary.

4. Eastern Front. Central Sector. Germans admit Russian advances to within four miles Furstenwalde (S.E. Berlin). Further South Russians report capture certain places across Spree S.W. of Cottbus while Germans state Russian forces now 15 miles West this town.
- Southern Sector. Further advances up to 20 miles North of Vienna.
5. Italy. Eighth Army Sector N.E. Argentine British troops now approaching bridge one mile N.E. Molinella while to West, Indian and New Zealand troops have advanced N.E. and East of Budrio while still further West Polish forces have gained one mile against determined resistance West of Mediceina.

On fifth Army Front U.S. Troops have pushed forward against decreasing resistance and now some four miles short of highway nine West of Casalechio while on West coast further gains made South of Castelnuovo and S. E. Sarzana.

6. Burma. Central Sector. Our forces captured Nagaw on Irrawaddy against slight opposition while further West our troops have by-passed Myinma and are now operating in areas 9 miles S.E. and 12 miles South this town.

AIR.

7. Western Front. 19th/20th. Bomber Command despatched aircraft 194 (without loss) 79 Berlin, 35 Wittstock and 80 Bomber Support and other targets.
- 20th E. Bomber Command Langensfeld 93 (missing one) bombed oil depot Regensburg (345 tons). U.S. escorted heavy Bombers 503 (missing one) dropped 1745 tons visually on 11 rail targets in Berlin and Regensburg areas with mostly good results.
- SHARP (Air) Medium Bombers 568 dropped 940 tons with good results on railway center and supply depots while fighters and fighter bombers 2264 (missing 17) operated Northern and Central sectors destroying some 1,200 rail and road vehicles and inflicting enemy casualties 3,461 in combat and 88,011 on ground.
- 20th/21st. Bomber Command despatched aircraft 117 (outstanding one) including 61 Berlin.
- Mediterranean. 19th Navy bombers 619 dropped 572 tons railway bridges Attenberg (25 miles N.W. Innsbruck) where both bridges partially destroyed, 310 tons on railway viaduct over Avisio, 165 tons on railway centres Rosenheim and 115 tons on Algenfurt Inlet. Aircraft 127 (missing 2) operated battleships.
9. Siam. 10th Liberators 27 (missing one) successfully attacked docks Bangkok.

He ARTHUR KROCK

*Humility™ Discounted

Secretary of State Post

Meeting the Problems

Ratification His Task

Now must there be minimized in this calculation the pleasant White House relations that he has restored with men who were on Mr. Roosevelt's black list because they opposed certain of his goals and policies. It has been almost ten years, for instance, since Senator Harry F. Byrd felt welcome at the White House, and in those ten years he has rarely been there. And Republican Senator Robert A. Taft of Ohio had not passed under the Intel since President Herbert Hoover's term expired.

Hoover's term expired.

NOT TO BE RETRANSMITTED

C.T.P.

SECRET

OPST No. 128

Information received up to 10 A.M. 22nd April, 1945.

NAVAL1. Anti-submarine Operations.

21st. Promising attack made on U-boat off North coast Ireland by 4th escort group. Liberator attacked surfaced U-boat off the Skaw with unobserved results.

MILITARY2. Western Front.

Southern Sector: First French Army continued advance East of Rhine and South of Preilenstadt and latest reports state spearheads 15 miles from Swiss border, while Stuttgart now completely encircled.

Central Sector: Third U.S. Army troops crossed Czech border near Asch. First U.S. Army has also cleared Leipzig and area between this town and Halle while to North Dessau has been entered and has pocket reduced by half. Troops of Ninth U.S. Army advance 10 miles down left bank of River Elbe from Wittenberge.

Northern Sector: Troops of Second British Army meeting fierce resistance South Hamburg and S. E. Bremen.
Other areas: Both sides Gironde Estuary now cleared of enemy and R.V. taken this operation number 10,000.

3. Eastern Front

Central Sector: Russians now within 15 miles of centre Berlin from N.W. and East while further South they have advanced 25 miles West Cottbus and to within 15 miles of Dresden from N.E.

4. Italy

Eighth Army Sector: On right U.K. divisions made substantial gains to reach area 6 miles South Ferrara where stubborn German resistance being encountered. On left good progress also made by Indian, New Zealand and Polish troops North of Highway 9, with latter reaching centre of Bologna at 0600 hrs. 21st and 2 hours later linking up with U.S. troops who had entered city from S.W.

Fifth Army sector: U.S. and South African troops made good headway West Bologna where they have crossed highway 9 at many points and have landing elements as far North as San Giovanni. (15 miles N.W. Bologna.)

AIR

5. Western Front: 20th. SHAEF (Air): additional reports state further tactical aircraft 630 (missing 1) operated Southern Sector inflicting enemy casualties 70:0:102 on ground.

21st. U.S. Escorted heavy bombers 329 (outstanding Bombers 4, Fighters 6) attacked, using Pathfinder technique, railway centre Munich (260 tons), Ingolstadt (44 tons) and airfield Landsberg (15 tons).

SHAEF (Air) medium bombers 115 dropped 203 tons railway centre Attnang-Puchheim (S.W. Linz) with excellent results, while Fighters and Fighter bombers 1230 (missing 7) operated all sectors destroying 290 M.T. and 48 locomotives and

inflicting enemy casualties 6:1:2 in combat and 55:0:32 on ground.

Coastal Command Halifaxes attacked shipping Skagerrak when direct hits obtained on two 3,500 ton ships which left on fire, while Mosquitoes 45 (without loss) returning from shipping reconnaissance off Norway destroyed 9 out of 10 aircraft encountered over North Sea.

21st/22nd (Night). Bomber Command aircraft despatched: 150 (missing 2), 109 Kiel, 20 Sea Mining and 32 Bomber Support and other targets.

6. Mediterranean

19th/20th (night)

Liberators dropped 220 tons in close support Eighth Army.

20th. U.S. escorted heavy Bombers 711 (missing 7) dropped 1030 tons railway targets Branner route, South Austria and road bridges Po Valley, while tactical aircraft 1434 (missing 13) operated against railway targets Innsbruck area, communications North Italy and gave support battle areas.

7. S.E.A.C.

19th. Bombers and Fighters 170 attacked communications and army support targets Central and Southern Burma.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 23, 1945

TO Secretary Morgenthau
FROM Mr. Coe *FC*

Subject: Conference with Judge Patterson on China

As you instructed I called on Judge Patterson on Monday, taking with me Mr. Collado of the State Department, who Will Clayton said would act for him. Judge Patterson called in General Olmstead who is in charge of supplies for General Wedemeyer and came back in the T. V. Soong party.

Background

I told Judge Patterson that the Chinese were requesting greatly increased shipments of gold, that you had spoken with the President who asked you to carry the ball, and that you had replied you would take your action in consultation with War and State. I gave the background of the loan, the uses the Chinese had made of it, your own sense of responsibility and said that before you decided you wanted to know what the military planned for China.

Military Plans

Judge Patterson said the military plans were still unsettled. General Olmstead said, however, that all the military plans for the next period required us to get from Chinese sources a considerable proportion -- I judged about 20 to 30 percent -- of the supplies needed for military operations. This would be the case, until a landing was made and a corridor cut from the sea to Free China. The cutting of this corridor might take anywhere from 12 to 18 months. The military were interested in the area around their lines of communications, that is, largely the Kuming area in Southern China and the route from there to Chungking. The General said they had a program for equipping 36 to 39 Chinese divisions.

The Chinese had been giving very good cooperation, according to the General. Judge Patterson said "Yes, but they do an awful lot of lying sometimes." In response to a question from

- 2 -

me, General Olmstead said that the Generalissimo had told them that he intended to cut the number of troops he pays from their present figure to about 3-1/2 million, but that the Generalissimo had not indicated to the Army that he expected more gold from us or any other favors.

General Olmstead said that the Army and the Chinese were concerned about an economic collapse in China. If that occurred they did not know how they could get their local supplies. General Olmstead thought that an anti-inflation program in selected areas might be successful -- the areas to be the ones that the U.S. Army is to get supplies from. By questions, Judge Patterson got the General to indicate that the Army was mainly concerned with the trucks and the textiles which the Chinese were asking, and that the decision on the gold was something for Secretary Morgenthau to make.

Political Situation

Mr. Collado brought out that the Department of State might be concerned about the political repercussions, if the Chinese failed to pay the gold which they had promised on the certificates which they are now issuing. (It would take \$US\$0 million more gold to meet these obligations).

General Inflation

Judge Patterson and General Olmstead both recognized that the inflation could not be stopped by any of the measures under discussion, and that it was only a question of palliative corruption.

Abuses

I stated that, apart from other issues, the Treasury was concerned about the manner in which the loan had been used and the restricted number of individuals who had benefited. General Olmstead gave a good example: He said that three Chinese and three Americans had conferred for hours and finally agreed on the recent increase in the gold price from \$CM\$20,000 to \$CM\$35,000 per ounce. The agreed effective date was 48 hours from that time. The next day was a holiday. However, during the second day the demand for gold was out of all proportion to any recent purchases and a big business was done. One of the principal purchasers was Jeanette Kung.

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Next Meeting

Judge Patterson thought that you would be calling or seeing him on Wednesday about this. Meanwhile, he will talk with Generals Olmstead and Somervell.

Conclusion

General Olmstead will try to get more gold sent there, on the grounds that it will somewhat ease the inflation. Unless swayed by his subordinates, Judge Patterson will be inclined to leave the matter up to you, because he thinks you ought to decide whether a particular financial technique will be helpful. Collado of the State Department will probably argue that the "arrears" -- \$US50 million -- should be sent. This latter figure is probably what Soong hopes to get.

192

April 23, 1945
3:30 p.m.

Conversation with Clayton

At 3:30 on Monday, Clayton called me and said that he wanted advice. Leo Crowley is to meet him tomorrow, and Leo Crowley was sure that he had been left out of the March 23 Directive on Germany, and he thought - that is, will Clayton thought that Leo blamed Clayton. Would it be all right with me - and I said sure.

Then on 10/37 I said, "Let's get it through while McCloy is still here." And he said he would arrange for a meeting at 10:30 tomorrow morning, and he agreed that it was important to get it through. I said, "Did Stettinius tell you that I have not been satisfied with the way things have been going, and Stettinius asked me if it was agreeable for me to work directly with him on economic matters and I did not have to go through Clegg and work with Clegg on political matters." Stettinius hadn't said a word to him. And as well, he said something to Dean Acheson. I don't suppose that was too tactful, but I can't understand - Stettinius tells it to Acheson. At least he must have told Acheson part of my conversation and didn't tell Clayton. Clayton says he has been on the hill the last five or six days on this reciprocal trade thing, and he is having a hell of a time. He sounded very harassed. Anyway we'll get off on that Tuesday morning.

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INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE APR 11 23, 1945

TO Secretary Morgenthau
FROM Mr. Hahn
Subject: The Business Situation
Week ending April 21, 1945

Summary

Outbacks: Sharp outbacks in certain types of aircraft last week served to focus renewed interest on reconversion problems. According to the Army Air Forces, the outback in aircraft production during the remainder of the year will amount to 15 percent on a weight basis. Effects of the outback on the Ford Willow Run plant and on important subcontractors at Detroit are seen in the removal of the Detroit area from the No. 1 "acute labor shortage" classification.

Reconversion: Following earlier approval of machine tool orders, further steps were taken by the WEBS last week to facilitate reconversion of the automotive industry to civilian production, including authorization of substantial expenditures for plant adjustments and rehabilitation of tools and equipment. A recent survey by the HIGB discloses that earlier business fears over the difficulties involved in cancellation of war contracts in general has been replaced by a confident attitude.

Steel operations: Steel ingot production in March rose to the third highest monthly level on record, following the unusually severe operating conditions experienced earlier in the winter. Steel operations in April have been hampered by unauthorized coal strikes, which curtailed scheduled output last week to 91.9 percent of capacity. Preliminary reports indicate that coal output improved last week, and steel operations during the current week are scheduled at 93.2 percent of capacity.

Commodity prices: The all-commodity wholesale price index in the week ended April 14 rose 0.4 percent to a new wartime peak, 40.7 percent above the pre-war August 1939 level. The BLS index of basic commodity prices showed little change last week, with moderate declines in corn, wheat and steers offsetting a further advance in cotton prices.

Stock prices: Stock prices last week advanced to a new high for the year, although trading declined considerably after Monday, when transactions on the New York Exchange reached the highest level since June 16, 1944. Industrial stock prices in London have advanced to a new war time high, and now stand above the highest levels attained in 1929 and 1936.

- 2 -

Outbacks in war orders increase

Impending reconversion problems growing out of outbacks in war orders and lessening military needs in Europe continue to feature current business discussions. Following recent indications of a slackening in shipbuilding, important outbacks in aircraft production were revealed last week. The output of B-17 Fortresses and B-24 Liberator bombers, among others, is to be cut sharply in coming months. In this connection, both the Lockheed Aircraft Corporation and the Douglas Aircraft Company believe that their voluntary quit rate and other factors will be sufficient to enable them to operate without any actual lay-offs of employees.

In the case of the Ford Willow Run plant, however, more serious repercussions are likely. The Army Air Forces have announced plans to terminate production of Liberator bombers at this plant not later than August, and the opinion is expressed that the plant probably will not be used in other war work after that date. In addition to the aircraft manufacturers themselves, a great number of subcontractors will be affected by the outbacks. Douglas Aircraft and Lockheed Aircraft are reported to have notified more than 3,000 subcontractors and materials suppliers of the reductions.

According to the Army Air Forces, the outback in aircraft production during the remainder of the year will amount to 15 percent on a weight basis. Production of some planes, such as the B-29 Superfortress and others, will be continued in increased quantities, and it is indicated that Navy plane procurement will not decline until the decisive stage in the war against Japan has been passed.

Employment slackening in Detroit area

The recent outback in aircraft production appears to have contributed importantly to a noticeable easing in the manpower situation in the Detroit region. The War Manpower Commission announced last week that the Detroit area was being transferred at once from a No. 1 "acute labor shortage" classification to a No. 2 classification. In addition to the sharp outback at the Ford Willow Run plant, the Briggs Manufacturing Company, the Hudson Motor Car Company, and the Murray Corporation have begun to lay off employees due to aircraft outbacks.

- 3 -

In order to hold down lay-offs at the Murray Corporation, the WMC has authorized the Corporation to change the work week at its main plant from a 48-hour week to a 40-hour week. This is said to be the first time such action has been taken in a major Detroit war plant since the automotive industry converted to war production.

Procedure for handling outback announcements being studied

Some of the announcements of outbacks in aircraft production last week were made by individual manufacturers, and the WFB chairman subsequently expressed dissatisfaction with the handling of the matter. In addition to apparent fears over the adverse effects on war workers, Mr. Krug took exception to alleged exaggerated reports of outbacks in war production. He stated that in the future, announcements of outbacks in military procurement will be made on a national basis from Washington and that a committee is now considering the procedure to be followed. Recent estimates of outbacks in war production after V-E Day have shown considerable variation, but on the whole have tended to foreshadow sharper outbacks in actual production than earlier anticipated.

Further authorizations granted for automotive reconversion

Following earlier approval of the placement of orders for \$50 millions worth of machine tools and equipment, the WFB last week approved applications of various automobile manufacturers to spend approximately \$35 millions for plant readjustments and about \$40 millions for rehabilitation of tools and equipment needed for civilian car production. An AA-3 priority rating has been granted automobile manufacturers for obtaining machine tools needed to resume civilian production. Moreover, it was reported last week that the WFB is preparing an order which will permit producers of a broad list of consumer durable goods to place priority-rated orders for machine tools needed for peacetime production.

Business fears over contract terminations diminishing

Another encouraging development of the past week, in connection with the post-war outlook, was the revelation of results of a survey by the NIOB regarding the difficulties of war contract cancellations. A survey of 150 executives revealed that, in contrast to earlier fears that cancellation of war contracts would result in staggering inventory losses,

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business executives in general are now confident that such will not be the case. More than half of the companies that have experienced terminations state that they have had no difficulties of any kind. An overwhelming majority of the companies reported that at least 75 percent of their inventories are protected against losses under existing termination practices.

It remains to be seen, of course, whether the 150 executives polled adequately reflect the experience of business as a whole, particularly small business. In this connection the following remarks of one executive regarding the position of small manufacturers is of interest:

"At present many small manufacturers are riding along with large bank balances and do not have the faintest conception of the problems that will face them when termination comes. They are not set up to handle terminations properly; they fail to realize how rapidly situations will change at that time; and they do not understand that most of their working capital, if not all of it, is going to be tied up in inventory which they are not prepared to convert into cash."

Steel operators hampered by unauthorized coal strikes

Following the production losses suffered in the early part of February due to severe weather conditions, steel ingot production rose sharply in March, and attained the third highest monthly output on record. Nevertheless output was still 1 percent below year-earlier levels. (See Chart 1.)

Steel operations in April have been hampered by a shortage of coking coal arising from unauthorized strikes in the coal mines. As a result of this situation, operations last week were scheduled at only 91.9 percent of capacity. However, preliminary reports indicate an improvement in coal output last week, and steel operations during the current week are scheduled at 93.2 percent of capacity. (Refer to Chart 1.)

Although price ceilings on some basic steel products were raised in January, steel producers contend that further upward revisions are necessary. During the past week, 40 non-integrated steel producers, representing about one-fourth of the wage earners in the industry, petitioned the OPA for "immediate, equitable and adequate price adjustments in order to prevent further serious financial losses to a great many of the companies." They contended that products which will be manufactured under peacetime conditions will not, at current prices, enable most of the

- 5 -

companies to operate successfully. Moreover, it is asserted that with the return to peacetime conditions the companies no longer will receive the benefits of higher-priced products which they have manufactured during the war, and which have served as an offsetting factor against losses in other lines.

Construction awards higher in March

After running at a very low level throughout 1944 and the early part of this year, total construction contract awards as reported by the F. W. Dodge Corporation improved noticeably in March. Total awards during the month were the highest since August 1943, and were 87 percent above the March 1944 level. (See Chart 2.)

Examination of the detailed figures, however, reveals that the increase was very largely due to a sharp increase in Government-owned nonresidential projects. Two large powder plants in Indiana were by far the most important items in the month's awards. Residential construction awards, as might be expected in view of building restrictions and materials shortages, continue at very low levels, with awards in March 24 percent below the corresponding month last year and 88 percent below March 1942.

Divergent commodity price trends

Moderate price declines for steers, corn, and wheat, offset a further advance in cotton last week, causing the ELS basic commodity index to continue within the narrow range of the previous 5 weeks. (See Chart 3.)

The grain futures markets turned down somewhat, following their sharp advances of the previous two weeks. Barley futures on Friday declined 5 cents a bushel, the permissible limit, influenced by reports of enlarged imports of Canadian oats, which are likely to reduce the feeding demand for barley. Cotton futures, on the other hand, reached new high levels, with the May delivery at the highest level of any month since the 1927-28 season.

Higher prices for agricultural products put the ELS all-commodity index noticeably higher in the week ended April 14, raising it 0.4 percent to a new wartime peak 40.7 percent above

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the pre-war August 1939 level. (Refer to Chart 3.) The rise was led by an increase of 3.9 percent for fresh fruits and vegetables. Potatoes were sharply higher, and substantial increases occurred in prices of apples and lemons at Chicago. The all-commodity index is now 1.6 percent higher than at the same date last year.

Car shortage reduces mills' wheat supplies

A serious shortage of available wheat in all major milling areas, due to the shortage of freight cars, was reported to the War Food Administration last week by a committee of grain men representing the Lower Lakes milling area. According to this committee, grain receipts at the major markets of Minneapolis, Kansas City and Buffalo are running at about 40 percent of daily milling requirements, while mill stocks available to fill the gap amounted on April 7 to the equivalent of only 18 days full running time. Millers expect an extreme pinch to be felt shortly after May 1.

The shortage of flour receipts in eastern markets has begun to affect the consumer, according to press reports. The Northwestern Miller mentions that grocers in New York City have begun to limit sales to 5 pounds per customer, and in some communities to 2 pounds.

To help relieve the shortage of freight cars in the wheat regions, the Association of American Railroads has ordered a moderate increase in the number of empty boxcars delivered daily to Chicago and other middle-western gateways. Furthermore, a permit system for moving all grains and grain products in western railroad territory is expected to be put into effect shortly, dictated by the need for moving large quantities of wheat and flour required for feeding the liberated areas of Europe. The proposed plan would be under the direction of industry committees to be set up in the major markets. While milling groups in Minneapolis and Kansas City oppose the plan, contending that the permit system would do little to solve the basic problem, the ODT reportedly has indicated that the only alternative would be a priority system for movement of army flour and wheat.

Army purchases of flour have recently been accelerated, according to trade reports. Estimates in the trade of Army needs during the coming months range from 25 to 33 percent of total mill production, and mills are pessimistic about their ability to meet both civilian and Government requirements in view of the transportation bottleneck.

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Action taken to increase meat supplies

A program to increase the production of meats and to improve their distribution, particularly to metropolitan centers, has been announced by the Director of Economic Stabilization. The 10-point plan involves an increase in subsidies of possibly \$27,000,000 a year, and the addition of 500 agents to the OPA staff for more effective action against the black market.

Major details of the program include (1) cancellation of a scheduled reduction in the general ceiling and subsidies on live cattle, to encourage feeding, together with an increase in the subsidy spread between the higher and the lower grades of cattle, to promote the production of better grades; (2) a special subsidy to insure against losses to slaughterers who can prove that they operated profitably in the 1938-41 period; (3) a restriction on farm slaughter for sale; (4) a limitation on slaughter in plants not under Federal inspection; (5) increases in maximum prices for Army beef. There will be no increase, however, in general ceiling prices on meats.

Stock prices rise to new high

Stock prices advanced sharply at the beginning of last week on the largest trading volume since June 16, 1944. Further moderate advances to new high levels for 1945 occurred on Tuesday and Wednesday, but trading activity declined steadily through Friday. (See Chart 4.) Moderately declining price tendencies which developed after mid-week were supplanted by renewed firmness on Saturday. At the close of the week the Dow-Jones average of 65 stocks was 3 percent above week-earlier levels. Publication of short interest figures during the week revealed that as of April 13 the short interest on the New York Exchange was 159,000 shares below the total of 1,520,000 shares reported as of March 15. Nevertheless the short interest was still three times as large as at the time of our entry into the war.

The rise in stock prices in the United States continues to be accompanied by a rise in industrial stock prices at London. In fact, at the end of last week the London Financial Times industrial stock average stood at the highest level attained since compilation of the average was begun. Last week's closing average of 145.4 compared with the 1936 high of 143.5 and the 1929 high of 140.2.

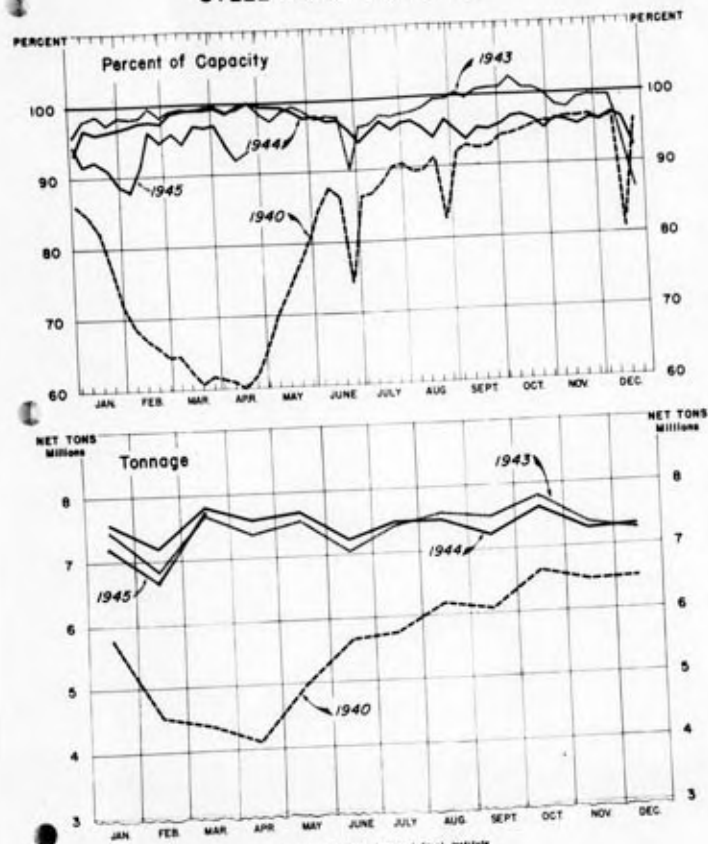
Recent publication of 1944 average earnings of stocks comprising the Dow-Jones industrial stock average revealed that average earnings last year showed a gain of 3.4 percent over the

- 8 -

1943 level. In comparison, the prices of stocks included in the average showed a gain of 6.3 percent in 1944, thus narrowing somewhat the disparity between prices and earnings which had developed since 1939. (See Chart 5.) It will be noted that as a result of the rise in recent months, the Dow-Jones average of industrial stocks now stands about 20 points above the 1944 average. Assuming that earnings thus far in 1945 have shown no great change, this would indicate that the relationship of prices to earnings is now fairly close to that which prevailed on the average before the war.

Chart 1

STEEL INGOT PRODUCTION

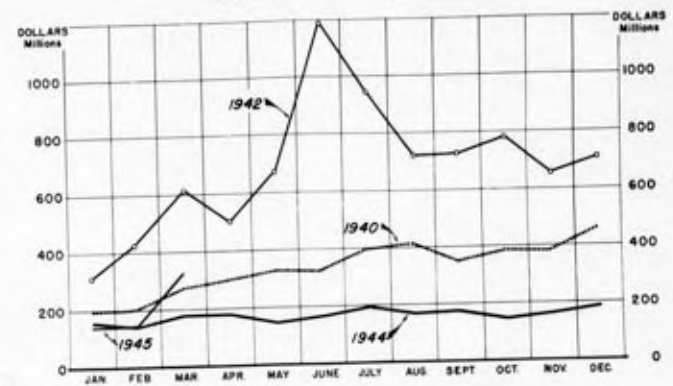


Office of the Secretary of the Treasury
Division of Finance and Statistics

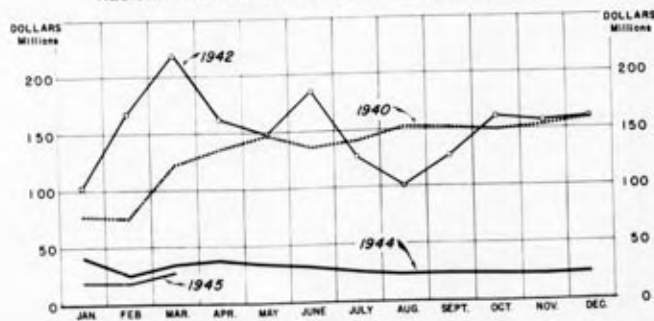
C-532-A

Chart 2

TOTAL CONSTRUCTION CONTRACT AWARDS (37 States, F. W. Dodge Corp)



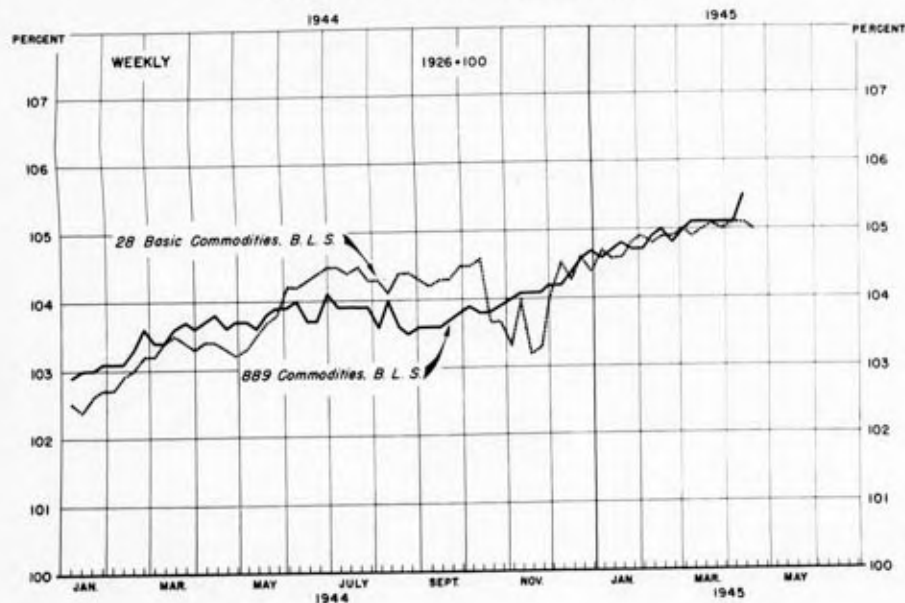
RESIDENTIAL CONSTRUCTION CONTRACTS AWARDED



Office of the Secretary of the Treasury
Division of Finance and Statistics

C-538

WHOLESALE COMMODITY PRICES

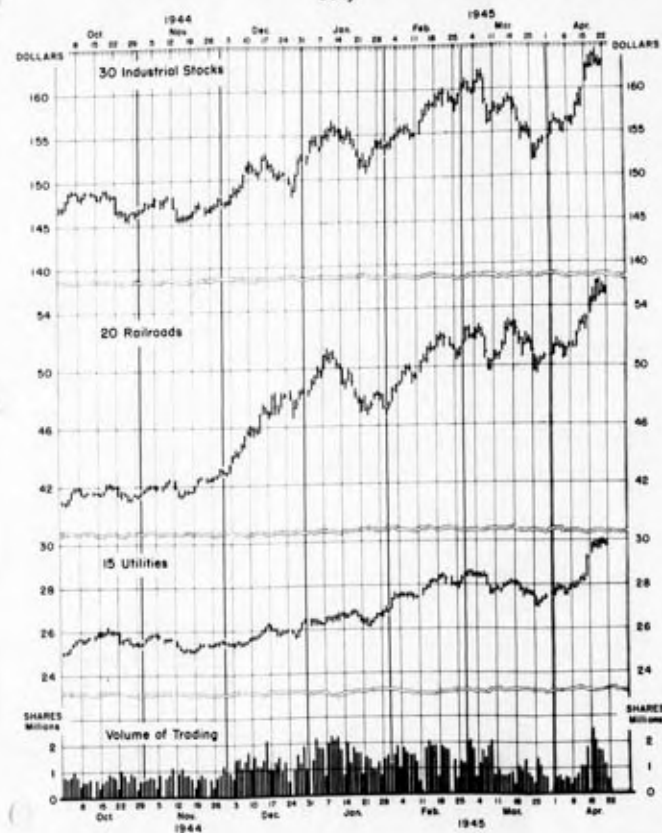


Office of the Secretary of the Treasury
Division of Research and Statistics

P-195-G

Chart 4 205

STOCK PRICES, DOW-JONES AVERAGES

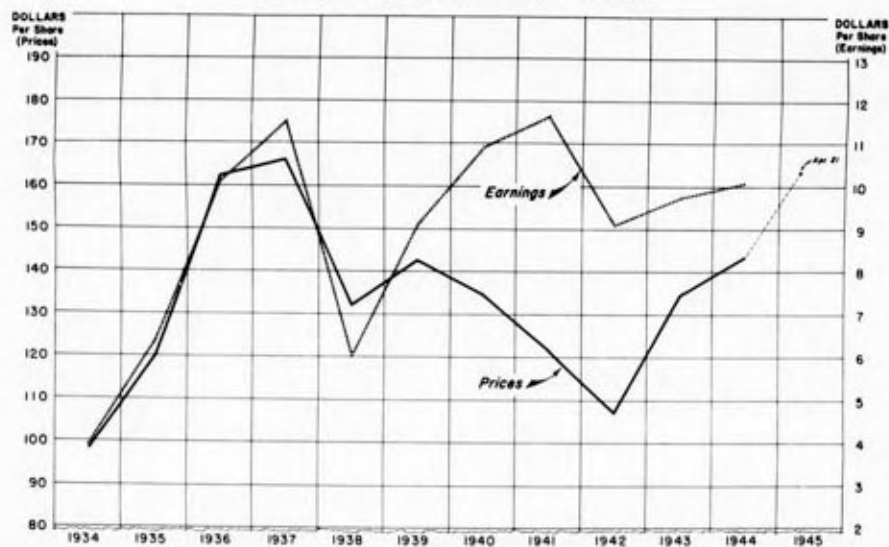


Office of the Secretary of the Treasury
Division of Research and Statistics

P-164-W

STOCK PRICES AND EARNINGS

30 Industrials Comprising Dow-Jones Average



Source: Dow-Jones and "Barons"

Office of the Secretary of the Treasury
Division of Research and Statistics

Chart 5

P-286

LPR-626

PLAIN

Lisbon

Dated April 23, 1945

Rec'd 10:20 p.m.

Secretary of State,

Washington.

859, Twenty-third

WHS 392 JDC 224 FOR LEAVITT FROM THOSE.

I have received request from Rabbi Joel Teitelbaum of B'nai B'rith for assistance his program of aid to children many of whom allegedly living in non-Jewish homes. Saly advises he prepared assist but wishes know whether Federation Canadian Jews Nassau Street with whom Teitelbaum associated is organization with which you ready cooperate. Also requests information relative your relations American Hungarian Relief Incorporated whose work Switzerland headed by Francois Monty and with which Saly favorably impressed thus far. Please advise.

B'NAI BRITH

END

208

CABLE TO AMERICAN LEGATION, BERN, FOR MCCLELLAND, FROM WAR REFUGEE BOARD

Please deliver the following message to Dr. Adolf Freudenberg, 41 Avenue de Chapel, Geneva, from Leland Box Robinson of American Christian Committee for Refugees, Inc.:

QUOTE SECOND REQUEST TO PROTESTANT EPISCOPAL CHURCH FROM HEDDANN AX, SCHWENDEHAUSSTRASSE 19, DORICHERDALF. STOP REFUGAT CANNOT ASSIST INDIVIDUALS. MUST BE DONE THROUGH YOU FOR ALL PROTESTANT CHURCH GROUPS. UNQUOTE

THIS IS NEW BERN CABLE NO. 507

4:30 p.m.
April 23, 1945

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CABLE TO AMERICAN LEGATION, STOCKHOLM, FOR OLSEN, FROM THE WAR REFUGEE BOARD

Please deliver the following message to Hiel Storch, Postbox 7306, Stockholm from Kurt Grossman of World Jewish Congress:

QUOTE ACCORDING TO JEWISH TELEGRAPHIC AGENCY APRIL 16 CAMP BERGENSEN LINGRATED. ANXIOUS LEARN WHETHER YOU ARE SEND FOOD SUPPLIES TO THE LIBERATED PERSONS THERE. UNQUOTE

THIS IS NEW STOCKHOLM NO. 361

4:30 p.m.
April 23, 1945

JP-686

This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (RESTRICTED)

Ankara via Army

Dated April 23, 1945

Rec'd 9:10 a.m., 24th

Secretary of State

Washington.

552, April 23, 7 p.m.

FOR DEPARTMENT AND WAR REFUGEE BOARD
REURDIS 520

The SS DROTTNINGHOLM departed Istanbul April 21.

According to Swedish Legation here she carried following
persons in addition to crew, 311 Germans from Turkey
50 Germans taken aboard at Port Said 1 Spaniard, 2 Portuguese
51 Swiss and ~~one~~ Swedes.

Istanbul newspaper YATAN April 21 reports ship
carried following cargo loaded in Istanbul (in tons):
1200 Chrome 900 raisins 200 emery, 500 Haselnuts, 60
peachstones, 50 liquorice, 2 cigarettes, 60 casings.

PACER:

HDA

211

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate General, Manila

TO: Secretary of State, Washington

DATED: April 23, 1945 (Received April 24, 1945)

NUMBER: 134

SUMMARY

A cable is being sent to Hernandez and Osona by Secretary Confesor, with the approval of ICAU, of which an approximate summary is given as follows:

The greater part of Leyte and Santa Ana District of Manila has been turned over to the Commonwealth by ICAU, and it will turn over other districts gradually finishing by the first of July probably. On the first of September Commonwealth will take over procurement and the remainder of commodities procured by the army will, except those needed for military purposes, be turned over to the Commonwealth. The army has secured and is shipping trucks for delivery to the Commonwealth Government, in order to meet the transportation problem. Arrangements have been made with FSA for handling the procurement program, it is understood. In order to permit taking over the procurement program by September 1st these should be expedited. It is urged that there be reserved for civilian goods five ships, totaling about 35,000 tons, and of Philippine registry. Ten liberty ships are needed or about 100,000 tons additional shipping.

200 trucks are en route already and for the use of the
Commonwealth.

212

(3007)

Commonwealth, army is securing an additional 200 to 300 army officers say. Evidently the Commonwealth Government plans the handling of the distribution of imported goods until private trade has been reestablished and on the distribution of domestic goods, to integrate with procurement. In view of tendencies in the past toward government operation and control of transportation, trade, et cetera, the trend toward government operation is disturbing. In order to assist in the reestablishment of civilian economy under whatever supervision necessary, an association of premier truck and bus operators has requested army aid in securing 500 trucks, either new or used, with repair facilities. The army is in favor of cooperation with the Commonwealth Government, but we would prefer to see transportation reestablished that way.

STEWART

LC/LALCW:CVT
4-25-45

CC-421

PLAIN

Lisbon

Dated April 23, 1945

Rec'd 12:03 p.m.

Secretary of State,
Washington.

858, Twentythird

WHS 391 and JDC 223 FOR LEAVITT FROM TROBE

Saly Mayer upset by Yasdhathalah appropriation,
feels this constitutes opening second joint office
Switzerland and expresses lack of confidence in him.
Believe important you cable Saly regarding this.

BARUCH

HB

212-A

April 24, 1945
8:58 A. M.

Mr. Will Clayton: Hello.

HMJr: Henry talking.

C: Oh, good morning, Henry.

HMJr: Good morning.

C: What's the news from Mrs. Morgenthau?

HMJr: Well, she was definitely better yesterday.

C: Well, that's fine.

HMJr: Definitely.

C: I'm so glad to know it. Henry, I got a phone call yesterday, or my secretary did from the Navy.

HMJr: Yeah.

C:saying that they had heard there was going to be a meeting in your office.

HMJr: Yes.

C: They hadn't heard about it, so I thought I had better ask down there, and told him that it was going to be a small meeting....

HMJr: Yeah.

C: ...so he wouldn't bring so many people with him.

HMJr: Who's coming?

C: Mr. Downey, I guess, will be the man. He usually comes to the meetings here for the Navy.

HMJr: Who is he? An attorney, I suppose.

C: He was selected by the Navy to represent them when Dy Gates couldn't come, and Dy never did come except down in his place. I don't know - I guess he is -- he is a very quiet, very nice fellow - he generally doesn't have anything to say.

HMJr: Let's have him.(Laughs)

C: Beg pardon?

HMJr: Let's have him.(Laughs)

- 2 -

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C: Yeah, let's have him.(Laughs) By all means. Now, as I understand it - what you are principally interested in taking up this morning, is the political, military and economic directives under the March 23rd memorandum.

HMJr: That's right.

C: And not so much the reparations question.

HMJr: Well, if we have any time left over.

C: Yeah, well, but we'll start on the other.

HMJr: That's -- oh, definitely.

C: Well, I'll bring the whole business, and we'll work on the political, military and economic thing first, and then if we have any time left over we'll get on the other.

HMJr: That's what I'd like. Now have you got a moment?

C: Yes.

HMJr: What's happening? You said something about having a note from the President on reparations business...

C: Yes.

HMJr: Well, can you tell me what's happening?

C: Well, I guess you know that Frank Walker is going to be appointed some kind of extraordinary Ambassador, and is going there in charge of this thing. Lubin is going as his assistant....

HMJr: Oh.

C: and as a Minister, I think, of some kind.

HMJr: Yeah. But Frank Walker is going in charge?

C: Yes.

HMJr: Well, I knew that Lubin was going. You know, I told you that Lubin was going. The President told me in a secondary capacity.

C: Yes.

HMJr: But I didn't know who was the No. 1 man.

- 3 -

C: Yes, well....

HMJr: Does this interest Frank?

C: I'm --- I'm -- I may be talking out of school.

HMJr: Well, look, look, old man,....

C: I'm sure you..

HMJr: things are moving so fast. You remember, I think when I told you about Lubin, that was news to you.

C: News to me, yes. (Laughs)

HMJr: And if we...

C: It's moving so fast that we can't keep each other informed.

HMJr: If we give and take a little bit, I can promise you - by now you ought to know me.

C: Absolutely, I know that.

HMJr: But that is a surprise. I haven't any idea on where he stands on that matter.

C: I haven't either. I haven't the least idea, but he called me up yesterday about it, and I sent him over last night to his apartment a copy of what had been drafted up until now. There's not --- I don't believe there's thorough agreement on it yet, but practically agreement on it. I just sent him that and told him it was in the rough.

HMJr: Yeah.

C: and told him it was just a preliminary draft, and hadn't yet been agreed up. I sent it to him so that he could take a look at it and see just what we were thinking.

HMJr: Well, if we have a meeting on reparations, I mean another meeting, would we invite him to come to it?

C: Well, I must ask him whether he wants to show himself in that capacity before he gets appointed or not. It would be largely a matter for him, I guess, to decide.

HMJr: Yeah. Well, that's----- gee. You just never know where these fellows stand on these subjects.

C: Yeah, that's right.

HMJr: What?

C: That's right.

HMJr: Well, don't worry, it won't get out of here.

C: No, I'm sure of that.

HMJr: But, then I'll be looking forward to seeing you.

C: Fine. I'll be there at 10:30.

HMJr: And you'll invite the Navy?

C: Yes, Downey is boxing for the Navy and Leo with Fowler is coming for FEA.

HMJr: Right. Thank you.

C: Thank you, sir.

April 24, 1945
9:28 A. M.

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Operator: Go ahead.
HMJr: Hello.
Mr. Bernard Baruch: Yes, Henry?
HMJr: How are you, Bernie?
B: Yes, Henry, I don't hear you very well.
HMJr: I'm talking as loud as I can.
B: Well, where are you, Henry?
HMJr: I'm in the Treasury in Washington.
B: How did you find your wife?
HMJr: Well, when I got down there Sunday not so good, but yesterday she picked up and she was a little better.
B: Well, that's fine.
HMJr: When I left her last night, she was quite cheerful.
B: Oh, you only left last night?
HMJr: Yes.
B: Well, that's you feel more hopeful?
HMJr: Definitely. Definitely.
B: Well, that's fine, Henry. That's good news.
HMJr: Are you in New York?
B: Yes.
HMJr: Are you coming down?
B: Well, I'm waiting a call from the President. He said he'd like to see me about Wednesday or thereafter. And I told him to give me a day in advance.
HMJr: Well, things are moving kind of fast down here.
B: Are they sending up that thing?
HMJr: I don't know about that, but they are moving fast on this reparations business.

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B: Well, yeah, that's what I mean.
HMJr: I can't tell you, but I know he has picked somebody to go.
B: Yeah, well, he's got a different man.
HMJr: Yeah.
B: Yeah, well, has he picked him?
HMJr: Yeah.
B: What?
HMJr: Yes, he has.
B: What?
HMJr: I understand he has.
B: Sam?
HMJr: No, I say, I understand he has picked somebody.
B: Well, he told me he was going to --- he told me he was going to make the change. I told you that.
HMJr: Yeah.
B: Well, he's going to move -- he's got to move also on the policy committee.
HMJr: Well, I don't --- as far as I know he hasn't moved on that either.
B: Well, he's got to -- he told me he was going to.
HMJr: Yeah.
B: Of course, he's got to get this San Francisco thing straightened out. He told me when he got that out of the way he was going to send for me.
HMJr: Well, I want to be --- the purpose of my call is to you -- one -- that things seem to be moving. I don't know whether in a good direction or in a bad direction.
B: I'm sure he's going to tell me about it. I'm surprised he doesn't talk to me about the man he nominated.

- 3 -

HMJr: When you come, I sure want to see you.

B: I don't hear you, Henry.

HMJr: I want to be sure and see you when you come.

B: Well, as soon as I'm notified to come I'll telegraph you.

HMJr: Fair enough.

B: And they cannot make their policy or do anything without taking in the Treasury among other things..

HMJr: Yeah.

B: It would be too absurd, Henry.

HMJr: Well, then -- I mean they'll find the British Treasury and they'll find Keynes over there as big as life. Hello?

B: Yeah, well, now listen. You leave that -- I mean I'll butt in at the right time.

HMJr: And, if I say so myself, I think that I've more than held up the American end.

B: Listen, you've got -- the idea about a thoroughly controlled Germany are going to win now surely. We can't lose on that one.

HMJr: I say, I've -- I think I've more than held up my own end.

B: Yes, sir.

HMJr: I don't know what you heard over there when you were in England...

B: Oh, oh, it was good.

HMJr: ...but I haven't made them any Christmas presents.

B: I'll be in touch with you -- I'm going to see -- I told you from the beginning that I'm going to keep in touch with you.

HMJr: All right.

B: As soon as I hear anything I'll let you know. When I'm called down, I'll let you know right away.--I'll telegraph you right away.

April 24, 1945
1:06 P. M.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Secretary Perkins: Hello, Henry.

HMJr: Yes.

P: This is Frances Perkins.

HMJr: Hello, Frances.

P: I just wanted to be sure about Elinor.

HMJr: Well, I got back late last night, and she is pretty well.

P: Pretty well?

HMJr: Yes. She's still got several difficult weeks ahead of her.

P: Dear, dear.

HMJr: I'm not discouraged, but last week she had another setback.

P: Oh, dear. Where shall I send her a letter?

HMJr: Welch Hospital,

P: Welch Hospital..

HMJr: Daytona Beach, Florida.

P: All right, I'll....

HMJr: She'd love to hear from you.

P: Well, I think about her a great deal.

HMJr: Well, so do I.

P: It's pretty hard on her. I mean, this thing coming when it did. Because for her it is a bad emotional period.

HMJr: Oh, yes, well, it came -- couldn't have come worse.

- 2 -

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P: No.
HMJr: She's been there three weeks, and I'm afraid that she will be there at least a minimum of another three weeks.
P: If she can make a little progress every day....
HMJr: Well, she is in a good humor.
P: That's good.
HMJr: She's in good humor.
P: That's fine.
HMJr: Thank you....
P: giving her oxygen?
HMJr: Pardon?
P: Are they still giving her oxygen?
HMJr: She's still in an oxygen tent.
P: Yes.
HMJr: Yes.
P: That is what is a great comfort.
HMJr: Yes.
P: It gives her great comfort.
HMJr: Yes.
P: Fine.
HMJr: Well, thank you...
P: I think of you too.
HMJr: Thank you, Frances.

NOT TO BE RETRANSMITTED

COPY NO. 4SECRETOPTEL NO. 129

Information received up to 10 A.M. 23rd April, 1945:

NAVAL

1. Anti-Submarine Operations. 22nd/23rd (night). Liberator made promising attack on U-boat in Kattegat.
2. Enemy attack on Shipping. 22nd. In home bound convoy from Antwerp US merchant ship (7176) mined off Flushing but reached port while a Russian merchant ship (1603) torpedoed and sunk off Kola Inlet.

MILITARY

3. Western Front. Southern Sector: First French Army broke through enemy defences East of Black Forest and armour has now reached Swiss frontier to West of Constance and is moving Eastwards along Northern shore of lake. Further North troops of 7th U.S. Army have also broken through enemy defences and 1 armoured column has reached River Danube in area Ulm while Second thrusting Southwards from Crailsheim has seized bridge across Danube at Dilligken.
Central Sector: Troops of 3rd U.S. Army made gains up to 20 miles on 40 mile front while unconfirmed report states Weiden taken. Troops of 1st U.S. Army engaged in bitter house to house fighting in Dessau.
Northern Sector: Reported that armour of 9th U.S. Army has linked up with British airborne troops 10 miles North Salzwedel.
4. Eastern Front. In Berlin area Russians claim 16 of North Eastern suburbs taken while further South they stated advances made East and North East Dresden with former reaching to 15 miles from Dresden and latter to within 30 miles Wittenberg (15 miles East Dessau).
Southern Sector: In area North Vienna only slight progress reported due West of Breclav.
5. Italy. Eighth Army Sector: On right U.K. troops engaged in hard and fluid fighting South of Po at approaches Ferrara and Bondeno while on left Indian, New Zealand and Polish forces maintaining pressure on Eastern flank of German salient between 5th and 8th Army. South African troops under command 5th Army on left flank this salient have narrowed neck to some 18 miles.
Fifth Army Sector: U.S. armour heading North now 26 miles N. N.W. Bologna while further West Modena entered. P.W. on whole front from beginning offensive to present date estimated 25,000.
6. Burma. Central Sector: Our troops advancing from the East have reached Irrawaddy 10 miles South Magwe. Further East 1 of our armoured columns reported striking South now within 1 mile Toungoo having captured airfields this area.

AIR

7. Western Front. 21st/22nd (night). Bomber Command aircraft attacked Kiel (136 tons) with good results. 22nd. Bad weather restricted operations. Bomber Command aircraft 204 (missing 2) attacked targets Bremen (965 tons) mainly through cloud. SHAEF (A) Fighters and Fighter Bombers 650 (missing 3) operated battle areas. Coastal Command aircraft obtained hits on one 4,000 ton ship and one 7,000 ton tanker in Skaggerak and Kattegat while 2 vessels left burning off Norwegian coast. 22nd/23rd (night). Bomber Command despatched aircraft 150 (without loss); 40 Berlin, 11 Kiel, 99 Bomber support.
8. Mediterranean. 20th/21st (night). Liberators 56 attacked railway bridge Verona-Parona railway (152 tons) obtaining direct hits 21st. Escorted heavy bombers 243 (missing fighters 1), dropped 566 tons railway targets North Italy and South Austria with good results while Lightnings 150 successfully attacked similar targets. Medium and Fighter Bombers and Fighters 753 (missing 6) attacked communications North Italy and South Austria also giving support to ground forces.

April 24, 1945
9:30 a.m.

GROUP

Present: Mr. D. W. Bell
Mr. Bartelt
Mr. Gamble
Mr. C. S. Bell
Mr. O Connell
Mr. Blough
Mr. Luxford
Mr. Pehle
Mr. Fussell
Mr. Bernstein
Mr. DuBois
Mr. Coe
Mrs. Klotz

H.M.JR: Good morning everybody.

Let me just tell you people something. I have learned something through this teletype business, and from now on I am not going to read the voluminous reports which you all have been sending me about China, Germany, and Belgium and this and that sort of thing. What happens is you fellows send me these damned reports about that high (indicating) and when I get through, so what! You take a thing like this revision of 1937 signed by the President on the 23rd of March, and then I begin to get excited about it Sunday and I call a meeting, and we will go somewhere, see?

Now, before I meet with these fellows at ten-thirty, I want to be brought up to date. Through stuff you have sent me I am pretty well up to date, but I will try to rush the important things through. But there is no sense in sending me all this voluminous stuff because I am not going to read it. It is a waste of paper and a waste of my time, and it doesn't accomplish anything, but then we get something like that or any one of these important things--if you have something on taxes, come and see me, and then have in writing what you want, and we will sit down and go over it.

MR. BLOUGH: My reports have been pretty brief.

H.M.JR: All right, but I am just telling you. I don't know what is going on in taxes, but if somebody wants something, it is up to me to see you fellows, and we will settle it on time, see, but please, no more reports. I have asked for them. Sol Adler gave me ten pages on China, but I don't want to see them anymore. I will be glad to see Sol, but I don't want his reports.

MR. LUXFORD: Joe says that is why he didn't send you that report on England. (Laughter)

MR. KLOTZ: Don't bring that up.

H.M.JR: That was one for my grandchildren. They were interested. After all, a child that can take orange juice out of a cup when she is four years old wants to know what I did in the summer of '44. So I just want you--this teletype thing is wonderful. I think I am going to install one right here, and when you write me things you will have to condense them.

Where is Luxford? I learned more about what he did--I never would have gotten a report from Luxford if I hadn't been down there. I never would have known what he did Saturday unless I read about it in Drew Pearson's column. (Laughter)

Anyway, I am going to try to be more helpful on the important things and not fritter my time away with all this spinach.

And the job Charles Bell did for the President--President Truman, those two pages--that was good for me and good for him. I have asked for an appointment to see him Thursday, and if there is anything you want me to tell him, let's have it. Let it clear through you.

Now, Gamble met me at the airport last night, and he started to tell me about pay roll deductions. I said, "President Truman doesn't know anything about pay roll deductions, so let's have a report. Where do we stand?"

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- 3 -

So, anyway, that is the way I feel this morning. I have turned over a new leaf, and I will get started in a minute with you, Coe. They are bringing the Navy in here at ten-thirty.

MR. COE: They have been in on all things.

H.M.JR.: Will Clayton--it is good. You see, they bring in this revision of 1087 for the Army. You want to know what is going on. The Navy will be here. Well, what I am proposing to do is to get somebody as my assistant to work exclusively for me and read all of this stuff, cut out some of it, analyze it, and bring it to my attention. That is an administrative responsibility.

Now, I sent a telegram on this business of the bankers, see, and I feel very, very strongly that we should make Mr. Burgess put down what he wants before we put down what we want.

MR. LUXFORD: I think that is contemplated, Mr. Secretary.

H.M.JR.: Not in your telegram.

MR. LUXFORD: I think so.

H.M.JR.: No, you put it in. You said that Wolcott asked us to submit ours, and Mr. Burgess would submit his.

MR. O'CONNELL: The last paragraph indicates we are waiting until Mr. Wolcott gets the document from Mr. Burgess and gives that to us, and in the meantime we'll be putting down changes.

MR. LUXFORD: We left it with the understanding that Wolcott would let us know when he had received the text of the bankers' changes, and in the meantime we will prepare a draft of the changes we are prepared to make on the basis of compromise. We feel that when we go over our changes we should confine our concessions--

H.M.JR.: But that is--

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- 4 -

MR. O'CONNELL: It might have been spelled out better.

H.M.JR.: On Saturday we talked--I didn't know that after you prepared them you wouldn't give them to him.

MR. O'CONNELL: You told us that in no uncertain terms Saturday.

H.M.JR.: Well, that sort of disturbed me, so I thought I would make it perfectly plain.

MR. LUXFORD: Well, you use the teletype.

H.M.JR.: It is wonderful. We are going to put one right in the office here.

MRS. KLOTZ: It is not a bad idea.

H.M.JR.: Well, does anybody want to demur about insisting that Burgess file his first and we will have a look at it?

MR. LUXFORD: No. Did you see Judge Vinson's memo?

H.M.JR.: Yes, as a result of which I have invited Bell, Luxford, O'Connell, Vinson, and Dean Acheson to have lunch with me Friday to discuss it. I am delighted that Vinson is taking an interest.

MR. LUXFORD: He is taking a real interest.

H.M.JR.: And I would say you wrote a very honest report, as usual, and I gathered you didn't satisfy Vinson.

MR. LUXFORD: That is right.

H.M.JR.: So we will go over it, but you two men--if it is agreeable with Bell, you make it perfectly clear to Wolcott that Mr. Burgess has to put the thing down first. That goes back to Vinson's original suggestion, making Burgess say what he wants.

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MR. LUXFORD: How about Eccles on that?

MR. BELL: Saynosak tried to get information yesterday, and I didn't feel free to talk to him.

H.M.JR: Shall I have Eccles for lunch Friday, too?

MR. LUXFORD: Somebody has to keep him informed.

H.M.JR: Tell them outside that Eccles is to be invited for lunch Friday, too. (To reporter)

Is there anybody else in town?

Now, I promised Mr. Coe he could brief me, but I will give you people--have you something you want to clear, Charles?

MR. C. S. BELL: Yes, I thought you ought to know that there have been half a dozen people selected to go to Germany. I have their names: Schmidt, Ferdinand, Hollander, Bremen, Hesse, Zimmerman, Reunick, and Norman Davis.

H.M.JR: Is this the investigating corps?

MR. C. S. BELL: No, this is the group--I think they telephoned when you were down town and authorized this as the first contingent.

H.M.JR: This is the investigating--

MR. D. W. BELL: The Schmidt group.

MR. C. S. BELL: All of these people are out of Foreign Funds. They are commercial specialists.

H.M.JR: Now that John Pehle is again a free man I want to put him and you on a little committee to pass on this group, see, and I understand Schmidt is to clear it. Is he?

MR. C. S. BELL: Yes.

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H.M.JR: So you and Joe look that thing over, and you don't have to refer it back to me again. Is that agreeable to you, John?

MR. Pehle: Entirely.

MR. C. S. BELL: Schmidt would like to designate Michael Hoffman Acting Director of Foreign Funds during his absence in Germany.

H.M.JR: How about that?

MR. Pehle: Very good.

H.M.JR: All right.

Now wait a minute. While you are on that, here is a letter from Dan Bell on the different people to head up the financial section. I would like to talk to you people about that.

MR. D. W. BELL: Chester Davis, isn't it?

H.M.JR: Yes, Chester Davis. Let's have a meeting at four-fifteen this afternoon, Mrs. Klotz.

Now, who is to go to Germany to head the finance section--German finance. Now, I want Dan Bell and Charles Bell and John Pehle, Coe, and you two fellows, Luxford and DuBois.

MR. LUXFORD: Four-thirty?

H.M.JR: Four-fifteen. You are not interested, are you?

MR. O'CONNELL: No.

H.M.JR: Who are you representing, E. M. Bernstein?

MR. BERNSTEIN: Mr. Fitzgerald asked me to represent White. I don't know why he did, though.

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H.M.JR: Good, fine. It is enough to have you here representing yourself.

MR. BERNSTEIN: Thank you.

H.M.JR: You are entirely welcome.

MR. PERLE: Is there a list on that proposal on finance?

H.M.JR: Yes, Mrs. Klotz can circulate it between now and four-fifteen.

MR. D. W. BELL: I will give you a copy.

MR. C. S. BELL: We would like to promote Norman Hess. He is with Mr. Coe. I don't know whether he has spoken to you about that.

MR. C. S. BELL: We would like to promote him to eight thousand. That is in line with other Assistant Directors in Monetary Research. He is an Assistant Director and is paid less.

H.M.JR: He goes to San Francisco; I get nothing out of it; and you promote him.

MR. LUXFORD: Mr. Secretary, he has been doing a brilliant job on Bretton Woods.

Dean Acheson called me while you were away to say that he had done a wonderful job with him on the West Coast.

H.M.JR: On the West Coast?

MR. LUXFORD: You see, he went out there with Acheson to sell Bretton Woods.

H.M.JR: Is he under you?

MR. COE: Yes.

H.M.JR: Has this policy of upgrading and getting more people got any new people?

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MR. COE: A couple, yes.

H.M.JR: Are they working?

MR. COE: Yes.

MR. C. S. BELL: I would like to expand Ted Wilson's authority on personnel matters. They are shooting up to us scores of fanfolds, and he can take that over now.

(Secretary signs letter to Mr. Ted Wilson, dated March 5, 1946.)

H.M.JR: That will take it off your shoulders.

MR. C. S. BELL: Yes.

Here is Mrs. Doyle's report after eighteen months. You might want to read that at some time.

H.M.JR: If it is important, I will read it. If it isn't important, I won't read it.

MR. C. S. BELL: Preston Delano did a swell job on the Red Cross contributions, and I will fix up a little letter if you want to sign it.

H.M.JR: O.K.

MR. C. S. BELL: Now we are on deferments.

H.M.JR: Don't give me any more bookbinders.

MR. C. S. BELL: This is the group; I have been saving them up.

H.M.JR: I will give you some time on that, three-fifteen tomorrow.

MR. C. S. BELL: Fine. That is all for me.

H.M.JR: Daniel?

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MR. D. W. BELL: I have nothing important.

H.M.JR: Wonderful.

Luxford?

MR. LUXFORD: Supplementary to what you said on Barry, a delegation of Americans United went to see him yesterday, and he told them without any qualifications he was going to support and vote for Bretton Woods and was going to make that public.

H.M.JR: Congressman Barry.

MR. O'CONNELL: B-a-r-r-y.

MR. LUXFORD: And he also indicated that the Committee by and large--all of them were going to vote for it.

H.M.JR: Well, whatever the deal Hannegan made, it is O.K.

MR. O'CONNELL: I haven't seen Munan; I have an appointment with him as soon as I get out of here. He wasn't in yesterday.

H.M.JR: Where was he yesterday?

MR. O'CONNELL: In New York. He came in late yesterday afternoon.

H.M.JR: Tell him that English week ends are out during the war.

MR. O'CONNELL: His son was ill; he had a particular reason.

H.M.JR: He had better still have a look into his week ends.

MR. LUXFORD: That is all I have.

H.M.JR: Joseph?

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MR. DUROIS: Glasser and I met for about eight hours yesterday, including up to about twelve o'clock last night on reparations, and--

H.M.JR: Whom did you meet with, just each other?

MR. DUROIS: There was a large group, and, incidentally, you may have gotten rid of Lovett, but you didn't get rid of his Colonel Busanell, who is doing most of the work, and is being very difficult. We finally did get a tentative agreement subject to reservations by War on a very good document. If this document could be pushed through before McCloy leaves, I think we can get it accepted. If we have to wait until McCloy leaves, there may be difficulty.

H.M.JR: Well, Will Clayton wanted to know what was on this morning, and I told him we would concentrate on 1967, and if we had any time left over we would go on to reparations, but I think I told you people that there was going to be a man selected to head reparations.

MR. DUROIS: Yes.

H.M.JR: Did I tell you?

MR. DUROIS: Yes.

The President saw Lubin yesterday, and he called me over and talked as though he were still going to head the group up, and the President told him Salter is going to head the British end and also gave him a few more points, but certainly--

H.M.JR: Didn't he tell him? Did you tell him?

MR. DUROIS: Of course I didn't tell him, but he didn't tell me either, and he certainly talked as though--of course, he may have told him, but he didn't tell me, and he certainly talked as though he was still heading the group up, was going to be the administrator.

H.M.JR: That part is through. He buttons his collar in the back. I know who the man is.

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Now, what I am going to try to do is see if I can get clearance tomorrow so we can get at him. I don't know where the hell this man stands, either. I am worried. Leave it to me for the next day or two.

MR. DuBOIS: This fellow Salter--I don't know him, but I gather from Frank and Harold he is a pretty bad choice, and it is apparently an attempt by the British to sabotage it.

H.M.JR: Well, he is an important fellow.

MR. DuBOIS: He has got a name, but I gather--

H.M.JR: He is smart.

MR. COE: He is getting very old.

H.M.JR: His wife is something. Oh, boy!

MR. COE: Maybe she will go.

H.M.JR: Well, I hope not. She is what is known as an original cave-dweller in Washington from the racial angle--very rich. She couldn't understand when I flew home why I couldn't take him and fly him to the Berkshires enroute. She is something.

Well, let's see. I think before today or tomorrow I hope to have my hands untied so I can contact this new man.

MR. DuBOIS: The only question on this other, Mr. Secretary, was Chambers told me McCloy was leaving tonight.

H.M.JR: Yes. Let's see how this meeting goes this morning. Who is coming, Frank, besides you and me?

MR. COE: It depends on what you told the other departments on how many there will be.

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H.M.JR: I didn't tell them anything. Crowley is bringing one man. Well, who was here on the original 1967, you and I?

MR. COE: And Glasser.

H.M.JR: Glasser? No, he didn't attend the meeting in this room.

MR. COE: Probably White.

H.M.JR: White. Are you coming, Dan?

MR. D. W. BELL: Yes, I am coming. I am an observer.

H.M.JR: Let's leave it to Frank. Can you handle it?

MR. COE: Yes, sir.

H.M.JR: Do you need any support?

MR. COE: Support would be good, but I don't think so. No, you should have a relatively small number.

H.M.JR: Do you need technical support?

MR. COE: No. I think we are all right.

H.M.JR: Let's see where we come. If we get into reparations, I will send for you, Joe. But I don't think you can drive it today, because I know that Clayton knows, and I don't think he is going to push it.

MR. DuBOIS: If you can't get that, Mr. Secretary, if you get McCloy to sign just one document--and that was that memo that I gave to Harry, and I think he showed it to you--just interpreting the first paragraph in this March 23 directive, it will get us over a lot of hurdles.

H.M.JR: Let's see how much time we have. This new man got a copy of the document on reparations. Clayton sent it to him. He said he thought it was pretty good, and I take it it was what you sent to me.

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MR. DuBOIS: Yes, that document has not been changed in substance.

H.M.JR: Clayton sent it to this man to read last night.

MR. DuBOIS: Right.

H.M.JR: I want to get clearance to go to work on this fellow.

MR. DuBOIS: It doesn't sound very good.

H.M.JR: What?

MR. DuBOIS: It doesn't sound very good.

H.M.JR: I don't know, I am just bewildered. He may be wonderful, or he may be terrible. He is important.

MR. COE: Despite any premonitions we may have had, Lubin has worked out very well on policy.

MR. DuBOIS: He is for it very hard.

H.M.JR: E. M.?

MR. BERNSTEIN: I don't have anything.

H.M.JR: What did Mr. White do yesterday?

MR. BERNSTEIN: I think he probably was still flying.

H.M.JR: What did E. M. do?

MR. BERNSTEIN: I just tore around the day waiting for it to end.

H.M.JR: Waiting for Dan? (Laughter)

MR. PELLE: Waiting for it to end.

H.M.JR: Is there anything you want to tell me?

MR. BERNSTEIN: No, sir.

MR. GAMBLE: Mr. Bell has a press release on the Roosevelt memorial.

H.M.JR: I will do that this afternoon.

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MR. GAMBLE: I won't be here this afternoon. I don't think you ought to send out any press release on a memorial bond.

H.M.JR: Aren't you going to be here?

MR. GAMBLE: What about Judge Campbell? Do you know him well enough to let him come in alone?

H.M.JR: Judge Campbell? He's an old pal of mine. He was District Attorney on the--

MR. GAMBLE: On I see.

H.M.JR: On Annenberg. He and I are old friends.

MR. LUFKORD: Did he write the gold decision?

H.M.JR: He and I are very good friends. He's swell.

MR. GAMBLE: He is here doing some work for us.

H.M.JR: I know him well enough.

MR. GAMBLE: It's okay for him to come in alone. I was flying to New York at five o'clock, but I think I ought to take an earlier train on account of the weather. On the Memorial Bond release, Mr. Secretary, we have had several hundred letters. We have answered them all. We have sent the policy to the State Committees.

H.M.JR: Listen, I appoint you and Dan as a Committee to settle it immediately after this.

MR. D.W. BELL: We are getting all kinds of letters.

H.M.JR: You and Dan settle it. What about this business of making a recording and all that? Who are you going to deputize on that thing? Do you want me to make a recording?

MR. GAMBLE: All I want to know is what day is convenient, Friday or Saturday? It will take an hour.

H.M.JR: An hour?

MR. GAMBLE: It will probably take a half or three-quarters of an hour. We'll do it here--bring the newsreels here.

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H.M.JR: Are you familiar with that?

MR. RUSSELL: Yes.

MR. GAMBLE: He has had all of that. The only part I am concerned about is the newsreel shot.

H.M.JR: It's a newsreel shot?

MR. GAMBLE: Yes. That's one of three pieces.

H.M.JR: Well, let's say nine o'clock Friday morning.

MR. GAMBLE: Friday morning at nine o'clock.

H.M.JR: Fussell, you pick up the pieces.

MR. GAMBLE: He has prepared a statement. He has been carrying the ball. We did some work on the statement, but he has carried the ball.

H.M.JR: When V-E Day comes it's all out in the field over the dead body of Owl. Ted is putting it out three weeks in advance, ahead of everybody else. He doesn't want it known, though.

MR. LUXFORD: Three weeks in advance of what, Mr. Secretary?

H.M.JR: Owl.

MR. LUXFORD: I see.

MR. GAMBLE: One minor thing. Woodruff is giving a birthday party today for Al Steele. I thought you would like to send a wire.

H.M.JR: Tell him I wish him luck in his candidacy for Walter George for my job.

MR. GAMBLE: We've got the right guy.

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H.M.JR: Joan and I don't know how many of you have seen the coca cola machine where you put in five cents and a cup of coca cola, ice cold comes out. There is one in the hospital and we play it all day long.

MRS. KLOTZ: It's not exclusive with coca cola--all soft drinks.

H.M.JR: It's awfully good. Are there many of those machines around?

MR. GAMBLE: Thousands.

H.M.JR: Are there any in Gamble's theaters?

MR. GAMBLE: Yes.

MR. C.S. BELL: We had one in the Treasury. I don't know if it is still here or not.

H.M.JR: Eddie?

MR. BARTELT: I have nothing, Mr. Secretary.

H.M.JR: All right. Frank, you will have your day in court as soon as these people get out.

MR. COE: There are two or three other things besides the German thing.

H.M.JR: Talk fast.

MR. COE: Patterson is expecting a call from you on the China business.

H.M.JR: Is he?

MR. COE: Evidently you told him you would be in touch with him.

H.M.JR: Is he ready to go to town?

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MR. COE: He will support us, but his general is on the other side in line with your new policy. I would like to talk to you about that separately. We have a proposition up--

H.M.JR: Can't you do it afterwards? These men will be out of here in four or five minutes. You will have twenty-five minutes. You can do a lot of talking in that time.

MR. COE: Yes.

Does that three forty-five date still stand that Ted is running out on? (Laughter)

H.M.JR: Yes.

MR. FUSSELL: Sometime before the Thursday press conference I would like a few minutes to talk over what we are going to say at the Thursday press conference on this black market income tax stuff.

H.M.JR: Have you got anything juicy?

MR. FUSSELL: Not juicy, but we have a plan of presentation that will provide enough interest for them to write about.

H.M.JR: Will fifteen minutes be enough?

MR. FUSSELL: Yes.

H.M.JR: Fifteen minutes before press.

MR. FUSSELL: Could Mr. O'Connell come in?

H.M.JR: Sure. Are you going to win the Chase case?

MR. O'CONNELL: I think so. It's a close case.

H.M.JR: How is the fellow trying it?

MR. O'CONNELL: He's doing all right.

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MR. O'CONNELL: Schachner.

H.M.JR: From SEC?

MR. O'CONNELL: This is Bruno Schachner. He has been with the D. A.'s office many years.

H.M.JR: Is he any good?

MR. LUXFORD: He tried all of our cases and has done a good job for us.

MR. O'CONNELL: Cahill, who of course is on the other side, is trying to do a good job, and is doing a very effective job. They are not discussing the merits of the case particularly. They are telling all the good work the Chase Bank has done in helping to win the war and selling bonds. He hasn't talked much about whether they did violate regulations or not. There is one weak spot in our case--we knew it was there--and that is one of our key witnesses is a Chase Bank employee who admittedly was cognizant of the fact they were violating controls and he testified he informed his superiors of the fact. He testified both ways in the trial.

H.M.JR: Is he the fellow that was in Spain?

MR. O'CONNELL: You are thinking of Barr. This is a subordinate employee, a lower down fellow, and he testified under direct examination and under pressure that he had known of the fact that they were violating the controls, and he told his superiors, and in cross examination, I am informed, he took it all back again when Cahill went to work on him. As far as the jury is concerned, we'll get to the jury, I think, and from their point of view the question of creditability and having a good man on our side, I think, very readily pointed out the pressures that would impell him to equivocate a little bit since he still works for the Chase Bank, and it's pretty difficult for him to not sort of jump from limb to limb, so to speak. He testified before the Grand Jury that he had informed

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his superiors, and that was the basis on which he was forced under direct examination to adhere to that story and on cross-examination he reversed. He is a pretty poor witness.

H.M.JR: Isn't the testimony given before a Grand Jury made available to the trial?

MR. O'CONNELL: The testimony before the Grand Jury was made available to us, and it was based on that that we were able to, in a direct examination, force him to say what he said before the Grand Jury, but on cross-examination by Cahill he weakened quite a bit.

H.M.JR: The whole case doesn't hang on that, does it?

MR. O'CONNELL: No, but one of the important witnesses as far as notice to responsible officials of Chase is concerned--it is quite important. He won't be through until--I think our case will be in today or tomorrow, but it will be probably a week from today, or more, before the case is all in. The Judge is doing a good job. Rifkind, a young fellow who used to be Wagner's Secretary, I am told, is doing very well.

H.M.JR: Oh, yes, he's the fellow that is so interested in housing. Wasn't he with Nathan Straus for a while?

MR. O'CONNELL: He was with Wagner at the time the housing legislation came up.

MR. D.B. BELL: Keyserling is the Housing boy.

H.M.JR: I know Rifkind.

MR. O'CONNELL: Rifkind succeeded Keyserling as Wagner's secretary.

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H.M.JR: I skipped you. All right.

MR. PERLE: I have nothing.

H.M.JR: I sent you and Charlie a little memo. Have you got it already? It would be nice if I got out a statement to the employees.

MR. PERLE: Did you like the statement we wrote?

H.M.JR: I like the one Wallace got out.

MR. PERLE: We wrote it for him.

H.M.JR: Why not one for the old man? The fellow-- I am pushing him out. I ought to go ahead of Wallace.

MR. PERLE: I think a statement would be good. There is one disturbing element.

H.M.JR: Like Joan said, "In all these discussions who comes first?" I said, "Morgenthau."

MR. PERLE: Some of the old Treasury employees who we thought would certainly want to stay in the Treasury have shown a great desire to get out.

H.M.JR: Get out of Procurement and do what?

MR. PERLE: In other words, where there were people in the border-line area that were any good, even though they had as much as ten years in the Treasury, they wanted to go.

H.M.JR: Maybe it's too much.

MR. PERLE: Too much?

H.M.JR: Maybe ten years in the Treasury is too much.

MRS. KLOTZ: Ten years of Procurement.

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MR. D.W. BELL: Too much Procurement.

H.M.JR: Everything else is all right. What did you do about Miss Modell?

MR. PERLE: She's taking the plane and so is O'Dwyer.

H.M.JR: Two weeks to make a two-day speech.

MR. PERLE: Yes, I know. I think the real difficulty, Mr. Secretary, was that they were going to write the speech on the train. Of course, I know that's not an approved practice, but--

H.M.JR: Anyway, you settled about the plane. You're my boy. All right.

MR. BLOUGH: Well, we spent yesterday in conversation with Stam all day on various tax matters. We have a report now prepared for the Joint Committee. The issue isn't in print yet, and we expect the Joint Committee will go over it about the end of this week. My guess is that they will take it almost as is, although they might make minor changes. They will probably release it. I don't know why, but I would think they will probably release it either Saturday of this week or early next week, probably the latter.

I think at that time you should follow immediately, the same day, practically the same hour, with a press statement indicating your approval and the part the Treasury has had in this so as to ride right along on the same publicity. Mr. Fussell and I have been talking about it, and if you approve, we will work up something.

H.M.JR: I approve.

MR. BLOUGH: There is something to be issued. You may have seen from my short memo that I am making a good many little off-the-record talks and interviews and I am spending tomorrow and Thursday in New York. I am seeing the editorial people tomorrow and will be having off-the-record conferences with business people Thursday.

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I am hoping we may get a good deal of support for this very limited program which the Joint Committee is proposing. In other words, the Joint Committee would propose something a good deal less than a lot of folks would like, and we are hoping to get good support from the outside for the limited program. Things, so far, are quite satisfactory.

H.M.JR: Fine.

Fussell, in talking with Gamble last night, in the future when things of importance happen, take this sort of thing--he has forty-eight chairmen and every one of them have Public Relations men. When something important happens I want a bulletin to go out to Gamble's people on behind the scenes news in the Treasury, so these fellows know how to evaluate it, see?

MR. FUSSELL: You mean tax matters?

H.M.JR: Anything real important. Gamble should designate somebody over there so they go out. These fellows in the field are interested in everything the Treasury does. Everything the Treasury does affects bond sales, good or bad, and these fellows that are out in the field, the Chairmen and their Public Relations men--take this question of the off-the-record press conference I had about whether I would stay or resign. A thing like that should have come to his State Chairmen, see? Also, why we got rid of Surplus Property should go to his people. That's the best contact we have. Now, that thing may be enlarged into a sort of Treasury bulletin. It might go to sixty-five Collectors of Internal Revenue--Presidential appointees. I think every Presidential appointee in the Treasury ought to get a bulletin like that, not every week, only when something happens which needs interpretation. I think it would be very useful. These Collectors are out in the field and they don't know. They are all interested.

Hannegan said three bankers came to him, and each one said, "Is Korventhau going to resign?" Hannegan said, "Why are you interested?" They said, "I want to know if he does, because the bond market is going to hell."

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I think what we need is just a typewritten page when something happens here that is of importance so that these people in the field know that they have become a part of the Treasury family, see? Do you approve, Fussell?

MR. FUSSELL: A house organ for the higher-ups in the field.

H.M.JR: That's right.

MR. FUSSELL: You may find that we may be criticized for using the War Finance organization for--

H.M.JR: Let Gamble worry about that. Do you want it, Ted?

MR. GAMBLE: Yes, I know how we can handle that.

MR. LUMFORD: That includes Customs.

H.M.JR: Every responsible Treasury man in the field, and all Presidential appointees, see? But get these fellows we have never used, and it spreads the word.

MR. LUMFORD: Just their circle of acquaintances-- cover the country.

H.M.JR: Throw a pebble in the pool and look at the circle of ripples that go out. There's a good idea, straight from Daytona.

MR. FUSSELL: I think it's a good idea, Mr. Secretary, in connection with what--

H.M.JR: I don't want it every week, just when something important comes up. You take this thing he's going to do. Everybody in the United States, every businessman wants to know how this tax thing is going to go. Let's get this thing out. Get your mailing list ready, and I think a preliminary letter ought to go out over my signature explaining what this is.

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MR. GAMBLE: It ought to go before it's announced, too.

H.M.JR: A letter ought to go out in the future, from time to time, when something happens. We are going to take you behind the scenes in the Treasury and give you a little talk for background purposes, and explain what background is.

MR. FUSSELL: Mr. Secretary, in connection with what Roy just said, if that tax release comes out at a convenient time during the day, during the week, do you think a background press conference would be a desirable thing following the release?

H.M.JR: Yes, you work it out; make a recommendation. Roy, I'll be the front and Roy will do the talking.

MR. BLOUGH: Good.

H.M.JR: Now, I cleared you and cleared you. How about you?

MR. O'CONNELL: I have nothing.

H.M.JR: All right.

(Discussion continued off the record)

Carbon copy sent to
Col. McCarthy by Mr. Coe
5/7

April 24, 1945
10:30 a.m.

1067 - REVISED

Present: Mr. D. W. Bell
Mr. Crowley
Mr. McCloy
Gen. Hilldring
Mr. Clayton
Mr. Glasser
Mr. Coe
Mr. Fowler
Mr. Downey
Major Gross
Mr. Despres
Mr. Riddleberger
Lt. Bancroft

H.M.JR: Let's start.

MR. CLAYTON: Shall we go ahead?

H.M.JR: If you please.

MR. CLAYTON: Mr. Secretary, the working committee has produced two or three documents. They have one on the military and political directive on which I think almost complete agreement has been had. There may be one or two little matters.

MR. DESPRES: That's right.

MR. CLAYTON: And there is one on financing which I don't believe you have fully agreed upon.

MR. DESPRES: No, we haven't the last one.

MR. CLAYTON: And there is one on economics which I think we are pretty nearly in agreement on; there are only two or three minor matters.

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I would suggest to you, if it meets your approval, that we take the political and military documents first.

(Mr. D. W. Bell enters the conference.)

MR. CLAYTON: And that I read it through first and then take it paragraph by paragraph, and comments can be made on the suggestions as we go through it.

(Lt. Bancroft enters the conference.)

MR. CLAYTON: I think we may get a better idea of the complete story if I read it all first and then we take it paragraph by paragraph, so that any comments or suggestions probably won't be accepted until we go over it from beginning to end.

H.M.JR: You read through the whole thing without any comments.

MR. CLAYTON: If it meets with your approval--

H.M.JR: We'll give you the same courtesy they give you on the Hill.

MR. CLAYTON: I don't know whether that is too good.

H.M.JR: We will do it better.

(Mr. Clayton reads "Directive to Commander-in-Chief of U. S. Forces of Occupation Regarding the Military Government of Germany," draft No. 1.)

MR. CLAYTON: (Rereading draft) "This directive rescinds JCS 1067 and is issued to you as Commanding General of the United States forces of occupation in Germany. As such you will serve as United States member of the Control Council and will also be responsible for the administration of military government in the zone or zones assigned to the United States for purposes of occupation and administration. It outlines the basic policies which will guide you in those two capacities after the termination of the combined command of the Supreme Commander, Allied Expeditionary Force.

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Supplemental directives will be issued to you by the Joint Chiefs of Staff as may be required."

MR. CROWLEY: I wonder this, if they couldn't--all the men here know, Will, where there is a difference of opinion. That is only the general directive, and if we could get down into the meat of the thing where there is some difference of viewpoint, I think we would save time, if that is agreeable.

MR. COE: I think that would save time all right.

MR. CLAYTON: It would save a lot of time, and it would get to the points where there has been--

H.M.JR: Could I just ask you this? At this stage I think it is an excellent suggestion. It isn't quite clear to me. As you people know, I have had to be away. "Directive to Commander-in-Chief of U. S. Forces of Occupation Regarding the Military Government of Germany." Do I take it that this is a directive to General Eisenhower?

GEN. HILLDRING: That is right, sir.

H.M.JR: And that he will be Commander-in-Chief of the forces of occupation? Is that right?

GEN. HILLDRING: Yes, sir.

H.M.JR: What I don't understand is this: We go ahead with this. Let's say we will come to an agreement, and then what do we do about the other three commanders?

GEN. HILLDRING: He is going to try to sell these to the other three to the greatest extent he can.

H.M.JR: And that is General Eisenhower's responsibility?

GEN. HILLDRING: Eisenhower is two people. He is our representative in the Control Council in Berlin, and he is in command of the U. S. zone. This is the U. S. policy both with respect to zone and with respect to what we want

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to accomplish in the whole of Germany, so while he is going to apply it in his zone prior to the agreement in the Control Council, he is going to try also to sell this policy to his three associates in the Control Council.

H.M.JR: But it isn't up to the State Department, or Winant, or the European Advisory Council. It is up to Eisenhower to take it up with his three men.

GEN. HILLDRING: At the moment it is the business of Mr. Winant to sell these policies if we can get them over there in time in the EAC to his associates on a diplomatic level. However, once the Control Council is set up, it is my view that you can't have this done in two places, and starting at that moment Mr. Winant or the EAC is going to step aside, and thereafter this selling job is going to be done by Eisenhower in the Control Council.

H.M.JR: Well, now, let's take a little time on that and see if there is general agreement, because I think that is terribly important, I mean, where the thing goes from here as to what happens to the European Advisory Council. What is that?

MR. CLAYTON: The General stated it as we understand it.

H.M.JR: May I be a little frank amongst ourselves? Well, I can guess. I am not asking for confirmation or denial. It will be a matter of several weeks, I take it, before this Council will be set up, I mean, in Berlin. And doesn't it kind of cross the thing up--I am using a polite word--to send it first to Winant, who will mess around with the European Advisory Council and may do a good job? On the other hand, he may not be successful, and it goes to General Eisenhower and the water has been muddied. If Eisenhower is going to carry the ball, why muddy the water with the European Advisory Council and only have two or three weeks to fuss with this thing?

MR. RIDDLEBERGER: I would like to raise the point that we haven't told Ambassador Winant yet that we will necessarily introduce this directive into the EAC for negotiations. We have reserved the right to do it if we consider it desirable, but we don't have to do it.

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H.M.JR: I would just like to raise the point that wouldn't it muddy the water? If General Eisenhower were told this or that was agreed upon or rejected by the European Advisory Council, wouldn't it make it more difficult for him to act, rather than if he got the thing fresh and clean and he could go to town on it?

MR. RIDDLEBERGER: Under our present arrangements the point of contact with the Soviet Government on questions affecting Germany is the European Advisory Commission pending the establishment of the Control Council. We have been urging upon the Russian Government the high desirability of establishing as quickly as possible the Control Council for Germany and have requested the Russian Government on no less than three occasions to speed sending their personnel to London for the nucleus groups, but so far they haven't sent them. Consequently our negotiating basis is London for the moment.

H.M.JR: I am not satisfied, if you don't mind.

MR. RIDDLEBERGER: Yes, I am merely explaining what the situation is, that is all.

H.M.JR: I need the explanation, but if you don't mind my taking a little time, I think it is terribly important. I have seen a little bit of what they have been able and not been able to do, and if it is a matter of weeks, I would like to raise the point in consideration whether it might not be wise to give this document to General Eisenhower so he could be studying it, because he is going to have to deal with the Russians, anyway. He isn't going to deal with the diplomats, but he will deal with the Russian Generals. And if he could start fresh, without the thing being a little messed up in London--I wonder if his hand wouldn't be turned.

MR. CLAYTON: Mr. Secretary, I think there is this point that we have had to consider in connection with that, and that is that if General Eisenhower takes this up with the Soviet, British, and French Generals, it will come to them entirely fresh and new, and I am sure that it will be a matter they would have to take up then with their Governments, you see, because this is something that General Eisenhower's Government has formulated for him, you see?

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Now, if the first introduction of the matter is by him with the generals representing the other Governments, why, I would feel sure they would have to then take it up with their Governments. So wouldn't it be better for us to start right off and present it to them?

H.M.JR: Do you mind if I argue a little with you?

MR. CLAYTON: No, sir.

H.M.JR: I told this European Advisory Council--and I don't think the history has been a very glorious one--but I think that there is a good reason for it from Ambassador Winant's standpoint--he has really never had a directive, so I think there is a good reason why he hasn't been able to function, because from the top down he has never been told what the policy is.

Now, supposing he gets this thing at the end of the week. Suppose we get it to him by the end of the week and he begins to work. He isn't going to get anywhere for months. I would think he ought to get it in any case for his own guidance at once. General, wouldn't you think so, regardless of what we might do about the European Advisory Committee?

GEN. HILLDRING: This is a little along the line I have been thinking. I would agree with Secretary Morgenthau wholeheartedly. If the day after Eisenhower got this document he were ready to begin negotiating with the other generals, or if he were going to be in a position to begin such negotiations within a short period of time--I don't know, Mr. Secretary, how long it is going to be before the Russians say, "OK, we will let the Control Council begin functioning." I think if we knew that we would be in a better position to answer your question.

H.M.JR: I am willing to pass it if I can raise it again when Mr. McCloy comes. How will that be?

GEN. HILLDRING: Fine.

MR. CLAYTON: All right, sir, fine. I think it is a good idea.

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H.M.JR: I still would like to raise it when Mr. McCloy comes. Do you want to say anything, Mr. Crowley?

MR. CROWLEY: Just this: There would be no harm in Eisenhower using this immediately for the area we are going to occupy.

MR. CLAYTON: That is what I thought.

MR. CROWLEY: If we don't use it for the area he is going to occupy, there may be a long delay before you get an agreement from the Russians.

H.M.JR: I am wholly in accord with you, but if this is thrown in the European Advisory Council, it is going to make it much more difficult for Eisenhower to function.

MR. CROWLEY: I wasn't disagreeing with that. What I meant was while you are waiting to get an agreement with the Russians Eisenhower should use it in the area.

H.M.JR: At once?

MR. CROWLEY: At once.

H.M.JR: Absolutely.

GEN. HILLDRING: At once--we would send it to him at once no matter whether he was negotiating or not.

H.M.JR: You know what I have in my mind, and I should think you would be in agreement with me.

GEN. HILLDRING: Mr. Secretary, I am sorry I can't say anything about the EAC, except this is the thing that haunts Eisenhower, and as his local agent, I am supposed to bespeak his worries. What disturbs him more than anything else is the fact that he is about to enter into a participation in the Government in the whole of Germany without any agreed plan.

(Mr. McCloy enters the conference.)

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H.M.JR: We are on a subject that needs your assistance. May I state it? Is it all right?

MR. CLAYTON: Yes, sir.

H.M.JR: Mr. Clayton just read this document, which I think by and large is an excellent one, and I congratulate the people who prepared it. In the first paragraph I raised this thing, and General Hilldring said he needs a little help, that if this document, when we agree on it this week, is sent to the European Advisory Commission and they fuss around with this thing and muddy the water so that when General Eisenhower gets instructions--and we are agreed on this--I raised the point whether the European Advisory Commission shouldn't be by-passed and it should go to General Eisenhower for his responsibility to take it up with his opposite numbers, the three generals representing the three countries with which they do business so that it is only a matter of weeks and they won't get anywhere. They will just fuss around over there in London, the European Advisory Commission, and make it more difficult for him to function. That is the way. Isn't that about the point?

MR. CLAYTON: Yes.

MR. McCLOY: Well, as a practical matter, if we handle this the same way as 1967, this will go out as the American instructions to General Eisenhower, who will put it into effect in the Control Commission actively. I don't mean the Control Commission, I mean the Advisory Commission, EAC. So I don't see why we couldn't follow the same practice that we followed with 1967. We know from experience that for one reason or another the EAC hasn't been able to function expeditiously on these things. I don't believe they are ever going to get around to this document before we move to the Control Council level, anyway, but rather than by-pass them and perhaps cause repercussions by doing so, I would think we would avoid any difficulty by simply following the same procedure we followed with 1967.

MR. CLAYTON: Which would be to send this direct to General Eisenhower at once for his guidance in his zone and also send it to the EAC for consideration by the representatives

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of the four powers gathered there to see if they could adopt it for the guidance of the--

MR. McCLOY: That is exactly what Eisenhower intended to do with 1067, and that is what he is going to do until he gets a new 1067.

H.M.JR: I am not satisfied yet as to what the machinery is the State Department has in mind to terminate EAC.

MR. RIDDLEBERGER: We have no machinery in mind yet, Mr. Secretary. I don't know exactly when we can terminate it. Under the Moscow protocol there are surrender terms and their implementation. However, governments can refer to it any other questions they so desire. To date, they haven't done it. But if the British, for example, were to come in with a proposal that EAC take up this and that question, technically, they can do it under the Moscow protocol.

H.M.JR: Mr. McCloy, would you be worried if this goes to Eisenhower and EAC that it would make it more difficult for Eisenhower?

MR. McCLOY: No, I don't think they are going to get around to it.

MR. RIDDLEBERGER: They will never get to it, I don't think.

MR. McCLOY: I wouldn't worry about it, and I wouldn't take the other alternative of deliberately by-passing them, because they would be provoked.

H.M.JR: You are not bothered?

MR. McCLOY: General, do you agree?

GEN. HILLDRING: I agree. That is what I was trying to say when you came in.

H.M.JR: God, I do work hard for the Army, but I don't get anywhere.

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MR. McCLOY: We will get in more trouble by by-passing them.

H.M.JR: All right, you are the doctor.

MR. CLAYTON: We read the document through, as we said.

MR. McCLOY: You read all this while I have been coming here?

MR. CLAYTON: The political and military--

MR. McCLOY: Yes.

MR. CLAYTON: And that includes paragraph fifteen. It was read that way so we could save time and could go immediately to those points where there was any difference and just discuss those points. Now, the first one is with reference to paragraph eight of this document, which is the criminal one.

The Treasury proposes the following change. They would delete from the last sub-paragraph of paragraph eight the sentence which reads, "If you deem it desirable, you may postpone the arrest of those cases you have reported." So it will be understood, I will read the whole paragraph. "If in the light of conditions which you encounter in Germany you believe that certain persons within these categories should not be subjected immediately to this treatment, you should report your reasons and recommendations to the Joint Chiefs of Staff."

Now, the Treasury proposes that the next sentence be deleted, "If you deem it desirable, you may postpone the arrest of those whose cases you have reported."

GEN. HILLDRING: May I speak on that point? I think that that is the War Department's suggestion, that sentence, and I want to say first that the War Department doesn't object at all to the philosophy enunciated above in the paragraph, and I am sure that no soldier will object to gathering these fellows up and throwing them in the hoosegow

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as rapidly as they can get their hands on them. I want to call your attention to the fact that some day--we are already getting a larger number of prisoners of war--as many, perhaps, as we can handle as prisoners of war. Certainly there will come a time when with five or six million soldiers of various kinds in uniform we will arrive at a point where it will be impossible with the means at hand to treat them as prisoners of war. There will be too many. It will take the whole army of occupation to keep these troops packed together. It is inescapable that before now and the hour of total defeat Eisenhower will have to hold together with his own organization some of the military units.

(Mr. Bell leaves the conference.)

GEN. HILLDRING: If he doesn't, he is going to precipitate a problem for himself which both administratively and otherwise will be highly objectionable. I think we will all agree that we don't want the German Army to demobilize itself. We want to demobilize it in accordance with our purposes, and at the same time as decided by us.

Now, if we tell Eisenhower to lock up all of the SS officers which they have of all SS divisions as soon as he gets hold of one of those SS divisions, he has under the terms of this document got to immediately arrest all the officers in the division, so he has remaining ten thousand enlisted men that he has no way of controlling. And we say the SS officers should be arrested, you see.

But we think in that instance if we say to Eisenhower rather than turn these SS enlisted men loose on the world around Germany at will, it is better to leave that division in charge of some of its officers until he has time to put them under the control of other people. And it is almost entirely in the field of demobilization of the German Army that we have put this reservation in. Otherwise, we are making it impossible for Eisenhower to demobilize the German Army as we want it demobilized. I want to call your attention to the fact that the future underground of Germany is today manned--constituted in the armed forces of Germany.

(Mr. Bell enters the conference.)

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GEN. HILLDRING: Turning the underground loose in Germany is a delicate issue we have not yet faced. We have to hold this German Army together, and we can't do it by treating the German Army as we do, the few hundred thousand prisoners of war that we have gathered together in this country. We can't treat eight or ten million Germans as prisoners of war. We have to use the organization, the German Army to do it.

Now, there is one point that is going to be--

H.M.JR: That doesn't say that there.

GEN. HILLDRING: What does it say, Mr. Secretary?

H.M.JR: Well, I mean there are a lot of words here that would be an out for anybody to let out the whole business.

GEN. HILLDRING: Well, sir, I--

H.M.JR: If you are talking about demobilization, what you have said is quite different than what this paragraph says here; there are a lot of weasel words. They could do anything.

GEN. HILLDRING: They can't do anything without immediately notifying us, Mr. Secretary.

MR. McCLOY: And you have got to be perfectly realistic about this thing. There is an enormous category of people here estimated from two to three million that you have got to arrest. You will have displaced persons coming out by the tens of thousands. There are problems in Europe that nobody has any conception of until you are there, and the idea of imposing on General Eisenhower the rigid restrictions that he has got to take care of three million more people no matter what his problems are is just improper from the standpoint of administration. You have given him the tone, the type of people he must arrest. He isn't going to let the whole kit and kaboodle out. He sees the problem.

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He has got to have what he needs to give him the necessary flexibility to administer properly the most difficult problem anybody has been faced with since Calvary.

MR. CLAYTON: There is a lot to be said for that, Mr. Secretary. You take, for example, you not only ask him to arrest all officials, Army, Government, and everybody who has Nazi leanings, but you say Nazis and Nazi sympathizers holding information and key positions in their commerce, agriculture, and finance. And with all these other organizations you are going to get there an enormous army that is going to have to be arrested and put under lock and key or taken care of, supervised in some way. It is going to be a terrific job, I think.

H.M.JR: Look, couldn't this paragraph be rewritten along the lines General Hildring says in connection with the demobilization of the Army?

MR. McCLOY: No, that is only one part of it.

H.M.JR: This thing is an out to give an officer in charge of a village not to arrest anybody.

MR. COE: As a matter of fact, the Army doesn't seem to be included under this paragraph.

GEN. HILLDRING: You have got all general staff corps officers, one hundred thousand officers.

MR. GLASSER: The first sentence in B says--

MR. McCLOY: Every one of them is to be arrested and they are the ones--

GEN. HILLDRING: You take every officer in the SS.

MR. RIDDLERBERGER: And non-commissioned officer.

GEN. HILLDRING: And non-commissioned officer.

MR. COE: Isn't the arrest and incarceration and removal from positions of influence of the SS a pretty major and important problem there?

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GEN. HILLDRING: Absolutely. The only thing is, they are going to arrest them.

MR. McCLOY: We don't say we are not going to arrest them, but give the fellow with responsibility some freedom to act as against putting in jail willy nilly two or three hundred people. In administering a country you just can't do it. You wouldn't do it in this country.

MR. CLAYTON: This says on that that if in the light of conditions which you encounter in Germany you believe that certain persons within these categories should not be subjected immediately, you see, to this treatment, you should report, and so forth.

GEN. HILLDRING: It is only the timing we are talking about.

MR. COE: Do you have anything in mind besides soldiers?

MR. McCLOY: Yes, yes. I went into the city of Frankfurt the other day, and the fellow in charge of the water system, the only fellow left, was a Nazi, and they didn't know how the pipes led into the city in order to get at them to repair the place. They got hold of him and used him, and some correspondent came along. They didn't use him as an official that issued any orders, but just collared him and said, "Now, look, I want you to sit in this chair, and I want you to run this water business until we get it settled." Some correspondent came along and said, "He is a Nazi," and there is a news account of the thing. And a week later the fellow--after he got the thing located, he cleared out and they sent him about his business, but that fellow did absolutely right. There were people dying for want of water in Frankfurt, displaced persons, our friends and our own prisoners as well as the Germans.

Of course, you have got to be practical about that. And at the end of a week or ten days he put in a fellow that didn't know anything about the water system, but they had the plan and could really operate on that, but he couldn't have arrested the Nazi immediately.

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H.M.JR: Are you through? Would you gentlemen take this paragraph and say, "Report your recommendations or reasons to the Supreme Commander, whatever it is?" I have in mind Eisenhower and the Joint Chiefs of Staff in this country. Isn't that right?

MR. McCLOY: That is right.

H.M.JR: "Report your reason or recommendation to General Eisenhower," period, and then leave out the next sentence.

MR. COE: You couldn't do that, because this is to him. This is a directive to Eisenhower. It may be to the Control Council.

MR. CLAYTON: You see, Mr. Secretary, this is a directive to General Eisenhower.

GEN. HILLDRING: From the JCS to Eisenhower.

MR. McCLOY: And he determines whether these fellows are to be arrested or not. If he says they shouldn't be arrested after considering conditions in the field brought to him, he is a man of political acumen, character, and integrity, and he will carry out policy. But if he in his judgment feels he can't do his job properly if he arrests all these people willy nilly, he points it out to the Joint Chiefs of Staff, and you give him the discretion to suspend the arrest until he gets further word from here, and that seems, with the job such as you are giving General Eisenhower, that if you don't give him that discretion, it is almost fantastic. I talked to General Eisenhower about this. This came from General Eisenhower, that telegram that I sent.

GEN. HILLDRING: Yes.

MR. CLAYTON: I think that if you take in industry, commerce, and finance, I think from what a good many of us know about Germany, that if you would go on the basis of going in there and immediately arresting and incarcerating every Nazi or Nazi sympathizer holding an important or key

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position in industry, commerce, and finance in Germany before you had somebody else to put in his place, I think the wheels would all stop. I don't think you would be able to do anything.

MR. McCLOY: You have got to give Eisenhower also the discretion before he determines that he can arrest three million people when he has got twelve million people.

H.M.JR: All the things you are saying--I don't think it is worded well.

MR. McCLOY: What is wrong?

MR. CROWLEY: I think what the Secretary of the Treasury has in mind is that you may be able to get around this by having this top committee review this thing after they get a chance to get in there. If Eisenhower goes in and carries out in general principle what this thing outlines, there is going to be no complaint. But if someone under Eisenhower starts to eliminate this fellow and that fellow and plays favoritisms, that is what I see you object to. You have to have complete confidence in the fellow that is going to run this job, because the authority is so vast, as I see it, that unless he is the type of person that is going to carry out and is in sympathy with your directives generally, you are in bad shape. And I think from our standpoint that we have got to be sure that the man is Eisenhower that takes care of our area, that we do a good job in our own area, because you never can get along with your fellow associates if we don't do a good job ourselves, and I would--if you can rework that language--but I would be satisfied if on that particular thing we reserve the right to review with the Chiefs of Staff if it is not being carried out, in other words, that we might know something about what his policy is on relieving these people, on deferring, or delaying their arrest as to how he is doing it and what type of person he is, and things like that after he has had a chance to operate.

GEN. HILLDRING: In that connection, the report from SHAEF that came in this week--the leading paragraph is a paragraph from SHAEF which says, "The wisdom of the policy

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of immediate and complete denazification of Germany has been demonstrated on the ground; it is a wise provision, and we are pursuing it with all vigor." They weren't sure of this policy over there when we first gave it to them. They weren't sure it was administratively possible, but they have come now to support it as avidly as we did in our directive to Eisenhower in 551. I don't think we will have any difficulty with sincere and honest execution of this policy.

H.M.JR: Could something like this, carrying out what Mr. Crowley said, possibly--I take it that this is a sort of standing committee. I am not sure we can get it legitimized by the President, but how would this be to frame this thing? Here we are, doing the best we can, State, Treasury, War, FEA, and Navy, and if General Eisenhower should find that he needs to postpone carrying this out, he would refer this to the Joint Chiefs of Staff and the civilian committee for prompt advice the Joint Chiefs of Staff that consult with us on that.

GEN. HILLDRING: Mr. Secretary, when we say the Joint Chiefs of Staff in this document, we are giving him the exigency of our Federal Government for whom he immediately works. When this question comes to the Joint Chiefs of Staff, they will immediately turn it over to the Inter-departmental Committee. They won't arrive at any--

MR. CROWLEY: That is what you want.

GEN. HILLDRING: They won't arrive at any decision on this thing.

MR. McCLOY: That couldn't be in this directive.

H.M.JR: Couldn't there be a note going to the Joint Chiefs of Staff saying, "In case this thing takes place, refer it to us immediately?"

MR. CROWLEY: I think you can go further than that. I think in your note, Jack, you can say--

H.M.JR: That would satisfy me.

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MR. McCLOY: Say that this may be subject to change from time to time, and especially this discretion here in dealing with war criminals, and that just a note back and forth would take care of that.

H.M.JR: If there was a note of communication from this committee--

MR. McCLOY: ...to the Joint Chiefs of Staff--

H.M.JR: ...saying this committee would like to be consulted, that would be agreeable to me.

MR. CLAYTON: Would this language do it? This is just a suggested change in the drafting, "If in the light of conditions which you encounter in Germany you believe that it is not immediately feasible to subject certain persons within these categories to this treatment, you should report your reasons and recommendations to your Government through the Joint Chiefs of Staff."

H.M.JR: That is an improvement.

MR. CLAYTON: "If you believe it desirable, you may postpone the arrest of those whose cases you have reported."

H.M.JR: "Pending hearing from them." Does that clear it up.

MR. McCLOY: What I am anxious to do, and what Eisenhower wants, is to have the right to hold up these arrests pending further determination from the Joint Chiefs of Staff.

H.M.JR: This doesn't say that.

MR. COE: Couldn't we say that at the end of this sentence, "Pending determination from the Joint Chiefs of Staff?"

GEN. HILLDRING: That is the intention of the language.

H.M.JR: Then let's say it.

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MR. CLAYTON: All right, put it right at the end, "Pending determination by the Joint Chiefs of Staff--"

MR. DESPRES: "...by your Government."

MR. McCLOY: "Pending a decision communicated to you from the Joint Chiefs of Staff."

MR. CLAYTON: "Pending a--"

MR. BELL: Does that preclude him from taking any action if he subsequently says they should be arrested?

MR. McCLOY: Then he would no longer think it was desirable. The basis is wiped out.

H.M.JR: How does it read now?

MR. CLAYTON: "If in the light of conditions which you encounter in Germany you believe that it is not immediately feasible to subject certain persons within these categories to this treatment, you should report your reasons and recommendations to your Government through the Joint Chiefs of Staff. If you believe it desirable, you may postpone the arrest of those whose cases you have reported, pending a decision communicated to you by the Joint Chiefs of Staff."

MR. COE: I think we ought to emphasize that it is to be through the JCS.

H.M.JR: What?

MR. McCLOY: That doesn't make a bit of difference.

GEN. HILLDRING: No, because you can't get the Joint Chiefs of Staff to make any political decision; they just don't do it.

MR. McCLOY: That isn't anything that should be in this paper artistically at least. It should be in a different one.

H.M.JR: Navy? In this crowd you have got to talk up if you want to be heard.

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MR. DOWNEY: I think we feel that conclusion is satisfactory, Mr. Secretary.

H.M.JR: It is a tough crowd here. I have never worked with you fellows, but unless you talk louder, you will be overlooked.

MR. McCLOY: Louder and oftener.

H.M.JR: Is that all right with you? And then would somebody draft it?

MR. CLAYTON: We have it here, and--

H.M.JR: It is to go to the Joint Chiefs of Staff that this committee is to be consulted.

MR. McCLOY: It doesn't do any harm to send communications to the Chairman of this committee and the Joint Chiefs of Staff saying, "If this thing comes up, please consult us." They will consult us, anyway.

H.M.JR: I would like very much to have the--

GEN. HILLDRING: In the Interdepartmental Committee all that the Chairman has to do is tell McCarthy to send such a letter.

MR. CLAYTON: We can send a letter then to the War Department--to Stimson--and ask if he would do that.

H.M.JR: This is the Interdepartmental Committee, isn't it?

MR. McCLOY: Just a bunch of guys named Joe as far as I am concerned that are meeting today, just the people interested in this.

MR. CROWLEY: Just a bunch of fellows who got together. Isn't that it?

MR. CLAYTON: The next question is that the Treasury asks that the following new sentence be added to the end of paragraph eight. Paragraph eight is the one we have just

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written, and they ask the addition of this sentence, "In no event shall any differentiation be made between or special consideration be accorded to persons arrested either as to manner of arrest or conditions of detention upon the basis of wealth or political, diplomatic, industrial, or other rank or position."

MR. CROWLEY: In other words, they all go to the hoosegow together.

H.M.JR: That would take care of Von Papen.

MR. McCLOY: I wouldn't know about that. They had Von Papen in a villa. I didn't see him, but I heard they had him in a villa under guard. They didn't put him down in the common hoosegow.

H.M.JR: Why not?

MR. McCLOY: That was a determination they made; they were trying to get some stuff out of him--some information. That was one reason. They thought they could probably get some information.

H.M.JR: We thought this was democratic with a small D.

MR. McCLOY: I think you are putting limitations on the manner of apprehension on the administrative officer in the field that is unnecessary. You may very well, for one reason or another, want to treat one prisoner differently from another.

MR. DOWNEY: Doesn't the Geneva Convention have some bearing on that, General?

GEN. HILLDRING: I don't think it has. I would think not.

MR. RIDDLEBERGER: Or other rank or position--that is very broad.

GEN. HILLDRING: Under the Geneva Convention, putting--

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MR. McCLOY: We will have inspections. The prisons will be run under the military system, and we will have normal routine inspections. They will see that there are no abuses of this sort of thing that is done. I mean, you won't have any favoritism in running the prisons. There may be a time when you may want to put a fellow who has some scientific information or industrial information in a villa and give him some cigars.

GEN. HILLDRING: I think there should be included in that, certainly this, "Except for intelligence purposes."

MR. COE: That amendment would certainly not be out of spirit, out of the intention of this, because our intention is simply to have it done in a democratic way, which is the way the people would want it done, and we think that the tendency will be to discriminate--that was the basis in Italy--unless you say something to them. But if you say something to them, they won't discriminate, if you want to do it for intelligence purposes.

MR. CROWLEY: You had in mind no discrimination unless there were justifiable circumstances, and intelligence may not be all of them.

MR. McCLOY: You may have others.

H.M.JR: What did they do in Italy?

MR. COE: In Italy in general they started out with better treatment by rank. The British have that very marked in their thing all the way through on this defascistification and denazification. Unless you go after these main problem people and treat them as you intend the generality to be treated, they will get special consideration, and the first thing you know, that will degenerate into leaving them in positions of importance. We could put an exception in there, "Except for intelligence or other military purposes."

MR. McCLOY: How about diplomatic rank?

H.M.JR: Why the hell should a diplomat be treated any differently? Take a fellow like Von Papen who is a vicious person--why should that man get special treatment? He should

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get especially harsh treatment, and not especially good treatment. Why should a diplomat be treated any differently from anybody else? I can't see it.

MR. CLAYTON: They treat ours differently. It is kind of a gentlemen's agreement.

MR. CROWLEY: Fraternity, if you will.

H.M.JR: It is time it is stopped, I think. These people are outside the pale. I had three Treasury people in the Philippines, and two of them died. I couldn't get them any diplomatic status, and why diplomats should come out and Treasury people and others starve to death, I don't see it. I don't see why they should get any different treatment than anybody else.

MR. CLAYTON: I don't know but what you are right there, Mr. Secretary.

H.M.JR: It burned me up, but I couldn't get my Treasury people out. And two of these poor fellows died of starvation and maltreatment just because they were Treasury people and they weren't diplomats.

MR. CLAYTON: I am just speaking from the point of view of custom. It seems to me that there is a much broader principle involved than that, and that is that we should leave a high degree of decision to General Eisenhower, the man who is in charge of the whole thing and who will have to deal with conditions as he finds them, which are probably going to be altogether different from what we, sitting here in Washington today, anticipate they will be. I think they change from day to day, and it seems to me in all these matters we ought to leave a good deal of discretion to him. Let him know what our general policies and principles are, and then let him carry them out with intelligence and vigor, which I think he will do.

H.M.JR: What about Von Papen? Didn't he once negotiate a little something over in this country?

MR. McCLOY: He certainly did. I would like to get a crack at him.

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H.M.JR: Why should a fellow like Von Papen get treated any differently?

MR. McCLOY: That is something for Eisenhower to determine. I think Von Papen--I have suffered at the hands of Von Papen, personally, and I know all about his wickedness, and I don't want to be in the false position of arguing in favor of a high-class Nazi, but I am thinking about your trying to tell Eisenhower how he shall run the prisons. You have got here, number five, "Officials of the police holding a rank, or equivalent positions of authority, above that of Lieutenant." That is irrespective of whether he is a vicious character or not. He gets arrested. It may very well be that Eisenhower would want to put that fellow in a protective custody status rather than an inner dungeon.

H.M.JR: Let's come back to two.

MR. CROWLEY: Why couldn't you do this: "In no event shall any differentiation be made or special consideration be accorded?" If you were to change that around and use that same language and say that they shall not be given special consideration solely on account of the related factors that you mentioned, that would give him the right to use discretion, but wouldn't do it entirely because of those factors.

H.M.JR: That is all right. Let's get it down and see what it looks like. Do one thing at a time.

MR. COE: I would propose, "With such exceptions as you may find necessary for intelligence or other purposes, you will insure that."

MR. CLAYTON: I would think that would be all right.

MR. McCLOY: It is all right. All I am talking about is giving him some leeway.

MR. CLAYTON: Is that agreeable, Mr. Secretary?

H.M.JR: I would like to hear it, please.

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MR. CLAYTON: I think it starts out--it would be better at the end, wouldn't it, Frank?

MR. COE: Yes.

MR. CLAYTON: Then it would read, "In no event shall any differentiation be made between or special consideration be accorded to persons arrested either as to manner of arrest or condition of detention upon the basis of wealth or political, diplomatic, industrial, or other rank or position, with such exceptions as in your discretion you may deem advisable for intelligence or other purposes." Is that all right?

H.M.JR: It is O.K. with me.

MR. CLAYTON: If everybody is agreeable, then I think that--

H.M.JR: That takes care of the diplomats. (Laughter)

MR. RIDDLEBERGER: I would like to rise in defense of the diplomats. As the only professional one here, I would like to say this, that in Germany--you may have had some left in the Philippines, but in Germany the Treasury people came out, and we stayed behind. I wanted to make that point. I was engaged in taking care of the interests of the prisoners of war of our allies, the French and British in Berlin, and you very kindly lent us your assistance--the assistance of your personnel there until 1940, when you jerked them out from under me, just like that. (Laughter)

H.M.JR: Where were we?

MR. McCLOY: Will was reading.

H.M.JR: We accepted that.

MR. McCLOY: We finished paragraph eight.

MR. CLAYTON: That is all.

H.M.JR: Is that all?

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MR. McCLOY: I think it is a good document.

H.M.JR: May I refer you to page ten, Mr. Clayton, the top of page ten, "To the extent that military interests are not prejudiced and subject to the provisions of the three preceding subparagraphs and of paragraph 10, freedom of speech, press and religious worship will be permitted." You say, "To the extent of military interests," and then "Consistent with military necessity, all religious institutions will be respected."

MR. CLAYTON: I am sorry, but I have a different draft from yours.

MR. McCLOY: What paragraph is that?

MR. CLAYTON: Seven, or eight?

H.M.JR: Nine, D. You first say, "To the extent that military interests are not prejudiced." I can understand that, and then you go on and say, "Consistent with military necessity, all religious institutions will be respected." I would like the soldier to describe to me what the military necessity is.

MR. McCLOY: You wouldn't requisition it. That is what he is really getting at. You will do your best.

H.M.JR: Above you say, "To the extent that military interests are not prejudiced."

MR. McCLOY: That isn't in relation to religious worship, but property--Catholic church property, and things of that kind. It is the general principle we have had everywhere we get to dickering, particularly with the Catholic properties, or other church properties. In Italy it was Catholic, and we like to give the instructions to the field that so far as they can be consistent with military necessity they don't interfere with that.

MR. CLAYTON: Suppose we say, "All religious property," instead of "institutions"? Does that meet your point?

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H.M.JR: I didn't understand what it meant.

MR. CLAYTON: They might have to requisition some property, you see.

H.M.JR: I see. I was thinking of interference with religious observance.

MR. McCLOY: That is taken care of in the first sentence.

MR. RIDDLEBERGER: The reason this says institutions is because they may not always own the property.

H.M.JR: I didn't know what the military necessity was in relation to worship.

MR. McCLOY: No, we don't intend--

MR. CLAYTON: There is just one question here that bothers me a little, and that is closely related to the criminal one, eight; it comes in section six, denazification. "All members of the Nazi party who have been more than nominal participants in its activities, all active supporters of Nazism or militarism and all other persons hostile to Allied purposes will be removed and excluded from public office and from positions of importance in quasi-public and private enterprises such as (1) civic, economic and labor organizations, (2) corporations and other organizations in which the German government or subdivisions have a major financial interest, (3) industry, commerce, agriculture, and finance." We have the same problem there, I think, with respect to an uninterrupted continuation of the economy of the country, the necessary economy of the country, the services, and so forth, that we had about putting these people in jail. If we remove them from these positions before you have somebody else to put in their places, you may seriously interrupt very essential services and facilities for production and transportation, and so forth.

MR. CROWLEY: Will, I would think that if you start off with the thought in mind that you are going to leave these fellows there, that the men and the people administering it--it is going to be easier for them to leave the people in

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Then take them out, and I think you would be better off to spell it out as to your principle that you are going to remove these people, and that certainly after they have gone on and energetically removed the top ones--that may be after you have your jails and your courts and everything all cluttered up. When you get down to the second or third level, then you may use some discretion in leaving men in to do a particular thing, because you have to have that knowledge, but if you try to spell this thing out now, temporize with it, I can see that you come out with this thing that those boys stay in there forever. I think you ought to spell out your principle, and later on, after you have collected together as many of these top people as you can, then if you want to review it in two, three, or four months, or something like that, you can review it. But unless you are positive that you are going to eliminate these fellows, they will play footy-footy, and be in there a year or ten years from today. They will tire you all out the way they will throw rocks in your machinery.

H.M.JR: I think what you say is very wise.

MR. CLAYTON: Well, you have to recognize this, I think, Mr. Secretary, that the men in important and key positions in all these activities are Nazis and Nazi sympathizers. Now, supposing you go in there and you have a list of them and you kick them all out at once, transportation, railroads, and industries of all kinds before you have satisfactory people to put in their places, you are likely to effect a serious interruption of the economy of the country, which would react on our occupying forces and on the ability of the people to provide the minimum standard of living.

H.M.JR: I would like to answer that if I may. I think if after each category you immediately put in a paragraph saying, "Exceptions"--I would much rather use that exception which we argued about, being referred to the Chiefs of Staff--having it at the end than having it over all.

MR. CLAYTON: So would I, if it is agreeable to you.

MR. CROWLEY: That is right.

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H.M.JR: Just have it once.

MR. CROWLEY: You declare your whole policy and then put in the last paragraph making your exceptions.

H.M.JR: If some of this doesn't work, you can refer it to the Chiefs of Staff and tell him why.

MR. CROWLEY: That is right.

MR. McCLOY: We are very much interested in this particular thing. I would talk, I think, against that a little until I saw how this thing moved in Italy. I think this is a good paragraph as it is. We are going to have inefficiency in Germany. There is no question about it. There is going to be great economic inefficiency as a result of this policy, but this Nazi policy is very deep-seated. You have to take drastic and deep-seated methods to cut it out, and this will probably not interfere with the case in Frankfurt that we are talking about, the temporary situation where you have got to use this man to get the first train running, then put him in jail and then kick him out. I have seen it operate in Italy under language not quite the same as this, but somewhat similar to this, and I would rather hesitate to see any further loosening of this until we have been in the picture for a while and have dealt with this very deep-seated cancer that exists in Germany.

H.M.JR: Well, I remove my sissy attitude.

MR. McCLOY: Well, in a sense we are talking against ourselves in that, because we are responsible for the administration where the military government exists, and I would think we ought to err on the other side in Germany because all our experience is that the thing is much more deep-seated than we had any comprehension of.

MR. CLAYTON: I don't think, Jack, you give enough importance to the absolute necessity of management in these big services and these big industries if you take all the key people out, all the know-how people--throw them out before you have somebody to put in their places, I think

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you are going to have economic chaos in Germany.

MR. COE: That is mitigated by two facts. First, a lot of them will run. Second, when we do the fighting, we certainly disrupt it anyway through there.

Now, I think with Mr. McCloy that this thing is so deep-rooted that unless you do it--it was at his insistence, his advice, that we put in that last sentence, "No such person shall be retained because of administrative necessity, convenience, or expediency," because it is the overwhelming tendency to have the officials on the spot, to retain them for those purposes, and you have to go to the other direction to counteract that.

MR. CLAYTON: I agree with that clause.

MR. CROWLEY: You wouldn't issue an executive order to O.R. this afternoon throwing all these people out.

MR. CLAYTON: That is what this in practice says.

MR. CROWLEY: But administratively you have to do it as quickly as you can; I assume you are going to give the men the right of administering it.

MR. CLAYTON: If this in practice--

MR. McCLOY: It would not in practice preclude the Frankfurt case I gave. I said, "Of course, you can do that, but get the fellow out as soon as he has shown you where the faucet turns off."

MR. CROWLEY: The only thing I had in my mind is, while you are dealing with people, if you told a fellow he could sell the Willard Hotel for nine million dollars or negotiate for nine hundred thousand dollars, invariably he would make the deal that way and say it is the best he can get. Administratively we know that these fellows are going to have to go slow, that there isn't any reason to make it easier for them to go slow. And I think that your language there is all right; and if Eisenhower has the administration of it,

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it is going to take him some time before he gets around to certain key places, but nevertheless he has a directive to do it as rapidly as he can.

Now, if we spell it out and make a lot of excuses for him delaying it, he will be slower in getting it done.

MR. CLAYTON: I imagine he is the type of man who will carry out directives like this, which is in very precise language, with a good deal of discretion. If he will, then I think it is probably all right, but I do believe that if this were executed as it reads you will have plenty of trouble in Germany. If it is satisfactory to the Army, it is satisfactory to me.

MR. McCLOY: Administratively we won't do as good a job with this by long odds, but you have got to break the chain somewhere. You have got to get somebody into a job quickly who is going to take the place of the Nazi sympathizer, and there is always a second-rate man around. No man, as we all know, is indispensable, and you will find somebody down the line, a foreman who never did the thing before, but who will perhaps grow with the job. The tendency is so strong the other way that I would rather lean over this way.

GEN. HILLDRING: I think I. G. Farben is a good example of that. I thanked God at the time that the story came out that we had told Eisenhower to clean those fellows out, and under that pressure when the Army went in there and saw this large plant I think their instincts were to let it alone for the time; under their strict instructions they moved Farben out, but they told a few of them, "You go to your house and stay there. This is a big shop you have turned over to us, and we want to talk to you," but they had cleaned them out and taken them out of the establishment. A newspaper man got hold of I. G. Farben and he said, "I am adviser to the Military Government officer." Well, fortunately he was out of office. He was there to help and advise if they needed his help and advice, but he was shut up in a house around the corner where they could get at him if they wanted to know where the faucet was. But if you hadn't had that policy to get rid of those Nazis, they would have left that fellow in charge of that plant for a week or two, or

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a month, and we would have caught hell in the War Department, and so would I.

MR. McCLOY: That doesn't mean that you can't collar this fellow and say, "You tell me what to do." You can do that.

H.M.JR: Do I understand this is acceptable to everybody in this room?

GEN. HILLDRING: There is one point I would like to raise: The language in paragraph eight, Mr. Clayton, paragraph seven-A--that has been changed in our draft at my suggestion, and I just didn't get the wording. I would like to get it.

MR. RIDDLERBERGER: I can give it to you, General, if you would like it.

GEN. HILLDRING: We want to drop the idea of immediately disbanding.

MR. McCLOY: We have never tackled the question of how rapidly we should disband the German Army.

MR. RIDDLERBERGER: "In your zone you will assure that the German armed forces, including para-military organizations are promptly demobilized and disbanded in accordance with policies and procedures set forth in the Instrument of Unconditional Surrender or in other directives which may be issued to you. Prior to disbandment you will arrest and hold all military personnel who are included under the provisions of paragraph 8."

GEN. HILLDRING: That is all right.

MR. RIDDLERBERGER: That is acceptable.

MR. McCLOY: There was this thought they had on the other side on paragraph eight, but I think it is probably taken care of when you throw out a dragnet and bring all these fellows in. You will get some that are not properly detained. That paragraph five, for example, says--Eisenhower

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said, "How about setting up a court at which these fellows could make their applications and prove their non-Nazi aspect and character? In the interest of common justice and decency we ought to hear their case, because this is a very rough form of justice we are applying here. It is a thumb rule that isn't in accord with our ordinary instincts."

I am inclined to think that there is something in the point, but I think that probably we have taken care of it in the provision that enables him to make a recommendation to the Joint Chiefs of Staff. Now, what do you think of that?

MR. COE: I think so, yes.

MR. McCLOY: What do you, State Department, think about that?

MR. DESPRES: As it now reads, I don't think--

MR. McCLOY: His proposal was a court that would-- this is an arbitrary rule--not attempt to reach a rough approximation of justice to take care of individual cases. Let these people appear before a tribunal and take burden of proof of showing that they are all right.

MR. CLAYTON: I think that is all right.

MR. RIDDLEBERGER: You mean before you arrest them?

MR. McCLOY: No, his idea was that this would be a means by which they got out of their durance.

MR. CROWLEY: You would give them a chance at that?

MR. McCLOY: There is no provision for that now; you just detain them.

MR. CROWLEY: You arrest a fellow and convict him, and that would be the end of it.

MR. RIDDLEBERGER: That has always been our problem in that section; we round these people up and we have just left

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it on the shoulders of the Army as to what happens next. There never has been any decision as to how we handle them once we round them up.

MR. CROWLEY: You wouldn't have any trouble in convicting a man that was a Nazi leader or a man that was a high-up in the party. But supposing they went up and picked up a fellow working on a farm or in a store. Would you throw him in a jug and keep him there indefinitely and say, "Someone told me that you are a Nazi?"

MR. McCLOY: No, no, it is all in paragraph eight. Everybody in paragraph eight -- they are the ones we are talking about. That said, "You will search out, arrest, and hold, pending receipt by you of further instructions as to their disposition, Adolph Hitler, his chief Nazi associates, other war criminals and all persons who have participated in planning or carrying out Nazi enterprises involving or resulting in atrocities or war crimes." That is one section.

MR. CROWLEY: That is all the cop does.

H.M.JR: Then, "All persons who, if permitted to remain at large would endanger the accomplishment of your objectives will also be arrested and held in custody. The following is a partial list of the categories of persons to be arrested in order to carry out this policy."

And then he goes down through eleven different categories, and they look on the surface as if they are bad actors, but there are lots of individuals in there that are not bad actors.

GEN. HILLDRING: They are going to town, Mr. McCloy. They are going to do this town by town and send military police battalions and detachments of CIC into a town and clean that up. Somebody might say, "This fellow who runs the corner store was a so and so before the war," and the M.P.'s will go down and grab him. He professes and says that they are wrong, but he goes into the Black Maria, and off he goes to camp, and there he is.

MR. CROWLEY: And there is no way of getting him out?

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GEN. HILLDRING: No, there is no way of getting him out.

MR. COE: The President's directive said, "Hold him for trial and punishment."

GEN. HILLDRING: We haven't any war criminal decisions.

MR. CROWLEY: But Jack, just as an administrative thing you are going to have to set up some machinery for trying smaller people to find out what they are guilty of.

MR. McCLOY: I was in the town of Eschershausen the other day, and it brings up this question of the rural burgomaster. They were fighting down the road a thousand yards, and they had the burgomaster up. The company commander was a lieutenant who had been designated for civil affairs in this combat company, and he had the burgomaster in before him. There were four displaced persons, three Russians and one Dutchman, who were arguing and testifying in behalf of the burgomaster saying he was a good fellow and he was kindly and not a Nazi and was all right. Otherwise that burgomaster would have gone into the hoosegow with the rest of the prisoners. That was just a thumb court. There was no regulation that provided for that. That is down to the ground.

MR. CROWLEY: Down to a certain level you have war criminal courts, don't you? All you need is something in the lower level.

MR. McCLOY: These are general arrests that bear no relation to war criminals.

MR. CROWLEY: Justice court.

MR. McCLOY: This is a sort of--this is an instrument for carrying out a general denazification policy more than anything else. You are arresting with a dragnet everybody who might be war criminals or might be antagonistic to the occupation.

MR. CROWLEY: On that basis, if you carried that to the full extent you have to arrest half of Germany.

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MR. McCLOY: We have compromised on two to three million people here. Now, I think it is a good idea to have a court, a good sensible thing to do.

MR. CLAYTON: May I suggest that we insert one paragraph here dealing with it just in broad outline and say that a subsequent directive will be formulated and issued to deal with it in detail. Would that be satisfactory?

MR. McCLOY: Deal with the disposition?

MR. CLAYTON: No, no, with the constitution of it, the work and the handling of it, and so on.

H.M.JR: Sure.

MR. McCLOY: It is contemplated that a court will be set up to permit application to--

H.M.JR: ...get out.

MR. FOWLER: This is out of our bailiwick, since we are interested only in economic matters, but once having been a lawyer--don't we consider that as a matter of normal administration he would go ahead and constitute semi-judicial machinery so these people could come in with petitions? Are we here in this group at this stage of the game going to do something in this directive that might tend to inhibit the establishment of a useful judicial process over this.

MR. McCLOY: Well, may I put it this way: "Why do we in this group order them to arrest all these people?"

MR. FOWLER: There is a reason for certain groups of people, and we assume that he is going to make some mistakes in doing a mass gathering up, but he is going to establish some kind of machinery to sift out the mistakes that have been made and rectify that situation. I don't see why he has to wait on us to, in effect, correct his mistakes.

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H.M.JR: We tell him in so many words to arrest every officer of a certain rank. If that is what we say, shouldn't we at this time tell him that he can set up ameliorating processes?

MR. FOWLER: What is more important here, it seems to me, although this is a purely political matter is that some political policy as to the ultimate disposition and treatment of these people who aren't in the definition of war category should be arrived at, and what is more important than the setting up of machinery without policy is the establishment of some policy, and then when you have a policy you would know better what kind of machinery you want. Maybe you might keep them cooled off for six months, generally keeping things pretty well under control. You might make different types of policy here, and it seems to me you have got a whole area--

MR. McCLOY: The policy is stated here, isn't it? We aren't getting into the war criminal business at this time. We say, "All persons who, if permitted to remain at large would endanger the accomplishment of your objectives will also be arrested and held in custody. The following is a partial list of the categories of persons to be arrested in order to carry out this policy:"

It may be that these categories we have listed may not fit that policy.

MR. CROWLEY: Well, Jack, I think this is an excellent document. You talk of going in and having a democratic form of government in Germany. On the other hand, I don't think any of us feel that the very little people in Germany, with few exceptions, are the ones that led their country into this war or made brutal attacks on people, and it would seem to me that if we are going to be consistent with those little people, there should be something set up, Jack, to give those little people a trial. And you wouldn't put them in--take them away from their families and put them in jail and keep them there indefinitely without giving them some right of trial. You are going to have a cooling off period for them, as Joe says, without putting anything in the order,

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because before you can give them a trial, there is going to be quite a cooling off period if you are going to have two or three million of them.

MR. McCLOY: This is meant to catch the big shots, not the little fellows, but in attempting to catch the big fellows you have roughly defined those, and it is a very rough rule. Paragraph five I have referred to. I have personally experienced the injustice of paragraph seven. It says, "The leading officials of all ministries and other high political officials down to and including urban and rural buergermeister and officials of equivalent rank." There are many rural buergermeisters in Germany today who are not Nazis at all. They have been left there because they were good administrators and haven't been touched.

MR. COE: Any suggestion after the first sentence of B?

MR. McCLOY: Eight-B. We say, "All persons who, if permitted to remain at large would endanger the accomplishment of your objectives will also be arrested and held in custody." And I think we should add something like this, "And tried or released through semi-judiciary machinery--through appropriate semi-judiciary machinery which you will establish."

GEN. HILLDRING: That doesn't apply--war criminals are included in this?

MR. McCLOY: No, war criminals are included in paragraph A.

MR. BELL: I would like to make this suggestion at the end of eight, "If in the light of conditions which you encounter in Germany you determine through such administrative judiciary machinery you set up that certain persons are within those categories"--in other words, he sets up the machinery to determine whether they have been wrongly arrested, and makes a report to the Joint Chiefs of Staff based on that recommendation by the judicial machinery.

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MR. McCLOY: It seems cumbersome. He would send the individual case to the Joint Chiefs of Staff. Then they wouldn't want to review that record.

MR. BELL: They would not. He has to have something to help him determine--

MR. McCLOY: Yes. I think the point is we ought to send--I think your suggestion was a pretty good one to set up some semi-judicial body to determine whether or not these people that he has gotten through this dragnet do in fact prejudice or endanger the accomplishment of his objectives. If not, he should release them.

MR. CROWLEY: Jack, if you are going to take two or three million people and are going to give them trials and hold them, what are you going to do with them eventually? Are you going to keep them forever? What you are interested in in this thing here is getting at these top fellows and getting rid of them, and then going down here to the level that you feel stops that Nazi control. You are not interested in some little fellow that might have belonged to the Nazi Party because someone sold him membership or thought he would get a better job. You are interested in getting the million or million and a half leaders in the country that you are going to treat as war criminals.

MR. COE: Some you are going to put into labor battalions.

MR. McCLOY: Probably what we have done is state that all war criminals and all who had participated in the enterprise of the general Nazi domination are to be arrested. That is the general language. Then we go on and say, "Arrest all these people," and it is a pretty good thumb rule test of the important Nazi people, but there will be in those categories innocent men, not just little fellows.

MR. CROWLEY: Your war criminals and even Hitler get trials. You are going to give Hitler a trial. Aren't you going to give the little fellow who drives a grocery wagon a trial?

MR. McCLOY: I think so. The war criminal idea is that as we have got it now.

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MR. CHOLEY: Isn't that right?

H.M.JR: If anybody should ask me, I don't know what they want to take the time to try them for.

MR. BELL: For the records made in the case.

H.M.JR: You have got to satisfy the lawyers.

MR. McCLOY: We are going to try Hitler and the Gestapo and the SS troops and everybody who has participated in those organizations. This as the general thing will be sort of set aside with a prior preference for labor battalion work. That is about what it comes down to, execute the leaders.

H.M.JR: Well, Mr. Clayton had something there.

MR. CLAYTON: Would this cover it, "All persons, who, if permitted to remain at large would endanger the accomplishment of your objectives?" Would they also be arrested and "held in custody until trial by an appropriate semi-judicial body to be established by you?" It is practically the same thing as Frank suggested.

H.M.JR: What do you say?

MR. COE: I like that.

MR. CLAYTON: Is that all right, Jack?

MR. McCLOY: How does that cut across the war criminal regulations?

MR. CLAYTON: It doesn't do it at all, because this is in a category of persons who--you see, war criminals are in a different category entirely. This is only for people that he thinks are below the level in crime of war criminals, but I would think that they would be dangerous to be left at large.

MR. COE: This is release from the dragnet.

MR. CLAYTON: That is what it is.

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MR. McCLOY: Would you read it again?

MR. CLAYTON: Just after "Held in custody," say, "Until trial by an appropriate semi-judicial body to be established by you." If that body finds dangerous fellows, they will keep them in custody; if he finds them not dangerous, he turns them loose.

MR. McCLOY: I think it is all right. What do you think, General?

GEN. HILLDRING: It sounds all right, sir.

MR. McCLOY: How about the rural buergermeister?

H.M.JR: Don't worry about that buergermeister.

MR. McCLOY: He is the little fellow; he plows in the field. Why don't you leave the urban buergermeister in?

H.M.JR: He may have a bunch of bodies he burned right around the corner.

MR. McCLOY: That means you are going to arrest every little leader who is a farmer.

H.M.JR: I don't want the farmers exempt from that. (Laughter)

MR. McCLOY: If you arrest that little fellow, it just doesn't make any sense.

H.M.JR: I want to talk for myself.

MR. McCLOY: Say urban buergermeister; that takes in provincial towns and places like Nordhausen and and--

H.M.JR: If you don't want to distinguish, say buergermeister and let it go at that.

MR. CLAYTON: The last paragraph gives discretion on that.

MR. McCLOY: Yes, but he has to report back to the Joint Chiefs of Staff and everything else on that.

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H.M.JR: Some of these boys may be just as bad or worse than anybody else. Living in the country doesn't purify them.

MR. CLAYTON: Just report the name back.

MR. McCLOY: He has an out there, but it's on the ground that it doesn't turn out to be ridiculous.

MR. CLAYTON: It seems to me that in this paragraph eleven--

MR. McCLOY: You are talking about high officials in one place, and then you get down to the lowest type of public official.

H.M.JR: He might be the most vicious.

MR. McCLOY: So might a citizen, but not per se, not by reason of his job.

H.M.JR: Well, I didn't put it in, but I hate to begin to make an exception, because you get all the lawyers out, and all the diplomats out, and all the farmers out.

MR. McCLOY: You talk about leading officials and rural buergermeisters.

MR. CROWLEY: Henry, I have got to leave.

MR. McCLOY: We haven't begun to fight yet.

MR. CROWLEY: When are you going into finance and economics?

H.M.JR: There is one thing. Mr. McCloy intends to leave at eleven tonight, and the one thing we would like to take up while he is here, as I understand it, is that question of inflation. Is that right?

MR. COE: Either economic or financial.

MR. CROWLEY: The economics is pretty well agreed to, isn't it, Frank, except the inflationary thing?

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MR. COE: Yes.

MR. CLAYTON: We could take that up immediately, the economic part.

MR. CROWLEY: I have got to meet with the Chiefs of Staff at half past twelve, but Joe knows it.

H.M.JR: Well, let's see, do you want to meet again tomorrow morning?

MR. CLAYTON: You have that food meeting tomorrow morning, Leo.

MR. CROWLEY: Outside of the inflationary thing and the economic thing, are we all right?

MR. FOWLER: There is one paragraph we want to propose.

H.M.JR: What time is your food meeting?

MR. CROWLEY: Tomorrow afternoon.

MR. CLAYTON: We could meet in the morning, then.

H.M.JR: What time?

MR. CLAYTON: The sooner, the better.

H.M.JR: Nine o'clock?

MR. CLAYTON: That suits me all right.

MR. CROWLEY: All right.

H.M.JR: Just one split second. I don't know how much President Truman knows about what we are doing. I think tomorrow we ought to let him know about it. Doesn't he want to review this? I think we ought to be thinking about it. I think he ought to see the March 23 directive.

MR. CLAYTON: I think he should, too.

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MR. CROWLEY: I certainly agree with that, and I think you ought to make an analysis of what this thing covers so that he would know it.

MR. McCLOY: He is very much interested in this business and spoke to the Secretary of War about it, and he spoke to the Chiefs of Staff about it, too.

H.M.JR: I mean, I think we ought to be thinking that somehow or other when we are in agreement among ourselves we ought to ask for a chance to see him and give him a review of this.

MR. CROWLEY: I think so, too.

H.M.JR: Nine o'clock tomorrow.

MR. CROWLEY: Fine. Excuse me. Good by.

(Mr. Crowley leaves the conference.)

MR. CLAYTON: I was just going to say that in this paragraph eleven under eight it now reads that among the categories and persons to be arrested, "Any other person whose name or designation appears on lists to be submitted to you or whose name may be notified to you separately." That raises in my mind right away on the lists to be submitted by whom and--

MR. McCLOY: What we have in mind there is the War Crimes Commission list.

MR. CLAYTON: I thought, Jack, if we just say, "Any other person whose name or designation appears on a list to be submitted to you by appropriate authorities or agencies, or whose name may be so notified to you separately." Is that all right?

MR. McCLOY: Yes, that is all right. I don't know that you want to have an agency. Really the only way he should get lists is through the Joint Chiefs of Staff.

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MR. CLAYTON: Shall we say that?

MR. McCLOY: Yes, that is what it really means. That is the only communication he gets.

MR. CLAYTON: "To be submitted to you by the Joint Chiefs of Staff."

H.M.JR: Yes, and the Government can give it to the Joint Chiefs of Staff and it will go off to him.

MR. CLAYTON: "Or whose name may be so notified to you separately."

MR. McCLOY: Yes.

MR. GLASSER: Is the channel always through the Joint Chiefs of Staff?

GEN. HILLDRING: To Eisenhower, always, yes.

MR. GLASSER: How about the Reparations Commission in Moscow? Would that be the same channel?

GEN. HILLDRING: Until we establish some informal arrangement, it includes them. In other words, Eisenhower now is the employee of the Combined Chiefs of Staff. He works for them, and nobody else.

H.M.JR: Except when President Roosevelt told him what he wanted.

GEN. HILLDRING: He does that in the capacity of a soldier.

MR. McCLOY: That is right.

GEN. HILLDRING: He works exclusively for JCS and gets all of his orders from them.

MR. CLAYTON: Now shall we take up any other documents?

MR. McCLOY: How about my rural buergermeister? Have you talked him out or not?

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MR. COE: With a wide loophole.

H.M.JR: Let's just see a minute. I am all right. There was one objection, which is the thing which Mr. McCloy raised. This is accepted now, with the rural buergermeister in?

MR. CLAYTON: Right.

H.M.JR: What were the things--

MR. COE: I think the economic thing--

MR. McCLOY: I am at considerable disadvantage with the economic situation; I only got a copy of it last night late. I only got one; somebody in the War Department had it. I only read it through half way this morning. It flashed a number of questions in my mind that I think are of some importance. And I would like to give it a little more careful study.

H.M.JR: You would like to let it go?

MR. McCLOY: I would like to read it carefully and critically and make up my mind on it. There are a number of things that disturb me about it, and one of the chief ones I would like to throw on the desk right now is where this fits in with Reparations Commission. That is a big subject and a very important question of policy has to be determined there.

MR. CLAYTON: I don't think there is much difficulty about that fitting in with this reparations document, but there is a very substantial difference in the working group regarding the matter of inflation and control of inflation.

H.M.JR: Could I have a seventh-inning stretch for three minutes to see whether the Treasury is still intact? Would you just stop for three minutes? I have got to see if my office is still running.

(Secretary leaves the conference temporarily.)

MR. CLAYTON: Now, would you like to go to this inflation question?

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