

DIARY
Book 843
May 1-2, 1945

INDEX TO BOOK 843 OF DIARY

Book, Page

- B -

Benson, George S.
Number of newspapers, by states, carrying his column 843 228

Bergson, Peter (Chairman, Hebrew Committee of National Liberation)
Hebrew Committee of National Liberation 254 ff.

- C -

China

Gold shipments and inflation
Conference with Bell, Coe, Adler, Friedmann, Elotz, HMR (Treasury); Gen. Somervell, Gen. Carter (War); Clayton, Collado, Stanton (State). 5/1/45 102-123

a) Coe memo summarizing situation and recommendations - 5/1/45 230 ff.

b) Clayton approves HMR's policy of shipping gold as slowly as possible (about \$2 million monthly) 107

c) Textiles and goods:
1) Somervell explains why Army cannot furnish needed textiles to combat inflation. Proposes giving Chinese trucks - on FEA priority - and watches 114 f.

2) Clayton says he'll try to get textiles from FEA if War Dept. will join him in application 117 f.

d) Working committee to draft joint program to present to T.V. Soong: Collado, Coe, Gen. Carter; HMR in charge 122

Yui (Minister of Finance) cable to T.V. Soong urging shipments 218

a) Coe memo: Chinese claims of actual needs 5/1/45 217

b) Gold sales - charts 219

HMR asks Crowley to have representative collaborate in drawing up joint program to present to China 5/2/45 250 ff.

Clayton, William L. (Assistant Secretary of State)
China 106-123

Crowley, Leo T.
China 250 f.

Book Page

- V -

Financing, Government
 7th War Bond Drive
 Gamble reports to HJF on projected broadcasts,
 etc. 5/1/45 79 ff.
 HJF letter to Lutto, President Oklahoma Bankers
 Association 5/1/45 213 f.
 HJF article submitted by Fussell, requested by
 Southern Planter; to be offered to all farm
 papers - 5/2/45 321 ff.
 France
 Fleven-HJF appointment to be 5/8/45; Bonnet-HJF conv.
 - G - 128

Gold
 Shipments to China: See China

- H -

Hebrew Committee of National Liberation
 Bergson letter to Chaim Weizmann (President of
 Jewish Agency in Britain) explaining the idea
 of Palestine as Hebrew (not Jewish) homeland -
 4/2/45; sent to Lutoff by Berlin 5/2/45 254-276

- X -

Kung, H.H.
 Roosevelt: Condolences 327 f.

- I -

Lend-Lease
 United Kingdom
 Gen. Somervell tells HJF British are accepting
 lend-lease goods and then exporting their own
 merchandise. Contrary to agreement, HJF
 says. Asks Casaday to check 5/1/45 124 ff.

Book Page

- M -

Mellett, Lowell
 Makes appointment to see HJF 5/1/45 843 77 f.
 Morgenthau, Henry, Jr.
 Article on Germany
 a) Publicity discussed in conference of Treasury
 Group 5/1/45 843 1 ff.
 b) Conference with Leth, Banyas, Nathan, Gaston,
 Coe, and DuBois 5/1/45 80-107
 1) Cartel material to be cut for later presenta-
 tion 134
 V-E Day Broadcast - script 134

- N -

Nunan letter to HJF re weekend of 5/5/45 - 5/1/45 215

- P -

Pauley, Edwin W.
 Post-War Planning: reparations 12-55
 Philippines
 Coe memo: MacArthur will admit Treasury mission 5/1/45 220
 HJF thanks Gen. Hildring 5/2/45 248
 Fleven, René
 France 128
 Post-War Planning
 Bretton Woods
 Peruvian Chargé d'Affaires sends HJF praise of
 East, Minister of Finance, for HJF's statement
 before House Banking and Currency Committee -
 4/12/45 221 ff.
 a) Thanked by HJF 5/1/45
 Conference with Lufford, O'Connell, Mrs. Klotz
 5/2/45: 241 ff.
 a) Albert Coe testified for Bretton Woods at
 House Committee hearings; Leonard Ayres
 favorably, with CED amendment 241 ff.
 b) HJF to entertain Kunkel, Gamble, Kilburn,
 Republicans on Committee on May 4
 Fred Florence (banker), Rep. Wright Patman conference
 with HJF 5/2/45. HJF tells Florence to tell
 Burgess no compromise 251-A
 a) Patman tells HJF he did right 252

- P - (continued)

Book Page

Post-War Planning (continued)

Germany

- IPCCG, in reparations meeting 5/1/45, changes Paragraph 30 of 1067 Revised to allow Commander to postpone shutting down needed facilities pending approval from Washington State-War-Navy Coordinating Committee; McCarthy (Secretary) requests transcripts of IPCCG proceedings 5/1/45 843 59-64
- Hilldring-HMJr conversation 5/2/45: Hilldring to learn whether Laughlin Currie would be acceptable as top financial man in Germany... 223 f.
- HMJr "Germany" articles 248 f.
- Morgenthau, Henry Jr. 1 ff., 80-101

Reparations

- Conference of IPCCG with Pauley and Lubin 5/1/45. Present: D.W. Bell, DuBois, Glasser, Cox, HMJR; Fowler, Crowley, Cox; Clayton, Despres, Gordon, Luthringer, Riddleberger; Hilldring, Lovett, Lieut. Bancroft, Col. Brownell, Col. Chandler; Bard, Commander Richardson, Downey. 12-76
- a) Pauley tells Committee he wants to work with them 13
- b) Ships - to be placed in Allied Shipping Pool? 17 f.
- c) Reparation plan shouldn't demand expansion of German economic capacity 19 ff.
- d) German compulsory labor as reparations: how to enforce conditions on Russia and France.. 22-39
- 1) Labor to be covered in separate document 46 f.
- e) Removal of equipment owned by UN nationals - compensation? 39-46
- f) Removal of plants for demilitarization vs. maintenance of occupying forces and population - discussion of administration 47-53, 55-64
- 1) Paragraph 30 of 1067 changed to allow commander more freedom of action 59 ff.
- g) Pauley asks to be kept informed as to scope of activities of all U.S. agencies dealing with Allied governments 54 f.
- h) Restitution in relation to reparations 65 f.
- i) Text of Reparations document - 1st draft 66-76
- Hilldring-HMJr conversation 5/2/45: Hilldring to send HMJR memo as soon as approved by 5-Star generals 246 ff.

- P - (continued)

Book Page

Post-War Planning (continued)

Surplus Property

- HMJr letter to Wallace 5/2/45 promising him that, for the time being, Irey's office will continue to investigate irregularities of employees, and make character investigations of new employees 843 108

Publicity

- List of syndicated U.S. columnists with number of papers and circulation reached by each columnist 227 f.

- R -

Roosevelt, Mrs. Eleanor

- HMJr letter answering her thanks for Secret Service detail 5/2/45 325 f.
- a) EM letter 4/23/45

Roosevelt, Franklin D.

- Condolences 327 f.
- H.M. Kung 4/26/45

Roosevelt Memorial Library

- Meeting of Board of Directors 5/1/45 reported by Geston 5/2/45 310 f.
- a) Regulations governing access to material in Library 312 ff.
- b) Proposed statement of functions 315 f.

- S -

Snyder, John W.

- Thanks HMJR 5/2/45 for congratulatory letter on appointment as Federal Loan Administrator 324
- See Book 832, p. 35.

Somervell, Lt.-Gen. Brehon

- China 106-123
- Lend-Lease 124 ff.

Soong, T.V.

- China 104 ff.

Southern Planter

- Finance, Government 321 ff.

Surplus Property

- See Post-War Planning: Surplus Property

Book Page

- T -

Tax Enforcement drive		
Nunan weekly report re - 4/30/45	843	154 ff.
a) Re Lustig		158
b) Marcelle (Brooklyn Collector) letter re fur tax evasion 4/21/45		160
c) Regional reports for week 4/23/45: Boston, New York, Philadelphia, Washington, D.C., Atlanta, Louisville, Detroit, Chicago, Dallas, St. Paul, Denver, Seattle		162-212
Nunan memo 5/2/45 on results of investigation of farmers' returns		117 f.
Truman, President Harry T. Sends HMJR Withholding Exemption Certificate 5/1/45		229

- U -

United Kingdom		
Lend-Lease		124 ff.

- V -

V-E Day		
Broadcast of HMJR		
Script compiled by OWI - Russell letter to Davis re - 5/1/45		130 ff.
Vinson statement		277
a) HMJR letter 5/2/45 to OWI urging more mention of 7th War Loan		
b) Davis letter 5/1/45		281
c) Text of statement		282 ff.

- W -

Walker, Frank C. Resigns as Postmaster General - release 5/2/45		329
War Refugee Board		
General - cables:		
Sternbuch to Vaad Hatzala: 14,200 Jews in Landsberg Am Lech concentration camp will soon be liberated; request to obtain inmate list from military authorities - 5/1/45		236
McClelland to W'Dwyer 5/2/45: conditions in Resienstadt concentration camp reported good; Mauthausen Bollinz frightful. Swiss Army contributes 4 buses - too late		334

Book Page

- W - (continued)

War Refugee Board (continued)

Sweden - cables:		
Johnson 5/2/45: 500 not 5,000 Jews arriving from Denmark - correction to State Dept. telegram of 4/27/45	843	333
Switzerland - cables:		
McClelland 5/1/45 re delay in truck convey to Dachau		237
McClelland 5/1/45: truck convey to go to northern Italy		238
McClelland 5/1/45: 4 Swiss trucks carry parcels to Landsberg Am Lech concentration camp		239
McClelland 5/1/45 re planned evacuation of refugees from Switzerland to southern Italy		240

- Y -

Yui, U.K. (Chinese Minister of Finance)		
China		216

May 1, 1945
10:00 a.m.

Re: THE MORGENTHAU PLAN

Present: Mr. Gaston
Mr. Gamble
Mr. Luxford
Mr. Fussell
Mr. Shaeffer
Mr. Little
Mr. Lane
Mrs. Klotz

H.M.JR: I am doing a series of articles on the so-called "Morgenthau Plan" with the knowledge and approval of President Truman. The first one is finished. I had thought of giving it to some magazine like Life or Collier's, and when I wanted to give it to Life, Feltus wanted me to give Collier's the first chance because first, they are doing a very fine article on Bretton Woods and second, they want to do one about me.

Well, my attorney normally is Eddie Greenbaum. He, being in the Army, can't take these things, so his partner, Morris Ernst, has been looking after it for me. Morris, of course, has a lot of contacts with these publishers, but he did speak to Collier's yesterday. He didn't want to do it through a literary agent but direct, and they were interested.

Last night I got to worrying and thinking why should I give the thing to one magazine? The money doesn't come to me anyway. I wouldn't accept any pay for it. If I got money I would put it into a trust and they would give it away to some charitable institution. The money part has no interest to me. I want the greatest publicity. And I was thinking that if Collier's took it, supposing they gave me a check for one or two thousand dollars? It's meaningless. I don't get the money anyway. Shaeffer's boys would immediately say, "Well, the Morgenthau Plan, why didn't you give it to us?" And I'll have all the rumpus here.

- 2 -

Now, I am going to give the first article tomorrow-- President Truman unhesitatingly said yes, but I wanted him to read it so I am giving it to him tomorrow. Now, I am going to suggest to him--I don't know whether he wants to do it or not--some way that he might give me a little introductory note of some kind himself to let the public know that he read it and approved it. But that is too much to hope for.

Then, the other thing--I was thinking, of course, of the possibility of its going through OWI for release. That gives it official status, which, of course, they want to clear with the State Department and everything, and that won't be so good. So, it gets down to just sort of do we want to do it through somebody like Collier's or Life or do we want to simply say three or four days in advance to the world on such and such a day the first of three articles will be released and then let everybody have a shot at it.

MR. LANE: Would there be three in all, Mr. Secretary?

H.M.JR: There definitely will be two. The book will come eventually, but I want to release the first one immediately after Germany surrenders. I want to wait until Germany surrenders.

MR. GAMBLE: How long is the first one?

H.M.JR: About two thousand words, Joe? I can't quite tell.

MR. DuBOIS: It may be a little longer than that, Mr. Secretary.

H.M.JR: And there will be charts with it. I really had in mind--I was thinking of Life and so forth, but to give it to any one group immediately puts me in wrong with all the working press. Now, granted, if I give it to the working press they will only print parts of it, and on the other hand, the thing I had in mind, and I am sorry he is not here, is that Feltus might take this World Peace Organization, you see, with one hundred groups.

- 3 -

MR. LUXFORD: Americas United.

H.M.JR: Americas United and let them print pamphlets, and so forth, and distribute it through this whole church group, and the League of Women Voters, and all the rest. But the purpose was, I was bothered about the Collier's angle. I don't think--I never buy copies of Collier's. They can't get it out under four weeks.

MR. LANE: On occasion they do, Mr. Secretary, and I am sure this would be one of the occasions. If an article is in a magazine like Collier's and has quite a bit of news value, papers do run excerpts from it. I am sure we would get a story for the daily press even if it ran in Collier's.

MR. GASTON: But you don't get the effect of reading the whole story that way--just extractions from a story that would appear in the newspapers after publication in Collier's.

MR. GAMBLE: It wouldn't get full treatment.

MR. GASTON: It would not have much value.

MR. FUSSELL: I should think the delay would be the bad thing. The timing would be pretty stale if you are going to have it tie up with the German peace.

MR. LITTLE: The best seller would be Sunday features, to sell it to the wire services, Mr. Secretary.

H.M.JR: Supposing we gave it a Sunday release?

MR. LITTLE: Sunday feature.

H.M.JR: For the Sunday papers, and simultaneously release it to the radio for Sunday.

MR. LITTLE: Far enough in advance.

- 4 -

MR. FUSSELL: Early in the week.

MR. GASTON: Give them plenty of time.

MR. DuBOIS: What's OWI's position if you do it that way?

MR. GASTON: What's their position?

MR. DuBOIS: Yes.

MR. GASTON: Well, it's supposed to be shown to OWI, I suppose, anything that is given out as a release here. Do we clear all our releases with OWI?

MR. SHAEFFER: No.

MR. GASTON: We are supposed to. They claim they have the right to.

MR. SHAEFFER: If it affects another Department, we are supposed to.

H.M.JR: This affects every other Department in town.

MR. GAMBLE: If this was printed in Collier's, it would seem that Collier's dateline would seem speedy.

MR. DuBOIS: They can't give it to OWI.

MR. GASTON: OWI is a servant of the President. If it's cleared with the President, there shouldn't be any clearance with OWI, I shouldn't think.

H.M.JR: Well, after all, I am not going to compare myself, but Jimmy Byrnes never cleared anything. I'm doing this thing anyway as Henry Morgenthau, Jr.

MR. GAMBLE: It will be labeled as the "Morgenthau Plan" in a thousand articles. I would call Frank Tripp and half a dozen people of the stature of Tripp to Washington and sit them in a room and tell them of my interest in the story, that you are only interested in the circulation of

- 5 -

this Plan, not for any personal reasons but because of what you think the Plan can do toward enlightening the American public. It's a very serious problem. It is here immediately, and you would like their advice. Tell them that several magazines want the article, but you don't want to give the article to them because it may get lost by letting Collier's or some other magazine run it. On the other hand, you don't want to have it handled as a news story because it's not. I would ask for their help in going to the wire services and talking to them intimately and confidentially about the best handling of this kind of story. Say that you feel that the American press can handle the story right and that the greatest good can come from the proper handling of the wire services, and I would handle it as a major operation before I released it. We have been very fortunate in some of our things, Herbert, by just giving a little attention to the reliables, and some of these fellows-- they know how to handle it. Newspapers all over the country will put on the wire, "We have a special feature for Sunday. At last we have a release of the Morgenthau Plan." Tell them it will be about so many words, etc. which they will, as far as they can, build up for a week or ten days before you give it to them, and you will get the kind of coverage you want to get. There is no reason why it shouldn't be a front-page article in important newspapers.

MR. GASTON: The advice you'll get from Frank Tripp's council will be to take it up with the wire services.

MR. GAMBLE: We might use a couple of them as spokesmen to do it. We are starting out on the right foot when we are trying to sell to wire services.

MR. GASTON: The length is probably two thousand words.

MR. DuBOIS: Seventeen long pages. Do you know how many words there are on a page?

MR. GAMBLE: Three thousand words. Seventeen pages.

H.M.JR: Is that it there?

- 6 -

MR. DuBOIS: No.

MR. GAMBLE: If it's those longer pages, probably about five thousand words.

MR. LITTLE: Double-spaced?

MR. DuBOIS: Yes.

MR. GAMBLE: Three thousand?

MR. DuBOIS: I would say about three thousand.

MR. GAMBLE: Three thousand is not too many. They can handle it.

H.M.JR: There's stuff in there that I know some newspapers won't print.

MR. LUXFORD: That's what worries me very much, that you are going to get a story which they will distort the way they will cut it. I would rather see a straight run of the "Morgenthau Plan" in an official text than have everybody butchering it.

MR. GAMBLE: There's nothing in the world to stop you from putting out a pamphlet simultaneously, nothing to stop you from letting Collier's have it with the understanding it is going to receive a national break. That's the publication that is going to have a full text, don't you think so, Herbert?

MR. GASTON: I don't know.

MR. GAMBLE: Collier's might not do it, but there will be publications that would do it.

MR. GASTON: If you give it to a publication like Collier's, they will be perfectly willing to put out news releases and let the press associations and individual newspapers run chunks of it. It advertises his story in Collier's, but I am inclined to think that you might

- 7 -

be able to put this thing out with the stipulation that it's not to be put except textually.

MR. LITTLE: I was going to suggest that, publishing it in its entirety or not at all.

MR. FUSSELL: If it's three thousand words--

H.M.JR: Wait a minute, George, what about that syndicate that gets out the maps? What's that?

MR. LANE: I think they would do a job for us on smaller papers.

MR. LANE: We can get them to series that.

H.M.JR: Do you think you can say you either print this entirely or not at all?

MR. LITTLE: I think we can get Tripp to do that.

MR. GAMBLE: From the daily newspapers--I think you will have daily newspapers who will take it all, but if you have five hundred of the nation's daily newspapers that take all of this, you will get ten times the coverage you will get from any national magazine.

MR. GASTON: If there are only twenty-five hundred or three thousand words, you will get a much different coverage than five thousand words. I suspect from what you told me it is nearer five thousand than three thousand.

H.M.JR: Maybe it can be condensed. We have enough newspaper men around here. Loth himself is handling it. Dave Loth is handling it. He is a pretty good newspaper man.

MR. FUSSELL: If you can keep that to two thousand words, you can get much better coverage than three thousand.

MR. DuBOIS: You can't do it.

- 8 -

MR. LUXFORD: You can't butcher this in order to get coverage.

H.M.JR: I'll tell you what. It can appear in a full-page newspaper. If they would give me a page of the Sunday supplement, any full-sized newspaper, I know it would go if they give me a page. It would take a full page with the charts, you see? It would be laid out for a full page of a newspaper, the charts and everything. You can make a regular layout.

MR. GASTON: Another possibility, George, would be to sell it through a syndicate as a feature to newspapers spotted throughout the country.

H.M.JR: If you take the North American Newspaper Alliance, for instance, and they would be the only people to have it.

MR. LITTLE: No one else would have official coverage.

MR. GAMBLE: I think you are underestimating the news value of the story. Newspapers are going to jump right on it. You have talked about it so long.

H.M.JR: I don't want to go off--I mean, I want to be sure of Truman. I am going to see him tomorrow. He said yes, but I am going back and want him to read it. Once he has read it and says okay--Harry Truman--then I think we'll get in these wire service fellows and do that job.

MR. GASTON: The trouble with making it a newspaper story, as we are discussing it now, is that it will not be handled textually in the form it's written. It will be handled as a news story and each newspaper will have its own lead and will expand on the thing, build it up through extractions. You won't have the story, the article by Henry Morgenthau, Jr., appearing in your newspapers or press associations. You will have to make up your mind to that.

MR. GAMBLE: That would have been more of a worry six weeks ago than now.

- 9 -

H.M.JR: I tell you what I think we might find out is--where is Tripp?

MR. GAMBLE: In New York.

MR. LANE: Elmira, New York.

H.M.JR: Is he the best fellow to talk to?

MR. GASTON: He is head of--

MR. GAMBLE: ...the Allied Newspaper Council. He is for that reason the best fellow to talk to.

H.M.JR: Well, Truman has told me I can do it. Shall we try to get him down and ask him?

MR. LITTLE: Sure, I would.

H.M.JR: What do you think, Herbert?

MR. GASTON: I think those people can create a little excitement and help to get publication for the story if it's a newspaper story. The people to circulate it would be the heads of the press associations and larger newspapers. Again, if we want to make a newspaper story of it-- I think if we are going to let it go generally to the newspapers, it ought to go as Little suggests, as a Sunday feature with a stipulation that the story shall be used as is. They can run a parallel news story if they want to, to their heart's content, but if they do so, they have to use this story textually, the entire story.

MR. LITTLE: You can do that in an article signed by the Secretary.

MR. LUXFORD: How can you keep a newspaper from commenting on a story?

MR. GASTON: You can't.

MR. LUXFORD: How can you keep them from saying, "We don't want to publish the whole thing, but as a matter of news we are going to print our stories?"

- 10 -

MR. GASTON: Lux, you can give a newspaper anything with the stipulation, "You either use this, or nothing."

MR. LUXFORD: Suppose that they say, "We are not going to use it at all, but there is a news story. We are going to give our report of what is in the article." I think they can do that.

MR. GASTON: No, Lux, if you hand these people something and say, "You either take this thing as it is and use all of it, or do not use any of it," they will abide by that.

MR. LUXFORD: Can't they still publish a story? "Morgenthau released a story." That's news. I think they can.

MR. GASTON: After it has been published by others.

MR. LITTLE: They can comment on it following your release of it.

MR. DuBOIS: You couldn't stop that in any event.

(The Secretary holds a telephone conversation with Morris Ernst.)

H.M.JR: I have to stop now.

MR. GASTON: What I would do is make a straight release and keep it within three thousand words. Make it a straight release for Sunday papers and use some of these devices Ted and George have mentioned for merchandising it, and if a lot of little papers run only a chunk of it, I don't think any harm will be done. If a story is not over three thousand words, a lot of popular papers will run it.

- 11 -

MR. LITTLE: We can supplement it and get three or four thousand weekly papers to use it.

H.M.JR: Well, I'll tell you, in the meantime we will hold everything, but you think about it and we will have another meeting. But I think I want to get Truman's okay on the thing and then I have got it and don't have to backtrack.

MR. GAMBLE: I'm going over there now.

H.M.JR: We can move very fast once I get his okay.

5/14 - cc given to Mr. Coe
for Col. McCarthy

May 1, 1945
10:30 a.m.

12

REPARATIONS

Present: Mr. D. W. Bell
Mr. Glasser
Mr. Coe
Mr. Fowler
Mr. Crowley
Mr. Clayton
Mr. Lovett
General Hilldring
Mr. Bard
Mr. DuBois
Mr. Pauley
Mr. Lubin
Mr. Downey
Lieutenant Bancroft
Colonel Brownell
Mr. Despres
Mr. Kiddleberger
Commander Richardson
Mr. Cox
Colonel Chandler
Mr. Luthringer
Mr. Gordon

MR. CLAYTON: Mr. Secretary, the working committee finished their labors, I understand, about midnight last night. I have a document here, which, if you approve, I suggest I read first completely through before there are any interruptions, and then we will take it paragraph by paragraph. I think it would be advisable to read it through first because some of the points that might occur to someone to suggest may be covered in a later portion of the document.

(Reading from Reparations document, dated April 30, 1945.) "1. It was agreed at the Yalta Conference that Germany must pay in kind for the losses caused by her to the Allied Nations--"

- 2 -

H.M.JR: Can I interrupt you just a minute? I would like to say this: I had a talk with Mr. Pauley yesterday. I wanted to get myself clear with him as to procedures, and I showed him the memo to the President and asked Mr. Pauley if he wanted us to continue doing this work, and he said he did. I don't know whether you care to say something yourself, but it would be nice if you would.

MR. PAULEY: I am simply approaching this as the newest thing in the problem, and if anybody needs any help, I certainly do and I will welcome every bit I can get. Because I am injected in the picture I do not mean to abandon your efforts whatsoever, and I am most gratified to see that there is practically unanimous agreement on everything but two or three paragraphs of this. I am not quite familiar with it, and I suggest that after you get through reading it that I familiarize myself with it so that I am as familiar with it as you are, and that we only discuss those portions of it which are controversial.

MR. CLAYTON: I think that's a good suggestion.

H.M.JR: I just wanted to make it perfectly clear before I came to this meeting, and I wanted to have an understanding with Mr. Pauley, because I didn't want to waste my time if he didn't want to continue, but he wanted us to go on, and I thought what he said to me would be important if he said it to the rest of you gentlemen.

MR. CLAYTON: That's fine. I am sure you explained to Mr. Pauley that we brought this subject up when we reported to the President the other day with the big document on the treatment of Germany, post-defeat treatment of Germany, and that he asked us to continue with our work and submit to him and Mr. Pauley whatever document we produced.

H.M.JR: The reason I am doing this is Mr. Pauley's appointment was subsequent to our meeting.

- 3 -

MR. CLAYTON: Yes it was. You're quite right about that, although the President told us, he didn't give the name, but he said he had asked someone to go as his representative as American Ambassador to handle the reparations thing, and we asked him if we should continue with this work, and he said he wishes we would do so.

MR. CROWLEY: What is your understanding, Mr. Clayton, about this committee? Does this committee make this in the form of recommendations to Mr. Pauley that he, at his discretion, carry it out? Is that the idea?

MR. CLAYTON: I wouldn't think so. I would think that we would submit this to the President when we have finished with it, just as we did with the other document, for whatever use he wishes to make of it.

MR. PAULEY: We certainly won't stand on formality in that regard because it's going to be a decision the President will have to make. That is going to be true, I think, of the particularly controversial issue, I think if we have progressed far enough on this thing that you are in agreement except on two or three things which only the President can decide--and I am certainly not thin-skinned--you can present it in any manner you want.

MR. CLAYTON: Perhaps we can come to an agreement on those two or three points here and submit a document which we unanimously subscribe to, and whatever use the President wants to make of it, if any at all, of course is his decision.

MR. BARD: Does it have to go to the British and Russians?

MR. PAULEY: Certainly not at this time.

MR. CLAYTON: It might be introduced in the EAC as we propose to do with the other document, Ralph, the one we finished up last week and submitted.

- 4 -

I believe the program is that that document be introduced into the SAC so that the other nations will get an opportunity to criticize it.

MR. DUBOIS: You don't want this in it.

MR. CLAYTON: Oh certainly, I stand corrected; you're exactly right. This certainly wouldn't be introduced there. This is supposed to be an instruction that the President would give to Mr. Pauley as his representative.

As we go along, each one of you may make some point on your copy as to what should be brought up with respect to each paragraph, and later we would save time by only referring to the paragraphs on which there may be some question.

(Mr. Clayton reads Document A, attached.)

MR. CLAYTON: Now, one is all right; two is all right. Are there any points on three or any of the paragraphs?

MR. BELL: I have a question on one. Is there anything inconsistent in the first sentence where it says reparations must be paid in kind, and later on where you take securities?

MR. CLAYTON: It said property. I don't think it said securities. It said "property outside of Germany."

MR. BELL: Investments.

MR. CLAYTON: Some of the German investments abroad.

MR. BELL: Isn't that inconsistent?

MR. CLAYTON: I don't think so. When it says, "in kind," it means to distinguish between money settlements.

MR. BELL: How about the gold we have over there? Isn't that subject to reparation claims?

- 5 -

MR. CLAYTON: We have it at present. That, I don't know.

MR. PAULEY: I propose we keep it.

MR. LUBIN: I think, Dan, that we understand what it means, and in view of the fact that this is for the United States Government itself and not for other agencies of other governments--

MR. CLAYTON: I believe that's right, Dan. I don't believe there is any inconsistency on that. Shall we pass one and two?

MR. FOWLER: Just a small drafting change on two. I think it would be a little clearer before the phrase, "German plants, equipment and other property," it is important to say "nation's industrial war potential."

MR. CROWLEY: I suggest on these drafting changes we let those alone and discuss the principle of this, and let them work with the other fellows on the drafting changes. When we get into all this detail on drafting changes--

MR. CLAYTON: I think that's a very good suggestion; unless it involves something of substance, leave it so that the working group can change it. Is that all right?

MR. FOWLER: That's just fine.

MR. CLAYTON: Now we go to three. Is there anything of substance anyone has to suggest in three? That's a large paragraph and is pretty important.

MR. BARD: There is something under "g."

MR. CLAYTON: Under g where the question of ships comes in. As I understand it, the question of the taking of ships has a bearing on the international pool that is now in operation.

- 6 -

There is some feeling that if the individual countries kept their ships and didn't put them into the pool, that it might have a tendency to break up the effectiveness of the pool, because Norway or Sweden would say, "if they can keep their ships out and handle them as they please, why can't we?" The thought is that the handling of these ships, at least ocean going ships, that there would be large numbers of smaller ships that just deal coastwise, but in handling ocean going ships they probably should be put in the pool along with all the other ships of all the other nations that are tied up in the same manner.

Now would it be, to agree on that, if we would insert a clause there which would say that we should attempt to secure an agreement from the nations represented in the Reparations Commission that any ships which might be taken in reparation should be placed in the Allied Shipping Pool as long as the pool exists?

MR. BARD: I don't know enough to make a definite recommendation. I just wanted to throw the subject out for some consideration. I think that's a good idea.

MR. LUBIN: There is such an agreement already between the nations that they will put ships into the pool, and I take it that applies to all the ships under the flag of--

MR. CLAYTON: I don't believe the Russians are in it.

MR. BARD: A good deal of the German shipping has moved over toward the Russians and in the Russian area.

MR. CLAYTON: I think it would be quite proper to insert a sentence to that effect.

MR. DOWNEY: There are other agencies, of course, such as the War Shipping Administration, which have been very active, and the State Department, on that whole question of shipping. I think that if all the reparations representatives are alive to the problem, that is really all that we need for present purposes. Now, for instance,

- 7 -

suppose we urge that all of the zone commanders put their ships into the pool. Quite possibly the Russians, if they agreed to do that, would want some part in the management of the pool, which I am pretty sure this country and Great Britain would not want. Also, the Russians might take the position that since the pool from this point on is to be used against Japan and they are not at war with Japan, they don't want to come in the pool, and if that happens, we might have a great deal of trouble with the Dutch and Norwegians in keeping them in the pool. It's a delicate problem and a problem that other agencies have lived with and worked with for years. I think the main thing is to have awareness on the part of our reparations people in Moscow that they have to maintain pretty close liaison with such agencies as will be in touch daily with the pool when this subject comes up. Do you agree, Mr. Lubin?

MR. LUBIN: That's right.

MR. MIDDLEBARGER: There is already a rather detailed draft directive which is under consideration now by the State, War, and Navy Departments. It sets forth in rather elaborate form all these considerations. I think once that is finished, we can forward that immediately to Mr. Pauley and he will have most of the basic information through this draft directive.

MR. DOWNEY: And for the purposes of this paper, the Secretary's suggestion is good that ships have to be treated differently from factories.

MR. CLAYTON: Is that all right?

MR. DOWNEY: You may want to discuss it with Land first. We'll probably take a shipping man that he might recommend.

MR. CLAYTON: All right. If it is agreeable, we'll leave it in that form. Do you have anything on that, Ralph?

- 8 -

MR. BARD: Not on that one. I don't quite understand what "it" means. "The Reparation Plan should not result in the building up of German economic capacity."

MR. CLAYTON: It means that we shouldn't in order to collect reparations assist Germany to build up her industrial capacity so she can pay reparations with output. That's the way I take it.

MR. BARD: It doesn't say "industrial." It says "economic capacity." Does it mean they can't rebuild their cities?

MR. DuBOIS: This is no prohibition. This says, "The Reparations Plan shouldn't be of such a nature as to promote--"

MR. COE: In three?

MR. CLAYTON: Is that explanation satisfactory to you? It sort of sticks in my mind, too.

MR. BARD: What would you think it meant, Doctor?

MR. LUBIN: That we shouldn't do anything in our plan which will lead to building up of the German economy. Now that doesn't mean the Germans can't build it up themselves, but the plan itself should not do anything which will bring that up.

MR. BARD: Even in the collection of reparations?

MR. DuBOIS: That's right.

H.W.Jr: It's the guts of the whole thing.

MR. CHURLEY: If they are able to do certain things over and above their own minimum standard of living, you take the cream off that.

- 9 -

MR. PAULEY: Not to exceed the standard of living in other surrounding countries.

MR. CLAYTON: If we put the word "itself" in here, "The Reparation Plan itself should not result in the building up of German economic capacity," would that do it?

MR. BARD: I think that would.

MR. CLAYTON: Would that make it a little clearer?

MR. BARD: I think so.

MR. DuBOIS: What does it pertain to?

MR. CLAYTON: The reparations plan by itself should not have that effect.

MR. DuBOIS: What I am thinking of is, "nor should any consequences flowing out of the Reparation Plan." In other words, for example, asking to manufacture goods, you see? I don't think that "The Reparation Plan itself," would do it. "Or some of the consequences is a result of that." I think it's pretty clear the way it is here. Of course if you put in "itself"--

MR. CLAYTON: Consequences are bound to be part of the plan if the plan is properly carried out.

MR. DuBOIS: That's why I think this carries the thought as it is, but if you say "itself," it has a narrowing implication from what they mean.

MR. CLAYTON: That's what I thought you had in mind, that it should be narrowed so that it would be clear that we are talking with reference to the possibility of building up the German economy. We are talking here about the Reparation Plan and nothing else.

MR. DOWNEY: Would it help if you changed it to read, "...should not be permitted to result in the building up of German economic capacity?"

- 10 -

MR. BARD: It isn't very good English anyway to say, "The Reparation Plan should not result--"

MR. DESPRES: How about "The Reparation Plan should not be of such a nature as to promote or require the building up of German economic capacity?"

MR. CLAYTON: That's very good. Is that all right?

MR. DUBOIS: Yes.

H.M.JR: Joe said it's okay.

MR. CROWLEY: We have to satisfy Joe.

MR. CLAYTON: "...should not be of such a nature--"

H.M.JR: He has lived with this a long time.

MR. DESPRES: "...as to promote or require the building up of German economy."

MR. CLAYTON: "...as to promote or require." Yes. Then it reads, "The Reparation Plan should not be of such a nature as to promote or require the building up of German economic capacity." I think that's an improvement. Have you anything else, Ralph, on that? Lubin, I think you had something on 3, didn't you? You didn't? Has anybody?

MR. LUBIN: 3j.

MR. COE: I have a point on 3g. The last phrase, "and German investments abroad." It seems to me that in order to cover the gold case which we mentioned a little while ago it should read, "German foreign exchange assets including investments abroad."

MR. CLAYTON: That's a good suggestion.

MR. BARD: Where's that?

- 11 -

MR. CLAYTON: On the bottom of page 2. "...and German foreign exchange assets including investments abroad." If there is no objection, we'll adopt that. Do you have anything else, Frank? Mr. Lubin, you said you had something.

MR. LUBIN: We'll get to j.

MR. CLAYTON: Is there anything in h?

MR. LOVETT: I have a point in i, Will, which McCloy asked me to bring before the committee for its consideration, in connection with compulsory labor. It was important to get in through the document the idea of punishment. That's now in the next to the last sentence on page 3. Also there is the idea that there has to be some termination to that period at some time. What it should be is left to later determination. The basic thought which he wanted to get the judgment of the committee on was whether or not it was desirable or appropriate to attempt some sort of supervision of the conditions over which the compulsory labor is used to protect this country as one of the participants in this Reparation Commission from charges in subsequent years that we have been a part of a system that might result in atrocities that might be almost as bad as what we now have.

I believe that there are two reasonable schools of thought on that, here among advisors. Some feel that it would be regarded as an insulting suggestion if an international body of some sort were determined on, and that the Russians might, for example, very well state that it was wholly unacceptable. The other school of thought takes the view that unless the United Nations sponsor some sort of check-up which might be based on the same theories as the International Red Cross, they might be subject to variable consideration by State. That might be the problem.

MR. CROWLEY: Will, might I state my position on this? I have no objection to dealing with the reparation debt, or dealing with materials and supply plants, but when it comes to dealing with human beings, I can't go along on that.

- 12 -

I feel that this country here in the first part of this thing indicate that they want no slave labor or no transfer of prisoners for their part in reparations. I am not at all in sympathy with what Germany did in the transferring of slave labor from other countries to their country or their treatment of individuals.

I think the whole ideology of our own country here is not to put a price on the soul or body of an individual to pay a reparations debt, and insofar as I am concerned you fellows all know I will never sign anything that indicates that this country is in sympathy with dealing with the lives of human beings for slave labor, and that if it is an accepted fact, I am going to reserve the right to express my own position on the thing publicly because I feel that very deeply, and that I think this whole war was fought on account of the treatment of individuals and treatment of families, and I am for making these Germans pay these reparations. I am for taking from them everything they have except the right of an existence. I'm for giving it the people who are responsible for this war and holding them responsible for it. I am not for holding a lot of little people who because of the influence and propaganda of their leaders now will be taken--and the children taken from the arms of their mothers and things like that--into Russia and different places in order to pay a debt that belongs to a nation that has enslaved a lot of other people. That's my position on that.

MR. LUBIN: Lee, if you read this--

MR. PAULEY: That will undoubtedly be one of the most controversial subjects. I think Great Britain and ourselves have both expressed the fact that we can't use any of it if we wanted to.

MR. CROWLEY: We can certainly put it in our policy.

MR. PAULEY: I agree with you and I don't think there is much disagreement except in the interpretation of what slave labor might be.

- 13 -

MR. CROWLEY: If you leave the interpretation of slave labor to the discrimination of people, they'll all be slave laborers.

MR. LUBIN: You wouldn't object for example to our arresting Gestapo and SS people?

MR. CROWLEY: Let them have a trial and be sentenced to what the Court says, but that's certainly different from treating two or three million people to slave labor.

MR. PAUL: You would be willing to have them after court sentence?

MR. CROWLEY: After our court sentences them to anything.

MR. PAUL: The point I want to bring out isn't in here. I haven't heard it discussed at all, but say one million or two million men go into Russia--it seems to me there should be some system where that would be accredited against reparations, one dollar a day, or whatever it may be. They'll pay that up faster that way.

MR. CROWLEY: You might give other people a chance to bid, say, one dollar fifty cents, or--

MR. PAUL: They might have to give individuals fifty cents a day or something like that, to war prisoners, but there should be a dollar a day or so credited against reparations, so that labor helps to pay the reparations debt.

(Mr. Crowley and Mr. Fowler leave the conference.)

MR. LUBIN: That's definite.

MR. PAULEY: Absolutely.

MR. LOVETT: Isn't this principle one of the basic provisions in the protocol signed at Yalta where it specifically says that the three governments agree that Germany must pay in kind, and that the reparations in kind are to be exacted from Germany in the three following forms, removal within two years after the surrender of Germany, or the cessation of organized resistance, of certain types of plants and equipment;

- 14 -

secondly, annual deliveries of goods from current production for a period to be fixed, and three, the use of German labor. Then it goes on with other matters, so if we are already bound by the Yalta Convention, which I think Mr. McCloy accepts as a basic fact, then it was his endeavor by this suggestion which I have previously made to ensure some sort of supervision.

MR. CLAYTON: I think all of us perhaps share Mr. Crowley's sentiments on this matter and regret very deeply that this sort of labor is apparently necessary or is provided for, but it has been agreed to in the Yalta protocol. It isn't quite clear to me, though, Bob, as to the form that it should take. The protocol says, "use of German labor," and I think that some German labor perhaps was used a little in France at the end of the first world war. It seems to me that some examination would have to be made of the discussions that took place at Yalta as to just how this third item in the reparations protocol could be implemented. It's quite conceivable that the Germans themselves could furnish some labor voluntarily that they would not conscript, that would do this work to some extent, if they are properly compensated and they work under right conditions, but I think that we probably would find if we examine the minutes of the discussions that took place, and I haven't seen those minutes, that something else was contemplated. So that we have here a practical matter before us. Number one, of course, we say that we don't want any labor of that kind. That's clear and everybody agrees. Then, as to the use of labor of that kind by the French and by the Russians, the French I understand want some of it.

It remains largely a question of the conditions that would surround the implementation of that part of the protocol so far as our own zone is concerned. That's about all that we have complete control of, and I take it that what we are discussing now are the conditions that we would enforce in our own zone of occupation with respect to this item of labor.

- 15 -

Now, as to Mr. McCloy's suggestion which I discussed with him at considerable length on Sunday, and with which I have a great deal of sympathy myself, there should be some arrangement for an international supervisory service of some sort over the use of this German labor abroad. I am told that as a matter of precedent, that there probably won't be any chance whatsoever of getting any country to agree to that, that we wouldn't agree to permit an international body to come to our country to supervise anything that we might want to do, and that there would be little chance and perhaps no chance whatever that any other country would agree to let us or other nations do a similar thing in their country.

As a result of that talk which I had with Mr. McCloy, we did put in here that the United States representative should seek to secure an agreement as to the standard of living that should be available to compulsory labor outside of Germany. We might broaden that somewhat, the standard of living, to include hours of labor and housing conditions, or something of that kind. But as far as getting the right to put an international body into a country to supervise the handling of these laborers, Bob, I just don't believe it would be possible.

MR. FULLEY: I don't think you can put in a body to supervise, but I do believe that you are in the position in the negotiation of this to lay out certain conditions with which labor will be used, making it in the form of your reparations treaty. Then you certainly should have the right to have an impartial body inspect that to see that the terms of that agreement are carried out.

MR. CLAYTON: Well, I agree fully as to the first part of that you say that we should be able to get some agreement as to how these people are to be treated, not only as to their standard of living which is sort of an indefinite term, but as to hours of labor and specific housing conditions, food, and things of that kind, just as the Geneva Convention, with reference to the treatment of prisoners of war. I think that this clause here might be broadened to be a little more comprehensive in that respect, wouldn't you think so?

- 18 -

MR. FAULEY: I certainly would like to have the benefit of concrete ideas that we can put on paper, and I would welcome, and I would suggest in the shortness of time that perhaps you will appoint a subcommittee to properly define that, bringing in Mr. Lovett and his views on the thing.

MR. LOVETT: I think Mr. McCloy's views have been explained to those he could get in touch with, Mr. Fauley, and the idea of having the working committee see whether they can bring a little more definition into this might be satisfactory.

MR. LUBIN: If you just add the phrase, "and their conditions of employment," you have it in technical terms which includes hours and everything else.

MR. CLAYTON: Speaking on the second point that Mr. Fauley makes with which I am in thorough sympathy, shall we try to get an agreement in the commission that at certain periods an international committee--

MR. FAULEY: I am heartily in favor of that.

MR. BARR: It would be a committee of your own Reparation Commission, wouldn't it?

MR. CLAYTON: Yes, that would be the way to do it.

MR. DUBOIS: May I raise the other side to that, and that is if you are going to set up some sort of international supervisory organization, that means--

MR. FAULEY: I don't think you could make it in terms of supervisory because it would be within the Commission itself.

MR. LOVETT: You are making an agreement and auditing it.

MR. DUBOIS: Even an auditing organization it seems should assume some responsibility for what may happen, and maybe things would go all right and maybe very badly.

27

- 17 -

28

Now, you have two factors, it seems to me, if things went bad, on that assumption. In the first place, what can you really do about it without causing real irritation? In the second place, you have assumed some share of the responsibility. At the time you want to step in and make a protest it seems you can do that anyway without such an agency, but by this method you put yourself in the position, it seems to me, where you have assumed responsibility for doing something, and maybe you are not going to be able to do anything.

MR. FAULEY: I don't see how we can escape responsibility in this matter.

MR. DUBOIS: The question is how far your responsibility goes. I think everybody is in agreement that we should arrive at some understanding as to the standard of living and conditions of employment. The question is how much further beyond that do you want to go? Now, here, for instance, it isn't as Mr. Crowley was saying as though we just took anybody. After all, they are taking the Gestapo and SS troops primarily and others deserving of punishment. Once we have agreed they are going to have a decent minimum standard of living and certain reasonable terms of employment, why we have to superimpose upon them an international organization, I think you get yourself into a lot of difficulty.

MR. BARR: I don't think your idea is an international organization. It's the Commission itself, which just follows up, as you say, audits what the Commission does.

(Mr. Fowler reenters conference.)

MR. LOVETT: It is hard for me to follow the argument. By not taking this step we are not in any way lessening our responsibility as a member of the Reparation Commission. That makes this possible in the light of the previous agreement in which we are a direct party at Yalta. If there were anything in that argument, one way of taking care of the point you raised, Mr. DuBois, would be to give the authority to the International Red Cross which is used in prisoner of war camps. I have very little hope that the French and the Russians, who probably would be among the prime claimants

- 18 -

in this, would accept such a proposal but I do believe that there is considerable merit in having this Government take the position which suggests and endeavors to obtain it.

MR. FAULEY: Speaking of the question of responsibility, the responsibility rests upon us now, so that we can't escape it. We can just as well do something wrong by not doing anything as we can by doing something, and therefore it is an issue that we must meet head-on after giving it the best thought that we can.

MR. JR: I would like to ask a question. I am not quite clear on Mr. Crowley's position. Do you know just what his position is?

MR. CLAYTON: Joe, do you?

MR. JR: I just didn't understand it, and I think it is terribly important, and the part where he said if we went one way, he would feel called upon to make a public statement, I just don't understand it.

MR. FOWLER: I think I better refer any detailed explanation of his statement to him, Mr. Secretary. I know it is quite obvious that he feels very strongly here on the matter of principle that the United States should take the position as being opposed to all the traffic in labor for reparations, on what's commonly known as a "slave labor basis." Now, just what type of arrangements or provisions that would comply with the protocol regarding the use of German labor that would not fall afoul of the principle stated, I am not clear on. I would want to try and take what you come out with here drafted and have a more detailed discussion with him.

MR. JR: May I make this suggestion? I think that somebody in the State Department ought to show Mr. Crowley what the agreement at Yalta is, and that we are not deciding here in this room whether there should or should not be slave labor. We are simply carrying out the Yalta Agreement, and if Mr. Crowley is going to protest, he is not protesting

- 19 -

against this group, he is protesting against Yalta. That should be made clear.

MR. FOWLER: The only thing we have been furnished on that point is a copy of the so-called protocol which provides as a form of reparations the use of German labor. Just what discussions preceded the inclusion of that clause and what the general understanding that surrounds the phrase in the document is, I am not familiar with.

MR. BARD: He made it fairly clear. I asked him the question whether he is opposed to just taking any people that worked in the Nazi Government, or in kind? He said, "If they are sentenced, if the SS troops and Gestapo are sentenced, I have no objection to it."

MR. JR: Well, I'll just repeat myself once more. I think it's up to Mr. Clayton representing the State Department to make it clear to Mr. Crowley that we are carrying out the agreement at Yalta and that we are not initiating anything in this room--this group here.

MR. CLAYTON: That is already clear to him, Mr. Secretary. He understands it.

MR. JR: From what he said I gathered his protest would be against this committee and this document, and I just want to make sure that he understands that.

MR. CLAYTON: He understands it fully, and I have discussed it with him and he knows we are acting on the Yalta protocol.

MR. FAULEY: I am sure he is not serious about making public statements.

MR. BARD: He's talking about slave labor, and this document doesn't say anything about slave labor.

MR. FAULEY: The whole thing is about the use of labor and what you are going to call it. There is certainly no Commission that I would personally go before, that calls it slave labor.

- 20 -

MR. FOWLER: I think one of the things we really face, as I tried to talk to him a few moments ago, is how large a category of people are really included here in the Gestapo and the SS organizations and those organizations in which membership really implies guilt by association. Guilt by association I don't think has ever been a part of our doctrine. In the case of the Gestapo and SS we are assuming membership in that implies certain guilt without personal determination of the action of the individual, but then when you get on to the next part of the phrase, "active supporters and participants in the Nazi Party or administration," is that ten million members who paid to party books or not? I am taking no position on this. I am just trying to get at the root of this problem and try to find out how far, in terms of numbers and down-the-line organization you go. Is it in the application of this particular phrase? I think that would have a good bit to do with his attitude if you felt that by this clause here "active supporters and participants in the Nazi party" you meant to go all the way down to the smallest individual who had a party book and was one of the ten million members, we'll say, if that's a figure. I think he would have a very grave question about--

H.M.J.: May I interrupt you a minute? We might as well have all the cards on the table. The Russians have taken people from Lauenburg who are of what we call German descent, and that is their only crime, and they have taken great numbers of those people and are using them for labor right now. So that's a fact which exists.

MR. FOWLER: That's right, and that's what troubles him, I think.

H.M.J.: We might as well know all the facts. This is going on today, is that correct?

MR. CLAYTON: We understand it is.

- 21 -

MR. PAULEY: You don't prevent that by ducking this issue and evading it at this meeting by making a simple statement that you are not for slave labor. It's here. We are faced with a problem, but the responsibility is ours.

H.M.J.: That's what I am trying to say; this is going on today.

MR. FOWLER: I think Mr. Crowley's point is has that sentiment of the American people--if that's a sentiment of the American people, and I have no way of telling, but assuming that it is--been communicated to the other powers, and would it be appropriate to communicate it in connection with these negotiations?

MR. LUBIN: The sentiment of the American people as determined by the Gallup Poll?

MR. FOWLER: Assuming this is to be our policy.

MR. LUBIN: In the Gallup Poll seventy-five percent were in favor of using slave labor for reparations.

MR. LOVETT: In the draft we are presently considering one of the measures is those who deserve punishment.

MR. FOWLER: That's the point.

MR. LOVETT: That's written in here and that was one of the points that was brought up by Representative May. That in part derives from the fact that it is not in this country part of punishment to require convict labor. It's a matter of common knowledge and common approval. Hence, by the inclusion of this we tend to bring it within the known area of operations within our own country.

MR. FOWLER: Now, I think that is the principal point, and it's the question of, as I sense the discussion in here and talking with him outside, it's the application

- 22 -

the extent of which you assume that, the size and character of the group that is included in this phrase, "and others deserving of punishment and active supporters or participants in the Nazi Party or administration (including those who have cooperated in financing and building up the Nazi machine, and others deserving of punishment." It's the looseness of that category that bothers him. I am not speaking my own views now but his.

MR. BARD: He mentioned if they get a trial it's okay with him, whereas in this country people get a trial before they are sentenced. That's his whole point, that they don't take them indiscriminately. If a man is tried and sentenced, it's all right.

MR. FAULKLEY: May I suggest this, Mr. Chairman, that those people who have got ideas on this subject meet and try to get together on the draft and make this as definitive as possible that they can express their own ideas, and that we might submit this entire problem to the President, because I for one don't want to assume any responsibility that the President himself doesn't want to pass on on that question. It's one of the gravest things that faces the world, and I think that when the President does make up his mind he should have the benefit of everybody's ideas.

MR. FOWLER: I shall be happy to go over in detail with Mr. Crowley whatever draft the rest of the group comes out with here.

MR. BARD: The quickest way to do would be to let Crowley draft it and see if we subscribe.

MR. FOWLER: Or attempt to draft one which he would subscribe to and pass it to the group. I suggest that we pass on to the other provisions here.

MR. CLAYTON: Well, Joe, would you please talk with Mr. Crowley about the matter and see if you and he together can draft a clause with reference to this matter of labor which would be satisfactory to him?

- 23 -

MR. FOWLER: Yes indeed.

MR. CLAYTON: I would just like to point out that the labor question has two aspects which I don't believe the working group have recognized here in this memo. The first is such labor as the Russians and the French may take from their own respective zones of occupation. We would like to have something to say about that, of course, and to try to get them to agree to certain reasonable conditions with reference to the use of that labor and their standard of living and conditions of work, and so forth.

MR. FAULKLEY: I think it ought to be uniform.

MR. CLAYTON: Then, there is another question, and that relates to the labor that those countries which expect to use German labor may request the occupying forces of other zones to furnish to them. That's a question that we are going to have to face. I don't believe it is faced in this document. So it has two aspects that would have to be recognized, I think, and I would suggest that the working group when they attempt to redraft this wording--you are working with the working group aren't you, Joe?

MR. FOWLER: Yes.

MR. CLAYTON:..In an attempt to redraft this labor clause bear in mind those two aspects of the problem which we have to face. In other words, these countries that expect to use German labor expect to use more German labor than their respective zones will produce.

MR. LUBIN: I assumed here that this applies to all zones, "Compulsory labor supplied by Germany," and that means any zone in Germany shall be selected in this manner.

MR. BARD: The feeling is in our zone we will have to recruit this labor and turn it over to Russia.

MR. CLAYTON: That's the point, and we haven't faced that.

- 24 -

MR. LUBIN: I think we do when we say that.

MR. CLAYTON: I don't think so. I don't think it's clear from this document that the occupying forces will recruit labor in their zone, the American occupying forces will recruit labor in their zone and give it forcibly to other countries. I don't think that is met in this draft. I don't think that problem has been faced.

MR. GLASSER: It's implied.

MR. RAND: The problem only occurs until the Reparation Commission has settled it on an over-all principle, and at this moment it is strictly an Army problem and they are dealing with it concurrently, with getting coal out of the mines and so forth. I don't see that we can do very much about that until we can settle an over-all principle on it.

MR. CLAYTON: Well, that may be, but the conditions under which we will let any country have coal from the mines that may be in our area, our zone, are very clearly stated in this document, but the conditions under which you'll give them labor in our zone are not even mentioned.

MR. PAULEY: At the moment as I understand it, the Army isn't giving any labor out of our zone.

MR. CLAYTON: We have to face that.

MR. PAULEY: I presume the other people are doing whatever they want to about it.

MR. LOVETT: We are not in our zone in any substantial manner.

MR. DESPRES: I think the working group who drafted this had in mind that the American representative should try to get all the countries on the reparations issue to agree to confine compulsory labor service to groups deserving of punishment and if they would agree to narrow themselves in that way, we in turn would make available

- 25 -

labor from those groups deserving of punishment for labor service; in other words, that we are asking the Russians and the French, say, to be more restrained in this field in various ways both as to the types of people they take and as to the treatment accorded to them, than the Russians and the French otherwise would be disposed to be, and that in turn if they will do that with those groups, we might recruit in our zones.

MR. LUBIN: Would it meet your needs if we changed that from "compulsory labor supplied by Germany," to "compulsory labor supplied by any zone in Germany?"

MR. CLAYTON: Well, I think if you treat it as one problem, over-all of Germany and over-all of the zones, that in order to satisfy some of us here in the United States you are going to have to make the conditions so narrow that some of the other countries will never agree to it. I think that what we are going to have to do in the end is to have two sets of conditions, one that will apply to a country taking labor out of its own zone and the other to apply to labor that they may ask us to give to them, and with respect to the latter we would make the conditions much more narrow and much harder than we would with respect to the former. I think that to be practical that we are going to have to face that.

MR. DUBOIS: May not that depend, Mr. Clayton, on how hard we can press for this point of narrowing the group down? In other words, to the extent we can narrow the group down. That's why it's--

MR. CLAYTON: Certainly.

MR. DUBOIS: That's why it is difficult to spell that out.

MR. CLAYTON: It certainly depends on that and perhaps what we should attempt is to write conditions which would satisfy us with respect to labor we might have to hand over from our zone to other countries and try to get the text of the thing adopted for the whole labor problem on that basis, but I seriously question whether you will ever be able to do it.

36

- 25 -

MR. BARD: You have the fundamental thing that all this operation must be distributed equally over the entire country, so you have got to treat the labor thing--you can't take most of the labor out of one and none out of our zone.

MR. LOVETT: Particularly since we don't expect to withdraw any for our own account from our or any other zone. May I suggest that the idea that was previously expressed here might be a way of advancing the drafting of this by having the working committee take another crack at this in the light of the discussion here this morning, and pay particular attention to the development of language which will incorporate into the determined factor the idea of punishment, restoration, and so forth? Perhaps in that way we can get a cleaner draft to work on.

MR. CLAYTON: I think that's right, and we perhaps can't accomplish very much by further discussion of it now, and if it is agreeable, we will turn it over to the working group and let them try it again in the light of the discussion that has taken place here.

MR. JR: If they are going to work until midnight, they might as well start.

MR. LOVETT: It might include a more active definition.

MR. CLAYTON: And the insertion of a provision of periodic inspection or something of that kind which we might try for. This clause has been suggested, that the countries using compulsory labor should be required periodically to furnish to the Reparation Commission detailed reports on the treatment accorded to such workers, their living and working conditions and the uses being made of such labor. That doesn't go as far as Jack McCloy had in mind because this assumes that there would be no inspection but that the examination would take place on the basis of reports which would be made to the Reparation Commission by the countries using such labor, and I would like to try at least for his formula to see if it would be possible.

38

- 27 -

GEN. HILDRING: May I say one more thing, Mr. Clayton? In line with what you said Mr. McCloy has one other thought in regard to two standards. Mr. McCloy and I have talked a great deal about this and projected ourselves ten months or a year into the future, when after the Reparations Commission has decided on the labor that we are going to produce for the Russians and French, there comes a day when Eisenhower has to go out and round these people up under the eyes of two or three hundred newspaper men who are going to watch every person he mobilizes, and against that day we think we should be able to explain the basis on which we are recruiting these workers even though that basis is somewhat different from the one that was used in the Russian zone. In other words, it would be preferable to have two standards of recruitment, one in ours and one in theirs, rather than to get a formula with respect to our zone that we would have a hard time justifying back home.

MR. CLAYTON: Well, General--

GEN. HILDRING: If the committee will consider the day we are going to have to round these people up in our zone in the flare of a spotlight that won't exist in the Russian zone, we may need different standards in the protection of not only this committee but of Eisenhower and of the policy itself.

MR. CLAYTON: I would think that it's inevitable that we have different standards. I don't think that we would be willing to reckon with these people on the same basis as other countries would reckon with them. I dare say that the standard which we would set would not be acceptable to them and I think we will have different standards. It's inevitable.

MR. BARD: When you throw the whole load of the recruitment on the Russian area.

MR. BELL: You are going to have the people moving into the American zone if the standards are better. It seems they ought to be equal.

- 28 -

MR. PAULEY: We perhaps shouldn't inject ourselves into the discussion of labor at all. I don't see why the Germans in one zone should be favored any more than in any other zone. I think you are going to have to come down to a basis of uniformity sometime.

MR. CLAYTON: Of course, Mr. Pauley, uniformity is desirable, obviously, but I just seriously question whether we would get it on our terms. We could always get it on the other fellow's terms.

MR. PAULEY: That's one of the duties of the Commission and of the negotiations.

MR. BARD: You should certainly try to get it.

MR. CLAYTON: Try to get it, yes. There's no doubt of that.

MR. LOVETT: What Dan said--it's a problem already.

MR. CLAYTON: Shall we pass that labor and let the working group try it again? Is there anything on it?

MR. LUBIN: One was submitted by the Army and the other by the other group.

MR. CLAYTON: The second one was submitted by the Army. Suppose we read that first?

H.M.JR: Which one is the Army's? I want to know which one we would be against.

MR. LOVETT: At the bottom of the page.

MR. CLAYTON: (Reading) "The removal of plants and equipment shall take place regardless of the fact that they are owned in whole or in part, directly or indirectly, by United Nations nationals, but where plants or equipment which are so owned in whole or in part are to be so removed arrangements shall be made, if practicable and desired by the owner, for removal by the owner, and if not practicable

40

- 29 -

or so desired, the recipient country (unless it is the country of the owning nationals) will upon receipt of appropriate proof furnish adequate compensation to the governments of such nationals."

Now, that's the Army's suggestion and the one the committee drafted reads as follows:

"Removals of plants and equipment should take place irrespective of the fact that a national of one of the United Nations might have an interest, direct or indirect, in such plants or equipment. The question of compensating United Nations' nationals for losses, suffered as a result of property within Germany being damaged by the war or removed as a result of reparations, would be a matter outside the scope of the Reparations Commission, except that it may be found desirable for the United States to make a claim for reparations sufficient to cover any such losses which may be suffered by its nationals."

I think those two are very clear. The main difference, as I understand it, is that the alternate of the War Department would give the owner a chance to move his own property into some other country before it would be taken as reparations.

MR. LUBIN: No, the main point is that the recipient country must pay for it.

MR. CLAYTON: Yes, you see if it is taken as reparations the recipient country should pay for it and credit it on the reparations account.

MR. LOVETT: Perhaps it might help if I tried to give the background from which this suggestion arises. The first worry that the War Department has is with respect to the responsibility of Government agents, trustees, to endeavor to forestall and eliminate subsequent suits against this Government in any way they properly can. That is, or may be of considerable importance over a period of years.

The answer to that in part lies in the fact that presumably the Government would assert a claim against a

- 30 -

total reparations account and use that as an offset if the courts found that the American citizen will be adversely affected in his rights by this clause. But there is a second aspect of it which does not relate to the legal side of it so much as it does to what may be an important aspect of the trading in this field and in subsequent fields. If the strategic bomb job is as good as I think it is, some of the major problems are already out of the window, but there will be important parts of plants or important specific machinery which can be transported, and to take a purely hypothetical case, let's take the ownership of some parts of Siemens-Suckert, a German Company, by International Telephone and Telegraph Corporation, that being a manufacturing plant which among other things in addition to telephones has made certain types of radio equipment. The Allies have bombed out the Phillips plant in Holland which is probably one of the world's great vacuum tube, and radio plants. That was completely destroyed.

Now, we raise the question here for consideration as to whether or not if there is to be a claim of some sort against this Government by, we'll say, Phillips, or the Dutch Government, we ought not to be in one of two positions, either to give the American owner of equipment with the consent of this Government the right to take his stuff out of Germany and help build up an industry in Holland, or alternatively use the American owned equipment as an offset against a claim on this Government from some other united nation's claimant. That's briefly it.

MR. LUBIN: But there isn't any American ownership in Germany. It's stock ownership. Americans don't own any equipment; they own equities over there.

MR. DuBOIS: May I present the other side as to this? I don't think we are too far apart here, really I don't. But just let me give--in the first place we have as you know the TFR - 500 reports showing the holdings of United States firms in Germany, and ninety-nine percent are all, as Doctor Lubin says, stock ownership. Some show maybe twenty percent, thirty percent, forty percent and a number of them have one hundred percent ownership.

42

- 31 -

MR. LOVETT: We have a number of them fully owned.

MR. DuBOIS: A number of them. Now, on the purely legal point, this came up during the last war--we took some Standard Oil tankers owned by Germany and the tankers were delivered over pursuant to the requirement that the German Government cease making tankers. It was taken before an arbitration tribunal which said in denying the Standard Oil claim, " * * * in application of a generally accepted principle, any person taking up residence or investing capital in a foreign country must assume the concomitant risks and must submit, under reservation of any measures of discrimination against him as a foreigner to all the laws of that country; * * *. An Allied or Associated national having invested capital in Germany has no ground for complaint if for this reason he incurs the same treatment as German nationals."

You have United States firms owning stock in German companies, and I think we both agree that doesn't mean these German companies should be treated differently for the purposes of removal. The question is one of compensation. Bearing on the question of compensation, I would like to mention one or two facts. In the first place, we have been checking on Internal Revenue forms. Practically all--I won't say all until we have finished--practically all of these companies wrote off the stock in the German company as complete loss in 1941. Our regulations provided that they could write it off as a loss. They had the right to presume that the stock was worthless. Practically all of them have done it and they wrote it off in full in 1941. Again, I say that we are not opposed even on the basis of that fact to providing for some form of compensation. That's understandable. We are not opposed and wouldn't be opposed, if it can be arranged, for moving a United States owned plant from Germany to say France if we can arrange with France so as to give the United States firm the same ownership in that plant as it had in Germany.

- 32 -

The two points we specifically disagree with you on as far as your alternative paragraph is concerned--I have a redraft of a possible compromise. You do two things that we object to. First, you give the owner, apparently it is intended, the right to decide what country the plant is going to be moved to. When it is moved if it is practicable that you can make arrangements that the owner retain his ownership, that's fine, but he don't want the owner dictating to what country the plant is going to be moved. That's the business of the United States Government. It's up to the United States Government to decide where it is going to be moved. If we can make arrangements, he can retain his ownership, and that's fine. Second, in the way of compensation you provide that the country receive compensation from the recipient country. There you run into a problem that some countries don't have foreign exchange with which they can pay.

MR. LOVETT: I think that's perhaps not a good clause as written. I think the compromise you suggest--

MR. DuBOIS: If I could read this compromise--

MR. LOVETT: The other relates purely to the method of setting up a credit in the reparations account.

MR. DuBOIS: That's fine, but--

MR. LOVETT: If you can do it another way--

MR. LUBIN: I don't interpret it to mean that. It says, as I read it, upon receipt of proof that this fellow owned the plant France would have to furnish adequate compensation to the United States. It has nothing to do with reparations. We can handle it in cash.

MR. LOVETT: You have got the language so you can do it through the reparations account. I don't think we should go to France and ask her to pay us in United States dollars, for instance.

43

- 33 -

44

MR. LUBIN: We take that and say "except that it may be found desirable for the United States to make a claim for reparations sufficient to cover any such losses which may be suffered by its nationals."

LOVETT: You leave it, "may be."

MR. DuBOIS: Shall we try this? Maybe you would read it, Mr. Clayton?

MR. CLAYTON: "The removal of plants and equipment shall take place regardless of the fact that they are owned in whole or in part, directly or indirectly, by United Nations nationals. Where plants or equipment which are owned in whole or in part by a United Nations national are to be so removed arrangements shall be made, if practicable and desired by the government of such national, for the owner to retain his interest in such plant and equipment after removal. If not practicable or so desired arrangements shall be made so that the government of such national should receive adequate compensation for the interest of such national." Why the reference to the latter in the last sentence?

MR. LOVETT: That's all right.

MR. CLAYTON: Say, "if not practicable or so desired, Germany shall furnish adequate compensation to the government as a part of its reparations."

MR. DuBOIS: That would be fine. We would prefer that.

MR. LOVETT: That's the old double payment business where you take a plant away and credit it, we'll say, for one hundred million dollars, reichsmarks, whatever yardstick you want to use, and go back and subsequently bill them for the same thing as damages to the American or foreign owner.

MR. LUBIN: No, you don't, because the ownership invests in the American owner. You move it to France--France got nothing of of this, you see.

- 34 -

MR. GLASSER: Germany didn't lose anything either.

MR. LUBIN: It's an American owned plant. She never had it.

MR. GUS: Germany would have that same problem presumably in compensating domestic owners. They would lose the plants and they would have to make a mark payment.

MR. LUBIN: As long as you set it up in some fashion so that it does provide a fund from which this Government can satisfy claims so that we are not as agents of the Government here simply trashing that aside, it would meet our basic point.

(The Secretary leaves the conference temporarily.)

MR. DUBOIS: What Mr. Clayton suggests would be very good from our standpoint.

MR. DESPRES: May I say a word in support of this, in support of having Germany pay it? If any plant is removed from Germany, as we now have this thing set up, the value of the plant removed would be credited to Germany's reparations application. Now, in the event that the plant is a United Nations owned plant, that is not a loss to Germany since the property wasn't German owned.

MR. LOVETT: That's right.

MR. DESPRES: Therefore, you net an offsetting entry in your reparations book because you will have credited Germany for any removal. Now, this sentence calls for an entry to note the fact that you haven't got any reparation from Germany in removing this plant and that Germany's reparation liability shall include the compensation--shall be so computed as to include the compensation to the government whose national owns the plant.

MR. PARD: Why make a double job of it? Why don't you just credit it to him?

MR. LOVETT: Sometimes ownership is hard to trace out, but I think this compromise meets it.

- 35 -

MR. CLAYTON: Then the last sentence of the alternate suggestion would read, "If not practicable or so desired, Germany shall furnish adequate compensation as a part of its reparations obligation."

MR. LUBIN: And I would say, "should furnish adequate reparations to cover the interest of such national," because we don't want to treat this compensation any differently from any other.

MR. CLAYTON: "Adequate reparations to such united national."

MR. LUBIN: "...to cover the interest of--"

MR. CLAYTON: "...to cover the interest of such national."

MR. LUBIN: Do you want to read it once more, Will?

MR. CLAYTON: "If not practicable or so desired, Germany shall furnish adequate reparation to cover the interest of such national."

MR. LUBIN: No, "to furnish to the government of such national adequate reparation--"

MR. CLAYTON: "...to furnish to the government--" yes, "of such national, adequate reparations to cover the interest of such national." Is that agreeable? If so, then we adopt that as is.

MR. DUBOIS: Could I go back, Mr. Clayton, and just make this possible suggestion? We might want to have this document deal solely with the property and we have a separate document on special labor points. The President may want to focus on it just by itself anyway.

MR. PAULEY: That's agreeable.

MR. CLAYTON: That sounds like a pretty good suggestion. This won't cover labor at all, just property.

- 36 -

47

MR. DuBOIS: Have a separate document on labor.

MR. CLAYTON: Do you think that sounds like a good suggestion?

MR. LOVETT: Yes, provided we say something in here that labor is covered by a separate document.

MR. CLAYTON: Yes, that's a good idea. All right then, we pass j and come to k. Are there any points on k? That's standard of living. I think we have all agreed on that in another document.

MR. BELL: Did that other document say, "standard of living no higher than the level existing in the surrounding countries?"

MR. CLAYTON: No higher than the lowest.

MR. LOVETT: These are the exact words of the President's paper of March 3rd.

MR. BELL: I thought the one we had the other day said, "no higher than the lowest standard of living in the countries surrounding Germany?"

MR. COE: This says "in any one."

MR. BELL: This says, "...in any one of the neighboring--"

MR. CLAYTON: And that's the way it read, Dan, so we pass k and then l. (Proposed by War Department) The Reparations exactions must not result in the withdrawal from Germany of means necessary for the production and maintenance of goods and services required to meet the needs of the occupying forces and displaced persons, or essential to prevent starvation or such disease or civil unrest as would endanger the occupying forces."

There doesn't seem to be any objection to that.

- 37 -

48

MR. GLASSER: Well, there is.

MR. LOVETT: From everybody but the War Department.

MR. PAULEY: May I suggest this about that, Will? That, it seems to me, is strictly a matter between the Control Commission and our Army representative who represent the President directly, and ourselves, and might I suggest that the War Department present their views independently on this thing to the President, because it's a matter he is going to have to decide.

(The Secretary re-enters the conference.)

MR. LOVETT: I don't think there would be any objection to that at all, Mr. Pauley.

MR. PAULEY: There is no one else involved. It's a practical operating matter.

MR. LOVETT: That's a fact. We wanted to simply have the committee understand the type of problem we envisage.

MR. PAULEY: It can be solved in a few minutes by proper liaison. Rather than getting into a long windy argument here with each of us expressing our views, I think we can settle it through proper liaison.

MR. BELL: It isn't anything that concerns Russia. It's entirely within our own zone.

MR. LOVETT: That's all right.

MR. CLAYTON: Just for my own information, what's the objection to that paragraph?

MR. GLASSER: This provides you shall take nothing out of Germany that might be necessary for the production or maintenance of goods to meet the needs of occupying forces. Basically the objection to that is if you maintain in Germany equipment for the occupying forces which might amount to

- 38 -

a million men in the three zones, you have a pretty good war potential you are leaving in Germany in its broadest interpretation. The real discussion is on what we now call the synthetic oil plant, whether you leave a synthetic oil plant whose presence is inimical to disarming Germany--whether you leave that there for the needs of the occupying forces to prevent the Germans from starving. That's the issue, and it centers in its most extreme form in the case of the synthetic oil plant, and the problem is whether if the Reparations Commission in carrying out the disarmament objective orders removal of the synthetic oil plant, whether the Army, because it needs oil for occupying forces, will overrule the Reparations Commission's suggestion.

MR. LOVETT: What we are trying to do is try to take it out of the class where there would be any question of overruling and have it discussed as a matter of basic directives to both the military fellows and the Reparations Commission. As Mr. Pauley suggests, we are entirely content to discuss the thing as between the parties directly concerned. But leaving your synthetic oil plant and looking at it realistically, if General Ike is in there with half a million troops, and I don't know how many million people, including displaced persons, he has got to have coal in order to keep and maintain his own troops and the displaced persons and some level of civilian population. Now, suppose that there is a mine in his area that has pumps and hoisting machinery, suppose the Russians make a claim on that and the Reparations Commission says, "Sure, take it away?" They take it away and he gets no coal in order to preserve his own troops and to follow out the directive given him by the Army. We would merely like to talk it over and recognize the fact that this is something that you can't postpone for months. His problem is today and tomorrow and the next day. He's got to support his troops and the people that are charged to him.

MR. GLASSER: We feel that provision is already taken care of wherein he has the veto power on anything removed from the zone.

MR. LOVETT: He only has veto power after he comes back through channels to discuss it.

- 39 -

50

MR. PAULEY: Can't we agree here that it's strictly a matter between the War Department and ourselves, and we will get together?

MR. LOVETT: I think we can.

MR. FOWLER: I don't think this provision is strictly a matter between the two. I think there is a matter of principle involved in this provision. On page 9, the relationship between the occupying authorities and the Reparations Commission is a matter strictly between the two, but it seems to me involved in this paragraph is a matter of principle. Now, we for one will have no objection to whatever arrangements are worked out over on page nine about the relationship between the Control Council and the Reparations Commission. We are concerned about the adoption of any principle at this time and this is. This paragraph three is a statement of principles. That would adopt it as a United States policy to completely supply, to make self-sufficient, to retain in Germany the facilities and goods and materials necessary to maintain in a self-sufficient state the population of Germany plus the occupying forces.

MR. LOVETT: All this does, Mr. Fowler, is pick up the language from the Presidential Directive of March 23rd as the yardstick for the military fellows to be guided by.

MR. GLASSER: I believe that's a little distorted.

MR. PAULEY: The principle has already been covered in paragraphs two and three, and then it becomes a matter of interpreting what is essential to the civilian welfare, and so forth, and I still come back to the fact that it is only, after we have already agreed on paragraphs two and three, it's a matter between the War Department and ourselves.

MR. FOWLER: It might be, Mr. Pauley, that it would be decided that the supplying, for example, of oil from outside Germany to supply German oil needs would be desirable as a measure of industrial disarmament, and yet this provision--I don't know whether it's so intended--but this provision could be construed to say, "Here's an oil plant. It's a

- 40 -

51

means necessary to supplying an essential item for the population of the occupying forces. Therefore, it's not to be removed." If it doesn't mean that, then it ought to be so modified as to provide for those exceptions which are to be removed for reasons of industrial disarmament and demilitarization.

GEN. WILLIAMS: May I say one word here that has a bearing on it, I think, with respect to paragraphs 30 and 32 which are the ones I think Harold is talking about. The JCS, I think--I may be talking out of turn--but I think they will communicate today to the secretary of the committee they agree with the document except paragraphs 30 and 32 in which they raise the question not of the policy, of changing the death list in 30, but of simply having an influence on the time at which it is eliminated, so that I imagine in view of what was decided by the other committee, that difference of opinion between the JCS and this committee is one that is going to be decided by the President as the issue now stands, and it seems to me that his decision will take care of all the questions raised as the hidden meaning in this paragraph. Won't that decision by the President with respect to that issue settle it both with respect to LSCV and this document and bring it then clearly into Mr. Pauley's field, the relationship between the War Department and reparations?

MR. LORIN: I don't think the President should settle that issue without at the same time considering this one, because if he commits himself--

GEN. WILLIAMS: It's one issue, isn't it?

MR. LORIN: Yes.

GEN. WILLIAMS: And it will all be settled on that one decision.

MR. LORIN: But my point is if he settles it on the basis of LSCV, that this is settled, and before he settles on LSCV this should be presented to him at the same time.

- 41 -

52

MR. LOVETT: Yes, he should be given a fair look at both sides.

GEN. WILLIAMS: That's right.

MR. LOVETT: But as to the question of any language or anything hidden in this Presidential Directive of the 3rd of March, at the bottom of the first page it says, "Controls may be imposed on the German economy only as may be necessary, (a) to carry out the programs of disarmament and demilitarization and reparations and relieve liberated areas to be prescribed by appropriate higher authority, and (b) to ensure the production and maintenance--" and here we get right into this language, "ensure the production and maintenance of goods and services required to meet the needs of occupying forces and displaced persons in Germany and essentially to prevent starvation or such disease or civil unrest as to endanger the occupying forces." That's identical, isn't it?

MR. DUBOIS: I would say in view of the fact that reparations comes first, it takes precedence over the--

MR. LOVETT: Reparations comes before maintenance of our own troops over there?

MR. FOLLEN: I am leaving your reparations for a minute to refer to something previous to that where you mentioned industrial disarmament except for those measures that are necessary to effect industrial disarmament and demilitarization. It's our contention that the removal of certain facilities that might be useful for supplying the occupying forces and the civilian population might also be necessary as a measure of industrial disarmament and that the second, the industrial disarmament, takes precedence, and I think that's the--

MR. LORIN: I think Mr. Pauley is right. This is going to have to be settled by the President and we ought to point out that there is nobody here who would put reparations over the welfare of the Army. I hope nobody is giving that impression, but I do feel that we have got to be realistic about this thing, that if I were a commanding officer, I

- 42 -

53

would want everything around me maintained that is going to make my job easier and rightfully so. If my troops can be better serviced by getting the oil out of a plant five miles away rather than to have to send a cable to Washington to get a tanker to deliver that oil, I would like that plant nearby, and everybody else would, and it's to prevent just such a thing, I think, that some definite statement should be made as to what is required to maintain the Army. Is it everything they can get there, or only those things they can't get from the United States?

GEN. HILLBORING: That's not the argument as I understand it. As I say, I think the issue will soon be resolved. I don't think it's a question of utilizing plants in Germany for the needs of the armed forces to make it unnecessary to haul oil from Oklahoma to Germany. That has never been our view at all. Our view is to begin with we don't say these plants shouldn't be taken out. We agree with the policy that the Joint Chiefs will agree that these synthetic oil and rubber plants should be taken out of Germany, and that's not going to be up to Eisenhower. He is going to be told that. The only question involved is one of timing, and that's the only argument in this thing. It isn't a question of reparations policy at all. It's at a time when Eisenhower can't get into Germany enough oil to run his locomotives or do the other things he needs to supply his troops. Must he, in spite of the fact that he can't run this locomotive and can't get the oil from Oklahoma, at that time he must shut off the supply despite the fact that his troops will suffer as a result of it. That's the only argument.

MR. LUBIN: I think you have answered in your last sentence, "despite the fact that his troops will suffer." In other words, you are assuming that the oil is not available in the United States.

GEN. HILLBORING: I am assuming it's not available, Doctor. It isn't available today in France, and it won't be available next month.

- 43 -

54

MR. PAULEY: I have to be at the White House at twelve-thirty and I'll be glad to continue these discussions, but in the meantime Mr. Lubin will stay. I do have this one thought that has not been mentioned here and that is with respect to all agencies of the Government who are giving benefits, either by outright gifts, lend-lease, loans, or however it might be, that remember, when this mission goes to Moscow and is negotiated, our job is going to be difficult enough, and we want to maintain a very close liaison and at least be notified in advance of any contemplated benefits that any of these countries concerned are going to get in order that we might submit to the interest of the agencies our views as to how it might effect our negotiations. In other words, we wouldn't want to be sitting with tough problems and inclined that some agency was giving away something that would materially affect our ability so as to negotiate properly for our country, and I hope we can all agree on that.

MR. CLAYTON: Do I understand you, Mr. Pauley, what you have in mind is that we might here take certain action with respect to certain lend-lease aid, other benefits or credits or something that would assist you in your work in Moscow? Is that what you have in mind?

MR. PAULEY: It works both ways, it might assist and it might hurt, and therefore we would like to be notified and informed beforehand of what is contemplated.

MR. CLAYTON: Well, of course, when you go you will know what the lend-lease situation is, and I would think that probably the only other question might arise with respect to contemplated credits maybe to these countries, and certainly you would be kept informed of anything of that kind.

MR. PAULEY: And action on the part of FEA and things of that kind, either by purchase or--

- 44 -

MR. FOWLER: That's very important, and I'll bring it to Mr. Crowley's attention. I think it would be worthy of considerable discussion.

MR. PAULEY: I don't think it's a proper matter that should go into this memo, but I think there should be another memo that we would all agree on that would set forth those views.

MR. CLAYTON: I think there's no question but you should be kept fully informed of all such actions of that kind, and I am sure there will be no difficulty to arrange that through the State Department.

MR. PAULEY: Thank you, gentlemen.

MR. BARD: Why don't you just drop number one out entirely?

(Mr. Pauley leaves the conference.)

MR. LUBIN: It was our suggestion.

GEN. HILLDRING: I think the thing that troubles some of these gentlemen that have spoken is that it means more than it says, and it is paragraph 30 and 32 that you are worrying about.

MR. LUBIN: Somebody suggested, for example, that we say, "Those plants shall be maintained for production and maintenance of only those goods and services required to meet all the needs of the occupying forces--"

MR. GLASSER: "...which can only be acquired in Germany," and the War Department rejected that phrase. Now I think, General Hilldring, that your formulation would be an easy basis for reaching an agreement in the working group, as you formulated in the question of time and the question of where it is clear that can only be obtained in Germany.

MR. LOVETT: Why don't we try to force that out?

55

- 45 -

MR. DUBOIS: All you are really talking about is the immediate withdrawal, isn't that right?

GEN. HILLDRING: We are only talking about these items on the death list, and that's what we mean.

MR. BARD: It seems to me the paragraph on page nine, the second paragraph, gives you all the power you need right there.

MR. DUBOIS: Yes.

MR. CLAYTON: Well, shall we drop it out and let you study it further, Bob? Is that agreeable?

H.M.JR: I would like to say this before you do that. I mean, it might perfectly well be if the American Army was in there for two years, the commanding general might maintain the position for the whole two years that he was there that he was going to need these supplies, and these plants might not be destroyed during the whole two years or removed.

GEN. HILLDRING: There are soldiers, I am sure, Mr. Secretary, that are capable of doing that, but I would consider such an eventuality a breach of trust on the part of the soldiers, and I doubt if it can survive. Everybody is going to watch what he is doing, and you are going over, and all of us are going over, and we are not going to tolerate it.

H.M.JR: That's perfectly true, but I maintained right along that it's just human nature, while the American public is excited about what is going on today they will do a lot of these things, and once the war is over and the Army's appropriations are cut, and they figure they can get something there and won't have to draw it out of their general appropriated funds, and somebody can save money that way, he'd be doing something great. Now, if these important plants which would be used again to make war are eliminated the first six months, I don't believe there would ever be another war, and I think that the Army, and I say so in all seriousness, has been

56

- 45 -

advocating that these important plants be maintained. I think they have got a very, very grave responsibility as far as future wars are concerned. I have listened to this thing a long time, and the delay in getting the supplies is not comparable to the danger of leaving these from which they might again be made into munitions plants. I am very much worried about it and I wish the Army would give it another look.

MR. CLAYTON: Just for your information, I may say, Mr. Secretary, that Secretary Lickes made a very vigorous protest to Mr. McCloy and later to me about sections 30 and 32 of the other document which we presented to the President on Friday, in respect to it, and only to the clause which provides for the removal or destruction of these synthetic oil plants.

H.M.JR: Which way is he protesting?

MR. CLAYTON: Protesting we should do it without taking into account that he had some interest in the matter and without consulting him, because his Department was charged with the responsibility of finding oil for pretty nearly the world, and we were providing oil producing facilities should be destroyed without discussing the matter with him. He said he was going to take it up with the President. I mentioned that for your information.

MR. LUBIN: Destroyed or moved. They could be moved here as far as that goes.

MR. CLAYTON: That's clear in the document.

MR. LUBIN: General, there is only one thing after what the Secretary said. I mean, if it is important that a given facility be maintained in order to protect the welfare of our troops, shouldn't that decision be really made in Washington?

- 47 -

58

GEN. HILLDRING: Well, I think the decision will be made in Washington.

MR. CLAYTON: The other document--

MR. LUBIN: Then isn't it taken care of on page 9 where we say if the zone commander--if he wants to take it out, if he wants it, with the specific authority of his Government he can keep it, but he has got to go back to his Government.

MR. CLAYTON: The other document which we presented to the President on Friday so provides. Have you a copy?

GEN. HILLDRING: The only thing we are trying to do, Doctor, in the JCS is trying to--I am just an agent--to make it unnecessary for Eisenhower to turn over the supply while he is getting the decision.

MR. LUBIN: That's taken care of in mine, absolutely. Mine specifically says--

GEN. HILLDRING: In thirty it says he will immediately cease production whenever he finds one of these plants.

MR. CLAYTON: The General--

MR. LUBIN: The General is referring--

GEN. HILLDRING: I am not talking about this document.

MR. CLAYTON: He is referring to the document called "Directive to the Commander-in-Chief of the United States Forces of Occupation" regarding military Government of Germany and paragraph 30.

GEN. HILLDRING: He can't even use the product while the Reparations Commission is deciding what to do with it, Doctor, no matter what dire need he may have of the supply. That seems to us to not challenge the policy at all.

H.M.JR: I thought we cleared that the other day.

MR. CLAYTON: We did. We agreed on that, and the paragraph 30.

- 48 -

MR. LOVETT: What do you mean, you agreed on it?

H.M.JR: Pending a decision in Washington, he could use his own judgment.

MR. LOVETT: He can use his own judgment pending decision.

MR. CLAYTON: It says, "You will not postpone enforcement of the prohibitions contained in subparagraphs a and b," which relates to synthetic oil, "and the instructions in subparagraph c without specific approval of your Government through the Joint Chiefs of Staff." He can refer the matter here and get approval to postpone taking this action.

GEN. HILLDRING: But in the meantime he has to shut off the supply.

H.M.JR: That wasn't my understanding.

MR. LOVETT: I don't think it was intended, but that's the way the language came out.

H.M.JR: As far as I am concerned, pending the decision means he certainly should have the latitude.

MR. LOVETT: That's what we ask.

GEN. HILLDRING: That's all we ask for.

MR. LUBIN: Eliminate that word, "not" and you've got it.

GEN. HILLDRING: That's all we asked for the other day.

H.M.JR: I thought I agreed to it the other day.

GEN. HILLDRING: When the paper came out he still has to shut off the faucet. It looks absurd to a fellow who is struggling with his might to get petroleum for us on the other hand to tell Eisenhower, "while we are deciding what to do with this plant you can't use it." That's all we object to.

60

- 49 -

MR. LOVETT: I think this is an error.

MR. LUBIN: Did you agree that we omit "1"?

MR. LOVETT: Yes, we can. Now this "1" business here is a basic principle. It involves a basic principle we are trying to get clear in our minds. Does the Directive of March 23rd with respect to the maintenance of troops and care of displaced persons and maintenance of essential services to prevent starvation, is that--do we really mean what we say and tell this fellow to go ahead and do that, because we can't give him the responsibility in this directive and at the same time not give him the authority that runs with it?

MR. LUBIN: I think the answer is, one, if General Hilldring would agree to what he suggested himself, that this would apply to those things that could be secured only in Germany, that he would have no objection.

MR. CLAYTON: I don't understand, apply only to what?

H.M.JR: I don't either.

MR. LUBIN: Any plant that produces goods that the Army needs that could not be secured in the United States, he could retain in operation temporarily.

H.M.JR: No, no: The thing that I am in agreement with--I thought that was in there, and I think Mr. Clayton thought that, and that was if the Army feels that they want to maintain the production of certain commodities they would send in word to the Combined Chiefs of Staff, who in turn refer it to somebody else pending that decision. The faucet continues to stay open.

GEN. HILLDRING: That's all we were trying to do the other day. That's all I was trying to achieve the other day.

MR. DESPRES: Exclude the word "not", Mr. Clayton.

MR. CLAYTON: See if this will cover it.

- 50 -

GEN. HILLDRING: It didn't come out that way.

H.M.JR: Well, that happens.

GEN. HILLDRING: That's all we were trying to do.

H.M.JR: Where is the word "not?"

MR. CLAYTON: I'll read it to you. "You may postpone enforcement of the prohibitions contained in subparagraphs a and b and instructions in subparagraph c only if you promptly request specific approval of your Government through the Joint Chiefs of Staff."

All he has to do is request it and in the meantime he can continue--

MR. BELL: It doesn't say he can continue.

MR. CLAYTON: "You may postpone enforcement of the prohibitions contained--"

MR. LOVETT: This is a rewrite.

H.M.JR: "You may postpone--" you just put in the word "may" in place of "not".

MR. DuBOIS: And change the rest of it.

MR. CLAYTON: "You may postpone enforcement of the prohibitions contained in subparagraphs a and b and subparagraph c only if you promptly request specific approval from your Government through the Joint Chiefs of Staff or for such postponement." He can postpone it and cable.

H.M.JR: If I can put it in my own language, I'll repeat myself. It makes sense to me that they can continue to produce a commodity which he thinks is necessary pending a request to Washington for ruling.

MR. LUBIN: That's what you want.

62

- 51 -

MR. LOVETT: Pending a decision is what you mean. That's put into legal language.

GEN. HILLDRING: That's the only issue, Mr. Secretary.

MR. FOLLER: We would accept that language as well.

MR. CLAYTON: We all agree we will modify paragraph 3c of the document which was agreed upon Friday to cover the point.

GEN. HILLDRING: Since that day it has gone through the Five-Star Generals and Admirals. They didn't like that paragraph and they have got some other words in here, so we'll have to sit down and compose this language that they have suggested.

MR. LOVETT: That's their basic objection.

MR. DESPRES: I would like to suggest that if before we adjourn today a substitute sentence could be drafted and approved by this group, it probably would be a useful thing to have actual language, wouldn't it?

MR. LOVETT: You just got it.

MR. CLAYTON: Is this agreeable, this language?

MR. DESPRES: I thought this wasn't acceptable?

MR. LUBIN: The one the Secretary dictated is the one we all agreed on.

MR. DESPRES: I didn't get that.

MR. CLAYTON: It says, pending approval by the zone commander's government through the Joint Chiefs of Staff that zone commander may postpone the prohibitions in a and b, isn't that right, Mr. Secretary?

H.M.JR: Yes.

MR. GLASSER: That's good enough.

- 52 -

MR. DEBOIS: As long as you make it clear that what you have in your language is to promptly notify us, it's correct.

MR. DESPRES: You would say, "pending approval."

MR. BARD: The words, "of the Joint Chiefs of Staff" mean the same thing. We'll use their words.

GEN. HILLDRING: We'll have those this afternoon. That step could have been avoided, if I can make myself clear, the other day.

MR. CLAYTON: General, would you please send the memo on from the Joint Chiefs of Staff to the working committee?

GEN. HILLDRING: Yes, as soon as I get it.

H.M.JR: If that's the only objection, may I suggest to Mr. Clayton that we could notify the Five-Star Generals we are in agreement? Then it would go to the President from the Combined Chiefs of Staff that they and this committee are in agreement, which would make it much easier for the President.

MR. CLAYTON: Yes, but we would then have to give the President a little memo pointing out the change that we made in 30.

GEN. HILLDRING: I am in a bad position now, Mr. Secretary, to come to any final conclusion, because, whereas before our last meeting I was keeping them in tow, they have now taken official action on their own hook which involves the Navy Department and all agencies of the War Department and--

H.M.JR: I think there was a misunderstanding. There wasn't in my mind because you made the same point the other day, and I think the record will show I agreed to it the other day. I think that the record will show that.

- 53 -

MR. CLAYTON: Perhaps the easiest way and quickest way would be to use their language when it means the same as this.

GEN. HILLDRING: When you get the two together, then we will--

MR. CLAYTON: Bob, is that understood?

MR. LOVETT: Yes. General Hilldring, we'll talk it over as Mr. Pauley suggested.

GEN. HILLDRING: I is all right.

MR. LUBIN: May I suggest that if the question of I is ever raised that we refer to the last paragraph, paragraph 10 on page nine which covers that item?

MR. CLAYTON: Yes, all right. Is there anything on m?

H.M.JR: Pardon me, just so we don't misunderstand, so we can decide agreements. Mr. Hilldring and Mr. Pauley meant certain things can be ironed out if they just effect me. Pauley and the Army, so long as the committee passes on everything that is to go, and I think it would be better in the long run, and if something comes up, we can't say, "I didn't know about that."

MR. CLAYTON: I take it that this document should cover all agreement that is reached about reparations.

MR. LOVETT: Thirty and thirty-two, Will, and a final determination on them will remove the need for their--

MR. CLAYTON: I think so.

MR. LOVETT: But until the Joint Chiefs of Staff come in with their paper, which I am not familiar with, I suggest they held that in abeyance.

MR. CLAYTON: Is there anything on m? I take it not. Is there anything on paragraph 4?

64

- 54 -

MR. BARD: What page?

MR. CLAYTON: Page five. Paragraph five, that's okay. Paragraph six, I take it that's all right. Paragraph seven.

MR. LOVETT: On paragraph six, Will, it has nothing to do with the War Department, but merely a query. That last sentence, "Agreement should also be sought on the scope of restitution in relation to reparation." The query I raise is whether what that means if a textile mill in Laon can present evidence of the fact that certain types of machinery have been taken from their own textile mills by the Germans and has been set up in Germany, do we contend that that specifically identifiable machinery shall be returned to the owner?

MR. LUBIN: I think the purpose of this clause is that we try to get some basis of agreement on what the relationship is between restitution and reparations. Should it be an entirely separate thing from reparations, or shall we work it together and have a subcommittee of our Reparations Committee work on it. There are various points of view. The Government and Laon may want separate restitution, and you run smack into each other. You find the plant half stolen.

MR. LOVETT: It's a problem you fellows will face, but it's a question of whether you would benefit by any support from this country to the theory that where the object is immediately identifiable, it should be restored to owner.

MR. CLAYTON: I didn't think there was any difference on that at all.

MR. LOVETT: It's just that that point isn't covered in here.

MR. COE: I think, sir, on the question of gold we certainly want to hold that point open and not agree that gold and certain articles which are identifiable are to go necessarily to the people that they are identified by.

- 55 -

In other words, if you find two hundred million dollars worth of gold and all you find is Belgian gold, you don't want to put out all the other claimants. We would rather take the point of view that that is a liquid, uniform mass of purchasing power which is to be dealt with in the best way it seems at the time.

MR. LOVETT: Aren't you going to distinguish between productive machinery and purchasing power?

MR. COE: No, I was just indicating one particular case where the proposition that this Government subscribe to identifiable stuff going back to the country it is identified as being from is maybe not a good one.

MR. DUBOIS: It's not clear here and it's not clear from what EAC wants to do on restitution, whether it covers all classes of property or not. Shall we debate that?

MR. LUTHERINGER: That's exactly what we will debate. I think so far we have taken the point of view that right of restitution is not an absolute and unqualified right, and we have also argued for a narrow concept which includes replacement by similar goods and that sort of thing, and what this particular sentence means here is that we want to work out some of these questions together with the relationship between reparations and restitution and in some agreeable fashion. I mean, the two get associated.

MR. LOVETT: As I said, it's no direct concern to the War Department, but in reading it it comes up as something that seems a little fuzzy.

MR. LUBIN: It deliberately was because no policy had been definitely accepted.

MR. DENFRIES: I think the difficulty in this arises from the conception of restitution or the restitution of looted property that we are bound to work under. In the case of the Belgian owned textile machinery in Germany, that appears to be very clear-cut that we have adopted

- 56 -

the principles that any textile machinery that has moved from Belgium to Germany with or without compensation of the Belgian owner shall be regarded as having been moved under duress and therefore looted, so that principle which is embodied in a united nations declaration means that we are going to freeze this Belgian owned property, a very broad category of property.

MR. BARD: What's all the talk about this sentence? This sentence doesn't say anything at all. Why do we waste our time on it? It just puts it up.

MR. CLAYTON: It's ten minutes to one almost. Suppose we adjourn now after deciding when we meet again.

MR. LUBIN: Are there any other questions? Maybe there are other questions?

MR. CLAYTON: There are lots of other questions. I don't think we can get through, and we'll have to see this new draft with the "1" left out and with the labor clause separately, and so we'll have to meet again, and this is Tuesday. When would it suit you to meet again?

H.M.JR: Tomorrow morning.

MR. CLAYTON: I wonder if we can get through with that quickly.

MR. DUBOIS: There is nothing we can do except leave "1" out and put the labor thing in a separate document.

67

- 57 -

MR. CLAYTON: They ought to draw the document. We don't get through until we pass on it.

H.M.JR: They have got nothing to do tonight.

MR. LUBIN: Tomorrow morning is going to be almost impossible for me between ten and eleven.

H.M.JR: What have you got that is more important?

(Discussion off the record.)

MR. LOVETT: Make it Thursday morning.

MR. LUBIN: At eleven o'clock. I can make it.

MR. CLAYTON: I think it might take a little time. Mr. Crowley has to be consulted on the labor matter.

MR. FOWLER: I was thinking you might finish this document tomorrow.

MR. BARD: Let's wait until we can all meet together.

MR. CLAYTON: How about Thursday morning?

H.M.JR: Nine o'clock Thursday morning.

MR. CLAYTON: All right?

MR. BARD: I have got to go over to the War Department and talk to a lot of Ministers Thursday morning. I think Thursday is all right.

MR. CLAYTON: Nine o'clock. All right.

ATTACHMENT A

68

TOP SECRET

April 30, 1945

1. It was agreed at the Yalta Conference that Germany must pay in kind for the losses caused by her to the Allied Nations in the course of the war. The primary purpose of the Reparation Commission should be the formulation of a general program for the exaction of substantial reparation and the establishment of the policies under which this program is to be implemented.

2. It is and has been fundamental United States policy that Germany's war potential be destroyed, and its resurgence as far as possible be prevented, by removal or destruction of German plants, equipment and other property.

While cooperating with the other powers in implementing the basic purposes of the Yalta Agreement, the U.S. representative will bear in mind that whatever plan is formulated by the Reparation Commission (hereinafter referred to as the Reparation Plan) should be in conformity with the economic and security objectives of this country with respect to Germany. The position of the United States on the various issues involved in this respect is summarized in the following paragraphs.

3. In determining the size and character of reparation and the allocation thereof among the various claimant nations the following principles are advocated by this Government:

a. The Reparations Plan should assist in the elimination of industrial capacity in Germany considered to be dangerous to the security of the United Nations.

b.

Draft submitted by interdepartmental working committee.

TOP SECRET

- 2 -

69

b. The Reparations Plan should aid in strengthening and developing on a sound basis the industries and trade of the devastated non-enemy countries of Europe and of other United Nations, and in raising the living standards of these countries.

c. The reparation burden should be distributed insofar as practicable so as to impose equality of sacrifice upon, and result in an equal general standard of living for the German populations of each of the zones under the control of the respective occupying nations.

d. This Government opposes any reparations plan based upon the assumption that the United States or any other country will finance any reconstruction in Germany or reparation by Germany.

e. The Reparations Plan should not maintain or foster dependence of other countries upon the German economy.

f. The Reparation Plan should not result in the building up of German economic capacity.

g. To the maximum extent possible, reparations should be taken from the national wealth of Germany existing at the time of collapse, with primary emphasis upon the removal of industrial machinery, equipment and plants, particularly the shipbuilding, metallurgical, machine tool producing, electrical machinery, and chemical industries (including all industries producing oil and oil products, synthetic nitrogen and synthetic rubber), ships, rolling stock, patents, copyrights, and German investments abroad.

TOP SECRET

Capacity

TOP SECRET

- 3 -

Capacity for the production of component parts that enter into the production of the industries noted above should also be eligible for removal.

h. To the extent that for political reasons it may become necessary in the negotiations to agree that reparations be collected in the form of deliveries of goods from current production over a period of years, such goods should be of such a nature and in such amounts as not to require the maintenance of the German war potential or the continued dependence of other countries on Germany after reparations cease. Accordingly, recurring reparations, over a period of years, should be:

- (1) As small as possible in relation to the reparations to be paid in the form of industrial plants and equipment; and
- (2) Primarily in the form of raw materials and natural resources, and to the smallest extent possible in the form of manufactured products.

i. The United States will not accept reparations in the form of labor services. Compulsory labor supplied by Germany to meet the claims of other nations for reparations shall be selected from the Gestapo, the S.S. organizations, active supporters of and participants in the Nazi Party or administration (including those who have cooperated in financing and building up the Nazi machine) and others deserving of punishment. The periods of compulsory service for persons not tried and convicted shall

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TOP SECRET

TOP SECRET

- 4 -

not be of indefinite duration. The United States Representative shall seek to secure an agreement as to the standard of living that shall be available to compulsory laborers outside of Germany.

j. Removals of plants and equipment should take place irrespective of the fact that a national of one of the United Nations might have an interest, direct or indirect, in such plants or equipment. The question of compensating United Nations' nationals for losses, suffered as a result of property within Germany being damaged by the war or removed as a result of reparations, would be a matter outside the scope of the Reparations Commission, except that it may be found desirable for the United States to make a claim for reparations sufficient to cover any such losses which may be suffered by its nationals.

[j. alternate. The removal of plants and equipment shall take place regardless of the fact that they are owned in whole or in part, directly or indirectly, by United Nations nationals, but where plants or equipment which are so owned in whole or in part are to be so removed arrangements shall be made, if practicable and desired by the owner, for removal by the owner, and if not practicable or so desired, the recipient country (unless it is the country of the owning nationals) will upon receipt of appropriate proof furnish adequate compensation to the governments of such nationals.]

TOP SECRET

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TOP SECRET

- 5 -

K. It will be inevitable that the German standard of living will be adversely affected by the carrying out of the Reparations Plan. However, the reparation exactions should be held within such limits as to leave the German people with sufficient means to provide a minimum subsistence standard of living without sustained outside relief; but under no condition should this limitation operate to require the retention in Germany of means to support basic living standards on a higher level than that existing in any one of the neighboring United Nations.

L. (Proposed by War Department) The Reparations exactions must not result in the withdrawal from Germany of means necessary for the production and maintenance of goods and services required to meet the needs of the occupying forces and displaced persons, or essential to prevent starvation or such disease or civil unrest as would endanger the occupying forces.

M. The Reparations Plan should not put the United States in a position where it will have to assume responsibility for sustained relief to the German people.

N. To the extent necessary to pay for such minimum German imports as may be determined to be essential, recipient countries should be required to pay so far as practicable for German exports, except removals of existing plant and equipment. Imports for which payment will be sought shall include supplies imported by the occupying forces for displaced persons and German civilians.

TOP SECRET

TOP SECRET

73

- 6 -

5. Without the approval of an appropriate Allied body there shall be no re-export to third countries of goods received on reparation account.
6. In order to prevent the treatment as war booty or as reimbursement for occupation costs of exports from Germany which should properly be considered as reparations deliveries, agreement should be sought on the scope of war booty and reimbursement for occupation costs. Agreement should also be sought on the scope of restitution in relation to reparation.
7. The governments participating in the Reparation Commission will retain control over the disposition of German property located within their respective borders. These nations will seek agreement with other countries in which German assets are located designed to eliminate continued German control of such assets and prevent their eventual return to Germans.
8. The United States will expect to assert a claim for reparations before the Reparation Commission in accordance with the principles of the Yalta Protocol in order to preserve its rights to its proper share of payment for losses caused to it by Germany in the course of the war. Pending the furnishing of a more exact claim at a later date the United States representative shall reserve the right to claim delivery of reparations in a total amount of billions of dollars. The United States will desire to receive as much as feasible of its share of reparations in the form of German investments abroad.
9. As an interim program, pending the formulation of more definitive arrangements, this Government would favor formulation of an immediate program by the Reparations Commission along the following lines:

(a)

TOP SECRET

TOP SECRET

- 7 -

74

a. During the initial period following the collapse of Germany each of the four occupying powers - Great Britain, Russia, France and the United States - may remove from its zone of occupation in Germany plants, equipment and materials (including current output) of such a nature and not in excess of such amounts as may be determined by the Reparations Commission. It shall be our policy to press for inclusion in such an initial removal schedule the categories of plant, equipment and materials described in paragraphs 30, 31 and 32 of the "Directive to the Commander in Chief of the United States Forces of Occupation Regarding the Military Government of Germany" and in paragraph 3 g. above.

b. The decision as to whether or not the removal of particular plants, equipment or materials out of a zone in Germany is consistent with the purposes of occupation would be made by the commander of each zone, subject to the following conditions:

i. There would be constant consultation between zone commanders.

ii. In making a decision as to removal the zone commander would be responsible for carrying out any relevant agreed policies which may be formulated from time to time by the Control Council.

iii. The Control Council would have an opportunity to consider any particular removal and could veto it.

iv. Regular reports should be made to the Control Council of transfers for reparation account and the Control Council should keep appropriate Allied agencies currently informed.

2.

TOP SECRET

TOP SECRET

- 8 -

75

g. During this initial period any one of the four occupying powers could allow, if it so desired, any other United Nation entitled to reparations in the form of removals from Germany to take out of its zone plants, equipment and materials of such a nature and not in excess of such amounts as may be determined by the Reparations Commission. Such removals would be subject to the policy and conditions specified in sub-paragraphs (a) and (b) above.

h. Records should be kept of all deliveries made on reparations account under such interim arrangements and such deliveries should be made without prejudice to the final allocation of reparation shares. The Reparation Commission should determine the principles for valuation of such deliveries.

10. The Reparation plan should include provision for the early establishment of a reparation agency including representatives of such governments as have suffered devastation or substantial damage. This agency, after detailed study of Germany's capacity to pay and examination of claims of reparation by the various claimant nations, shall develop a long term plan for the delivery of reparations. This plan shall set forth a description of the reparations to be delivered and their physical allocation to the various claimant nations. It shall contain a time schedule indicating the rate to which deliveries are to be made to the several governments over a stated period of years. The reparation agency should be given continuing responsibility for drawing up at regular intervals detailed schedules and the amounts and kinds of reparation items to be delivered and should have authority to determine the allocation of specific items among claimant governments.

In lieu

TOP SECRET

TOP SECRET

- 9 -

76

In lieu of the establishment of the reparations agency referred to above the Reparations Plan may provide that the Reparations Commission, appropriately expanded by the addition of representatives of other claimant governments, may be continued in existence and utilized for the same purpose.

The occupation authorities should be responsible for the execution of the plan within Germany. In the execution of the plan, the Control Council should have the authority to withhold from transfer as reparations specific items the removal of which in its judgment would reduce the available economic means below the minimum required to meet the other obligations of the occupation. After review by the Control Council and in the absence of agreement, the zone commander if he believes that the retention of any specific item within his zone is essential to the purposes of the occupation, may with the specific consent of his government withhold the removal of such item.

The long term plan referred to above should not be approved by the U.S. representative on the Reparation Commission or Agency until it has been submitted to and approved by the United States Government.

The Control Council should advise the Reparation Agency (or Commission) from time to time as deliveries are made. The Reparation Agency (or Commission) should keep a record of all such deliveries, and should place appropriate values on the respective amounts delivered.

TOP SECRET

May 1, 1945
11:59 A. M.

77

HMJr: Hello.
Operator: Mr. Mallett.
HMJr: Hello.
Mr. Lowell Mallett: Hello.
HMJr: Lowell?
M: Yes, Henry.
HMJr: How are you?
M: Pretty good. Do you by any luck have any later time today?
HMJr: What's on your mind, Lowell?
M: Oh, I just want to talk about the state of the world.
HMJr: (Laughs) I see. Four - gee, today's a kind of ----- is it something that is pressing?
M: Oh, no, I just wanted somebody to help me straighten out my thinking about the mess we are getting into on the West Coast.
HMJr: I see. Well.....
M: I wanted to write tonight - I may want to be writing something tonight or tomorrow morning.
HMJr: Yeah. Let me just see a minute. Is five o'clock too late?
M: Any time you say would be all right.
HMJr: Now, I tell you what I'd like to do - I've got a meeting which I don't know how long it will last. How far are you from the Treasury?
M: About five minutes.
HMJr: Supposing when I get through this meeting, we give you a ring.
M: Well, that will be sometime in the afternoon?
HMJr: It will be sometime around five.

- 2 -

78

M: Yes. You mean the meeting will be.....
HMJr: Well, my meeting is at four o'clock.
M: Oh, I see.
HMJr: And I don't know just how long it will last. I don't want to keep you waiting.
M: Fine, Henry.
HMJr: But it will be somewhere towards five.
M: Fine, thanks.
HMJr: How's that?
M: Righto.

May 1, 1945
2:55 P. M. 79

Ted Gamble:have decided not to do that broadcast.

HMJr: I see.

G: And he has decided that this is -- in their words "highly confidential" for the moment -- to include War Bonds in a supplemental statement that he will make on his VE Day talk.

HMJr: I see.

G: And we are preparing material for him now.

HMJr: I see.

G: We also are sending Lane and our people to New York this afternoon.

HMJr: Also what?

G: We're also sending Lane and our people to New York this afternoon to work out a special broadcast of your own to follow this four network show. I'll try to tie all four net-works together for your speech.

HMJr: I see.

G: I think we will be successful in that.

HMJr: Ahah. Well, now listen.

G: Yes.

HMJr: For that speech I want a man by the name of Barth.

G: That's right.

HMJr: I agree with that.

HMJr: Right.

G: And we have Murahy working on the Buffalo speech.

HMJr: That's all right.

G: And we'll use Barth for the opening broadcast.

HMJr: That's all right.

- 2 -

G: I wanted to get that to you because I was leaving at 3 o'clock for Detroit.

HMJr: You'd better hurry.

G: Sir?

HMJr: You'd better hurry.

G: Well, I'm at the airport now.

HMJr: Oh.

G: (Laughs)

HMJr: Oh.

G: I'm going out to Detroit tonight, and then I'm going to Salt Lake. I'll be back Saturday morning.

HMJr: I see, well why do you take so long?

G: I'm going to Salt Lake City.

HMJr: I still -- (Laughs) O. K. Now all I got to do is what?

G: You don't have any worries at the moment in connection with these activities, but I wanted to report them to you.

HMJr: Well, have....

G: I don't think there was any point, Mr. Secretary, in pushing the President any further on it.

HMJr: All right. Thank you. Have a good trip.

G: Thank you. Goodbye.

HMJr: Goodbye.

May 1, 1945
3:15 p.m.

80

ARTICLE ON MORGENTHAU PLAN

Present: Mr. Gaston
Mr. Coe
Mr. DuBois
Mr. Loth
Mr. Nathan
Mr. Banyas
Mrs. Klotz

MR. COE: Mr. Secretary, on another matter, Mr. Crowley somehow or other told his minions that he expected them to be included in this gold discussion. I don't know whether you care about that or not.

H.M.JR: He told me no.

MR. COE: All right, then.

H.M.JR: He told me he had no interest in it. I asked him myself.

MR. COE: Thank you. I'll report that.

H.M.JR: He said he had no interest in it.

I have to keep moving on this article. I am going to show it to President Truman tomorrow morning come hell or high water, and I put it on the machine and Mr. White said it would take five hours to transmit it. I am telling him to call me at home at nine o'clock tonight, and we'll get it taken care of.

MR. BANYAS: I have those sketches, and we are working on them now.

MRS. KLOTZ: I must bring you up to date. When I called Mr. Banyas around noon he had not gotten the figures for his charts, so he has not been able to do anything.

- 2 -

81

H.M.JR: Come on, come on, come on!

MR. BANYAS: These are supposed to illustrate the points on page 14. (Indicating charts.)

H.M.JR: Have you seen these, Herbert?

MR. GASTON: No.

H.M.JR: What's it all about?

MR. BANYAS: This is supposed to show that Germany will fill only a small portion of Europe's needs. This will be the national output of Europe, the national income of the countries of Europe in terms of output in 1937, especially Germany.

MR. GASTON: That's not production.

MR. BANYAS: That's right, this will be German exports to the other countries of Europe showing that Germany fills a very small portion of this. Comparatively this is one-fiftieth of that.

H.M.JR: This is the total output of Europe?

MR. BANYAS: Yes.

H.M.JR: With Germany?

MR. BANYAS: Except Germany.

H.M.JR: Why do you take it out?

MR. BANYAS: Because it includes Germany.

MR. COE: The argument is Germany makes a small contribution to Europe's needs, so on the one hand you figure what Germany sent to Europe and on the other hand show the total.

H.M.JR: This is what Germany exported and all the rest of Europe-- with or without Russia?

- 3 -

MR. COE: What they consumed.

H.M.JR: Can't you get figures?

MR. NATHAN: Yes. We will send other charts.

MR. BANYAS: This will be steel production, the increase in steel production in the United States and in Europe since the war. This includes Russia. Those are the actual figures, Mr. Secretary. See, I just sketched it from guesswork. This will show that all that Germany produced in 1937 is less than the increase in our and the other United Nations' productive capacity since 1930.

H.M.JR: I don't like this plus or minus business. I don't like that. If you don't mind, I don't want to have this plus and minus business. If we don't know what the whole is then,--I will have another chance at this.

MR. BANYAS: This tends to show that Germany took a very small portion of the world's exports, a relatively small portion, eight percent.

H.M.JR: This is how much she contributed?

MR. BANYAS: How much she got in imports.

H.M.JR: You said exports.

MR. BANYAS: The world exported that to Germany. Total exports and total imports add up the same.

H.M.JR: This is what Germany took?

MR. BANYAS: What the rest of the world--

H.M.JR: The whole world?

MR. BANYAS: The rest of the world.

H.M.JR: I see.

82

- 4 -

MR. BANYAS: This is in number five. The supplies will find much larger markets if the industries of the continent are better balanced. When Germany dominated Europe these countries pushed in raw materials and out came aggression and then when, if you take in heavy industry out of Germany--

H.M.JR: I don't know what they mean. All right.

MR. BANYAS: This is point number six. Germany herself attained a fair level of prosperity without having industry. Mr. Nathan has some figures which take the war goods part of her income, total income out, and if--I don't know if these figures show them because I haven't got them yet, but if it is true that the remainder is something better than some of the other countries surrounding it, she still has something to live on.

H.M.JR: The thing that makes me angry is for six months you fellows wanted to do this thing and I have got to come back, and when I come back--and I have been talking charts since this man has been working on this thing, and why somebody, DuBois or somebody--you've been in charge of this thing. Why haven't you thought about this thing long in advance? Why do I have to think about it and do all the rushing and planning at the last minute? Why, this thing could have been here two months ago waiting for me. When did you start working on this? Why, the charts are just as much a part of the thing--I'm looking at you--and when I get to do this thing everybody else has something else to do.

MR. BANYAS: This explains it pretty well except we will probably put in some facts about how many companies are involved, and so forth.

H.M.JR: This looks good.

MR. BANYAS: This Mr. Coe doesn't like, Mr. Secretary, because it implies, well, a too arbitrary selection of the countries where these things go. The idea was to answer

83

- 5 -

84

point number three, that if efficiency and common sense had been deciding factors, other nations would have been supplying these three essential commodities long ago. This is steel and there the location of steel mills.

MR. COE: I don't think you want to commit yourself too specifically.

H.M.JR: You listen to the rest. You might be able to pick up something. I am fighting time. I have so many things to do. They could have thought of it two months ago. I don't know why they didn't. Where do we stand, Loth, on the thing? Who have you seen and where do we go from here?

MR. LOTH: We have the copies. I think Mr. Nathan has kept the points.

H.M.JR: In the short time you had I think you have done a swell job.

MR. BANYAS: Thank you.

MR. LOTH: Mr. Nathan has checked the points that were raised, and I don't know whether Mr. Coe has any to add.

MR. COE: I have some policy points I am very anxious to get to you especially after being a little impetuous yesterday on some points of your relations. I want to make sure this thing is considered, point number one. In view of the fact this is your first written thing on Germany, considering the whole political situation, I don't think that this should be written in terms of the "Morgenthau Plan." The first part--I think if other people want to say, "That's it, now he has come out and--" that's one thing, but I don't think you should write in such terms.

H.M.JR: Is that a good criticism or isn't it?

- 6 -

85

MR. GASTON: It's a good criticism. Just write an article stating your ideas on the road to peace--and I think it weakens it to say, "Here at last is the Morgenthau Plan," rather than strengthening it.

H.M.JR: I raise the same thing.

MR. COE: That applies to the first part and to the end part I have doubts as to what you want to say about Quebec. There are a lot of people who are going to gun--with hurt feelings about that that are going to start gunning.

H.M.JR: One thing at a time. You don't have to call it the "Morgenthau Plan."

MR. LOTH: No, we can do that in two minutes.

MR. DuBOIS: It may not be you want to talk about it as much as you have, but it seems to me somewhere you want to get across the idea that this is the "Morgenthau Plan." After all, that is your selling point. Everybody is waiting with baited breath, and you have been criticized so severely, I think it's time people got the true facts.

H.M.JR: But I don't think I have to call it that. I am going to sign it.

MR. DuBOIS: It's just a matter of wording, but you have got to get across that is what you have been advocating right along.

MR. COE: I don't quite agree with that.

MR. GASTON: I don't either.

H.M.JR: I can say this is my idea.

The second point was saying I gave this to the President.

- 7 -

MR. COE: The second point is, I think we ought to go over line for line, this business on Quebec, or generally where you say that this is what you gave--this is what you drew up for the President for the Quebec Conference.

H.M.JR: Of course.

MR. COE: Everybody knows you were in it. It's been widely publicized. I think you have just as much strength in a simple dignified presentation of your views without reference to where it was used.

H.M.JR: Just the one sentence there, that it was all drawn up at the request of President Roosevelt in 1944, and I won't fight for that. How do you feel, Herbert?

MR. GASTON: I am inclined to agree with Frank. It doesn't hurt a bit.

H.M.JR: It doesn't hurt a bit. Strike two.

MR. COE: All right. Now, the third one is more general and, I think, more important. That is all of the stuff beginning on page eight and running throughout there to some extent about Standard Oil.

H.M.JR: Ha, ha, ha.

MR. COE: Rubber and--

H.M.JR: Sissy.

MR. COE: Yes. I want to begin by a disclaimer on this point. I believe in being a New Dealer on certain issues, yes--all right, Joe has his signal ready, and that's why I wanted Joe here--when it is important and

- 8 -

when it is necessary. But I don't think that your program for Germany is either a New Deal or anti-New Deal, either a left or a right business. I think you can get great support for it among business groups, some business groups anyway. But by emphasizing as this article does through here the cartels and particularly the connection of the American firms in this Buna - S story--it's not that the Standard Oil people are not opposed. You can't eliminate their opposition but there are millions of people--

H.M.JR: Let me interrupt you. This cartel thing was not in the plan I gave Roosevelt at Quebec.

MR. COE: It comes in through here.

H.M.JR: It was not in it. It's an added start. Is that what they say?

MR. GASTON: Yes.

H.M.JR: It was not in the original plan. When I said I didn't think that some of these people would take it just on account of that stuff--the reason I like it in the first place is it takes a little courage to say it, and in the second place, it's the people behind these international contracts--it's these internationalists who make war, and it's these people who are my chief opponents, see? What I had in my mind is this: It's just like in this article I am going on Germany. If I could make the American public hate the Junkers, then they would like taking the land away from them. If I can point out to the American public that it's these boys who didn't let us mend, who made the agreements with Germany, and then formed international cartels--they are the people that whip up the war spirit and they are the fellows that want to rebuild the factories. The two things dovetail. I am not--I am very conscious of the thing you made. It's going to make the thing not go in the newspapers, and it was not in my plan when I gave it to Roosevelt at Quebec. It was no part

- 9 -

of it. Again I look to Gaston.

MR. COE: May I say just a little after Mr. Gaston? I would like to say a little more.

H.M.JR: You have said enough for the moment. Go ahead. I gave you three cups of coffee. Poor fellow, he's absolutely bushed. He was up until midnight on reparations.

MR. GASTON: I haven't read it.

H.M.JR: Oh, you haven't? I got the message Loth had given it to you.

MR. GASTON: Dave called me up this morning and suggested I read it, but I had this meeting that I went out to, you know, this meeting here and the other meeting I went out to?

H.M.JR: Herbert, it introduces into this thing this whole business of--it shows how the big German factories even got into this country through ambush and through certain steels and rubber and synthetic gasoline, and were tied in the war effort. It kept prices up and kept--suppressed competition.

MR. GASTON: I see a good deal of validity in Frank's argument, that, why, right at the start widen the circle of your enemies by taking on an extra amount of opposition? You make it more difficult for you to carry through your main thesis, which is that Germany can exist as well as she needs to exist without this heavy industry, and that Germany can and ought to be deprived of heavy industry to prevent her from making war. I am doubtful whether, if you are going to bring in the cartel thing--in the first place I doubt if it's vital to the whole argument, and, two, to bring it in in your first article makes you labor uphill from that point on. That is against heavy opposition.

H.M.JR: It was not in the original plan. It was not in the original "Morgenthau Plan."

88

- 10 -

89

MR. DuBOIS: For different reasons I had the reaction when I just read this that too much emphasis in the chapter was put on this as distinguished from what we had originally, Dave, in the means to win the war. It's quite apart from the cartels. The important thing is to demonstrate how German heavy industry can convert to war. If you put war emphasis on the cartel arrangements, lots of people are going to answer it that the solution is to do away with cartels which State has already said, "Fine." to--at least in words they have said that--and I do feel that it is too heavily balanced on the cartel side against the basic point. Quite apart from that issue heavy industry would be enough.

H.M.JR: Well, the people seeing the "Morgenthau Plan"--and plenty of people will see it--will recognize that wasn't in in the beginning.

MR. DuBOIS: It's part of it.

MR. COE: It's a matter of interest. If you get over to the point where the guts of the program has to be expressed, there is very little room to turn around in. My impression was that the whole program of removal was to tie in with reparations, and so forth. You have very little space left.

H.M.JR: How many thousand words are in this thing?

MR. LOTH: Between five and six.

H.M.JR: We ought to cut the thing anyway.

MR. DuBOIS: It's much longer than I thought. I was thinking of the first draft.

MR. LOTH: The other was twenty pages.

H.M.JR: Well, Herbert, if you had the time, I wish when you leave this room you would read this part, see?

MR. GASTON: I'll read the whole thing.

- 11 -

H.M.JR: And I will not fight too hard on that thing. I might subsequently do one on cartels.

MR. GASTON: You can develop the cartel idea a little later.

H.M.JR: What else?

MR. COE: That's all. We have a lot of minor changes we will give to Mr. Loth or Mr. Gaston.

H.M.JR: Well, now, look, so we can keep this article moving--let this Chinese thing--Sol couldn't handle that for you, could he, or do you want to handle it?

MR. COE: I think I better be here.

H.M.JR: When can you get to Mr. Gaston? They are coming in here--it won't run more than four-thirty.

MR. COE: Four-thirty? Yes.

H.M.JR: It will take you twenty minutes to read this thing, Herbert. Could you wait until four-thirty to see Coe?

MR. GASTON: Sure.

H.M.JR: I don't know that you have to.

MR. GASTON: What shall I do after I see Coe?

H.M.JR: The suggestions he has made, so far they are easy to take. If you agree after reading it, I would lift the cartel thing out.

MR. COE: Condense it.

H.M.JR: I would lift it out. It wasn't in the original plan. I wouldn't use cartels as an argument

- 12 -

100

that you have got to remove heavy industry so that Germany doesn't make war. I mean I wouldn't touch on it at all. It wasn't in the first thing. There was no reference to cartels in the original thing.

MR. DuBOIS: If we could touch on it lightly to demonstrate the fact of penetration not only into Europe but into the United States the way we used it before--

MR. GASTON: Let the widespread system, subsidization, and penetration and cartels, which is another story--

MR. DuBOIS: But holding down Europe alone is in here.

MR. LOTH: Where I think it is important is to keep in here the development in Europe of these cartels--that's where we begin--and talk about how Germany developed her steel industry through the cartels and prevented Greece from developing her steel industry, and so forth.

MR. GASTON: Yes, that distorted the natural channel of trade in Europe.

H.M.JR: I love the cartel story. I would love to write about it. All right, supposing those of you who are working on this adjourn to Mr. Gaston's room, and we'll now go on to China. I only need Coe, but I have got to give this to the President tomorrow.

MR. LOTH: I thought we would make these corrections right away and have new copies made.

MR. DuBOIS: I had some points I mentioned.

MR. GASTON: Let's go in on that.

H.M.JR: I wanted a copy to show Mrs. Roosevelt tonight if possible.

MR. LOTH: I think we ought to be able to do it. It won't take more than an hour to copy and more than half an hour to correct.

- 13 -

MRS. KLOTZ: It will take more than an hour to copy it.

H.M.JR: This thing could be cut. When did you read this, Frank?

MR. COE: Last night. I think Mr. Loth--I was talking about the policy. I think he did a masterly job of putting stuff together.

H.M.JR: Oh, I agree.

MR. LOTH: They all agree.

H.M.JR: And I still like the cartel thing, but I can see we don't want to take on any unnecessary enemies, and I won't argue. It's all right.

MR. GASTON: It's a case of getting off the main track too early.

H.M.JR: Yes.

(Discussion off the record)

MR. BANYAS: When is the latest you can have the charts?

H.M.JR: What is today, Tuesday?

MR. BANYAS: Do you have to have them tomorrow morning?

H.M.JR: Yes, I'd like to have them.

MR. BANYAS: I'll have them tomorrow morning.

MRS. KLOTZ: You'll work all night.

MR. BANYAS: Does that mean you want the octopus chart out?

H.M.JR: I think so. I don't know. Ask them outside.

MR. BANYAS: All right.

May 1, 1945
3:45 p.m.

GOLD TO CHINA

Present: Mr. D. W. Bell
Mr. Coe
Mr. Friedman
Mr. Adler
Gen. Somervell
Gen. Carter
Mr. Clayton
Mr. Collado
Mr. Stanton
Mrs. Klotz

H.M.JR: Has he seen this?

MR. COE: I saw the earlier version. I talked it over with Mr. Bell. Did he get a copy of that memorandum?

MR. ADLER: No.

MR. FRIEDMAN: We took it right off the typewriter. He will be coming in, though.

H.M.JR: Wait a minute. (Reading from memorandum to the Secretary from Mr. Coe dated May 1, 1945.) "China may offer to place dollar credits (at about \$35 per oz.) from her existing assets to the accounts of purchasers of gold to whom she cannot make delivery for the time being."

How does one do that?

MR. COE: Well, anyway, they are going to say if they can't pay this gold over, that wrecks confidence. The people who expect to get gold spread rumors and financial chaos follows. As an immediate palliative they can pay these people money to their credit in New York and say they can get the gold later. It didn't come this month -- military exigencies.

H.M.JR: I have carefully read the memorandum you sent me in interviewing Patterson. I've got most of this in my head so it isn't anything new so far

MR. COE: Are the figures there?

-2-

MR. FRIEDMAN: There's a table on gold.

H.M.JR: Of course we have no thought to exempt them from using part of that five million dollars.

MR. COE: To exempt them from using part of the loan?

H.M.JR: Yes.

MR. COE: You have this responsibility. We have a book prepared by Mr. Friedman on the history of the loan. We looked at it pretty carefully. You told Congress you and the President were going to watch everything they did with that loan. You used the expression which was that you were going to "hold out a carrot in front of the donkey." You said we are going to use it to fight.

H.M.JR: Sure. The two Friedmans. You're the economist and the other is the lawyer. You're the economist.

MR. COE: That's right.

H.M.JR: You were in China, weren't you?

MR. FRIEDMAN: That's right.

H.M.JR: This shows they sell the gold. The price is going up just the same, huh?

MR. COE: Even faster.

H.M.JR: Did you have this ready or did you have to make this?

MR. COE: They made that the other day, Mr. Secretary.

H.M.JR: This is inflation. That's a good memorandum boys.

MR. COE: Thank you for all of us.

(Secretary leaves conference temporarily.)

103

-3-

MR. COE: Mr. Secretary I don't know how you'd envisaged the meeting. We thought it might be good to tell these people it's exploratory pertaining to power of--

H.M.JR: I'm not going to make a decision, I'm going to tell them I just want to find out. It's a question--I read somewhere that Chiang Kai-Shek never raised the question of this gold. I read it somewhere in your memorandum. Did somebody say he has never raised this question?

MR. COE: I don't recall that. One thing which we thought was that since Soong had skirted around it that if your position was going to be drastically negative you might want to give them a chance to get out from under.

H.M.JR: Who?

MR. COE: Soong.

H.M.JR: Oh, no, what I've got to find out is whether Soong--

MR. COE: His man Pei was in this morning. He said that Soong had planned to come back this week. He thought he was being a little delayed. I said if he got any news to give it to us.

H.M.JR: I think after this meeting we can say I want to talk to Soong but on account of Mrs. Morgenthau my plans are a little uncertain, and make a note I have given Pieven either Friday morning or Tuesday morning, depending on which he wants, and I haven't heard yet.

MR. FRIEDMAN: I believe, Mr. Secretary, that your reference to the Generalissimo was at the time Ambassador Hurley was here, because he made the point that the Generalissimo had never said that the cooperation of the Chinese Army would depend upon the gold, and so forth.

H.M.JR: Maybe that's it. I read it somewhere.

(Discussion off the record.)

104

105

-4-

H.M.JR: Well I think the first thing to do is to ask the State Department first how they feel about this thing and then ask the War Department.

MR. COE: Yes. By the way, for your information FEA has told us informally that they are being forced to turn down a greater part of the requests for textiles. They think that's the reason why we should be better on gold, but you know, T. V. Soong came over with a three point program, trucks--

H.M.JR: Yes, but who in FEA said they wanted to crash this meeting.

MR. COE: Jim Angell spoke to me and said Crowley had mentioned the subject to him that you were going to have a gold discussion.

H.M.JR: You can tell them I spoke to Crowley and I understood Crowley to say it was of no interest, that he wanted me to handle that gold, see? What? But if their position changes and they want to sit in, if Jim Angell wants to sit in, why, he's welcome. I don't want to just do it this afternoon, see? Tell them. That was an amazing statement Crowley made this morning.

MR. ADLER: About reverse lend-lease?

H.M.JR: No, about slave labor.

MR. COE: Frank Walker has the same attitude.

MR. ADLER: He keeps making statements about reverse lend-lease. Crowley did it in the report for the last quarter of 1944, and they put it out in a summary for that quarter too.

MR. COE: For the inflation out there there is little doubt that these textiles are darn important. Varvaressos of Greece is coming in tomorrow about some troop pay arrangements. He told me a week or two ago when he was through that they had had in their effort to command inflation in Greece the existence of gold, and gold

106

-5-

speculation is a habit among the population, and it was one of their most difficult problems.

H.M.JR: I hear they want five thousand horses.

MR. COE: The Greeks?

H.M.JR: Yes. To plant this spring.

(Secretary leaves conference temporarily.)

(General Somervell and General Carter enter conference.)

H.M.JR: How do you feel about China?

GEN. SOMERVELL: About the same.

H.M.JR: I guess there is a big drive on for more gold. We've been letting it go very slowly. I just don't know how much you want us to do.

(Mr. Clayton enters and Mr. Collado, Mr. Stanton, and Mr. D. W. Bell.)

H.M.JR: Well, General, as you know, the President gave me this task of dealing with T. V. Soong on his request for more gold shipments, and as you know, we have been in consultation with State and War as to how fast we should feed this thing out, and we've made it just as difficult for the Chinese to get it as possible, that being a sort of joint policy. Now, I'd like to have some advice from the State Department and War Department whether they want to change this policy or whether they want us to continue as we are on shipping three and one-half million a month.

MR. FRIEDMAN: Two million.

H.M.JR: About two million dollars. Now, maybe the State Department would like to speak first.

MR. CLAYTON: Well, Mr. Secretary, I presume in your discussions with Mr. Soong, the Minister, that you've been given perhaps information as to their short position on gold in their country. I understand there's enough gold on the way to take care of the nearby contracts which they have,

-6-

May and perhaps June deliveries, and that there's no serious problem in respect to those short sales.

H.M.JR: That's correct isn't it.

MR. ADLER: That's correct, yes.

MR. CLAYTON: That's one of the principal points he made in talking with me about it.

H.M.JR: When he came here it was just one of these so-called courtesy calls, but since then this man has been talking with our people, and I have had no direct conversations. I've just posted myself through our own people, but I don't know whether the State Department or War Department were responsible that the situation was such that we should change the policy.

MR. CLAYTON: Well, from what I know of it it seems to me that you've been handling it very well, and I have no reason to believe that your idea that the sale of this gold and the way in which they've been handling it is really not a very effective anti-inflationary weapon. It seems to me your arguments on that are pretty good, and I would think that from what I know of the way in which you've been handling it, that it's very intelligent and all right. I'm not too well posted, but from what I know of it it seems all right to me.

H.M.JR: Well, thank you, sir, for the kind words. Now, as you know, we still haven't paid them anything after the first of October, and I have been told either correctly or incorrectly that the Army wasn't in any particular hurry to have us clean up October, November, December, and then that's one thing I want to ask, and then the other thing is, is there anything in this situation that you are facing for the balance of this year as far as any of us can look, that you want us to change.

GEN. SOMERVELL: Well, I don't think it's up to the War Department to say whether you should change or not. That's your responsibility. Now what we do want to say is this: The problem divides itself up into three parts.

108

-7-

(1) the question of the debt which you have just raised,
(2) the question of the effect of the shipments of increased amount of gold on the inflationary tendency, and
(3) whether we should consent to help inflation by selling scrap over there for Chinese money.

H.M.JR: Selling scrap?

GEN. SOMERVELL: Yes, we have about two hundred and fifty million dollars on our books, haven't we?

GEN. CARTER: Something like that.

GEN. SOMERVELL: That we've got from the sale of tin cans and things of that kind which are very much in demand over there, and we've sold them at the highest price, and consequently all of those sales have had an inflationary tendency.

H.M.JR: Two hundred and fifty million dollars.

GEN. CARTER: Converted at the regular rate.

GEN. SOMERVELL: We sell this at the highest price we want and convert them in twenty to one and that makes two hundred and fifty million which is of course very artificial.

H.M.JR: What is it in our money?

GEN. SOMERVELL: It is two hundred and fifty million your money.

MR. COE: Just, Mr. Secretary, if I may interpose there, we have also regarded that, General, as a good anti-inflationary program because (a), you are releasing some goods into the Chinese economy and (b), you are helping to sop up some of this scrap.

GEN. CARTER: The trouble is--

GEN. SOMERVELL: We're selling at the highest price we can get and hence we are raising the prices of tin cans, aren't we?

-8-

MR. ADLER: They haven't any tin cans in China. If you sold them lower some speculator would get the profit.

GEN. SOMERVELL: I'm not sure of that. If we turn this over to the Chinese Government instead of selling them in the open market, and let them dispose of it, and then credit what the sales were on our books, I think it would have more of an anti-inflationary tendency than the present method.

MR. BELL: What you'd like to do is sell them to the Chinese Government for dollars.

GEN. SOMERVELL: Or any old thing--fifty cents.

MR. BELL: For dollars, and they can sell them for Chinese yuan in the market.

GEN. SOMERVELL: In other words, let them handle the thing.

H.M.JR: I don't know, was something withheld from me? Where do these tin cans originate.

GEN. SOMERVELL: All over the United States, as corned beef, or whatever happens to go out in them.

GEN. CARTER: They scrap tires--use tires to make shoes.

MR. ADLER: They are things flown over the hump from the Army.

GEN. SOMERVELL: They're in China and they become scrap to us.

H.M.JR: Do we ship them from here to China?

MR. COE: We ship goods in them.

MR. FRIEDMAN: They first have pineapple in them, but in China the cans themselves become valuable.

109

-9-

H.M.JR: We're not picking up old tin cans here. It's something that has goods in them when they go over.

GEN. SOMERVELL: That's one problem. Now, we agree that whatever gold has been sent over there has not checked--we'll say it hasn't prevented inflation. I think right now the black market is around seven hundred against two hundred when we made the agreement with them last September, so the inflation has continued. To what extent that has retarded inflation I'm not in a position to say.

H.M.JR: This shows the amount of gold, and the more gold we ship it so happens that the more the price goes up. In other words, I don't know whether it's just an accident, but as increased shipments go up, the price index has gone up.

GEN. SOMERVELL: That certainly is no proof that the shipments of gold have checked inflation, certainly, whatever else it may prove.

MR. BELL: It's a question as to whether that line might have been up further.

MR. CLAYTON: That's the question and nobody can say definitely whether it would or wouldn't.

GEN. SOMERVELL: It is no proof of anything.

H.M.JR: That's what you've got charts for to interpret them.

MR. COE: To the extent they have financed gold purchased by the creation of credit there, their banking system hasn't had any effect at all and so there's at least some evidence there's been some type of that gold purchasing on.

GEN. SOMERVELL: It's up to you to decide whether this thing is a help or hindrance, that is, the shipment of the gold. As far as we're concerned we regard anything which would have a substantial effect on the stability of the present government, as a matter of first importance.

110

-10-

In other words, we have to conduct a campaign over there, and we have to use Chinese troops to conduct the campaign, and unless that government is in a position to command the obedience of those troops and to supply them and carry on the battle, we are not going to get the benefits from the coming campaign we expect to get. In that sense the department is very much interested in whatever happens. Now, the third point about paying our bills, as I remember our agreement last September, was that within three to six months you were going to have another set-to with these people and come to an agreement for three months or six months. I think contrary to what you said that we believe you should make a settlement with them now. In other words, whether it be for the six months that have passed or for nine months up to and including the fiscal year, I would'nt know, but with the Chinese dollar skyrocketing the way it is now I think you'd probably want to make some kind of a settlement now for the past six months and then take up the next quarter or whatever it is at a later date. We don't care about that, so we think perhaps you better make a settlement pretty soon.

H.M.JR: Well, I don't know whether we've got the figures yet. Mr. Bell, have we?

MR. BELL: I haven't seen them.

GEN. CARTER: We have figures for the quarter ended December 31.

H.M.JR: Have you given us those? How long have we had them?

MR. FRIEDMAN: We've had them for a few weeks, Mr. Secretary, at the present time. What we're doing is discussing with the Chinese the difference in the Chinese figures and our Army figures so that before you considered making the decision we'd have agreement on receipt of figures.

H.M.JR: It hasn't been waiting on me.

MR. FRIEDMAN: I don't believe so.

112

-11-

MR. COE: No, after the last experience we thought we better get all figure questions out of the way first before trying to negotiate.

H.M.JR: I usually get a couple pounds of tea out of this. I don't know. I haven't had any tea in a long time.

GEN. SOMERVELL: It's about time you did get some.

GEN. CARTER: Of course we're anxious to get this in our appropriations.

GEN. SOMERVELL: We want to get the settlement on any basis and then we'd like to get the thing cleaned up as of the end of the fiscal year.

H.M.JR: I question whether you'd give us any figures except for the last quarter of 1944.

GEN. CARTER: That's correct, sir. We've given you the figures for the quarter ended December. We'll have the figures for March pretty soon and we'll pass those on. If this thing moves like it did, it won't be settled over night.

H.M.JR: The price in yuan doesn't bother me much because I have always insisted in dealing in United States dollars. The fact that the figures we have been talking about have been slow in getting to us--we haven't had them two weeks--won't cost the Army anything more.

GEN. SOMERVELL: We rely entirely on you to protect the interests of the Army.

H.M.JR: I've done pretty well, haven't I?

GEN. SOMERVELL: You have done very well. That last deal was a pretty good deal.

H.M.JR: If I tried to do it in Chinese dollars, it would have cost you fifty per cent more at least. I think I got a little white hair over it. Any time anybody wants to deal with the Chinese on those payments--now that I got

-12-

rid of Surplus property: I haven't seen you (to Mr. Clayton). I thought you'd write me a little letter about that. (Laughter.)

MR. CLAYTON: I congratulate you right now.

H.M.JR: You didn't think I could do it?

MR. CLAYTON: I didn't think you could do it.

H.M.JR: That was the fastest sale I ever made.

GEN. SOMERVELL: Was Wallace asleep? He must have been.

H.M.JR: No. I told Henry--

GEN. SOMERVELL: I said Wallace must have been asleep.

H.M.JR: He's hungry. He wasn't asleep. He was just hungry. I explained to him this was a dirty piece of business, and he thought it over and turned the town upside down to get it.

GEN. SOMERVELL: I'm glad to know that. I thought maybe I better go around there.

H.M.JR: There's nothing--what I'd do is this: We'll tell T. V. Soong we are ready to begin to talk, and then we'll keep you people advised. I'd like somebody from State to be present when I see him. If the Army would care to send somebody here, we'd be delighted to have somebody present so they wouldn't play us one against the other. If General Carter is not too busy, maybe he could attend.

GEN. SOMERVELL: Fine.

H.M.JR: One of the things we are thinking about doing is trying to get them to use their own money from now on instead of part of the United States loan for these gold shipments, and we've been trying to get them to rebuild that back to the five hundred million dollars if we can, of the original loan made by the United States Government,

-13-

and possibly, if they do that, we might be willing to accelerate the gold a little bit.

GEN. SOMERVELL: As I understand it, the gold to cover these gold notes that the banks have out is on the way over there.

MR. CLAYTON: The gold sales at the bank as I understand it--there's enough on the way to take care of the prompt deliveries that have to be made, that is May and June, and there are no more deliveries that are made for September after that?

MR. ADLER: They fall due every month I'm afraid.

MR. CLAYTON: Oh.

MR. COLLADO: There is a heavy one in September.

MR. ADLER: May is O.K.

GEN. SOMERVELL: I'd like to bring up two other points, Mr. Secretary.

H.M.JR: Please.

GEN. SOMERVELL: There are other methods of combatting inflation. It has been suggested that we send over certain textiles, and certain trucks, wrist watches, and what have you? Now, the other points I want to make on those are as follows: The difficult one is the textiles. At the present time the textile production in this country is very tight. Take cottons first. We are taking, that is the Army, Navy, Maritime Commission, about a third of the total output on it. Now, we are not having our requirements satisfied. This quarter we asked for one hundred and thirty million yards and we are only going to get ninety-nine and one-half million yards if we get all that's promised us, and we doubt very much that we will. That's on combed goods alone. That's the kind of stuff that is going into shirts and trousers and some of the better grade of cotton goods. The other cotton that we're interested in is duck. Duck is needed for tents, and so-called numbered ducks, that is heavy ducks are needed

-14-

for automobile tops and cartridge belts and things of that kind. That is also in tight supply. We are particularly short on these numbered ducks. With regard to sheetings, we use sheetings to make raincoats and things of that kind. It's basic material for that. We're in short supply. The civilians tell me they're in short supply. There's something like two hundred million yards put up for export to one place or other. Now what the Chinese would like, as I understand it, is a thousand tons which translated is ten million yards per month. It can't come out of military supply. It will have to come out of civilian, which is short supply, or this export which Mr. Clayton has all earmarked somewhere else. Now, that is going to have to receive consideration. We'd like very much for the Chinese to get the cloth. It will serve the purpose that they think it will, namely of bringing down the prices. We don't want it for general distribution, but we do want it for distribution along our line of communications and where our people have to be. There's no reason why the trucks that they want and the gadgets that they want shouldn't be supplied. There's no reason why we can't supply them with the trucks, not army trucks but FMA trucks, and there's a shortage of watches, but there again it seems to me that can be arranged, so the Army position on those things is we like very much to have them all supplied. We doubt very much that the textiles can be supplied without an impact on either our domestic economy or export program which would be felt. We have no means of supplying it from Army stocks or from allocations to them. And that's our position on it.

H.M.JR: Well, now, as we go along, General Carter could keep us posted as to what you do or don't do, so we can kind of play this together. I think we should. Don't you think so?

MR. CLAYTON: Yes I do.

H.M.JR: I mean so that we can keep the piano in tune.

MR. CLAYTON: Yes. I'd just like to say on General Somervell's statement, Mr. Secretary, that I agree with everything he said a little earlier about the importance of arresting this inflationary trend if it can be done,

116

-15-

because if it gets completely out of hand, it might just bring the whole thing down, which I take it would be a very serious matter from your point of view.

GEN. SOMERVELL: That's right.

MR. CLAYTON: I don't know enough about the subject to express any opinion on whether the sale of gold and the quantities that they have in mind is very much of an effective weapon to arrest that inflationary trend or not. You're much better able to speak with authority on that subject than we are, and I'd be inclined to take your judgment on it entirely.

H.M.JR: We don't think it would really have any effect at all. It's in their mind.

MR. CLAYTON: Yes.

H.M.JR: But actually as to keeping prices down, I don't think that the way they handle it--if it could be handled differently, it might have some effect, but not the way they handle it, where it goes into the hands of a very few people.

MR. CLAYTON: It would take an awful lot of gold even if handled very intelligently. What they need there more than anything else is goods.

H.M.JR: That's right.

MR. CLAYTON: And that's the most difficult thing to get there on account of transportation problems. If we can take some Chinese port and get goods in there we could make very definite headway against this inflation trend on what the General had to say about the textiles. I went over that matter in detail with Mr. Soong and some of his associates and we would like very much to see those textiles shipped in there. They are only asking us for the rest of the year for nine thousand tons of textiles. Well, that's--when you compare that with the total production in the United States--when you look at all kinds of textiles, it's bagatelle. It's less than one-half of one per cent of our year's production of all kinds of textiles.

-16-

GEN. SOMERVELL: One-tenth of one per cent of cotton textiles on your production is about at the rate of nine billion, two hundred million yards and that's about ninety--

MR. CLAYTON: I figured it in terms of bales of cotton. We are consuming about ten billion tons a year in the United States, and this is about forty thousand bales, which would be a little less than one-half of one per cent in terms of total production. (Laughter) It is very small and they desperately need it. The thing they need worst perhaps than anything else in China is some clothes, because practically all the mills are in the Jap's hands and they've only got a few little mills scattered around in the interior that are operating, and some that are desperate for some cotton textiles, and we'd like very much to see some additional supplies going in there. They can let the Air Transport Command handle it all right, over the hump as they tell us--and indirect. Now, I was not aware you'd completed your investigation on that and had come to the conclusion that the Army couldn't give us any of this small amount that they require. Now I don't know, gentlemen; I haven't looked into it. I don't know what the chances are of getting it out of the civilian supply. I haven't looked into that at all. I'd hoped you would be able to spare it out of the Army requirements.

GEN. SOMERVELL: I'd like to say our requirements are only twenty per cent of the total.

MR. CLAYTON: Yes, I know. Well, if that's the case, then we may have to go pretty high up. We may have to go to the President to help us on this thing, but the State Department can go it very well and argue the case from the point of view of the importance of the matter to the War Department or to the Army, and that's where its primary importance lies in our opinion if it lies anywhere, so we would like to ask you if you can't give it out of the Army supply to help us, or to join us in a memorandum to the President asking him to lend his influence so that it's given out of some of their supply. Of course, the State Department hasn't got this export stuff at all. It's been claimed by the FEA. They are claimants for foreign countries, as you know, before the War Production Board

-17-

for supplies of that kind, so that it's been in their department, and they have control of that.

GEN. SOMERVELL: Why wouldn't this be the proper thing to put in Crowley's books?

MR. CLAYTON: Oh, I think it would. I don't see why it shouldn't be taken right there.

GEN. SOMERVELL: We'll be glad to join in this memorandum to the President, but before it goes to him I should think under the--what do you call it--terms of reference of the committee, it might be proper to go before the Crowley committee first.

MR. CLAYTON: I think that's a very happy suggestion, and if you'd join me, why I'd take it up with him at once.

GEN. SOMERVELL: I'd be glad to.

MR. CLAYTON: On the trucks, if I understand you correctly--

H.M.JR: Excuse me--for whatever it's worth, we'd like to join you in pleading for some stocks.

MR. CLAYTON: Fine. Thank you very much.

MR. BELL: Are there still restrictions on commodity credit cotton? There are still a couple million bales.

MR. CLAYTON: It's not a question of the cotton. We've got cotton. It's a question of processing, facilities, manpower, and that sort of thing.

GEN. SOMERVELL: Excuse the interruption. It's not even that, but as has been explained to me, they're getting cotton and own cotton in India now, and they're about to commence to get ready to buy cotton here to supplement what they have over in India. The spindles are idle, and the looms are idle, and they want this textile cloth. They want the cloth in addition to the cotton which they intend to put into the looms they already have.

-18-

MR. CLAYTON: General, what they have in India is cotton cloth, not raw cotton.

MR. ADLER: They're trying to buy raw cotton from the Indian Government.

MR. CLAYTON: But they have a supply of cotton textiles there already which they are gradually moving into China.

GEN. SOMERVELL: I was told they had bought the cotton. Now they are apparently merely negotiating for the cotton.

MR. CLAYTON: I don't know about their trying to buy the raw cotton, but they do have, they told me, four thousand tons of cotton textiles lying in India which they are gradually moving over to China, and they bought cotton textiles from Mexico and Brazil, and then they have priority now on four thousand tons from the United States, but it's such a low priority they don't expect to get it anyway until too late in the year. Put that all together and that leaves about five thousand tons they expect to get from us additionally, making a total of nine thousand tons from the United States for the remainder of the year, and it's that five thousand tons--and they need to raise the priority on four thousand tons--that we have to deal with.

GEN. SOMERVELL: On the assumption that they're not going to buy any raw cotton?

MR. CLAYTON: They didn't talk to me at all about buying any raw cotton.

GEN. SOMERVELL: I think you should get into that because the way the thing is explained to me they do intend to get five thousand tons of it.

MR. CLAYTON: I thought they had more cotton in China than they had mills to process it.

GEN. CARTER: The Japs got it last year.

MR. ADLER: They got fifteen thousand tons in the last six months of 1944.

120

-19-

MR. CLAYTON: Yes.

MR. STANTON: They have more spindles than they have cotton.

MR. CLAYTON: I didn't know that. I thought they had more cotton than spindles.

GEN. SOMERVELL: There are two things--one is the raw cotton program to get the spindles busy, and the other is the cloth end of it which is to supplement what they can get out of their own facilities.

MR. CLAYTON: There is no direct way, and they're getting raw cotton. If they can't get it in India--and there is plenty of raw cotton in India--they can get it in Brazil. There's plenty of raw cotton all over the world. The shortage is in the textiles, finished goods.

MR. ADLER: I understood there were two advantages in buying raw cotton here from their point of view. One is transportation, transporting raw cotton rather than finished goods. Second, as our cotton is too high grade for their purposes, they would prefer India's.

MR. CLAYTON: That's closer at hand of course, and they won't have any trouble buying Indian cotton.

GEN. SOMERVELL: What I heard was they wanted to mix our cotton and Indian cotton.

MR. CLAYTON: General, on the trucks do I understand you correctly to say the War Department will see that they get trucks?

GEN. SOMERVELL: We will not see that they get the trucks, but we will help FEA on their priority so they can get them.

MR. CLAYTON: Good.

GEN. SOMERVELL: There are fourteen thousand in the present program.

-20-

MR. CLAYTON: Still to go.

GEN. SOMERVELL: No. I think we have sent about four thousand of those over already.

MR. CLAYTON: And that's about one thousand a month for the rest of the year and they want--

GEN. SOMERVELL: Five thousand more, or maybe it was fifteen thousand and four thousand. It totals nineteen thousand.

MR. CLAYTON: Fifteen and four I thought.

GEN. SOMERVELL: And we're for that with FEA, and with the reductions in our program it seems it's purely within their realms of possibility.

MR. CLAYTON: Will you and FEA handle it? Is there anything we can do.

GEN. SOMERVELL: Support it with FEA.

H.M.JR: The point is what we should do in view of this. I think we could sort of get down on a piece of paper a complete program what we could do and present it in that way as a complete program.

GEN. SOMERVELL: I quite agree. I found out by accident about wrist watches and what have you.

MR. CLAYTON: They can't tell us a thing about that.

H.M.JR: I think what the President had in view with T. V. Soong, was that we prepare a sort of complete program, what we can do and what we can not do, and sort of have a united front and give it to them, say, as a complete program.

MR. CLAYTON: Yes.

H.M.JR: And I think before I see him we'd like to have that.

122

-21-

MR. CLAYTON: We have a memorandum from Mr. Soong on all these points that he sent to the Secretary of State.

MR. COLLADO: Do you have that?

MR. COE: Yes. We have that.

H.M.JR: We have a sort of informal working committee.

MR. CLAYTON: Suppose we have a working committee work on a reply to that memorandum that would take up each one of these items, gold, textiles, and trucks, and say what we propose to do.

GEN. SOMERVELL: And gadgets.

MR. CLAYTON: Gadgets.

GEN. SOMERVELL: The only place I know where you can buy Parker Pens is in Kweilin.

H.M.JR: They cost you one hundred dollars.

GEN. SOMERVELL: They don't cost too much.

H.M.JR: I understand there will be a program committee to prepare a program to be presented to T. V. Soong as a complete program so he won't be trading one of us off against the other.

MR. CLAYTON: All right. If you don't mind, we'll get Mr. Willauer who has been handling it with FEA to work with other members of the working committee.

H.M.JR: And you people--somebody call a meeting.

MR. CLAYTON: Mr. Collado will handle it for us.

H.M.JR: Mr. Coe will handle it for us.

GEN. SOMERVELL: General Carter will handle it for us.

MR. CLAYTON: Fine.

-22-

H.M.JR: I could send word to Y. V. Soong. We'd be ready sometime next week?

MR. COB: I think so, yes.

MR. CLAYTON: Early next week. And, General, I'll take up this textile matter Mr. Crowley wants and tell him you joined me in it, and we'd like to get it put before that committee just as soon as possible.

GEN. SOMERVELL: All right, sir.

H.M.JR: I just want to tell you I talked with the President about this and he talked at Cabinet. I think he had in view that we would have it rounded out. I would sort of be the responsible man for the administration on this thing, and that would be a complete program if that's all right.

MR. CLAYTON: What?

H.M.JR: I said I talked to President Truman about it, and he brought it up at Cabinet, and I'm sort of being the responsible man for a complete program on this-- if that's all right.

MR. CLAYTON: Yes, certainly.

H.M.JR: I'm a sort of glutton for punishment. All right?

GEN. SOMERVELL: Yes.

May 1, 1945
5:00 p.m.

LEND-LEASE

Present: Mr. Casaday
Mrs. Klotz

H.M.JR: Look, General Somervell was in here and he bothers me like hell with what he says because I can't remember everything. He takes this position. He says that the English are taking, for instance, the position that if we would supply a thousand uniforms to the English army then that releases the looms to manufacture say, one thousand suits for civilians-- that if it's all right for them to do that and to export--I'm confused in my own mind and I want you to get busy on this.

In this conception which we have on this Quebec Agreement the facts where it says naturally no articles obtained from lend-lease aid are to be exported or sold for profit lend-lease or identical thereto. Does that apply to only civilian or military?

MR. CASADAY: I think military.

H.M.JR: He says--

MR. CASADAY: The transfer of military goods as such is separate.

H.M.JR: Substitution?

MR. CASADAY: Substitution is covered.

H.M.JR: An actual case in point is they continue to take B-29's from us, but they are taking Lancaster bombers, converting them into transports, and selling them in Europe.

MR. CASADAY: I don't think they are supposed to do that.

- 2 -

H.M.JR: Huh? Now, he said he was bothered. He said of course he didn't think this was good when he originally did it, but now that we have done it he says that they are beginning to inch in on us and that the time will come and you will go in a store here in Washington and be able to buy an English suit made from English cloth.

MR. CASADAY : Because we give them--

H.M.JR: Because we give them all the woolen goods for the English uniforms.

MR. CASADAY : Yes. Well, there is an operating document on the interpretation of that.

H.M.JR: I wish--you had better look at it.

MR. CASADAY : I better get together maybe with Oscar Cox and talk to him.

H.M.JR: He isn't here.

MR. CASADAY : He's out there. Al Davidson--

H.M.JR: Anyway, those people that know about this-- and when he gets a minute--he raised it. He bothers me, because he is very shrewd. He has taken that letter of mine which says no commitments, which you fellows wrote, and I signed, and he said, "See, no commitments." So they have already sent for the English on a number of things and they are beginning to tell them no. I said, "Wait a minute, General Somervell. If you begin to say no they will say, 'Oh, Churchill will say all the rest of the Government is but Somervell isn't,' and you better take it to Mr. Stimson and raise it at that level if you are going to raise it," and I said I didn't know if I wanted to get in on it yet. He kept saying they never got the final agreement.

MR. CASADAY : There wasn't any, you see. He was under the impression that these subcommittee--joint subcommittee reports which came into the committee were to be injected into an overall document which would have been in agreement.

126

- 3 -

H.M.JR: But that wasn't--

MR. CASADAY : But that wasn't done, so that's why he wanted a letter to show what becomes of his contribution.

H.M.JR: I see.

MR. CASADAY : Well, I'll talk with those people who are operating that.

H.M.JR: You better, because they are raising it and this is a very solemn document from the British, and he said the British definitely are exporting and they are doing it at our expense, and he said the English don't interpret the document the way I do.

MR. CASADAY : Yes. Has the subject been broached to you about reconsideration at this state of the program?

H.M.JR: No, but I don't want to get in on that. I got some fuel and I got no thanks for all that from Parliament or Mr. Churchill. He got up and said what a great guy Lord Keynes was for the part he did, and it was kept a great deal secret other than a few cracks the columnists took. I never even got a thank you, and I am not going to get in on the thing. They sent for what they call the Crowley Board now, haven't they?

MR. CASADAY : Yes, but the point some of us are discussing is that since VE-Day hasn't occurred yet but is farther away than we first anticipated, there are grounds for opening up the thing for re-examination.

H.M.JR: I don't think I want to get in on it, but I am going to try to keep out of it. I don't want to get in on that committee business--two months on that thing.

MR. CASADAY : I don't blame you.

H.M.JR: But you get the thing down, do it kind of casual like Somervell. He got me alone in here, but I evidently was not wrong in my position that the British haven't got the right to take United States bombers

127

- 4 -

and take their own bomber production and convert into civilian planes and begin to sell them.

MR. CASADAY : I don't think so.

May 1, 1945
5:10 P. M. 128

HMJr: Yes.
Operator: Mr. Monnet.
HMJr: Hello.
Mr. Jean Monnet: Hello.
HMJr: Yes, Mr. Monnet.
M: Mr. Secretary, I spoke to Flaven on the telephone.
HMJr: Right.
M: And he said that if it is convenient to you....
HMJr: Yeah.
M: ...it would be better for him on Tuesday.
HMJr: Quite all right. Now...
M: Because he finds that he has to stay longer in San Francisco, and it would be very difficult for him to be here on Friday.
HMJr: Well, would you say 10 o'clock Tuesday morning?
M: All right, 10 o'clock Tuesday morning.
HMJr: Would that be all right?
M: Yes, surely.
HMJr: Will you be with him?
M: Yes.
HMJr: I'll look forward to seeing both of you.
M: Good. Then Tuesday at 10 o'clock.
HMJr: If you please.
M: It's -- are you -- would you be free to dine with my wife and I Thursday of this week -- quietly without anyone else?

- 2 -

129

HMJr: Could I call you back on that tomorrow? I have something which I don't know yet -- I can explain to you when I see you.

M: All right.

HMJr: Well, I could tell you --- a - Mrs. Roosevelt is at our apartment now, for the week, you see?

M: Yes.

HMJr: And I don't know what her plans are yet.

M: All right, then, will you let us know?

HMJr: I will let you know.

M: All right, then.

HMJr: Thank you.

M: Thank you very much. Goodbye

HMJr: Goodbye.

25

May 1, 1945

Dear Mr. Director:

By direction of Secretary Morgenthau, I am acknowledging your letter of April 30, enclosing the script of the "Civilian Duties" broadcast, tentatively scheduled for the evening of V-E Day plus 2 or 3.

We note that the portion of the broadcast which Secretary Morgenthau is to deliver follows verbatim the original, tentative draft which we submitted to you April 17. We accompanied that draft with a letter noting that because of the Secretary's absence from Washington he had not seen the material.

On April 28 I sent Mr. Edward Kleuber, as Acting Director of the Office of War Information, a revision with a request that it be substituted for the draft of April 17. Doubtless this letter did not arrive until after your compilation had been completed, but I call the matter to your attention so that our revised text may be used to replace the tentative text of April 17 as your broadcast draft is further revised.

As you suggest, I am also asking the attention of Mr. Brackett to this change.

Yours sincerely,

E. B. Fursell
Assistant to the Secretary.

Mr. Elmer Davis,
Director, Office of War Information,
Washington, D. C.

Copies to: Mr. James R. Brackett
Mr. Harold Stone

OFFICE OF WAR INFORMATION
WASHINGTON

OFFICE OF THE DIRECTOR

April 30, 1945

The Honorable
The Secretary of Treasury

Dear Mr. Secretary:

On April 13 our office requested your participation in a broadcast on Civilian Duties in connection with a VE Day Information Program. You have kindly agreed to this plan and have submitted a proposed script.

We have taken your script and scripts of the other participants together with other information and have combined them into a complete broadcast, which is attached.

May I urge your cooperation to do two things:

1. Please have this copy reviewed immediately to see if it is now accurate, and to make any other suggestions, since this submission will constitute OWI clearance.
2. Make arrangements so that the script may be kept up to date at all times.

Will you please ask your information director to communicate such changes directly to Mr. James R. Brackett, Senior Deputy Director, Room 3357 Social Security Building, Telephone-Republic 7500-Ext. 76576.

As we reported to you previously, the networks have not yet agreed to accept this proposed broadcast, but we are hopeful that it may appear on at least one network. We are eager to have this broadcast contain up-to-the-minute information, and to contain material which will answer the important questions which are in the public's mind.

In order not to detract from the merits of this show, I should appreciate it if you would refrain from participating in other broadcasts prior to your appearance in this one. It is now contemplated that this broadcast would be given on the evening of VE Day plus 2 or 3.

A copy of this letter is being sent to your information director.

Cordially,

Elmer Davis
Elmer Davis
Director

attachment - 1



131

PRELIMINARY DRAFT
Proposed Broadcast — V-E Day Plus 2 or 3

Page 1

CIVILIAN DUTIES

CONFIDENTIAL

(Background Music — Military Band)

ANNOUNCER: Today, the third day after V-E Day — has now brought us 72 hours nearer to victory against Japan...many hours, days, weeks, and even years still face us... let us give sober thought to what Final Victory will demand of each of us...what each must do as individual citizens to make that Final Victory possible. Yesterday, a group of top officials of our government, those responsible for the production of war materials and the supplying of manpower to produce those materials, answered some of the questions in the minds of all of us. Primarily, they told of the huge war production job ahead, of the continuing need for war workers, our plans for reconversion. Tonight, we wish to discuss our duties as citizens. There are many questions about this that come to our minds... "Must we continue to buy War Bonds, save paper, and salvage fats?" — "How soon can we expect more gasoline for our automobiles?" — "Can I take that much wanted vacation trip?" — These questions can best be answered by the government officials who have these problems in charge. These officials are war workers, too, and, like the rest of us, they are working primarily for the generals and admirals. They are here tonight. We also have an Army man in the studio tonight who knows the Pacific through first-hand experience there and has full appreciation of what will be required from us. That man is General _____.

General _____

CONFIDENTIAL

CIVILIAN DUTIES

CONFIDENTIAL

Page 2

133

GENERAL _____: Thank you, _____, what I have to say about our enemy, Japan, will be brief. They are tough — they are fanatical — they are well equipped — and their desire for victory is intense beyond words. For confirmation, ask your husband, your son, your sweetheart, your friend — any man who has had to fight them.

The civilian population of this country has given us the material to defeat first Italy and now Germany. You have given us the equipment and supplies to cut down the outer rim of Japan's defenses in the Pacific and I restate — only the outer rim has been cut. You will, without doubt, give what it takes to beat Japan. War to the civilian population of this country has meant some sacrifice, mostly in the sending of those we love to meet the enemy face to face, to give a life if need be, for our country. As workers, you have put in long and tiring hours to keep our fighters supplied. As individual civilians, you have done what has been asked and clearly are prepared to do whatever else may be necessary. As long as we have mothers' sons coming face to face on the battlefield with the enemy, there is no doubt of that. What all of us want is to bring these men home.

What must we do? What are our responsibilities as citizens? They are many and they are all important to final victory.

In the studio tonight are nine top-ranking Government officials, the officials who have been primarily responsible for managing homefront civilian affairs. They are here to tell you now what will be asked of you until Final Victory. We, of the Armed Forces, heartily support their and your efforts. Each has a story for you...an important story... first is the Honorable Henry Morgenthau, Jr., Secretary of the Treasury. Mr. Morgenthau,

CONFIDENTIAL

CIVILIAN DUTIES

CONFIDENTIAL

Page 3

134

SECRETARY MORGENTHAU: With the end of major military operations in Europe, one of our two wars is officially over. We and our Allies have fashioned an overwhelming victory out of what once seemed to many the ashes of defeat, and have destroyed forever the Nazi threat to our democratic institutions and our way of life.

Our job now is to mobilize our strength for the defeat of Japan with the same singleness of purpose, the same concentration of energies, the same overwhelming power, that we employed to crush Hitler Germany.

We're going to crush Japan, but it's going to take time, heroic and bankbreaking effort, overpowering equipment. We'll need more of everything...ships...tanks...trucks...planes. And that's going to cost money — plenty of money.

Up to now Americans on the homefront have done a magnificent job in financing this war the voluntary way. In so doing they have acted with extraordinary good common sense. Over 85 million Americans have purchased War Bonds. Over 26 million working men and women buy them month-in, month-out on the payroll savings plan.

Through the purchase of War Bonds we have been able to contribute greatly to the stabilization of our economy. We have siphoned off the dangerous dollars that would otherwise have produced inflation.

If we're to win the peace as well as the war, the cost of living must be kept down and the purchasing power of money preserved. A reckless inflation that would necessarily be followed by the catastrophe of deflation — with its unemployment, bankruptcies, misery and heartache — must be prevented at all cost. Let's make no mistake — a dangerous period lies ahead. The American people have nothing to

CIVILIAN DUTIES

(CONFIDENTIAL)

Page 4

135

fear, however, if they show in the future the same common sense they shown in the past, and continue to put every penny over rock-bottom expenses into the purchase of more and more War Bonds.

We still have a long, bitter road to travel before final victory is ours. Each and every one of us should dedicate himself anew to the task of doing all in his power to bring this war to complete and absolute victory. One thing that all of us can and must do is rally to the support of the Seventh War Loan with all we've got. I know of no more important way in which Americans can give concrete expression and force to their determination to back up our fighting men than by buying bigger extra bonds in this war loan drive. Putting the Seventh War Loan over-the-quota, is the most important job we on the homefront have to do today.

The Seventh War Loan is the greatest war financing operation ever undertaken. The 7 billion dollar individual quota is the highest yet, and the 4 billion dollar E bond quota a terrific, hard-to-make 60 per cent increase over the last drive.

Let's each and everyone of us promise that partial victory shall not breed the kind of weakening over-confidence which can rob us of complete victory ... that our thinking, our money, our time will stay in this war to the finish ... that this war shall be fought through to a finish with all that we have and all that we are ... that we, the people, will dig into our pockets, purses, and savings to make the success of the 7th War Loan a symbol of our determination.

A. WICKER:

Thank you, Secretary Morgenthau. Your mention of "dangerous dollars" and our being on guard against inflation is a subject with which our next speaker is vitally concerned...Mr. William H. Davis, Director of Economic Stabilization. Mr. Davis.

CIVILIAN DUTIES

(CONFIDENTIAL)

Page 5

136

Mr. DAVIS: Organized resistance to our armies in Europe is at an end. Except for mopping up operations, Germany has been beaten. In the Pacific, our armed forces are sweeping toward the inevitable victory.

These great accomplishments have been the result of teamwork and cooperation. Our tremendous war production has been the result of teamwork between American management and American workers. Our domestic economy has been kept stable — price and wage controls, rationing, allocation of vital materials have succeeded — through the support and cooperation of all citizens. Military victories have been the result of teamwork among the forces of the United Nations.

The road of war is difficult. It involves hardship and sacrifice and sorrow. But through the national determination, it is leading to final and complete victory.

For the present, Governmental controls over many phases of our daily lives must be continued. Final victory is not yet won. War production must be safeguarded. Our domestic economy must be protected from inflation.

These controls should be relaxed as rapidly as production of civilian goods and availability of manpower permit.

But we must not endanger war production and our economy by a premature lifting of controls over wages and prices.

Our first great task today is final defeat of Japan. As I look beyond that victory to the urgent problems of peace, it is my considered judgment that our hope for peacetime prosperity is production, production and more production. The achievement of production sufficient to provide jobs for every American who wants a job is not merely an industrial problem. It is not a job that concerns

only management and labor. It reaches to the total national planning for prosperity. Considered in that light, it is a job for all Americans.

It becomes the task of finding millions of productive jobs. It is the task of paying wages high enough to permit the purchase and consumption of the goods that will become available through full production.

That is the task of the future. It will not be easy. It is a hard, pioneering thing we face. But as we turn our faces to the West, to finish the job against Japan — so in the same spirit must we move forward to meet the problems of peace.

ANNOUNCER: Thank you, Mr. Davis. Rationing and price control have also done much to guard against inflation and the Honorable Chester Bowles, Administrator, Office of Price Administration is with us to cover that subject.
Mr. Bowles.

MR. BOWLES: This turning point in our history — for which we have all worked and fought so hard — is properly a time for sober celebration. It is also a time for rededication to a task not yet finished — the crushing of Japan and the building of a just and permanent peace.

Our soldiers and sailors face a bitter fight in assuring the unconditional surrender of Japan. Here at home we have a tough job ahead — not only in assuring continuing production of war materials, but in holding down the cost of living, dividing scarce goods fairly and maintaining a stable economy.

This won't be easy. There is little, if any prospect that supplies of meat, sugar, shoes, fuel oil, ~~gasoline~~ and other rationed products will become plentiful enough to make possible much relaxation of the

CIVILIAN DUTIES

(CONFIDENTIAL)

Page 7

138

rationing regulations until some time after the end of the war with Japan.

Pressures against price ceilings will continue to increase as savings, bank deposits and money in circulation pile up month after month.

As the war against Japan progresses, many people will be impatient to get back to normal peacetime living. Many in trade and industry will be anxious to resume peacetime production. There is bound to be some feeling that the wartime protection of price, rent and rationing controls is no longer necessary.

I believe that all of us who stop to think about it will agree, however, that we can no more relax our efforts on the anti-inflation front than our soldiers and sailors can relax in their effort to crush Japan. Nor will the defeat of Japan put an end to the need for vigilance on the price control front.

We have before us the experience of the last World War, when almost half of the inflation took place after the Armistice was signed. The cost of living, which increased 52 per cent between the beginning of the war and the Armistice, went up to a total increase of 106 per cent. Rents rose about 50 per cent after November 1918. And clothing, which had increased 107 per cent before the Armistice, rose a total of 200 per cent by 1920.

This inflationary spree was followed inevitably by a disastrous economic collapse. Prices fell, profits disappeared, hundreds of thousands of small businesses went bankrupt, farm mortgage foreclosures put nearly half a million farms on the auction block, millions of workers, out of jobs, walked the streets, and soldiers back from the war were forced to peddle their living.

CIVILIAN DUTIES

(CONFIDENTIAL)

139

Page 8

During the last two years, all of us, working together, have held the cost of living very close to the level of two years ago. It would be tragic, now that we are within sight of the end, if we were to relax our vigilance and permit living costs to spiral upward. We owe it to our soldiers and sailors and to all of us here at home to avoid the kind of dizzy inflation and tragic collapse which followed the last World War.

We shall have to work harder than ever to see this job through. It is up to us in the CPA to resist the pressures of profiteers who seek special advantage. We shall have to be firm in the face of pressure, but flexible in adjusting to rapidly changing conditions.

We'll do our best, but we can only do the job if we have the continued support of all groups -- of business and labor, of farmers and professional people, of the great mass of consumers everywhere and their representatives in Congress.

Together, we can and will share scarce goods fairly; hold the cost of living in check and provide a stable basis -- after the defeat of Japan -- for a prosperous postwar America.

ANNOUNCEMENT:

Thank you, Mr. Bowles. Our next speaker to come to the microphone will be The Honorable Julius A. Krug, Chairman of the War Production Board. This is the government agency concerned with the production of war materials and civilian goods. Mr. Krug.

MR. KRUG:

With the defeat of Germany, we can now bring all our military and production forces to bear on the defeat of Japan. High production of war materials will still be required to make this defeat complete and decisive. The more that we can turn upon Japan, the sooner will come that day of final victory. Although some reconversion is already under way, that process

CIVILIAN DUTIES

(CONFIDENTIAL)

140
Page 2

will proceed vigorously. We must not let such planning interfere or deter the war production job. Further cuts in war production will be relatively small during the coming six months. Greater cuts can be expected in the following six months after the big pipelines to the Far East have been filled. As cutbacks are made, those plants not needed for war production can convert to the manufacture of civilian goods. When such conversion is made, the most critical civilian production will be favored - such as the acute needs of our transportation system.

As the tempo of the war against Japan increases, we will find need to produce totally new items for employment against this enemy. Some items can be discontinued entirely, some reduced slightly, and some drastically. The needs of war change quickly and our fighting men must constantly be supplied with what they need....always, and in ample quantities. We - the civilian workers in this country and in our Allied countries - have given our armies and our navies the materials to defeat Germany. We will continue to give them the materials needed to defeat Japan.

ANNOUNCER:

Thank you, Mr. Krug. We will next hear from the Honorable Harold L. Ickes, Secretary of the Interior, who, as Solid Fuels Administrator and Petroleum Administrator, has a message on fuel and gasoline of real importance to every home-owner and car-owner in America. Mr. Ickes.

MR. ICKES:

As Solid Fuels Administrator and Petroleum Administrator for War, I take pride in telling the citizens of America that, despite many difficulties, we have provided enough coal and oil to win the war with Germany.

The men and women who worked hard and long to crush Germany will now

CIVILIAN DUTIES

(CONFIDENTIAL)

141
Page 30

continue to work, harder and longer, to throw the full weight of our natural resources into the final victory over Japan. Our citizens, who have borne the burden of curtailment of their heating and gasoline supplies, must be prepared to continue their sacrifices so that the full force of our might can strike in the Pacific.

As we turn our undivided attention to Japan, we will supply the gasoline and oil to fuel our warplanes, ships, and tanks. We will supply the coal and oil to make the steel that goes into them, to make the explosives to blast the enemy, and the industrial power to support our armed might.

There is no prospect that there will be more heating oil available for civilian use during the next heating season than there was during the last one. There will be even less coal than there was last winter.

The mines now have the smallest crews in more than 40 years and they will grow smaller. Despite the overtime the miners are now working we cannot produce enough coal to meet fully both our tremendous war and civilian requirements. No decreases in coal requirements large enough to overcome the deficit expected. Shortages of other fuels will continue to place a heavy burden on coal. Fuel dealers, too, will continue short of men to make deliveries.

In order to give war industry more fuel, deliveries of the widely-used eastern coals and by-product coke for household heating and other domestic needs already have been limited to four-fifths of normal requirements for next winter. Similar restrictions will be applied to other coals as conditions necessitate. Even these limitations may leave some industries substantially short of the fuel they need.

Petroleum production is at its highest level in history and is

CIVILIAN DUTIES

(CONFIDENTIAL)

142
Page 11

scheduled to go higher. But war in the Pacific will burn up large quantities of high-octane gasoline for our fighters and bombers and increasing amounts of fuel oil for our ships, tanks and landing craft.

The best we can hope for is as much home-heating oil and kerosene for civilians as we had last year and that hope hinges on the continued breaking of production records, despite manpower shortages, and continued miracles in distribution of petroleum products. Any one of a score of things might happen to interfere with our reaching goals and that are frankly optimistic.

As for gasoline, I am happy to tell you that there will be more available for civilian motorists as a result of the defeat of Germany. It will take a short time, because of distribution and other problems, to make this additional supply available, but as soon as we can settle the details, the public will be given more gasoline. Later, perhaps, military requirements may prevent the increase from becoming a permanent one. But we'll cross that bridge when we come to it. The important thing is -- we'll get some more gasoline now.

In view of these facts the need for conservation by all fuel users is inescapable. Conservation should not mean going without sufficient heat; it should mean getting from limited supplies enough heat to keep our homes, schools, offices and shops healthfully warm. This can be done by using fuel more efficiently and, above all, by preventing heat losses.

A tremendous job already has been done but we cannot afford to relax. From the good earth will come the raw materials necessary for victory against Japan. The workers in the coal mines and in the oil industry, I am confident, will carry on as our fighting men are doing. The least we can do here at home is to conserve all the fuel we can.

CIVILIAN DUTIES

(CONFIDENTIAL)

143
Page 12

ANNOUNCER: Thank you, Mr. Lohme. Next, we turn to the Honorable George Taylor, Chairman of the National War Labor Board. It is this branch of the Government that has been such an important factor in helping industry and labor meet every production goal. Now, Mr. Taylor.

MR. TAYLOR: This period of victory which we celebrate with prayer and thanksgiving is momentous in history. We do not forget, however, that it is but another step in the victorious completion of a global war. It now becomes the firm purpose of this country and our Allies to concentrate upon the Pacific, taking up new plans which will lead inexorably to complete and final victory over Japan.

As Chairman of the National War Labor Board, I know that, to American workers and American employers, this VE-Day brings a renewed determination to push on toward every production goal necessary to enable our men in military service to achieve their goals. In the midst of celebrating victory over Germany, we all know that the war is far from ended. War will still take its toll of American lives in foreign lands. At home our job is to produce the weapons and equipment which will reduce that toll of lives.

The no-strike, no-lockout pledge still holds. There must be no strikes of workers. There must be no stoppage of production on the part of management. Labor disputes must continue to be settled through the War Labor Board -- the machinery provided by your government for settling such controversies.

As long as there is the need for war production there is a need for continuance of the no-strike and no-lockout policy. The government just continues to provide the means of settling disputes peacefully in the manner agreed to by American labor and American industry more than

CIVILIAN DUTIES

(CONFIDENTIAL)

144
Page 13

three years ago. The no-strike, no-lockout pledge was given for the duration of the war and that is until Japan goes down to the defeat which is her fate.

Even while management and labor utilize the arbitration machinery of the War Labor Board, they should be looking forward to the day when collective bargaining, free of governmental restrictions, can be resumed.

Industry and labor have joined hands to perform stupendous production jobs in this war. They should be planning, even now, a post-war relationship which will help achieve maximum civilian production -- as vital to a prosperous peace as maximum military production is to victorious war.

There is another important wartime job which has been assigned to the War Labor Board -- the homefront task of stabilizing wages. Such controls over wages must be maintained as are necessary to safeguard war production and to help fight the gigantic inflationary pressures which can bring about a soaring cost of living. As the free flow of civilian goods increases and as manpower problems become less acute, it will become possible for the War Labor Board to adopt new policies designed to meet the needs of changed economic conditions. The Board will, moreover, move toward the institution of new policies just as soon as that becomes possible. Our goal is for the resumption of collective bargaining over wages to the fullest possible extent and as soon as possible.

Meanwhile, the condition of wartime economy cannot be ended with a proclamation of the end of one phase of the global war in which we are engaged. Our every effort must be brought to bear upon the defeat of Japan, and we must keep our guard up against inflation. With inspired courage we fight on.

CIVILIAN DUTIES

(CONFIDENTIAL)

145
Page 14

CHURCHMAN: Thank you, Mr. Taylor. Colonel J. Monroe Johnson, Director of the Office of Defense Transportation is next to come before the microphone and he may give you the answer to that question of yours on a vacation trip. Colonel Johnson.

COL. JOHNSON: American transportation and that of our Allies has performed in this war a veritable miracle in moving the troops and munitions that have brought victory in Europe.

With less equipment, railroads, for example, are carrying twice as much freight, three times the number of passengers, as in World War I. The transportation miracle has been performed only through the voluntary cooperation of the railroads, highway and waterway transport and pipelines...all working together to do the job.

But there is yet a war to be won ... major war ... V-E Day brings no relief to American transportation. On the contrary, the intensified war in the Pacific poses new problems...Greater loads must be carried, carried farther and carried faster; and the nation's transportation plant and manpower available for the task cannot be enlarged to meet the demand. That means every trained transportation worker must stay on his job. There is no time to train inexperienced personnel.

The long overland haul from production centers to the West Coast ports falls now mainly upon the railroads, since no pipe pipelines or waterways go that far west. Yet the steady stream of tanks, planes, guns, ammunition--petroleum products, supplies of all kinds--must flow on, unchecked...at all costs! Meanwhile, more contingents of fresh troops must be moved westward. Trainload after trainload of other troops, from the European front, will have to be moved across continental United States, en route to take ships for the Japanese theatre of war. There may be some stopping off for furloughs, that will further congest

CIVILIAN DUTIES

(CONFIDENTIAL)

146
Page 15

the transportation picture. Then, too, there are the casualties... wounded men, and their attendants, traveling between shipside and hospitals or homes.

There is only so much equipment available to handle the task, and that already is strained to the limit. Just ask yourself: who is to have the space? You, going on your vacation, or other pleasure jaunts? Or our servicemen, wounded and unwounded?

Remember that, and determine to spend your vacations at home this year. Avoid all unnecessary travel, so that essential passenger traffic may move through.

No, VE-Day brings no let-up in our transportation problem. Until sometime after Japan is conquered, wartime restrictions must be observed... so that victory may be speedily won.

ANNOUNCER:

Thank you, Colonel Johnson. A subject of real interest to all of us is food, and to cover that subject tonight is Judge Marvin Jones, Director of the War Food Administration. He will outline the part food will take in the final stage of this global war. Judge Jones.

JUDGE JONES :

Throughout rural United States, just as in the cities and towns of the Nation, there reigns today a feeling of deep and genuine gladness that organized resistance in one theater of this two-front war has ended.

But the defeat of the once-vaunted Nazi forces of aggression simply means that we can now concentrate all our war effort on the tremendous task of crushing the military power of Japan. I do not underestimate in any way the importance of the Allied victory over Germany, nor do I underestimate the great sacrifice which the valiant men of this Nation and of our allied nations have made on that field of battle. But the fact remains that there is still a big job ahead—still a war to be won.

CIVILIAN DUTIES

(CONFIDENTIAL)

147
Page 16

It is appropriate at this time that we pay tribute to the food producers of this country who have helped to make this great victory possible. They have done a magnificent job and I know that they will continue their devotion to their vital part of our war effort until all of our enemies have gone down in defeat. In each year of the war, farmers and their families have set new all-time production records, reaching a peak last year more than a third above the pre-war average. We have witnessed an amazing production record in the face of many wartime handicaps that have been overcome only by the ingenuity and hard work of the people on the land. Young and old alike have shared in this success story. Their long hours of hard work have made it possible for us to have the best fed fighting forces the world has ever known, to feed ourselves nutritionally better than before the war, and to contribute large amounts of food so badly needed to maintain full fighting power of our allies. Everyone who has helped to supply food — the farmer, the processor, the distributor, those who man our transportation systems, the city and townspeople who have helped the farmer harvest his crops, the millions of families who have raised gardens and preserved food for home use — all have made their contribution to our military success.

But even with victory in Europe there can be no resting on our laurels on the food production front in 1945. The fact that victory has been gained on one front does not mean that the demand for food from the United States will be less. It will continue to be enormous, both at home and abroad. Our people in this country are working harder than ever before and have more money to spend for food because incomes are higher and because we cannot spend our money for automobiles and tires and radios and refrigerators and many other things we should like to buy.

CIVILIAN DUTIES

(CONFIDENTIAL)

148
Page 17

Our choice of food has been and should continue to be more normal than our choice of other things, but demand for food for some time will continue to be so great that we shall not be able to buy all we want of all kinds of food.

Military demands for food will continue to be heavy. The increasing movement of military forces to the Pacific coupled with the longer supply lines, will require increasing the food pipelines to that area. In order to assure an adequate supply of food for the men at that front there must continue to be large reserves in this country and more food dispersed at key supply points in the island outposts of the broad Pacific. And the men in our European forces who may be demobilized will continue to require American food as civilians.

Throughout the war, we have used food as well as other supplies and equipment in any way that would reduce our cost in terms of human lives. We have deliberately chosen to spend material wherever possible instead of men. We have supplied food to French, Italian, and Filipino soldiers along with our British and Russian allies. Continued sharing of the Nation's food supply in order to continue this policy in the Pacific war will help to save the lives of Americans.

In addition to all this, as a matter of practical necessity, we will be called upon to contribute our share to the feeding of hungry and starving people in the liberated countries. This is a part of war itself.

The problem of food distribution, like the problem of food production, will remain important as long as the war lasts. There will continue to be many complications connected with the problem of dividing equitably the nation's food supply. As a nation, we cannot tolerate selfish efforts of those who would evade the necessary wartime regulations. We

CIVILIAN DUTIES

(CONFIDENTIAL)

149
Page 18

can best serve our continuing war responsibility only if everyone assumes his responsibility and shares and plays fair with the total good supply.

War is a grim business, and especially so for a peace-loving people. It is difficult for us to realize what those in our armed forces are called upon to endure. Compared to their sacrifices, our own sacrifices have been and will continue to be small. There is but one way to defeat Japan — that is to keep hitting her harder and harder until she falls just as Germany has fallen. Complete victory will be ours as soon as possible only if everyone continues to do his part.

ANNOUNCER:

Thank you, Judge Jones. The lives of our men in service have been protected through security of war information. The Honorable Byron Price, Director of the Office of Censorship, has some excellent advice for all of us on the need for continued vigilance. Mr. Price.

MR. PRICE:

It is most appropriate at this time that censorship should join in paying tribute to the American citizen and asking for his continued help until the job is done.

No good American likes censorship, least of all those of us who are obliged to administer it. It is thoroughly undemocratic and un-American in its invasion of privacy and its suppression of information. It is as undemocratic as war itself, yet it is an indispensable part of war. We all know that any nation which did not restrict military information in wartime would be certain to pay a costly price for its negligence.

Realizing this, American citizens have been contributing more than they may realize to the effectiveness of censorship. I am glad to

CIVILIAN DUTIES

(CONFIDENTIAL)

150
Page 19

extend the appreciation of the Government to the thousands of editors of newspapers, news services, magazines and books, and to the hundreds of radio stations, for their splendid cooperation under the voluntary Code; to the motion picture industry for its parallel alertness against dangerous disclosures; to the communications companies who so uncomplainingly have submitted all international cable and radio messages to our examination; to the airlines and the shiplines for giving such ready access to the international mails; and to the public itself which has endured censorship so patiently and so understandingly.

All of this has helped greatly toward the victory in Europe. It would not be wise to cite verse and chapter in this public fashion, but you may be certain that through the vigilance of Americans here at home the enemy many times has found his spies helpless and useless, and his armies severely handicapped by lack of information in the hour of decisive combat.

Now, make no mistake about it: Your continuing help is needed badly for the days of trial yet to come. Do not underestimate the evil power of the Japanese spy. Remember that Japanese desperation will increase as the final reckoning comes near. Our enemy will seek information more determinedly than ever — information of the strength and movements of our troops, of the flow of munitions, of the secret weapons being forged in our laboratories and factories, of all details of our long-range or short-range military plans.

For all of this they will seek fanatically, and yet no enemy spy can hope to earn his miserable wage unless someone helps him. He must rely on scraps of information gathered here and there to piece out his reports to the blood-thirsty war lords at home. And the tragedy of it is that nearly all of this information he will hope to get from those who

CIVILIAN DUTIES

(CONFIDENTIAL)

151
Page 20

have no evil intent, from Americans inherently patriotic but unmindful of security.

When you write a letter, therefore, don't forget that sooner or later it may be seen by the enemy. When you speak of things military don't forget that you may be unconsciously forming a link in a chain of communications which leads through many turnings eventually to Tokyo. Wartime is no time for conversation as usual.

The message of Censorship to all Americans is one of real appreciation for what you have done, and of real concern that you in no way relax your vigilance. The narrowing of the combat zone simply increases our responsibility to the men out there across the Pacific and to those who will go to reinforce them. The victory is inevitable. But the aim of our wartime censorship and indeed the aim of all of us must be to hasten the day and to keep down the cost in American blood.

ANNOUNCER:

Thank you, Mr. Price. And now back to General _____.

GENERAL _____:

These nine top-ranking Government officials have made it very clear what will be asked of each of you until Final Victory. They ask it as officials responsible for the backing those of you at home must give our fighting men. It is not too much to ask. Actually, it is little when so much is demanded of those directly opposing the enemy. It is little to ask of the citizens of America who have not had to experience the real horror of war — homes turned to rubble — bomb-cratered streets — disruption of transportation, electrical and water supply systems — and the sickening odor of death.

Our responsibilities have been well-defined and as Americans, we can and must continue to do the job necessary to the defeat of Japan.

CIVILIAN DUTIES

(CONFIDENTIAL)

152
Page 21

When that day of Final Victory does come, there will be ample time for celebration - to enjoy that peace for which all of us are fighting and working so hard to make a World reality. Thank you.

ANNOUNCE:

This completes a program of civilian duties during the final stages of the war as outlined by our leading government officials. It has been a pleasure to have these distinguished guests and to hear the messages they have brought to us...as Americans...as citizens of a country still at war.

#

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

153

TO: Secretary Morgenthau
FROM: Mr. O'Connell

Date
May 1, 1945

Attached is the April 30th edition of the weekly report from Mr. Nunan to you concerning the current tax drive.

Joseph J. O'Connell

OFFICE OF
COMMISSIONER OF INTERNAL REVENUE

ADVISED BY TELETYPE
TO THE COMMISSIONER OF INTERNAL REVENUE
AND BY MAIL TO

TREASURY DEPARTMENT
WASHINGTON 25

April 30, 1945



154

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Nunan *[Signature]*

During the past week, four tax cases were referred by the Chief Counsel to the Department of Justice for consideration of prosecution. The outstanding case of the group involves Ben Meyers, a black market machinery and metals operator of Cincinnati, who was mentioned in my memorandum of April 24. The other cases relate to Oscar D. Trick, Sr., of Seattle, a retail dealer in office furniture and fixtures; Joseph Nisonoff, a medical doctor of New York, who has been convicted of manslaughter but still is at liberty on an appeal bond; and, Andrew F. Harvey, an electrician of Kansas City. The last three cases are not in the black market category, although it is thought that their early prosecution will add force to the Special Tax Drive.

The use of counterfeit sugar coupons by Wallace H. Petit, Manager of the Jacksonville, Florida branch of the Economy Wholesale Grocery Co., Inc., in the illegal diversion of sugar to moonshiners brought about decisive action recently by a group of diverse agencies. Counterfeiting of sugar coupons was a matter of prime interest to the Office of Price Administration and the Secret Service. The Alcohol Tax Unit was concerned with the diversion of sugar to moonshiners, and income tax agents with the unreported income factor. The coordinated efforts of these agencies have resulted so far in the indictment of Petit and the corporation on charges relating to the counterfeit sugar coupons issued a jeopardy assessment for income tax and penalties of \$20,789.10 to safeguard the collection of the revenue. The available evidence tends to indicate that Petit falsified invoices of the corporation covering sales of sugar at \$15 per 100-pound bag at a time when the market price was \$5.70 per bag; and that during the five months' period

155

Page 2
Memorandum
Secretary Morgenthau

from November 1, 1944 to April 1, 1945, he made currency payments in excess of \$26,000 on the purchase of real estate. The income tax inquiry is continuing with the view to possible prosecution on that charge.

A completed tax fraud case was referred to the Chief Counsel last Saturday, involving Morris Moskowitz, who is the sole proprietor of a wholesale leather business in New York. The charge of fraud is based upon evidence indicating a willful and consistent understatement of sales, and it was found that about June 1943, the taxpayer installed a policy of requiring currency in payment for sales to some of his customers and that he began paying cash also for his purchases. Income taxes and penalties were determined in the aggregate amount of \$77,350.24 for the years 1941 to 1943, inclusive. This is the fourth case on which the Chief Counsel has been requested to apply special procedure for the purposes of the tax drive.

The Bureau receives many communications from the public purporting to give information relative to alleged evasion of income taxes by various persons. Coincident with the special tax drive, record controls were installed for the purpose of tabulating these letters according to their value and disposition. For the first month of operation 157 communications were received from the public and disposed of as follows:

Not related to black market, currency, etc. transferred to regular procedure	75	47.8%
Related to income tax cases already investigated, or under investigation	4	2.5%
Referred to Office of Price Administration	1	0.6%
Miscellaneous letters, not related to specific evaders, but giving theories and ideas of investigative methods. (These are acknowledged when signed, but otherwise result in no field action by investigators)	12	11.5%
Subtotal carried forward	98	62.4%

156

Page 3
Memorandum
Secretary Morgenthau

Subtotal brought forward 98 62.4%

black market, currency, gambling
information, referred to the
field for investigation as
follows:

Through Special Agents in Charge:

Boston	0
New York (includes 2 in transit)	24
Philadelphia	0
Washington	3
Atlanta	0
Louisville	0
Detroit	1
Chicago	4
Dallas	0
Kansas City	1
St. Paul	0
Denver	0
San Francisco	1
Seattle	0

Total through Intelligence Unit	45
Through Accounts and Collections Unit	9
Through Income Tax Unit	2

Total special drive letters referred to the field	99	37.6%
Total communications received during month	157	100.0%

These 157 communications involve 204 taxpayers, 89 of whom are named in the 59 special drive letters sent to the field. These 89 taxpayers are subject to field investigation in the following areas:

Page 4
Memorandum
Secretary Morgenthau

Boston	0	
New York	35	39.3%
Philadelphia	9	10.1%
Washington	3	3.4%
Atlanta	15	16.9%
Louisville	0	
Detroit	1	1.1%
Chicago	6	6.8%
Dallas	0	
Kansas City	1	1.1%
St. Paul	0	
Denver	0	
San Francisco	1	1.1%
Seattle	0	
	71	
Accounts and Collections Unit	9	10.1%
Income Tax Unit	8	10.1%
Total	89	100.0%

It is of interest to note that nearly all of the communications pertinent to the special tax drive originated in states adjacent to the Eastern Seaboard. It may be conjectured from this condition that there is a greater degree of public awareness of black markets and tax evasion in the Eastern section of the country. On the other hand, the almost complete absence of communications from states west of the Mississippi River probably indicates that authors of letters of this type address them to field officials of the Bureau in those States, and are locally handled. The productive results of information letters received in the Bureau will be compiled as investigations are completed, and I will keep you informed of the outcome.

I am enclosing a letter addressed to me on April 21, by Collector Marcelle at Brooklyn, concerning conditions in his district. Prior to April 20, about 90 percent of the Brooklyn field deputies were engaged in office division work, assisting taxpayers with estimated and final income tax returns, and calculating the liability on the new tax Form 9-2. Following your meeting with Bureau officials in New York, Collector Marcelle initiated investigations in the city of Long Beach and vicinity, from which it appears that there is considerable delinquency with respect to fur tax. While much

Page 5
Memorandum
Secretary Morgenthau

groundwork has been done, sufficient time has not elapsed for the proper development of all cases started. One case in which cash was used in a real estate transaction has been completed and resulted in the assessment and collection of \$1,607.81.

I commented at some length regarding the case of Henry Lustig, proprietor of Longchamps Restaurants of New York, in my memorandum of April 24. It had been found that during the month of March 1945, Mr. Lustig had made currency deposits of \$1,658,550, consisting mainly of five hundred and one thousand dollar bills. The examining officer made an effort to contact the taxpayer for the purpose of examining his 1944 return, but Mr. Lustig's accountant insisted on postponing the examination from April 23 to April 30. On April 26, attorneys Mark Wisner and Sylvan Gostreicher called at the Intelligence Unit office at 4:30 p. m., stating they represented Henry Lustig and that Lustig had reported to them sometime ago that he wanted to correct his income tax returns, as proper returns had not been made, and he therefore now desired to make a voluntary disclosure. On the same day they delivered to the Collector of the Second New York District eight letters, one each in behalf of Lustig and his seven corporations. These letters stated that they had been instructed by their client, Henry Lustig, to voluntarily disclose to the Bureau of Internal Revenue on his behalf that the net income reported in certain of his income tax returns was understated and that accordingly his tax liability was understated. They therefore requested an examination.

An investigation of this matter was begun several weeks ago with an analysis of bank accounts maintained by Lustig and related corporate interests in seven New York banks. A report reflecting the result of this analysis was submitted by Special Agent James F. Scanlon on April 5, 1945. Internal Revenue Agent Diehl undertook to contact Lustig for the purpose of examining his 1944 return on April 23, but was forestalled by the taxpayer's accountant. Action of the taxpayer's attorneys in proposing a disclosure on April 26, therefore, will not meet the requirements of a voluntary disclosure in respect to the understatement of Lustig's income tax liability. A thorough examination will be made promptly.

159

Page 6
Memorandum
Secretary Morgenthau

I am enclosing current weekly reports of all districts except San Francisco. The report of the latter district was no doubt delayed in the mails. Statistical information which accompanied the narrative reports indicates that 87 cases within the purview of the drive were completed last week on which additional taxes and penalties were found due in the aggregate amount of \$223,490.19. In respect to 69 of these cases the taxpayers signed agreements consenting to the assessment and collection of the liabilities determined. Eleven of the cases resulted in no deficiency. Fraud investigations jointly with special agents were not considered warranted in these cases and they were handled by internal revenue agents and deputy collectors independently of the Intelligence Unit.

During the past week 838 examining officers were actively engaged on the special drive cases including 343 deputy collectors, 342 internal revenue agents and 153 special agents. This represents an increase of 243 over the preceding week and indicates an advancing coverage of the black market and currency field.



OFFICE OF THE COLLECTOR
FIRST DISTRICT OF NEW YORK

IN REPLYING REFER TO

JES:MM

TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

210 LIVINGSTON STREET

BROOKLYN 2, N. Y.



April 21, 1945



PERSONAL

Honorable Joseph D. Numan, Jr.,
Commissioner of Internal Revenue,
Washington 25, D. C.

My dear Commissioner:

For the past several months the zone deputy collector personnel of this office has devoted most of its time to office division work and assisting taxpayers with estimated returns and other income tax returns. AAC-Circular, No. 1786 dated January 20, 1945 directed that "as many field deputies as are necessary should be assigned to the calculating of the tax liability on Forms W-2, in order to complete the task by April 20, 1945". This was supplemented by instructions that the Circular should be interpreted literally. As a consequence, close to 90% of our field deputies have been on this detail for many weeks, thus largely restricting our field activities.

Except for routine investigations, based upon information letters, no planned campaign with respect to black market transactions was instituted until recently. Following the conferences called by Honorable Henry Morgenthau, Jr., at which those in attendance included myself and other Collectors of Internal Revenue in the metropolitan area. Under the direction of the Chief Field Deputy of this office, investigation was recently initiated in the City of Long Beach and vicinity. While much ground work has been done, sufficient time has not elapsed for the proper development of all cases started. However, enough has been developed to definitely suggest to me there is considerable delinquency with respect to fur tax. While already we have leads as to black market sales of fur garments, we find that, while the purchasers are located in this district, the dealers are probably located in the Third District. This, we shall regulate and control by coordinating our efforts with those of Collectors of adjoining districts as well as those of the Special Agent in Charge.

Hon. Joseph D. Numan, Jr.

-2-

April 21, 1945

161

We have found that some fur coat dealers have suffered the loss of sales because of not having a willingness to do business for cash in an off-the-record manner, the purchaser's purpose being to avoid the tax. Information of this nature is what is going to help us in this drive.

This office has turned over to Mr. Hugh McQuillan, Special Agent in Charge, copy of bill of sale of a fur coat sold by Harry Meyers of 236 West 30th Street, New York (3rd District), the price being \$2500., in which case, Mr. Meyers appears not to have included the item in his tax record.

Thus far, we have developed to completion, but one case where cash was used in a real estate transaction. This resulted in an assessment and collection in the amount of \$1607.61.

Some of the cases already started involve corporate taxpayers who have filed returns. In accordance with procedure, these cases are being referred to the Internal Revenue Agent in Charge for appropriate attention.

I shall now assign several deputies to black market investigations and report of the results obtained will be presented in the weekly report requested by letter dated April 16, 1945 from the Special Agent in Charge.

Sincerely,

Joseph P. Marcelle
Joseph P. Marcelle,
Collector



INTELLIGENCE UNIT

BOSTON

(Name of Division)

DAX:air

TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

Boston 1, Mass., April 28, 1945.

Chief, Intelligence Unit
Bureau of Internal Revenue
Washington, D. C.



In re: Special Tax Drive

On Wednesday, April 25th, I conferred at Burlington, Vermont with Acting Collector of Internal Revenue Henry M. Riordan and his Group Chief. A discussion was had regarding the ways in which the Collector's office could be of assistance in the tax drive and it was determined that he would have his men check poultry dealers, slaughterers working under State and not Federal permits, furriers and jewelers. The Acting Collector was very cooperative and promised to start his activities immediately and will keep in touch with me.

On April 26 I conferred with Collector of Internal Revenue Clinton A. Clauson and on the twenty-seventh had a conference at which he was present with the heads of his departments. A plan was mapped out along virtually the same lines as the one projected in Vermont and he also was very cooperative, as he has always been, and has promised whatever assistance he can give. Working within the limitations imposed by procedure, his men will survey the above fields and will furnish us with information regarding cases which they are not allowed to handle.

The jeopardy assessment levied against Harold C. Currier was served last Saturday morning. A lien was placed on the safe deposit box and subsequent investigation disclosed that no visit had been made since the previous January. It is hoped that the cash in this box and information that he has this week been cashing bonds in small amounts would seem to indicate that this is so.

The early part of next week the Vemmerbeck and Glase Company case (SI-21896-7) will be forwarded, which involves approximately \$270,000.00 in taxes and penalties and will carry a recommendation for prosecution. This is a manufacturing jewelers' case involving the disposal of scrap and cash transactions.



162

In re: Special Tax Drive.

163

During the past week the eighteen revenue agents in the Boston Division have been working out the unproductive cases. At the present time this has been done to a great extent and they have been assigned to cases which show promise of successful completion. Today I requested from Revenue Agent in Charge Knefelick three more revenue agents in Boston and two revenue agents in the New Bedford district and he promised to supply them as soon as possible.

The deputy collectors in the Boston district are still continuing to dig up leads, several of them for other divisions. They also discovered a case involving the sale of jewelry to officials of Post Exchanges, which promises to bring in approximately \$18,000.00 in additional excise taxes. This jewelry was formerly sold directly to Post Exchanges without excise taxes. Some time ago the Exchanges refused to purchase any more jewelry and the officials have been purchasing jewelry on the same terms. This is a development which may be of interest throughout the country, especially in the vicinity of large camps.

Special Agent Snyder has been conducting a survey of the fishing industry. The black market conditions in that industry are appalling. Most of the transactions are in cash and because of the fact that some records were kept in Boston, much of the catch has been diverted to Gloucester and to New Bedford. One of the best of the Alcohol Tax Unit undercover men has been working on this condition for about a week and it is to further probe the situation that the two revenue agents from the New Bedford office have been requested.

Special Agent Peabody has been in New York the entire week listing the wire transfers in substantial amounts made in this Western Union district. He has reported to me that he has obtained items which will be of interest not only to this division but to other divisions throughout the country. He also reported that he is having success with a collateral investigation in textiles.

In Providence, Rhode Island, four revenue agents have been assigned to work full time with the special agents and they are uncovering many leads which will be of value to the New York Division. They are also uncovering leads which will probably be of value to the Boston Division.

The investigations in Connecticut are proceeding satisfactorily. There is close cooperation between the office of the revenue agents and the office of the special agents, and the Collector of Internal Revenue is also cooperating.

164

In re: Special Tax Drive.

It is hoped to contact the Collector of Internal Revenue at
Portsmouth, New Hampshire next week.

David A. Kelleher
David A. Kelleher
Special Agent in Charge.



INTELLIGENCE UNIT

New York

(Division of Investigation)

WPM:MBS

TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

New York 7, New York

April 28, 1945

CONFIDENTIAL

Mr. W. H. Woolf,
Chief, Intelligence Unit,
Bureau of Internal Revenue,
Washington, D. C.

In re: Special Tax Drive

Progress Report for Fifth Week
Ending April 28, 1945

In accordance with your instructions to submit a weekly progress report, the following is a summary of developments during the past week:

Henry Lustig
Proprietor, Longchamps Restaurants.

In the report of April 21st this office advised that investigation of Henry Lustig's current bank accounts had shown a total cash deposits for the month of March 1945 in the amount of \$1,658,550.00, nearly all of which was in \$500.00 and \$1,000.00 bills, and also that the 1944 return had been located as a result of an examination of Lustig's checks for the month of March 1945, one of which was made out to the Collector of Internal Revenue and stamped thereon with the serial number of the return. Revenue Agent in Charge, C. R. Krigbaum, assigned Revenue Agent Diehl of the 2nd New York Division for the purpose of making an immediate examination in cooperation with Special Agents Romayne and Scanlon of this office.

Lustig reported \$42,000.00 in salaries received from his various restaurant corporations and claimed depreciation on his racing stable showing a net income of approximately \$22,000.00. The return varies little from the returns filed by him for the past six years.

The examining officer made an effort to contact Lustig for the purpose of examining his 1944 return but Lustig's accountant insisted

on postponing the examination from the 23rd instant to Monday next, the 30th. On the 26th instant attorney Mark Eisner and his associate Sylvan Oestreicher, called at this office at 4:30 P.M. and stated that they represented Henry Lustig and that Lustig had reported to them some time ago that he wanted to correct his income tax returns as proper returns had not been made and he therefore now desired to make a "voluntary" disclosure. On the same day they delivered to the Collector of the 2nd New York District eight letters, one each in behalf of Lustig and his seven corporations. These letters stated that they have been instructed by their client Henry Lustig to voluntarily disclose to the Bureau of Internal Revenue on his behalf that the net income reported in certain of his income tax returns is understated and accordingly his tax liability is understated. They have requested therefore an examination. This will be promptly made and further developments duly reported.

This office was investigating the use of \$1,658,550.00 in large bills by Lustig and Revenue Agent Diehl had called his accountant to arrange for an examination before his attorneys or anyone else had made any statement regarding a disclosure to any revenue office. Therefore, the so called disclosure is not a voluntary disclosure.

Morris Moskowitz
34 Spruce Street, New York, N. Y.

Prosecution for wilful evasion was recommended in a final report submitted April 4, 1945 in this case by Special Agent Charles Deberman of this Division, covering an investigation for the years 1941 to 1943, inclusive. Examination was made in cooperation with Internal Revenue Agent Irving Friedman of the Second New York Division. Moskowitz is a wholesale leather dealer and his sales are made principally to jobbers and wholesalers of shoe findings throughout the eastern United States.

This investigation developed that during the years 1942 and 1943 Moskowitz made a practice of cashing a large part of his customers' checks, diverting the proceeds to his personal bank accounts, and failing to report the sales represented by such checks. A detailed and painstaking investigation was made which included an examination of the tellers' cash proof sheets of the Chase National Bank, Maiden Lane Branch, where the taxpayer maintained his business account. It was then necessary to interview many of his customers.

During the year 1942, he received a check from an insurance company representing a recovery for a shortage in shipment. This check was cashed and he failed to report this income in his return

for that year. He understated sales for the year 1941 in the amount of \$19,893.73; for the year 1942 in the amount of \$47,088.00; and for the year 1943 in the amount of \$18,850.49. His understatement of income for the three years was approximately 8%. There were other adjustments to income for each of the years of a more or less technical nature, all resulting in total additional tax plus 50% penalty in the amount of \$77,380.34.

The special agent has recommended prosecution for wilful attempt to evade income taxes for each of these years. There is ample evidence in this case to support a recommendation for prosecution. The evidence consists of testimony of some twenty-six customers as to the correct amount of their purchases from Moskowitz, supported by cancelled checks, bank records, and some testimony from his own employees, as well as testimony from the investigating officers.

Moskowitz has been described by some of his customers as unscrupulous in his business dealings, and several referred to him as a "robber and a chiseler". Due to the necessity of interviewing his customers, the investigation is well known throughout the leather business and it is believed that a prosecution of Moskowitz would have a very healthy effect in that industry.

Schneiderman Bros., (Partnership)
Benjamin Schneiderman, (Partner)
Louis Schneiderman, (Partner)
180 Fifth Avenue, New York, N. Y.

Special Agent Meriam submitted a report on the above named partnership and the members thereof recommending additional tax and 50% fraud penalty as follows:

Benjamin Schneiderman	\$ 36,892.69
Louis Schneiderman	26,444.19

He also recommended criminal prosecution against each of them for wilful attempt to defeat and evade their income taxes for the years 1941, 1942 and 1943. This concern is engaged in the manufacture of boys' clothing. A thorough investigation by Special Agent Meriam and Revenue Agent Irving Friedman of the Second New York Division has determined that these individuals, during the years 1941 to 1943 inclusive, failed to report sales of scrap wool; they overstated the amounts paid to contractors for labor; and sales of piece goods were not reported. All of these amounts were withdrawn by them in cash and it is believed that most of this cash was invested in United

States Government Bonds. Both of the partners have admitted, in part, these diversions. Their defense is that they used some of the money to bribe merchandise buyers and also to purchase linings and other findings in the black market. The taxpayers were unwilling or unable to reveal from whom the linings were alleged to have been purchased. Net worth statements prepared by them in an attempt to substantiate their claims show the purchase of considerable amounts of United States Government Bonds by the taxpayers, which could not have been purchased by them from the amounts withdrawn by them from the partnership. The amounts of cash shown in their net worth statements, which are as of December 31, 1941, likewise are greater than could have been shown by their drawings over a 18 year period preceeding that date.

Cash Purchases of Fur Garments Buffalo, New York

On August 4, 1944 a report was submitted by former Special Agent J. N. Hennen relative to evasion of corporate income taxes and of miscellaneous tax on the sale of furs on the part of M. Ulman Inc., of Buffalo, New York. In this case it was developed that this corporation, which manufactures and sells fur garments, had sales for the period October 1, 1941 to December 31, 1943 totaling \$358,883.46 which had not been reported for either fur tax or income tax purposes. As the result of this investigation Special Agent Hennen recommended that the case be referred to the General Counsel's office for consideration with a view to deciding upon a criminal prosecution of M. Ulman Inc., Leon M. Ulman its president, and Dorothy E. Koch its treasurer, for filing false and fraudulent corporate income tax returns for the fiscal years 1942 and 1943, and further recommended prosecution of Leon M. Ulman and Dorothy E. Koch for conspiring so to do. Under date of August 9, 1944 he recommended prosecution of the same taxpayers for filing false and fraudulent miscellaneous and fur tax returns for the month of December, 1941 and for each month of the calendar years 1942 and 1943. The total income tax liability alleged for the years 1942 and 1943, including fraud penalty, totaled \$80,896.44, and fur tax liability totaled \$26,467.06. These cases are now pending in the Bureau.

Special Agent Kirochner of our Buffalo Branch Office extracted from the sales record the names of 18 individuals in and around Buffalo, New York, who purchased fur garments for cash from M. Ulman Inc., which each cost in excess of \$1,000.00. He has requisitioned the income tax returns of these individuals with the thought that these cash purchases are indicative of black market operations and possibly evasion of the income tax due thereon.

Francis P. Ferrer, M.D.
337 - 43rd Street,
Brooklyn, New York

During the past week Special Agent George Weiss of this Division has submitted a report recommending prosecution of the above-named individual for wilful attempt to defeat the payment of income taxes for the years 1940, 1941 and 1942. The taxpayer is a practicing physician. He failed to report the greater part of his cash fees. In fact, he reported less than one-fourth of his actual income for these years. During the course of the investigation he filed amended returns for the years 1940 to 1942 inclusive, showing a total income of \$41,478.88, when his reported income for those years on his original return was but \$10,380.08. The examining officers have shown expenditures for each of these years greatly in excess of his reported income and included therein are the purchases of several pieces of valuable real estate.

Edward F. Nager
426 Broadway, Brooklyn, New York

During a recent investigation of the Rushwick Mills, (81-21968-F) information was developed that Edward F. Nager of Nager Electric Company, Inc., 426 Broadway, Brooklyn, had cashed what appeared to be customers' checks during the year 1943 totaling \$69,000.00. Nager and Nager Electric Company, Inc. filed returns with the Collector for the year 1943. The corporation return is nontaxable. The individual showed net income of \$3,160.13. The cashing of the customers' checks indicates possible black market operations, therefore prompt investigation will be made in cooperation with an internal revenue agent of the Brooklyn Division.

Roger Wurmser, Inc.
810 Fifth Avenue, New York, N. Y.

Reference is made to your communication of the 6th instant transmitting confidential memorandum indicating deposits in bills of large denominations by the above-named taxpayer during the months of September and November 1944.

It has been ascertained that this corporation files its return on a fiscal year basis ending April 30, 1945, which return is not due for filing until July 15, 1945. Therefore, examination of this case has been withheld until after the due date of the return.

Mrs. Janine A. Brun
New York, New York

Reference is made to your memorandum of the 11th instant enclosing photostatic copy of a confidential memorandum by the General Counsel, showing that on June 16, 1942, a deposit of \$25,000.00 in currency for the account of Mrs. Janine A. Brun in trust for Joelle Dolores de Pontet Brun, c/o Hotel Alden, 225 Central Park West, New York City, was received by Fahnestock & Company, 68 Broadway. A search of the Bureau records disclosed no record of return for the years 1942 or 1943 for either of the above names, and it was suggested that the information be considered in the current tax drive.

The matter was referred to Special Agent J. Frederic Haselett and his investigation disclosed that Mrs. Brun had stayed at the Hotel Alden for a short period in 1942 and had left without a forwarding address. It was ascertained, however, that she maintained an account at the Yorkville Branch of the National City Bank. The manager of this branch furnished the information that Mrs. Brun and her husband, Dr. Andre Brun, had come to this country from Portugal shortly before the war and were reported to have brought a considerable amount of currency with them. According to the information at hand in the bank, Dr. Andre Brun shipped from abroad or brought to this country large sums of money which he was to invest or control in this country. It was stated that he was acting in an official capacity for the French Government.

In view of the above, Special Agent Haselett directed a report to be sent to the Washington Division for the purpose of examining the records of the Foreign Funds Control in an effort to determine the possible source of the currency deposited by Mrs. Brun. The representative of the brokerage firm of Fahnestock & Company stated that this firm has accounts standing in the name of Dr. Brun and Mrs. Janine A. Brun in trust for Joelle Dolores de Pontet Brun. Their records indicate that the Bruns left New York in 1942 and are presently living at 679 Broadway, New Orleans 18, Louisiana. After the receipt of the information from the Foreign Funds Control, the investigation will be continued.

L. Bergman, Inc.
650 Fifth Avenue, New York, N. Y.

Under date of April 8th, you forwarded for consideration in the current Special Tax Drive, copy of a confidential circular disclosing substantial deposits in the account of L. Bergman, Inc., 650 Fifth

Avenue, New York, N. Y. One deposit contained one \$1,000.00 bill and five \$500.00 bills. These cash deposits were made on July 14, 1944, and October 18, 1944. This information was forwarded to the Internal Revenue Agent in Charge of the Upper New York Division, with the request that it be given immediate attention.

It developed that the taxpayer corporation files its returns on a March 31st fiscal year basis and the return for the year covering these cash deposits is not due until June 15, 1945. Therefore, examination has been withheld until after the due date of the return.

Anton Kreiner
98 Riverside River, New York, N. Y.
d/b/a Hercules Flooring Company,
101 Park Avenue, New York, N. Y.

In connection with the investigation of check cashing cases by Special Agents Coyle and Converse referred to in last week's report, a report is being submitted under today's date asking for a case jacket on the above named individual. It developed in Special Agent Coyle's investigation that Kreiner had cashed a U. S. Treasury check in the amount of \$5,004.97. An examination of the books of the Hercules Flooring Company was made and it was determined that the amount of the above check was not entered on the books. Kreiner was questioned informally and stated that as far as he knew all his income had been properly reported. He was asked to make a statement under oath and he agreed to appear at the office on April 23, 1945 for that purpose. Prior to that time a call was received from his attorney, Mr. Emanuel G. Kleid. Mr. Kleid has submitted a power of attorney from Kreiner. He stated that his client had failed to include certain income in the year 1942 to 1944, inclusive, but that he would furnish full information during the next week covering the omissions which, he said, will not exceed \$40,000.00. Mr. Kleid was informed that this discrepancy could not be considered voluntary in the sense that it would bar prosecution. Mr. Kleid, a former Assistant United States Attorney, said that he understood that but that he would make a full disclosure.

Adam Baptiste, Corporal,
United States Army

Reference is made to last week's progress report advising of a jeopardy assessment in the amount of \$8,662.17 for income taxes for the years 1942, 1943, 1944 and the year 1945 closed as of April 16th.

172

Lien was filed with the Manufacturers Trust Company against a deposit by Baptiste of \$34,376.90. Baptiste called at this office today, said that these deposits represented winnings from gambling and stated that he desired to pay the amount of the tax assessed. Accordingly arrangements are being made to lift the lien for this purpose, and Tuesday, May 1st, has been set as the date on which the tax will be paid.

.....

The five revenue agents in charge and the seven collectors in the territory of the New York division of the Intelligence Unit are all actively contributing to the success of this program. The total number of revenue agents now assigned to this program exclusive of joint assignments with special agents is seventy-seven. There are thirty-two revenue agents cooperating with twenty-nine special agents in joint investigation and, in addition, there are fifty-seven deputy collectors in the seven collection districts now assigned to this work. The Revenue Agents in Charge, New York City, have received upwards of 450 names of corporations and individuals who have been fined for C.P.A. violations and these names are being placed in line for investigation.

In connection with the investigation of the check cashing cases by Special Agents Coyle and Converse, this office is receiving the assistance of a typist detailed by the Internal Revenue Agent in Charge, of the Second New York Division, and a revenue agent from the same office, and other assistance will be acquired as needed.

There is herewith our weekly report Form SI-1106. There are also enclosed the forms received from the various Collectors and Internal Revenue Agents in Charge as follows:

Collectors,	1st New York, Forms 100, 102 and 104
	2nd New York, Forms 100, 102 and 104
	3rd New York, Forms 102 and 104
	14th New York, Forms 100, 101, 102 and 104
	21st New York, Forms 102 and 104
	5th New Jersey, Forms 102 and 104

Internal Revenue	Brooklyn, Forms 102 and 106
Agents in Charge,	Newark, Forms 102 and 106
	Upper N.Y. Forms 102 and 106
	Lower N.Y. Forms 102 and 106

Hugh McQuillan
Hugh McQuillan,
Special Agent in Charge



INTELLIGENCE UNIT

PHILADELPHIA
(Office of Division)

SI-AHF-088

TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

Philadelphia, Pa., April 28, 1945.

Chief, Intelligence Unit,
Bureau of Internal Revenue,
Washington, D. C.

In re: Current Tax Drive

In accordance with your request, there is set forth herein a report of progress made during the past week on the current tax drive:

Atlantic City Real Estate

With the cooperation of the Alcohol Tax Unit, under the direction of Mr. Robert D. Ford, District Supervisor, approximately 4,500 photostats have been made of Abstracts of Deeds in the municipalities of Atlantic City, Margate and Longport, New Jersey, and the developed pictures are now arriving in this office at the rate of 400 daily.

Arrangements have been made with Mr. Joseph F. J. Beyer, Acting Collector of Internal Revenue, Philadelphia, Pennsylvania, to assign several clerks to arrange the photostats according to Collection Districts. The income tax record of the grantees residing in this District will be ascertained and the information forwarded to the appropriate examining agency.

Mr. A. T. Schuster, Internal Revenue Agent in Charge, Philadelphia, Pennsylvania, has stated that in addition to checking the returns of grantees who used cash to purchase real estate, he intends to prepare information slips, Form 917, so that the same may be associated with the tax returns of the grantees.

Newspaper Clippings

The survey of newspaper clippings is being continued. The names of sixty-two individuals, partnerships or corporations have been transmitted to the respective Internal Revenue Agents in Charge and Collectors of Internal Revenue for examination of income tax returns.



Current Tax Drive

- 2 -

The categories into which the above mentioned cases fall is as follows:

Liquor	1
Butter	3
Gasoline	7
Meat	38
Miscellaneous	13

Federal Reserve Banks

Mr. C. A. Sienkiewicz, Vice-President of the Federal Reserve Bank of Philadelphia, has forwarded a tabulation of the receipts and payments of notes through said bank from January 1 to April 17, 1944, and 1945. This schedule shows an enormous increase in notes of larger denominations coming to the bank, particularly during March and April, 1945. It probably could be inferred that a considerable portion of the notes that are being returned reflects fear resulting from publicity. The number of \$1,000 bills returned to the bank for said period is shown below:

	1,000s	
	1944	1945
January	537	562
February	355	837
March	307	3,271
April 2-17	149	1,348

Inquiries made at the office of the Collector of Internal Revenue, Philadelphia, Pennsylvania, reveals that apparently only one \$1,000 bill was presented in payment of income tax during March, 1945.

In view of the reluctance of the member banks in this area to cooperate in the program outlined in Under-Secretary Bell's telegram of March 24, 1945, it is suggested that if feasible, arrangements be made for the Federal Reserve Bank to supply the names of the member banks transmitting these bills, to the end that an agent of the Secret Service call upon the member bank to ascertain the names of the persons depositing the same. This should develop positive leads for checking income tax returns.

Examination of the records of the Pittsburgh branch of the Federal Reserve Bank of Cleveland, has disclosed the names of five individuals who apparently were involved in cash transactions. Preliminary investigation is being made to ascertain the identity of these persons and their income tax filing record.

- 2 -

174

Current Tax Drive

- 3 -

Poultry Dealers, State of Delaware

Mr. H. L. Brown, Senior Internal Revenue Agent, Wilmington, Delaware, reports that lists of important customers have been secured in the four cases selected for immediate examination. The amount of sales reported will be checked against the purchaser's records.

Office of Price Administration

In the course of securing information relative to some of the persons mentioned in newspaper clippings, information was received from Mr. M. R. Maldower, Regional Enforcement Attorney, Office of Price Administration, Philadelphia, Pennsylvania, substantially as follows: Mr. Maldower stated that several retail cooperatives have been organized by meat packers or slaughterers in this area who have been accused of accepting "under the table" money. He said these cooperatives are supposedly formed by the customers of the slaughterer after learning that he can no longer operate within ceiling prices. It is alleged that the cooperative then leases the facilities of the slaughterer and employs him to operate the plant. Meat is then purchased from the plant supposedly belonging to the cooperative at ceiling prices by members only. Periodic assessments are made against the members for alleged costs of rental and operation. Mr. Maldower stated that in his opinion this is merely a device to avoid the established ceiling prices for meat. He declared that many of the so-called members cannot locate the shares of stock issued to them in return for their alleged investments in the association. He further added it is his belief that the members are considering the money paid into the cooperative as operating expenses rather than an investment on their part. Mr. Maldower furnished a list of sixty-nine members of the Moore Street Retail Meat Cooperative Association, who invested approximately \$70,000 in this association during the latter half of the year 1944. An additional \$50,000 has been invested by these persons since January 1, 1945. From the information furnished, it appears that there are four or five such organizations now operating in this area.

Philadelphia Area

Mr. A. P. Schuster, Internal Revenue Agent in Charge, Philadelphia, Pennsylvania, reports that he has twenty-six (26) revenue agents assigned investigating cases in the current tax drive. The information or data on hand in his office reveals a wide coverage in the types of operations.

Mr. Joseph F. J. Mayer, Acting Collector of Internal Revenue, Philadelphia, Pennsylvania, reports that the Field Division has assembled information preparatory to starting a special drive to obtain

- 3 -

Current Tax Drive

- 4 -

the names of large cash purchasers of jewelry and at the same time check the jewelers' records for the purpose of determining the correct amount of excise taxes. A preliminary survey of the information obtained reveals that the excise taxes paid by many of the jewelers has not materially increased since the rate of tax was increased to 20%.

Under the immediate supervision of Mr. H. L. Haines, Chief of the Field Division, a squad of ten deputy collectors has been examining the records of stock brokers for the purpose of obtaining the names of persons using cash in the purchase of securities during the past three years. Leads on two prospective cases have been developed from this source.

Pittsburgh Area

Mr. Stanley Granger, Collector of Internal Revenue, Pittsburgh, Pennsylvania, reports that assignments have been made to deputy collectors to canvass and verify tax returns of jewelers and fur dealers subject to excise taxes.

Mr. W. P. Mays, Internal Revenue Agent in Charge, Pittsburgh, Pennsylvania, reported that agents from his office are actively co-operating with the Intelligence Unit in assembling information relative to alleged black market operations of various individuals in that area.

Arrangements have been made whereby we have been able to borrow the files of the Pittsburgh Legal Journal, a daily publication containing information as to transfers of real estate. Information contained therein is now being set up in the office of the Intelligence Unit at Pittsburgh for transmittal to the appropriate examining agencies.

A grand jury investigating the black market situation in this district is continuing its inquiry and we have been given to understand by the United States Attorney's office that whatever information is received or developed by the grand jury will be made available to this Unit as a source of possible information in connection with income tax cases.

Scranton Area

Mr. Joseph T. McDonald, Collector of Internal Revenue, Scranton, Pennsylvania, advises that approximately 300 names of furriers and

- 4 -

Current Tax Drive

- 5 -

Jewelers located in twenty-five of the larger cities in this area are now in process of distribution to deputy collectors for immediate examination. Court records of County Seats in Luzerne and Lackawanna Counties are being examined in an effort to develop leads on the transfers of real estate.

South New Jersey Area

Mr. K. O. Thornton, Internal Revenue Agent in Charge, Newark, New Jersey, reports that two revenue agents are actively engaged in examining income tax returns of persons alleged to have been conducting black market or cash operations.

Mr. Harry L. Maloney, Collector of Internal Revenue, Camden, New Jersey, reported that information is being assembled relative to examination of excise tax returns filed by jewelers and furriers in that area.

State of Delaware

Mr. J. C. Wilmer, Internal Revenue Agent in Charge, Baltimore, Maryland, reports that six revenue agents are investigating alleged black market cases in the State of Delaware.

Mr. Norman Collison, Collector of Internal Revenue, Wilmington, Delaware, advised that deputy collectors are now assigned to canvass all jewelry and fur dealers subject to excise taxes. Mr. Collison suggested that deputy collectors be used in cooperation with revenue agents in the drive against the poultry dealers who have been operating in the black market in the State of Delaware.

A complete utilization of all forces available is contemplated as soon as the preliminary test cases now in progress indicate the most feasible course to pursue.

Current Investigations

Talbot Worsted Mills, Philadelphia, Pennsylvania - SI-22406-F

Investigation made to date indicates that this taxpayer sold yarn for cash at prices above the ceilings established. These sales were made without invoices and were not reported for tax purposes. Preliminary estimated deficiency is \$200,000, with possibility of recommendation for criminal prosecution.

- 5 -

Current Tax Drive

- 6 -

Acorn Iron and Supply Company, Philadelphia, Pa. - SI-21619-F

Two of the members of the above named partnership pleaded guilty in Federal Court at Philadelphia, Pennsylvania, to charges of defrauding the Government on purchases of metal from navy yards and arsenals in three States by using trucks with false bottoms in which heavy metal was stored to increase the tare of the truck when first weighed. Deficiency estimated at approximately \$60,000.

J.A. Dougherty's Sons, Inc., Philadelphia, Pa. - SI-22348-F

Evidences of sales of liquor by this concern have been forwarded to the Detroit and Dallas Divisions of the Intelligence Unit, for development of evidence to substantiate the amounts alleged to have been paid over the established ceiling price.

Standard Provision Company, Philadelphia, Pa. - SI-22271-F

Numerous slips showing sales of meat that were not recorded on the corporation's books were found in the desk of the deceased owner of the above named company. It is believed that a substantial amount of revenue will be recovered for the Government in this case.

Lee F. Weiler, Philadelphia, Pennsylvania - SI-21616-F

This taxpayer operated a public garage for several years and sold out his stock of tires apparently in violation of the Office of Price Administration freezing order of December 10, 1941, but not in excess of established ceiling prices. With the proceeds he purchased the garage property which he formerly rented. In 1943, he sold this property and reported the profit thereon.

F. G. Seyfang, Atlantic City, New Jersey

The New York Division of the Intelligence Unit, reported that a manufacturing company in Brooklyn paid the above named individual \$126,500 in cash on account of a purchase order for 150 balloons produced by Mr. Seyfang as sub-contractor during the year 1944. The taxpayer related that for many years he and his wife had been working on perfecting balloons of different types with limited financial success. Upon receipt of this order it was agreed among the parties concerned that all deliveries would be on a cash basis. The money was deposited to his credit at the Boardwalk National Bank and according to the retained copy of his 1944 tax return, was properly reported thereon.

Reports

Statistical reports are forwarded as follows:

Agency
Intelligence Unit, Philadelphia

SI-Form Nos.
106

- 6 -

Current Tax Drive

- 7 -

Agency	SI-Form Nos.
Internal Revenue Agents in Charge:	
Philadelphia, Pennsylvania	103-105
Pittsburgh, Pennsylvania	105
Baltimore, Maryland	103-105
Newark, New Jersey	103-105
Collectors of Internal Revenue:	
Philadelphia, Pennsylvania	102-104
Pittsburgh, Pennsylvania	102-104
Scranton, Pennsylvania	102-104
Camden, New Jersey	102

Alfred W. Fleming
Alfred W. Fleming
Special Agent in Charge

- 7 -



INTELLIGENCE UNIT

Washington

(Name of Division)

SI

JRC-BPM

TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

April 28, 1945.

Chief, Intelligence Unit,
Bureau of Internal Revenue,
Washington, D. C.

In re: Special Tax Drive,
Week Ending April 28, 1945.

No information has yet been received from the Members of the Federal Reserve Banking System with regard to cash transactions over and above a certain amount. However, one of the banks in Richmond voluntarily informed one of the special agents of the names and addresses of three persons who had exchanged a total of 40 one thousand dollar bills for bills of smaller denomination and investigations of these three taxpayers are under way. Special Agent Mayes while examining the records of cashiers checks purchased at the First Citizens National Bank, Fayetteville, N.C., noticed that a number of such checks, each for several thousand dollars, had been purchased by Dora Zeighauser who is in the business of selling wines and beer. This examination of the records of cashiers checks was being made by Special Agent Mayes in connection with another jacketed case which he was investigating and was not made for the express purpose of identifying possible tax evaders. In following the matter up Special Agent Mayes ascertained from the records of the Recorder of Deeds' Office, that Mrs. Zeighauser in the past three years has purchased real estate totaling more than \$180,000.00. Also while examining the real estate records he ascertained that Mr. A. M. Fleisman, a wholesale beer distributor in Fayetteville, N.C., within the past three years has acquired by purchase more than \$200,000.00 worth of real estate. Both of these cases are under investigation.

At Charlotte, N.C., Thomas Tillman Fuller was arrested for selling jewelry on the streets without a license. At the time of his arrest he had approximately \$15,000.00 worth of diamonds "concealed in his shoes by means of tape under the arches of his feet". Testimony was given by several individuals to the effect that they had been approached by Mr. Fuller with proposals to sell diamonds to them at a price not to include the federal excise tax. Information was obtained by the Charlotte Police Officials that a short time previously, Fuller was arrested at Tulsa, Oklahoma, at which time he had diamonds concealed on his person which were appraised at \$30,000.00. The Mike Elman



SI-

Jewelry Company of Atlanta, Georgia, acknowledged to the Charlotte Police Department that the diamonds found on the person of Mr. Fuller belonged to them and that he was their salesman. Special report of Special Agent Fiddle giving full details with regard to the matter has been referred to the Atlanta Division of the Intelligence Unit.

In this connection it has been ascertained that two of the black market meat operators under investigation here in Washington have purchased diamonds of considerable value from a firm in Philadelphia and efforts are being made to obtain full information with regard to the transactions.

The investigation of the Wright Beef Company was resumed by Special Agent Lathan and Revenue Agent Ford on the morning of the 23rd and this investigation is practically complete. Report will be submitted during the coming week. Mr. Wright has frankly admitted selling meats at over ceiling prices and according to the information which we now have on hand, the indications are that from January 1, 1944 to the present date, these over ceiling prices have exceeded \$500,000.00. It is estimated that these over ceiling charges from January 1, 1945 to date are in the amount of approximately \$200,000.00, and under the recent Bureau ruling all this amount will be taxable to the two partners of this business. In this connection Mr. Wright has also admitted that about December 1, 1943, he realized that Sam Siegel who has been in the wholesale meat business at 1254 Fourth Street, N.E. (the present address of the Wright Beef Company) for twenty-two years, was "starving" because he could not obtain any supplies of meats and he accordingly arranged the partnership with Mr. Siegel and that he, alone, has handled the over ceiling collections. Prior to the formation of the partnership, Mr. Siegel had obtained practically all of his supplies from John Morrell and Company, Sioux Falls, South Dakota. His total purchases from them for the year 1941 amounted to \$217,000.00; for 1942 to \$233,000.00 and for 1943 to \$93,000.00. All of the indications are that Mr. Siegel was attempting to conduct a legitimate business. The further indications are that John Morrell and Company instead of supplying Mr. Siegel with meats, diverted their products into black market channels. A report on this matter is being forwarded to the St. Paul Division of the Intelligence Unit.

Final report was received on Homer S. Smith, Point Pleasant, West Virginia, recommending additional taxes and fraud penalties for the years 1942 and 1943 totaling \$12,158.08. An agreement was obtained from the taxpayer. This case was jacketed for investigation on January 27, 1945, on the request of Special Agent Watson who at that time intended to request a series of cases on persons whose land had been condemned by the Government for the construction of an Ordnance Plant near Point Pleasant, West Virginia. Approximately eight thousand acres of land were condemned by the Government for the construction of this Ordnance Plant. In the case of Homer S. Smith, the Government paid him \$61,900.00 for the land condemned, of which amount \$29,724.00 net gain was realized. With the \$61,900.00 paid to him by the Government

- 2 -

SI-

Mr. Smith purchased another tract of land for \$26,000.00 and immediately invested \$35,900.00 in Government Bonds. His excuse for not reporting the income from the condemnation of his land was that he thought "that the purchase of War Bonds would prevent any tax liability on the amount of gain". In this connection it is suggested that condemnation proceedings which have taken place on an extensively large scale during the years 1941, 1942 and 1943 is a fertile field for tax evasion cases. Approximately four hundred individual taxpayers are included in the eight thousand acres condemned by the Government near Point Pleasant, West Virginia, and I have in my office a copy of the court proceedings in connection with the condemnation of land for the Naval Air Base on the Patuxent River in Southern Maryland and approximately 1500 taxpayers are involved in those proceedings.

As of March 15, 1945, there were outstanding in the District of Columbia, 1,682 wholesale and retail liquor dealers' permits. As shown in my report for the week ended April 14th, in the twelve cases closed prior to April 2, 1945 on wholesale and retail liquor dealers in the District of Columbia, the additional taxes and penalties recommended amounted to \$874,527.67. Apparently here is another fertile field for income tax investigations.

The two deputy collectors, who have been engaged in examining land records of Baltimore City, have obtained a list of 754 sales of property during the first eleven months of 1944, involving purchase prices of \$10,000.00 or more. This list includes 158 transactions involving purchase prices in excess of \$25,000.00. The two deputy collectors are continuing their examination and the information thus far obtained is being segregated with a view to assigning the larger transactions to an additional group of deputy collectors for further investigation.

Case SI-22254-F, involving Nolley Edward Fisher, Halethorpe, Maryland, who was engaged in the scrap iron and used car parts business, was closed. This taxpayer and his family were receiving public assistance in 1932 and for seven or eight years thereafter he was employed at \$15.00 to \$20.00 per week. In about 1940 he commenced a junk business on his own account and, due to the war and the resulting shortage in metals and scrap iron, the taxpayer progressed rather rapidly. In 1943 he reported on his income tax return an income tax net income in the amount of \$3,480.48. The investigation has disclosed that his income during that year was \$24,413.19. As a result of his investigation Special Agent Knecht has recommended the assessment of additional taxes in the amount of \$9,175.14 and fraud penalties in the amount of \$4,587.58 for the years 1941 to 1943, inclusive, and, in addition, he has recommended criminal prosecution for the year 1943.

- 3 -

12

193

SI-

Special Agent Harry G. Herbstreit, with the cooperation of an internal revenue agent, has completed investigation of the income tax liability of the wife of a former puglist. The case originated as the result of an investigation by Mr. Herbstreit of an offer in compromise submitted by David Dannenberg, Baltimore, Maryland, the husband, relating to an assessment in the amount of \$72,441.57 for the years 1933 to 1935, inclusive. Mr. Herbstreit discovered that the taxpayer had no substantial assets of record but that his wife, Dena Dannenberg (SI-22353-F) is presently operating a retail package goods liquor store and that she had substantial assets. Consequently investigation was made of the income tax liability of the wife, as the result of which the tax deficiencies for the years 1942 and 1943 have been determined in the amount of \$13,726.51 and fraud penalties in the amount of \$6,863.26. A closing agreement is today being executed by the taxpayer consenting to the assessment of the taxes and penalties as stated.

The Life Insurance Company of Virginia at Richmond, has furnished the names and addresses of all single premium policy holders to whom policies were issued during the period January 1, 1942 to December 31, 1944. One name on the list which is of particular interest is that of Julius A. Menton, retail meat dealer of Roanoke, Virginia, who purchased single premium policies for which he paid \$28,015.00. Officers of the insurance company have requested that they be furnished with a subpoena requiring production of the record of any individual policy holder before investigation of his tax liability is begun.

The deputy collectors assigned to the examination of the excise tax returns of fur and jewelry dealers in the District of Columbia have furnished me with the names and addresses of twenty-six persons who purchased furs or jewelry for cash in amounts in excess of \$1,000.00. This list of twenty-six names is the result of the examination so far of only one fur dealer and one jewelry dealer.

J. R. Cox
J. R. Cox,
Special Agent in Charge.



INTELLIGENCE UNIT

Atlanta

(Name of Director)

PMS:CS

TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

P. O. Box 4144, Atlanta 2, Georgia

April 28, 1945



Chief, Intelligence Unit
Bureau of Internal Revenue
Washington 25, D. C.

In re: Special Tax Drive Narrative Report
Week Ending April 28, 1945

A case of interest attributed directly to the tax drive was brought to a head in Jacksonville, Florida this week. It involves the manager of a wholesale grocery company now under indictment for alleged black market operations in sugar. Counterfeit sugar ration coupons were used representing several hundred thousand pounds of sugar diverted to bootleggers, who paid a price equal to several times the ceiling price. Although this taxpayer is employed at a moderate salary, he purchased real estate totaling \$27,000 during the latter part of the year 1944, all of which was paid for in currency. Confidential information was received by our Jacksonville agents to the effect that the taxpayer had arranged to dispose of the real estate, apparently because of the income tax investigation then under way; and a jeopardy assessment was accordingly recommended, involving additional income tax and fraud penalty totaling approximately \$20,000 for the year 1944. The income tax investigation is still in progress, and in all likelihood prosecution will be recommended when the final report is submitted. Investigation by this office resulted directly from information received from the office of the Alcohol Tax Unit, Jacksonville, Florida, the personnel of which extended valuable co-operation during the week.

Form reports of Collectors, Internal Revenue Agents in Charge, and of this office for the week ending April 28, 1945 are inclosed. These reflect increasing activity in the investigation of tax drive cases. Thirty-one cases or potential cases were added during the week, while seven cases were reported. An inventory of 162 such cases now exists in this District, not including approximately 200 leads or data on hand in the nature of informers' reports, anonymous letters, and information developed by agents of the various units of the Service. Liquor and currency cases predominate.



A report received from the Collector of Internal Revenue for Alabama reveals two cases closed during the week in the Phenix City area, involving additional income tax of \$1,810.88. The Collector for the District of South Carolina reported additional income taxes recommended in one case closed of \$15,198.21, and the closing of three excise tax cases at Charleston, S. C., involving \$2,301.02 additional tax against jewelry concerns. The reports submitted herewith indicate a total of fifty-seven deputy collectors, internal revenue agents, and special agents engaged in tax drive work in this District.

One of the new cases adopted for fraud investigation by this office during the week concerns L. J. Lehotay, a plumbing contractor of Columbus, Georgia, who made enormous profits from war contracts at Camp Benning. In a conference Wednesday in the office of the Internal Revenue Agent in Charge, Atlanta, Georgia, attended by a special agent, the taxpayer admitted profits of \$540,000 during the four years 1940 to 1943, inclusive, although he reported only \$435,000. Mr. Lehotay claimed that the income was omitted unintentionally and that it was caused by poor bookkeeping and errors of employees. Detailed questioning, however, brought out the fact that in the case of one item alone he had personally diverted \$50,000 of business income by depositing a check of that amount to an inactive bank account in another city. A special agent has been assigned to cooperate in the completion of the investigation, with the view to developing evidence to support assertion of the fraud penalty and possible prosecution. In addition to concealment of currency, the case also involves a fictitious family partnership and improper allocation of income between taxable periods which minimized the tax liability originally reported. With appropriate adjustments and assertion of the fraud penalty, the estimated deficiency will approximate \$400,000.

You were advised this week of the indictment at Miami, Florida of Sidney Vincent Heron, charged with unlawful possession of non-tax-paid seastore cigarettes. The defendant was employed as a bartender, and accepted the tax-free cigarettes from sailors in trade for drinks at the bar. It was ascertained that he and his wife had sold at least thirteen cartons of the cigarettes to friends and neighbors. This office has received a number of complaints of this nature since the cigarette shortage, but this is the first time the evidence has been sufficient to justify criminal action.

136

Inclosed is a newspaper clipping from the Tampa Morning Tribune, Friday April 27, 1946, advising of the action of the United States Circuit Court of Appeals, New Orleans, in upholding the conviction in Tampa of Shinya Kore and Shole Gotto, Japanese aliens, who formerly operated a restaurant in St. Petersburg, Florida. These individuals were investigated by this Unit for income tax evasion and were found guilty by a jury during the week of November 8, 1943. An interesting feature of the case involved the use of two separate sets of books, one in English and one in Japanese. The English set of books contained material understatements of income and were used in preparing the income tax returns. The Japanese records reflected the true income but it was never intended that they be seen by Government agents. By careful study and comparison with the English set, the agents who conducted the investigation made a fairly accurate translation of the Japanese set.

All reports received from the four states of this District indicate a spirit of cooperation and increasing interest in the tax drive from all units of the Service. Special attention is being directed to those cases which show promise of flagrant violations, and these are being pursued vigorously.

P. E. Sanders
P. E. Sanders
Acting Special Agent in Charge

TAMPA MORNING TRIBUNE, FRIDAY, APRIL 27, 1945

Tampa Court's Conviction Of Jap Tax Evaders Upheld



Shigeo Noto



Shiro Goto

The U. S. circuit court of appeals in New Orleans yesterday upheld the 1943 conviction in Tampa of Shigeo Noto and Shiro Goto, Japanese aliens who formerly operated the Nikko Inn at 851 Peachburg for income tax evasion.

The two Japs will now be sent to a federal penitentiary to begin serving the one-year sentence imposed by Federal Judge Barker on Nov. 12, 1943, as soon as the official mandate from the appeals court is received in Tampa.

Goto is now in a Japanese reeducation center in Arkansas, but will be returned to serve his prison sentence. U. S. District Attorney Phillips said Noto is free on a \$2000 bond which is returnable immediately.

The two, along with Haruo Taniguchi, another partner in the St. Petersburg restaurant, were indicted by a federal grand jury in Tampa in February, 1943. Taniguchi escaped to Japan before the arrest.

Six-Foot Charge

Noto was charged in the six-point indictment with depriving the government of a total of \$1875 in income taxes for the years 1938 through 1940. Goto was charged with aiding and abetting Noto by keeping false records of the Nikko Inn's profits while keeping true records in ledgers written in Japanese characters.

The day after Pearl Harbor, all records of the restaurant were seized by federal customs agents under orders issued against all aliens by President Roosevelt as war was declared on Japan.

In the appeal of the Japs' case, William C. Poirer, defense attorney, based his appeal on the contention that the books of the restaurant were seized under an alien order and could not be used in the separate criminal prosecution of the Japs when a search warrant for that purpose was not issued. The appellate court ruled that the seizure was valid by upholding Judge Barker's conviction.

In the hard-fought case before the federal petit jury in Tampa and through the appeal to the circuit court, court attaches gave District Attorney Phillips credit for vigorously prosecuting the case in the face of stiff opposition and the thought by some authorities that the case would be over-ruled.

Although the entire case was one concerned only with income tax evasion, Pearl Harbor and the excitement that followed the outbreak of war with the Japs and the war in general were prominent in the background throughout. On several occasions, war factors were brought out severely.

Conviction Upheld

The appeals court also upheld the conviction last July of Clarence Lane, of Dade City, who received a two-year sentence on a four-count moonshine liquor indictment.

Lane was arrested again two months ago on another liquor charge but was released at a preliminary hearing before U. S. Commissioner Pickerton where the alleged ownership of a license still could not be proven.

AIR METHUSELAH

LONDON—(P)—An Army-Lancaster bomber has completed 139 operational flights and is still going strong. Its total operational flying time is 869 hours, starting in May, 1943.

See
HOL
Enriched



GALLON C

For Hotels, R
Hospitals—Ins'

PICK
ASPA
TOMAT
PREM
PREM
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PREMI
PREMI

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See Success News



INTELLIGENCE UNIT

Treasury District No. 7
(One of Divisions)TREASURY DEPARTMENT
INTERNAL REVENUE SERVICELouisville, Kentucky.
April 28, 1945.Chief, Intelligence Unit,
Bureau of Internal Revenue,
Washington, D. C.In re: Black Market and Cash Operation Cases
Week Ended April 27, 1945.

There are transmitted herewith form reports submitted by the Collectors of Internal Revenue of the districts of Tennessee and Kentucky, the Internal Revenue Agents in Charge of the Nashville and Louisville divisions, and the Special Agent in Charge, Treasury District No. 7. It will be noted that each supervisory officer has submitted all required reports.

Contacts have been made with the managers of the Federal Reserve Bank branches at Louisville, Kentucky, and Nashville, Tennessee, and information has been obtained from them to the effect that member banks have been requested to submit the names of customers who have either deposited or withdrawn large sums of cash. No banks have submitted any names so far.

As this program develops it is indicated that the principal sources of information as to taxpayers who probably have failed to report their income correctly will be the District Supervisor, Alcohol Tax Unit, and the Office of Price Administration. Memorandums on black market liquor cases which have been investigated by the Alcohol Tax Unit in this district have been submitted to this office. Information relative to cases which have been investigated and closed by the Office of Price Administration is being sent out from Washington to the revenue agents in charge of the Louisville and the Nashville divisions, and the returns of the taxpayers designated are being obtained and are being subjected either to an office survey or to preliminary investigation by a field agent.

Reference is being made below to a few of the cases now under investigation in this district which appear to be interesting.

SI-22225-F - Ben Cohen, Paris, Kentucky. - This individual is engaged in operating several retail liquor stores. He did not keep adequate records, but because of his investments, etc., it has been possible to establish clearly a substantial increase in net worth.

At the end of the year 1941 he had an indicated net worth of \$21,418, and at the end of 1944 his indicated net worth was \$111,468. Each year during this period he reported a nominal amount only for income tax purposes, and the current investigation indicates that additional taxes and fraud penalty aggregating \$70,000 will be proposed for assessment and that criminal prosecution will be recommended.

SI-21682-Y - Michaels Art Bronze Company, Covington, Kentucky. - This taxpayer engaged in the manufacture of various items for the Government, and as result was allotted a large quantity of vital materials by the War Production Board. A portion of this material was diverted from war products and was used to manufacture parking meters and other items which were sold by the taxpayer, and the proceeds from the sales were not reflected in the company records. The investigation has been completed and the investigating officers are preparing their reports. It is indicated that additional taxes and penalties will be recommended in the approximate amount of \$650,000, and that criminal prosecution also will be recommended against the corporation and certain of its officers.

Other cases are under investigation, but investigations have not developed to a point where the outcome can be predicted.

W. H. Gray
W. H. Gray,
Special Agent in Charge.

WHD:ah



INTELLIGENCE UNIT

Detroit

(Office of Division)

ACG:bba

Chief, Intelligence Unit
Bureau of Internal Revenue
Washington, D. C.

TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

1028 Federal Building
Detroit 26, Michigan
April 28, 1945

Special Tax Drive

Report for Week
Ending April 28, 1945

There are submitted herewith weekly report forms covering production, received from the following offices in this District:

Collectors - Detroit, Toledo, Cleveland, Columbus and Cincinnati

Revenue Agents in Charge - Detroit, Cleveland and Cincinnati

From these reports it will be noted that the Detroit Collector's office has by far the best record of any of the Collection Districts, but as pointed out in a previous communication their office had been organized along this line for more than a year and has been doing an excellent job on various types of cases, including black market operations, particularly among the retail outlets. The other Collection Districts are now organized and will gradually show better results as we progress with our investigations. It will also be noted that the three Revenue Agent Districts have a large number of cases on hand, in fact, cases are being developed much faster than we are able to close them out.

During the past week attention was called to a situation existing in Detroit whereby certain attorneys and bondsmen, practicing in the Municipal and State Courts, were doing a cash business which would be conducive to tax evasion. Returns of certain individuals were examined and a check made on their activities in the local Courts, and it was definitely ascertained that substantial tax evasion was taking place on the part of at least nine or ten individuals. One case has progressed to the point where the attorney involved will be faced with what appears to be about \$50,000 additional taxes. These men all operate on a cash fee basis, handling a large volume of cases, and taking what the traffic



Chief, Intelligence Unit - Special Tax Drive

will bear. This investigation will require considerable work, as we will have to make a check of the Court records to determine the number of hearings held and the type in order to get at the business which has been done. These individuals all have a reputation for spending and good living, whereas, their returns show a comparatively small amount of tax.

Also during the past week we have, through the C. P. A., obtained a list of violators in the fruit and vegetable markets, and on a test of several cases have found that these retail markets are generally evading about one-half of their taxes. At the present time we have approximately 48 of these retail markets for investigation by Deputy Collectors, and undoubtedly they will produce a fair amount of tax compared with the volume of business done by these individuals.

So far we have found only one substantial case as a result of the work being done on excise tax investigations, but it is believed that this case will work out to a substantial figure from an income tax standpoint. We have in this Division a number of large cases which are reaching a conclusion and will be reported on within the next two or three weeks. These cases will involve prosecution and naturally require considerably more time to prepare than those cases which are closed out with the tax and fraud penalties only.

A. C. Grunewald
A. C. Grunewald
Special Agent in Charge



INTELLIGENCE UNIT

CHICAGO
(Name of Division)

APM-WED

Chief, Intelligence Unit,
Bureau of Internal Revenue,
Washington, D. C.

TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

Chicago 90, Illinois,
April 28, 1945.



In re: Special Tax Drive.

The form reports covering the work of the past week go forward in today's mail. Concrete results are already evident in the Eighth Collection District of Illinois, and the Collection District of Indiana. The number of cases closed by the Collector in the First District of Illinois and the total of the deficiencies therein are relatively small. However, the Collector has a carefully organized plan, and the prospects for concrete results of importance within the next two or three weeks are quite encouraging. For instance, he now has in the hands of deputy collectors throughout the District approximately four hundred income tax returns filed by tavern keepers. He has also distributed approximately two hundred items procured from the Alcohol Tax Unit based upon floor stocks tax investigations. In sections of the Collection District where local option prevents the legal sale of liquor, he has made a comprehensive distribution of income tax returns of retail dealers in groceries and meats. Since the beginning of this project a number of conferences have been held with the division chiefs who have been instructed in detail regarding various aspects of the plan.

No concrete results have been reported by the Collector for the District of Wisconsin, but it is expected that future reports will reflect definite progress. That assertion is based partially upon the fact that the Collector, over a long period of time, has applied some of his best facilities to the investigation of fraud cases. During the week the Collector held a conference with the chiefs of his six field divisions, and a joint conference was held at which all three of the Internal Revenue offices were represented.

In prior weekly reports specific reference was made to sixteen cases, most of which were under joint investigation by the Internal Revenue Agent in Charge and the Intelligence Unit. In this report reference will be made only to the cases in that group concerning which there is something of interest to present.



193

Bert K. Master, et al., Chicago, Illinois, SI-20641-F.

This office understands that the Master case was referred by the Commissioner to the Attorney General on April 17. Presumably, the United States Attorney has not yet been instructed to proceed, because this office has received no word in that regard.

Amazon Hose and Rubber Company, H. E. Jacoby,
Chicago, Illinois, SI-22118-F.

A draft of a summary report has been prepared in this case. If the typing of the final draft is completed in time, it will go forward herewith. In any event, there will be little delay in its submission.

Meyer Gordon, Irving Hornstein, Chicago, Illinois,
SI-21429-F, SI-21431-F.

A brief outline of these cases was set out in the weekly report of April 7, 1945. They are jewelry and pawn shop cases. Inadequate records and diversions, both of which evidently are deliberate, render the work extremely difficult. Information has been procured in this investigation respecting a practice which appears to be common in certain strata of the jewelry trade, but with which this office has heretofore been unfamiliar. There is a large amount of trading between retailers and between dealers who are designated as brokers. In these dealings, notes are a common medium of exchange. For example, a dealer in Michigan may buy a diamond from a dealer in Illinois, and give a ninety day note in payment. The note, before it finds its way back to the maker at maturity, may have been used in six or eight transactions.

Another feature which has been noted in this investigation is that persons in the jewelry business frequently fail to include in their closing inventories merchandise which they have out on consignment.

Crucible Steel Casting Company, involving William
W. Lange, F. A. Lange and A. C. Lange, Milwaukee,
Wisconsin, SI-20963-F.

Mr. John Kiley, Division Counsel, will be in Milwaukee on April 30, for the purpose of reviewing the evidence with the agents who have conducted the investigation. Fortunately, the next grand jury, because of certain important and urgent court work, will not be convened as early as would otherwise be the case. The indications now are that it will be convened some time in June, although it may not be called until July. A report, which has been called a status

report, has already been transmitted to Washington. Schedules are now being prepared and the income tax computations probably will be available within a week or ten days. It is understood that the Chief Counsel, after reviewing the status report, felt that he could pass the case for prosecution upon receipt of specific income and tax figures. There is some reason for the belief, therefore, that the evidence in this case can be presented to the next grand jury at Milwaukee.

Michael Potson and wife, involving 2126 South Wabash
Restaurant Corporation, Chicago, Illinois, SI-18562-F.

Copies of the examining officer's reports have been received, and the special agent assigned to the case will begin the preparation of his reports within the next few days. Unless something unforeseen develops, the special agent's reports should be completed within a month.

George W. Ziller, Springfield, Illinois, SI-21884-F.

An investigation was made of Mr. Ziller's income tax liability for the year 1941. A report containing a recommendation for prosecution was transmitted to Washington on April 27. The income, for the most part, was made up of currency paid to the taxpayer, by persons who procured work at ordinance plants through his influence. The additional tax and penalty aggregate only \$2,207.66. This office would not ordinarily recommend prosecution in a case resting upon a deficiency so small. However, Mr. Ziller is a man of extremely bad reputation. He has been involved in numerous difficulties in California, in Nevada and in Illinois. While he has been arrested and indicted many times, he has somehow escaped incarceration in the penitentiary. The methods he employed to obtain the income which has been charged to him for 1941 were especially reprehensible. There are some weaknesses in the evidence, but it is believed that they are offset, to a large extent, by the taxpayer's bad reputation, and by the "atmosphere," generally. This is the type of case concerning which the Government should give serious consideration to prosecution even though the prospects of conviction may not meet the customary "better than fifty percent" standard.

Best Brewing Company of Chicago, Chicago, Illinois.

In recent conferences with representatives of the District Supervisor of the Alcohol Tax Unit, they stated that a black market had developed in beer. It appears that the Alcohol Tax Unit, in Treasury District No. 9, in conducting black market

investigations, has confined its activities largely to transactions in whiskey. At any rate, on April 27, 1943, this office received an information report from the Washington Division, which indicates that a brewing company in West Virginia, during 1944, issued twenty-six checks totaling upwards of \$20,000, (twenty-five of them payable in cash), in payment for carloads of beer, purchased from the Best Brewing Company of Chicago. The funds are alleged "to have been used in the black market to acquire beer in excess of his quota." The present intention is to begin an income tax investigation of the Best Brewing Company of Chicago very shortly, and based upon the information received from the Washington Division, there is reason for the belief that other black market sales will be identified.

A. H. Madden
A. H. Madden,
Special Agent in Charge.



INTELLIGENCE UNIT

CHICAGO
(Name of Division)

TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

Chicago 90, Illinois
April 28, 1945

RLS:hkl

Chief, Intelligence Unit
Bureau of Internal Revenue
Washington, D. C.In re: Black Market and Currency Transactions
Week Ended April 25, 1945

For the week ended April 25, 1945, there are enclosed the prescribed reports on Form SI-102/106 relating to black market and currency transactions, showing the results accomplished by each reporting office in Treasury Enforcement District No. 9.

The inventory of the Collector of Internal Revenue at Springfield, at the end of last week showed three cases on hand. His opening inventory for this week shows only two cases on hand. The cause for this discrepancy will be immediately ascertained, and an appropriate adjustment will be made in the report for next week.

The following tabulation briefly summarizes the results collectively obtained in this district.

INVENTORY OF CASES

Reporting Offices	On Hand 4-19-45	Received	Reported	On Hand 4-25-45	No. of Agents and Deputies on Program (Alone) (Joint)
Collectors of Internal Revenue	221#	439	37	623	88 -
Internal Revenue Agents in Charge	83	9	3	89	11 10
Special Agent in Charge	24	7	-	31	- 14
Grand Totals	328	455	40	743	99 24

Inventory at end of last week showed 222 cases.

RESULTS OF CASES CLOSED

Reporting Offices	Taxes Recommended	Penalties Recommended	No. of Tax Years Reported	Agreed	Prosecution Recommended No. of Persons
Collectors of Internal Revenue					
Past Weeks	\$ 11,308.30	\$ 1,095.63	19	19	-
This Week	62,170.33	666.67	76	64	-
Total	\$ 73,478.63	\$ 1,762.30	95	83	-
Internal Revenue Agents in Charge					
Past Weeks	\$ 30,314.11	-	8	6	-
This Week	4,177.04	\$ 1,081.18	9	3	-
Total	\$ 34,491.15	\$ 1,081.18	17	9	-
Special Agent in Charge					
Past Weeks	\$620,077.42	\$295,151.97	10	0	4
This Week	-	-	-	-	-
Total	\$620,077.42	\$295,151.97	10	0	4
Grand Totals					
Past Weeks	\$661,699.83	\$296,247.60	37	25	4
This Week	66,347.37	1,747.85	85	67	-
Totals	\$728,047.20	\$297,995.45	122	92	4

P. F. Hadden
Special Agent in Charge

Enclosures:
Form SI-102/106



INTELLIGENCE UNIT

Dallas

(Name of Division)

JWC:Fac

Chief, Intelligence Unit,
Bureau of Internal Revenue,
Washington 25, D. C.

TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

Dallas 2, Texas, April 28, 1945.



In re: Special Tax Drive

The tax drive in the Tenth Treasury District--Texas, Louisiana, and Mississippi--has been developing momentum the past week. In my last weekly report it was stated that I proposed to call on Mr. Eugene Fly, collector of internal revenue, Jackson, Mississippi, on April 21. I did confer with Mr. Fly and his key department heads. They were all enthusiastic about the drive. Mr. Fly reported that he is causing a survey to be made in his district and will furnish whatever personnel is necessary to comply with the wishes of the Secretary and the Commissioner. It was agreed that his deputies would give preference to black market and currency cases and that on discovery of evidence of fraud they would suspend their investigations and immediately report their findings to this office. It is contemplated that some of Mr. Fly's deputies will assist in the investigation of some of the larger Mississippi liquor cases that will be commenced at an early date.

The special tax drive was discussed on April 25 with Mr. Frank Scofield, collector at Austin, Texas, and his principal subordinates, and I am pleased to report that his office appeared sincerely interested in and rather enthusiastic about the drive. He reported that his field division has been giving preferred attention to black market liquor cases, especially in San Antonio, and has secured several agreements from retail dealers. The chief of the field division was directed to canvas his men and to report the cases on hand. Mr. Parsons, the assistant collector, agreed to furnish progress reports each week.

Mr. Scofield's district is comprised roughly of the southern half of Texas, extending east to west from Orange to El Paso, a distance of approximately 750 miles, and north to south from Waco to Brownsville, a distance of 450 miles. There are within the area two cities with populations in excess of 300,000 each and at least five others with populations in excess of 100,000. I have within the same territory four special agents who are qualified for tax work. In view of these circumstances, it was necessary to arrange with Mr. Scofield for his office



to investigate black market and currency cases without reference to this office, excepting cases where fraud is definitely found.

In accordance with the procedure agreed on by the revenue agent in charge, collector, and district supervisor, at New Orleans, and myself, personnel from their offices, under the supervision of Special Agent Lambert, have begun the investigation of several black market liquor cases in New Orleans and vicinity, involving Anthony J. Gambino, Luke Maracich and Curtis P. Galle, and Joseph Tusa. Gambino, who worked for Mack's Cafe (SI-20056-F) in 1941 for a small salary, recently acquired a home for \$25,000 in cash and other investments, and his reported income from a retail liquor business in which he is now engaged has not been sufficient to permit such acquisitions. Maracich and Galle, partners, and Tusa are known to have collected amounts in excess of those shown on their sales invoices and the information at hand is that reported gross sales were based on invoice prices.

This week a final report was submitted in the Cigall case, recommending deficiencies and ad valorem fraud penalties totaling \$81,053.50. Cigall is one of the owners of the "Blue Eagle" and "Old Reliable-Louisiana Keno" Lotteries of New Orleans, and his income from those ventures was received in currency and invested in real estate. His records were incomplete and income was determined upon an increase in net worth plus allowable expenses basis. The case was complicated by his creation and liquidation during the periods involved of a corporation through which most of his real estate transactions were made, raising among others the problem of valuating some seventy-five pieces of real estate received by him in the liquidation, and prosecution was not recommended.

There also was submitted this week the final report in the case of H. C. Hill, a slot-machine operator, Leesville, Louisiana. Deficiencies and penalties of \$23,056.29, based on an analysis of his bank account, were recommended, as well as Hill's prosecution for willful evasion of tax for the year 1943. The case was based on information furnished by the accountant who prepared in September, 1943, a declaration of estimated tax for Mr. Hill. The taxpayer, apparently unwilling to pay the estimated tax shown on the declaration, discharged the accountant and employed the mayor of Leesville to prepare another estimate and, in March, 1944, a final return agreeing with the last estimate. Both were fraudulent.

An unusual case that may be of interest is that of Hal V. Patton, a money-changer and former customs guard of El Paso, Texas. Because of the appearance in Mexico of large amounts of United States currency thought to be Axis-controlled, there has been until recently a restriction

200

on the movement from Mexico to the United States of currency other than \$2 bills, which prior to the war had only a nominal foreign circulation. Travelers into Mexico were obliged to convert the currency carried by them into \$2 bills, and Patton while in the Customs Service established an exchange near the International Bridge at El Paso to furnish the service for 1% of the amount exchanged. His bank deposits during the period were about \$4,500,000 in currency per year, or in excess of \$12,000 per day. His reported income is in substantial agreement with 1% of his bank deposits, yet the amounts involved and his favorable situation for smuggling into this country currency of large denominations, which at one time could be purchased at discount in Mexico, seem to warrant thorough investigation.

I am enclosing herewith the division's report for the current week and all reports received from other Bureau offices in the district.

James M. Cobner
James M. Cobner,
Acting Special Agent in Charge.



INTELLIGENCE UNIT

KANSAS CITY
(Name of District)

SI:741-C

TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

Kansas City, Missouri
April 28, 1945Chief, Intelligence Unit
Bureau of Internal Revenue
Washington 25, D.C.In re: Special Tax Drive -
Black Market and Cash Trans-
action Investigations

The following weekly narrative report commenting upon the important developments in the present drive against taxpayers involved in black market operations, or conducting their business transactions on a strictly cash basis, is submitted for the week ended April 28, 1945:

On April 24, 1945, a joint conference was held in St. Louis with Collector James P. Finnegan and representatives of his office, and Internal Revenue Agent in Charge R. B. Zahleman and Fraud Contact Officer Melvin Burton, to organize and coordinate the investigations of black market operators and other persons suspected of evading Federal tax through the exclusive use of currency in transacting their business affairs. It was found that some information had already been assembled by the Internal Revenue Agent in Charge concerning persons whose activities are to be investigated in the present drive.

During the course of the conference Collector Finnegan arranged to detail several deputy collectors to work in cooperation with Special Agent Rudolph H. Hartmann on the black market and cash transactions cases to be investigated in this particular drive. Instructions to the deputy collectors and revenue agents were outlined, looking toward carrying out the Commissioner's orders in these investigations.

A conference was had with Mr. Chester C. Davis, President, Federal Reserve Bank at St. Louis, regarding the telegram of Under Secretary Bell. Mr. Davis had already contacted the larger banks in St. Louis and branch banks at Little Rock, Memphis and Louisville regarding the information to be submitted under said instructions. Mr. Davis furnished confidential information that had been reported to him, as follows:

1. Joe Coston, 1207 West 6th Street, Little Rock, drew \$10,000 in large bills on April 12, 1945.



2. A. H. Fulton, Terminal Warehouse, Little Rock, deposited \$16,000 in \$1,000 bills on April 7, 1945.

3. S. E. Bauman, 302 Main Street, Little Rock, changed six \$1,000 bills for smaller bills on April 7, 1945.

4. Max Greenbaum, Crescent Jewelry Store, Little Rock, exchanged a number of large bills for bills of smaller denominations on April 5, 1945. On several other occasions recently this man exchanged large bills for smaller ones. Prior to some three or four months ago this individual was regularly exchanging small bills for large ones.

The above information is being card-indexed and will be furnished to the Internal Revenue Agent in Charge, Oklahoma City, in due course.

Case jacket SI:23369-F was received, covering an investigation of Frank Lybarger of Carrollton, Missouri, who is engaged in the sale of liquor above ceiling prices. Lybarger reported total net income of approximately \$12,000 for the years 1942 to 1944, inclusive. During this period of time Lybarger invested more than \$40,000 in cash in capital assets. Witnesses have testified concerning purchases of liquor from 50 cents per half pint to \$3.00 per quart over ceiling prices during the past year.

Case SI:20193-F involving United States Packing Company and Sam Simon - no development in this case during the past week. The United States Packing Company is engaged in the sale of meat in carload lots to Eastern purchasers at above ceiling prices. The difference between the ceiling price and sales price was paid in cash to Sam Simon.

The Office of Price Administration has furnished a list of several persons known to be engaged in black market operations. Income tax returns of these individuals are being examined at the Collector's office, or will be obtained from the Bureau to determine if income tax violations have occurred.

The Collector at Oklahoma City referred to our office the case of Edward T. Freeman arrested in Oklahoma City, charged with swindling victims of approximately \$100,000 in 1944. Filed no return. This case is receiving immediate attention.

There is submitted Form SI-106 - our weekly report on Income and Excess Profits Tax Investigations of Black Market and Cash Operations for the week ended April 28, 1945. Also attached are the forms received from other Bureau Agencies, as follows:

Collector, District of Oklahoma - SI-100; SI-101; SI-102; SI-104.
Collector, First District of Missouri - SI-100; SI-101; SI-104.
Internal Revenue Agent in Charge, Oklahoma City - SI-103; SI-105.

203

Reports from the offices of other Collectors and Revenue Agents in Charge not received by closing time on Saturday, April 28. It is probable that these forms were not submitted for the week ended April 28. It is expected that each of the Collectors and Revenue Agents in Charge will be submitting the forms at the end of the following week.

Frank W. Lohn
Frank W. Lohn
Special Agent in Charge

encs.



INTELLIGENCE UNIT

SAINT PAUL
(Name of Division)

SI-AAS:PV

TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

St. Paul, Minnesota, April 28, 1945



Chief, Intelligence Unit,
Bureau of Internal Revenue,
Washington, D. C.

Special Tax Drive

There are attached hereto the following weekly statistical report forms:

AGENCY	SI-Form Nos.
Intelligence Unit, St. Paul Division	106
Internal Revenue Agent in Charge, St. Paul	103 - 105
Collector of Internal Revenue - Minnesota	102 - 104
- Nebraska	102 - 104
- South Dakota	102 - 104
- North Dakota	100 - 102 - 104
- Iowa	104

No report has been received from the Internal Revenue Agent in Charge at Omaha, Nebraska, for this week.

A conference with Mr. John F. Peyton and Mr. Otis R. Preston, president and vice president, respectively, of the Federal Reserve Bank, on April 25, 1945, resulted in their promise to confer with representatives of the more important banking institutions in their district, and to refer any information concerning large currency transactions to this office immediately upon receipt of it. No information has as yet been received from this source.

Mr. Harris J. Buernberg, District Enforcement Attorney of the CPA, St. Paul, has furnished us with a number of names of suspected income tax evaders. We have not as yet been able to see his files or confer with his representatives investigating the CPA violations concerned by reason of the fact that all of



then are busy in court. An appointment has been made for this coming Monday, and it is confidently expected that at least some of the leads received from this source will result in productive cases.

The Collector of Internal Revenue at St. Paul has entered into the program with enthusiasm. He has six deputies assigned to this work, and has detailed one deputy to this office, who is making preliminary investigations, such as reviewing the filing records and making sufficient inquiry to determine whether or not further investigation is warranted. On the basis of the information thus assembled the cases will be referred to the Collectors' offices or the Internal Revenue Agents in Charge for such investigation as may be warranted.

The Collector of Internal Revenue at Des Moines also has shown interest in the program and has set up groups to process information obtained and to make such investigations as may be warranted. He informs me that he will keep this office advised as to the progress. The Assistant Chief of the Field Division, District of Iowa, has been assigned to this work, and he will confer with the enforcement attorney of the CPA at Des Moines and obtain from him any information which appears to indicate possible evasion of income taxes.

The Collector of Internal Revenue for Nebraska has not set up as good an organization as those hereinbefore described. Further conferences will be held in that district during the coming week, with the hope that more results may be accomplished there.

A conference has been held with the Collector of Internal Revenue for North Dakota. It was attended by the enforcement attorney of the CPA at Fargo. The weekly reports from the Collection District of North Dakota, however, do not indicate a clear understanding of the procedure outlined. A further conference will be held during the coming week.

A conference also was held with the Collector for South Dakota, and with the CPA enforcement attorney for that area, but as yet no results have been accomplished there, and a further conference will be held at the first opportunity.

The report of the Internal Revenue Agent in Charge at St. Paul shows one case under investigation. This is the William Hecht case referred to the field by you for investigation by the revenue agents' office. There is nothing to report on the progress of the investigation up to this time.

206

A conference was held on April 26 in the office of the District Supervisor, Alcohol Tax Unit, St. Paul, which was attended by the investigator in charge for each of the five states in this district. These investigators in charge were instructed to direct all persons working under them to assemble any information available which might indicate tax evasion during the recent heavy spending years, and report it through the district supervisor to this office for proper processing.

Special agents of the Intelligence Unit are investigating the following cases:

Olaf A. Olson, M. D., Minneapolis, Minnesota
Minter Brothers Candy Company, Minneapolis, Minnesota
Louis Mints, St. Paul, Minnesota
Carl W. Dokso, St. Paul, Minnesota
C. H. Peters, Minneapolis, Minnesota
Harold J. Slawik, St. Paul, Minnesota
Machinery Exchange, Minneapolis, Minnesota
Rudolph St. Anthony, Minneapolis, Minnesota

A brief statement of the nature of each of these cases is as follows:

Olaf A. Olson, M. D.
Minneapolis, Minnesota

A jacket has been requested in this case. It concerns a practicing physician, and unquestionably he has understated his income. The schedules of dividends, property taxes, and depreciation on his returns indicate present net worth in excess of \$200,000, whereas the returns of Dr. Olson since 1934, but exclusive of 1944, report total taxes of only about \$2,350.

Minter Brothers Candy Company
Minneapolis, Minnesota

This case was referred to us by the Alcohol Tax Unit. No jacket has as yet been requested, but a special agent and revenue agent are beginning the investigation. Two of the officers of the corporation were convicted of black market operations in liquor during 1944, and it is expected that the investigation will produce results.

Louis Mints
St. Paul, Minnesota

Mr. Mints was a salesman for Minter Brothers, and others dealing in liquor, and is alleged to have accepted payments of "side money."

- 3 -

207

Harold J. Slawik, St. Paul, Minnesota
C. H. Peters, Minneapolis, Minnesota
Carl W. Dokso, St. Paul, Minnesota

Mr. Slawik resigned as Acting District CPA Director a few months ago when the CPA began an investigation of irregularities. Mr. Dokso had resigned his position with CPA a short time previously and had accepted one with Slawik Motors, Inc. They, together with Mr. C. H. Peters and others, are now being prosecuted in United States District Court at St. Paul for conspiracy in connection with the condemnation and disposition of used tires. An investigation is now being made concerning the income tax liabilities of the individuals involved, which investigation as made so far indicates that these individuals realized taxable income as the result of the irregularities discovered by the CPA. However, most of that income was realized in 1944, and as the investigation made by the CPA was made a matter of public knowledge prior to March 15, 1945, there is a strong possibility that at least a part of that income was reported. Further information concerning this investigation, in which the investigators of CPA and the Assistant U. S. District Attorney will cooperate, will be furnished later.

Machinery Exchange
Minneapolis, Minnesota

Information was received early in this month that the Machinery Exchange, involving L. H. Harvey and R. E. Hacking, has been operating since June 1943 dealing largely in second hand machinery, and that it has substantially understated its income for tax purposes by overstating costs.

Rudolph St. Anthony
Minneapolis, Minnesota

Special Agent Harry G. Coutts of the Federal Works Agency of Investigation, has furnished information to the effect that Mr. St. Anthony, a former War Production Board employee, had received "kick backs" or bribes from one George W. Weismann, Shakopee, Minnesota, and had failed to report them for income tax purposes. This case is now under preliminary investigation.

The program has not yet gotten well under way in this district. As hereinbefore stated, further conferences will be arranged for the coming week. Deputy collectors will be employed on the examination of the smaller cases, and it is believed that they should

- 4 -

208

be closed in a relatively short period of time. The larger cases, assigned to revenue agents and special agents, will necessitate more detailed investigations, and in those cases where prosecution is contemplated complete detailed investigations will, of course, have to be made and will take more time.

Arthur A. Stone
 Arthur A. Stone
 Special Agent in Charge.

- 5 -



INTELLIGENCE UNIT

Denver (Dist. No. 13)

(State of Oregon)

SI-McR-W

Chief, Intelligence Unit
 Bureau of Internal Revenue
 Washington 25, D. C.

TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

Denver, Colorado
 April 28, 1945

109



In re: Special Tax Drive

Reference is made to last week's narrative report submitted by this office regarding the above subject matter. It was pointed out in that communication that the tentative organization for carrying forward this drive in this district had just been completed. During the past week the employees of the Collectors' offices for the four States and the offices of the Internal Revenue Agent in Charge at Denver and Salt Lake City have begun to function, as will be disclosed by their reports which show a total of fourteen new cases received. In addition, new cases received during the past week, for at least joint preliminary investigation, involve seven persons dealing in furs.

Deputy collectors from the offices of the Collector at Denver and at Cheyenne are now undertaking the examination of real estate records, with a view of locating taxpayers who have received large profits from sales of real estate, particularly where large amounts of cash have been involved. Because of the great expanse of territory in this district, the Collectors at Cheyenne and Salt Lake City believe that the best results can be obtained by sending out a group, or groups, of deputies to the principal county seats, to explore and work cases which fall particularly within their scope of duty. Special emphasis will be placed on persons who have purchased jewelry or real estate for cash as well as those engaged in black market activities.

Two deputy collectors in Colorado have discovered that the largest gambling resort in this area is incorporated and that its clientele is composed of dues-paying members. Although the operators of this resort have reported substantial incomes and have been rather carefully checked in the past by this office, it is thought that some information may be obtained by examining their records for delinquent taxes on dues, particularly with a view to identifying the clientele of the establishment.

Information has been received from the Alcohol Tax Unit indicating that large sales of liquor are being made to purchasers in the State of Kansas, a dry State, and that it is being purchased and sold

210

in violation of CPA regulations and the Kansas State law. A special investigator of the Alcohol Tax Unit has informed me that it is his information that practically all of the purchasers of this liquor in Kansas have their retail liquor dealer's stamp and suggests that an examination of the records of the Collector's office at Wichita, Kansas, probably will disclose some of the large liquor dealers in that State.

The special agent making the investigation of one of the pending cases in this district, the Crown Liquor Company, Cheyenne, Wyoming, ran into difficulties during the past week in obtaining statements from the individuals involved who refused to make explanation of large deposits of cash and disbursements of cash, basing their refusal on the advice of their attorney. This action will delay completion of the case and will require additional investigation.

No information has yet been received from the managers of the branches of the Federal Reserve Bank located at Denver and Salt Lake City regarding the handling of cash by member banks. In this connection I desire to call attention to the fact that the Collectors in at least three States - Colorado, Wyoming, and New Mexico - have unusually close contacts with officers of the banks located in their respective districts and I am inclined to the belief that valuable information may be obtained by them when and if they may be permitted to make direct inquiry. This was very well indicated during the past week when a deputy collector returned to his home town and had occasion to discuss with the local banker the possible evasion of income taxes. The banker advised him that the drive, which the Collector's office had recently put on in that area for the discovery of unpaid taxes, had not been broad enough in scope, and that if a properly identified representative of the Bureau of Internal Revenue should call on him, he could furnish the names of additional persons whose tax liability should be investigated. This illustrates the advantages of a more direct approach in the small farming communities in this district.

Weekly reports from the following officers are enclosed herewith:

Internal Revenue Agent in Charge, Denver, Colorado, and
Salt Lake City, Utah

Collector of Internal Revenue, Denver, Colorado,
Salt Lake City, Utah,
Cheyenne, Wyoming, and
Albuquerque, New Mexico.

A. S. McIlveen
A. S. McIlveen
Special Agent in Charge

- 2 -



INTELLIGENCE UNIT

Seattle

(Name of District)

DATE

TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

211

Seattle, Washington
April 28, 1945



Chief, Intelligence Unit,
Bureau of Internal Revenue,
Washington, D. C.

In re: Income Tax Drive on Black Market
Operators and Cash Transactions

This report is submitted to cover the activities of the Seattle Division on the above designated drive for the week ending April 28, 1945 and to transmit Forms SI-100, 102, 103, 104 and 105 received from the Collectors of Internal Revenue and the Internal Revenue Agents in Charge in this district, as well as Form SI-106 for this office.

As Form SI-106 shows, five new black market and currency cases were received in this division and two were closed during the past week. Four of the new cases were referred to us by the Office of Price Administration and one resulted from newspaper publicity relative to black market operations by the wholesale fish dealers in the Seattle area.

One of the cases closed was a special investigation of an engineer (Jerome Kelly) connected with the Kaiser Shipyards in Portland, Oregon. This matter had been referred to us by your office as a result of information received from the Federal Reserve Bank that Kelly had deposited five \$1000 bills in his bank account in 1943 and because the Bureau records disclosed no record of returns filed by this individual for the years 1942, 1943 and 1944. Our investigation revealed that Kelly had filed returns for these years and had reported sufficient gross income to account for the deposit of the \$1000 bills. \$4801.99 of this money was used by Kelly in the purchase of a home in 1943. Kelly's returns were referred to the Internal Revenue Agent in Charge in connection with certain entertainment expenses claimed by him and the matter closed in the files of this office.

The other case closed was a special investigation of one Rose Sanford, operator of two apartment houses and a small hotel in Portland, Oregon, which matter had been referred to us by the Office of Price Administration in that city. Preliminary investigation of the taxpayer



212

disclosed that the Office of Price Administration charges against her involved ten months of the year 1944 (she had started operation of the hotel on January 18, 1944) and the total over-charges amounted to only \$377.35, an average over-charge of \$3.00 to \$4.00 a month per room. A survey of Mrs. Sanford's income tax returns showed that she had been reporting gross rental receipts in amounts in keeping with the type of apartment house and hotel she had been operating and the matter was closed in this office as unworthy of further investigation.

In case SI-22179-F relating to Charles W. Shay, a small liquor black market operator who had been selling case lots to bellhops in various Seattle hotels, a payment of \$1018 covering additional taxes, fraud penalty and interest was received during the week. No prosecution will be recommended in this case and final report is now being prepared.

In case SI-22267-F relating to the Northwestern Lumber Company of Bellingham, Washington, a report has been received from the Dallas Division on collateral investigation made in Texas which gave us definite evidence that the Northwestern Lumber Company had made \$45,000 in over-ceiling sales in that state which were not recorded on their books for tax purposes.

During the past week two of the seven special agents in this district had to be diverted from black market investigations to handle a bribery and conspiracy case involving two deputy collectors, two taxpayers and one accountant.

William E. Frank

William E. Frank
Special Agent in Charge

Enclosures.

213

MAY 1 1945

Dear Mr. Rutto:

Please extend to the members of the Oklahoma Bankers Association, now holding its annual convention "in print" in commendable cooperation with the government's request to restrict use of transportation facilities, my sincere appreciation for the valuable assistance given to the Oklahoma War Finance Committee in all War Loan campaigns.

Oklahoma has exceeded by a substantial margin every over-all and individual quota assigned to it in the last four War Loans in which we have established state quotas. We are confident that with your effective help, it will again surpass the individual quota of \$72 million in the coming Seventh War Loan Drive, but to do so it will be necessary to solicit and sell more War Bonds to more people than ever before. Encouraged as we are by the collapse of Germany, we must nevertheless remember that our job is not over until final victory is achieved, and we have assured a just and lasting Peace.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. R. W. Rutto
President
Oklahoma Bankers Association
Oklahoma City, Oklahoma

UNP:agd

CLASS OF SERVICE
This is a full-rate Telegram or Cablegram unless so designated by a suitable symbol above or preceding the address.

WESTERN UNION

SYMBOLS

DL = Day Letter
NL = Night Letter
DLT = Day Letter
DLT = Day Letter
DLT = Day Letter
DLT = Day Letter

The following charges are the rates for telegrams and day letters in STANDARD TIME at point of origin. Time of receipt in STANDARD TIME at point of destination.

JA86

A. KMB69 NL PD=SK OKLAHOMACITY OKLA 28

HON HENRY MORGENTHAU JR.

UNITED STATES TREASURER WASHDC

THE OKLAHOMA BANKERS ASSOCIATION WILL HOLD THEIR 1945 CONVENTION IN PRINT. THE MAY ISSUE WILL CARRY THE PROCEEDINGS. ADDRESSES THAT WILL APPEAR ARE FROM R W HUTTO PRESIDENT OBA I RANDOLPH BURGESS PRESIDENT ABA AL M WIGGINS PAST PRESIDENT ABA BARBARA MADLER FINANCE PROFESSOR NEW YORK UNIVERSITY D J NEEDHAM GENERAL COUNSEL ABA DR WALTER KEMMERER ECONOMIST PRINCETON UNIVERSITY OTIS MCCLINTOCK PRESIDENT NATIONAL BANK DIVISION ABA C W BAITLEY AGRICULTURIST CLARKSVILLE TENNESSEE H R GRAHAM PRESIDENT TULSA CLEARING HOUSE AND WE ARE ANXIOUS TO HAVE MESSAGE TO OUR BANKERS, AND BANKERS OF SURROUNDING STATES, STIMULATING THE SALE OF BONDS AS WE WILL BE RIGHT IN THE HEART OF 7TH WAR LOAN DRIVE. WE WILL VERY MUCH APPRECIATE YOUR MESSAGE FOR THIS CONVENTION NUMBER. IF COPY REACHES US BY MAY 7 IT WILL BE IN TIME.

R W HUTTO PRESIDENT EUGENE P GUM SECRETARY.

THE COMPANY WILL APPRECIATE RECEPTION FROM ITS CUSTOMERS CONCERNING ITS SERVICE



TREASURY DEPARTMENT
OFFICE OF COMMISSIONER OF INTERNAL REVENUE
WASHINGTON 25

May 1, 1945.

My dear Mr. Secretary:

When I spoke to you yesterday I forgot I had made an appointment for this Saturday with Bishop Molloy of Brooklyn to turn over some funds collected on behalf of the orphans of Brooklyn Diocese in the drive of which I was chairman. It will also be necessary to clean up some matters in connection with my father's estate on Monday so I may be a little late in returning. After this week-end however, will make my plans in accordance with my conversation of yesterday.

Very sincerely,

Robert H. Murray Jr.
Commissioner.

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

216

May 1, 1945.

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Very sincerely,

Commissioner.

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

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

217

DATE May 1, 1945

TO Secretary Morgenthau (For Information)

FROM Mr. Coo TC

Subject: China

1. The attached cable from Mr. Yui, Minister of Finance, to Dr. T. V. Soong urges immediate shipment of gold to China to meet outstanding commitments. It maintains that these commitments total \$58 million of gold consisting of about \$11 million of undelivered forward sales contracts and about \$47 million of six months' savings deposits payable in gold. We are repeatedly bombarded with cables of this type which we usually receive through Dr. Kung's representatives.
2. Actually the commitments which the Chinese have to meet during the next month consist of about \$5.7 million of gold on savings accounts payable in May and \$11 million on forward sales. The government is committed to deliver this \$11 million of gold "when the gold arrives in China".
3. There is now about \$5.5 million of gold en route to China, which would be about enough to meet the deposits commitments but not leave any gold to meet forward sales obligations.

FROM: MR. O. K. YU, MINISTER OF FINANCE, CHUNGKING
TO: DR. T. V. SOONG, SAN FRANCISCO, U.S.A.

218

"U.S. SHIPMENT OF GOLD IN MARCH HAS NOT YET ARRIVED IN INDIA
STOP CHUNGKING GOLD STOCK ONLY SUFFICIENT TO MEET BANK'S
REQUIREMENTS UP TO APRIL BOTH STOP FORWARD SALES UNDELIVERED
UP TO APRIL 24TH AROUND 311,000 SEE-LIANG GOLD SAVINGS DE-
POSITS OUTSTANDING AROUND 1,355,000 SEE-LIANG STOP FAILURE
OF MEETING GOVERNMENT OBLIGATIONS ON ONE DATE WILL AFFECT
PUBLIC CONFIDENCE IN GOVERNMENT AND SEND SURPLUS MONEY TO
OTHER SPECULATIVE CHANNELS THEREBY STIMULATING PRICES STOP
AM EXTREMELY CONCERNED WITH SITUATION STOP PLEASE APPROACH
AMERICAN AUTHORITIES IMMEDIATELY WITH REQUEST FOR IMMEDIATE
SHIPMENTS OF GOLD TO CHINA TO MEET OUR URGENT NEEDS STOP
WILL APPRECIATE YOUR EARLY REPLY."

GOLD SALES

219

April 2, 1945	2,121	
3	1,373	
4	4,023	
5	8,479	
6	<u>1,271</u>	17,273
7	3,027	
9	6,529	
10	10,357	
11	18,453	
12	20,257	
13	11,735	
14	14,125	
15	30,315	
17	16,737	
18	<u>11,604</u>	141,269
19	10,937	
20	11,592	
21	10,933	
22	9,164	
24	<u>4,292</u>	<u>47,079</u>
TOTAL		<u>305,621</u>

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 1, 1945

TO Secretary Morgenthau (For Action)

FROM Mr. Cox FC

We understand informally from the War Department that MacArthur's clearance has been obtained to despatch Treasury Mission to Philippines. It is proposed that the Mission be headed initially by Mr. Alk, Chief Counsel of Foreign Funds Control. It is suggested that you might telephone Gen. Billaring and express our appreciation for the complete support he gave us on this matter. Gen. Billaring, in effect, adopted the Treasury's position as his own.

221

MAY 1 1945

Dear Dr. Garland:

I want to thank you for your letter of April 12, received in my absence, which conveys the comment of Mr. East, Minister of Finance and Commerce of Peru, on my statement before the Banking and Currency Committee of the House of Representatives.

I value and appreciate Mr. East's statement as to the attitude of your Government.

Sincerely,

(Signed) H. Morgenthau, Jr.

Dr. Eduardo Garland
Minister Counsellor
Charge d'Affaires
Peruvian Embassy
Washington 6, D.C.

PERUVIAN EMBASSY
WASHINGTON 6, D. C.

April 12, 1945

Mr. Henry Morgenthau
Secretary of the Treasury
Treasury Department
Washington, D. C.

Dear Mr. Morgenthau:

In compliance with your request, I was pleased to send to Mr. Julio L. East, Minister of Finance and Commerce in Peru, the copy of the most interesting declarations that you formulated before the respective Committee of the House of Representatives of the United States in relation to the resolutions adopted at Bretton Woods which have been submitted to the consideration of the aforesaid legislative body.

Mr. East is most grateful for the kind thought of sending him this copy, and he has asked me to inform you of the following that I quote from his letter:

"I have read carefully that document and found it of great interest because of the wise remarks he makes about the possibilities which such currency and credit agreements afford for the gradual and normal economic development of the world."

PERUVIAN EMBASSY
WASHINGTON 6, D. C.

It is certain that the monetary policies followed in the decade immediately preceeding the armed conflict were the cause of the disadjustments of the world's economy which so profoundly affected all nations and especially those which, like Peru, base their economic well-being principally on the peaceful and orderly flow of international trade and on marketing their products at profitable prices.

The Government of Peru is following with interest the attitude which the Government of the United States may take with respect to the approval of the plans recommended at Bretton Woods. because the decision which that country may take will determine the balance of opinion of the other countries and the part it will play in world reconstruction is foremost."

Believe me, Mr. Secretary,

Very truly yours,

Eduardo Garland

Eduardo Garland
Minister Counsellor
Chargé d'Affaires

223

Mr. Klatz-

Do you want
to turn over copies
to Mr. Lee?

Copies turned over
over to Lee - 5/2



THE STATE-WAR-NAVY COORDINATING COMMITTEE
WASHINGTON, D. C.

1 May 1946

Mr. Daniel W. Bell,
Under Secretary of the Treasury,
Room 3326,
Washington 25, D. C.

Dear Mr. Secretary:

At the second meeting of the Informal Policy Committee on Germany you advised that a copy of the Transcript of Proceedings could be furnished to the Secretariat in order that the records of the Committee might be complete.

May I ask that you refer this letter to Mr. Coe and that he be requested to forward copies of the Transcripts of the last three meetings to the Secretariat in Room 178, State Department Building.

Respectfully,

CHARLES W. MCCARTHY
Secretary.

224

225

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226

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Respectfully,

CHARLES W. McCARTHY
Secretary.

✓
columnists
227
5-1-8-

COLUMNISTS	NO. OF PAPERS	CIRCULATION
1. Drew Pearson	630	20,000,000
2. Paul Mellon	265	17,400,000
3. Westbrook Pegler	183	15,200,000
4. Walter Winchell	138	11,850,000
5. Peter Edson	628	11,000,000
6. Walter Lippman	162	9,750,000
7. Damon Runyon	112	9,700,000
8. Mark Sullivan	291	8,140,000
9. Dr. George Gallup	113	8,000,000
10. George Sokolsky	102	8,650,000
11. Major George F. Elliott	36	8,000,000
12. Dorothy Thompson	150	7,500,000
13. Thomas Stokes	91	7,377,363
14. David Lawrence	160	7,000,000
15. Marquis Childs	146	6,345,154
16. Eleanor Roosevelt	84	5,978,077
17. William Shirer	16	4,300,000
18. Louis Bromfield	45	4,160,000
19. Raymond Moley	50	4,150,000
20. Ray Tucker	195	4,000,000
21. Samuel Grafton	63	4,000,000
22. Karl Wilson	23	4,500,000
23. Colonel Frederick Palmer	30	2,000,000
24. Bertinex	30	2,000,000
25. Jay Franklin	25	2,000,000
26. William F. Sims	20	2,000,000

This list does not include Ernie Pyle. His column appeared in 389 daily newspapers and 292 weeklies for a total circulation of 13,376,146.

John Kieran is no longer syndicated.

No figures available on Leonard Lyons.

Hanson Baldwin is not syndicated.

No figures available on Frank Kent.

NUMBER OF NEWSPAPERS, BY STATES, HAVING MADE ARRANGEMENTS FOR RUNNING
REGULARLY THE SYNDICATED WEEKLY COLUMN, "LOOKING AHEAD"

228

BY: DR. GEO. S. HENSON, PRES.
HARRING COLLEGE,
SEARCY, ARKANSAS.

Ala.	53	Miss.	46	Va.	33
Ariz.	12	Mo.	157	Wash.	51
Ark.	98	Mont.	31	W. Va.	34
Calif.	187	Nebr.	92	Wis.	96
Colo.	77	Nev.	5	Wyo.	5
Conn.	17	N.H.	7	Foreign	5
Del.	8	N.J.	80	Total	3,409
Wash. D.C.	2	N. Mex.	24		
Fla.	42	N.Y.	157		
Ga.	71	N.C.	50		
Ida.	28	N.D.	40		
Ill.	270	Ohio	156		
Ind.	121	Oklm.	137		
Iowa	152	Oreg.	30		
Kans.	133	Pa.	130		
Ky.	43	R.I.	3		
La.	44	S.C.	19		
Maine	15	S. Dak.	62		
Md.	26	Tenn.	55		
Mass.	35	Tex.	206		
Mich.	116	Utah	13		
Minn.	129	Vt.	4		

THE WHITE HOUSE
WASHINGTON

May 1, 1945

Dear Henry:

I am enclosing Withholding
Exemption Certificate, Form W-4 Revised,
claiming exemption for myself and wife
and for my mother and sister.

Sincerely yours,



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

TREASURY DEPARTMENT

230

INTER OFFICE COMMUNICATION

DATE May 1, 1945

TO Secretary Morgenthau

FROM Mr. Coe

Subject: Chinese Gold

For your information these are our tentative views on the subject of gold for China. In addition to the discussion with Patterson, we have met with Mr. Collado of State and the acting head of the China Division there. I think we can get their agreement on all the points below.

1. The Treasury should continue to oppose all except minimum shipments of gold, where these endanger American lives or use scarce transport. This policy should continue to apply to China.

2. We cannot now agree to promise the nearly \$60 million of gold shipments which the Chinese want in the next few months in order to meet gold commitments as they fall due. The Chinese did not consult us about these forward sales of gold, which were obviously imprudent in the circumstances and were designed to act as a pistol at our heads.

With regard to these past commitments:

- (a) Sufficient gold is en route to enable China to meet her commitments for May, if the Chinese are willing to use the amount earmarked for tin payments for covering past commitments under the program of selling six month gold deposits. There is, therefore, no great urgency in arriving at a decision on the Chinese global request.
- (b) Shipments will continue in the future on the same basis as in the past. Insofar as such shipments are insufficient to enable China to meet past commitments, China may offer to place dollar credits (at about \$85 per oz.) from her existing assets to the accounts of purchasers of gold to whom she cannot make delivery for the time being. We should ask China for a list of such buyers. Such a list, if complete, will almost certainly reveal that the purchasers are a small group of insiders within the Government or with close tie-ups with the Government.

231

- 2 -

- (c) State has not indicated that they are afraid of the political consequences of this program. But should the State Department at any time decide that it is essential for the preservation of the Chinese Government that the shipment of the nearly \$60 million of gold should be speeded up, we would, of course, act favorably on State's recommendation.

3. Without condemning the past program, we should tell the Chinese that we expect them to stop all forms of forward sales of gold immediately.

4. In any case, all further gold sent to China should be out of their own funds, and not out of the \$500 million loan. Your own responsibility for the uses to which this loan is put is the basis for this recommendation. The program of forward sales of gold, like the predecessor programs of \$200 million U. S. savings certificates and bonds, has been used as a device for enriching a few insiders and has had negligible effects upon the Chinese inflation.

5. After consideration of the whole history of the \$500 million loan, and the uses to which it has been put, we think that you should tell the Chinese that we wish them to put aside the remaining \$240 million of the loan, and an additional sum of their own U. S. dollar exchange, of perhaps \$250 million, as a fund to be used for stabilization and reconstruction purposes, in accordance with an agreed program, to go into effect at an agreed date. The program should include the fiscal, economic and administrative measures necessary to stabilize the currency, and the date should be the earliest time when we and the Chinese agree that they can go forward on such a program.

If the Chinese are not willing to accept this proposal, we think it wise policy to allow no further depletion of the loan. (In addition to this \$240 million the Chinese now have some \$700 million of U. S. dollar exchange.)

We have prepared charts and analyses to show the acquisition by China of additional foreign exchange and the sale of gold or any other form of foreign exchange by China have had no discernible effect in halting the inflation.

I am attaching a book which we have prepared for you giving all relevant data and statistics on this gold export question.

232

CHINA'S DOLLAR POSITION, FEBRUARY 28, 1945
(million dollars)

ASSETS

Official assets at New York Federal Reserve Bank	\$480.0	
Official assets outside New York Fed. Res. Bank	158.0	
Especially gold at New York Federal Reserve Bank	31.0	
Balance of \$500 million credit	<u>240.0</u>	
Total assets		909.0

LIABILITIES

Amount pledged to pay off savings certificates & bonds	<u>169.0</u>	
Net assets		740.0

233

I. OUTSTANDING GOLD OBLIGATIONS OF THE CHINESE GOVERNMENT

(Unit: Sze Liang = 1.00471 oz.)

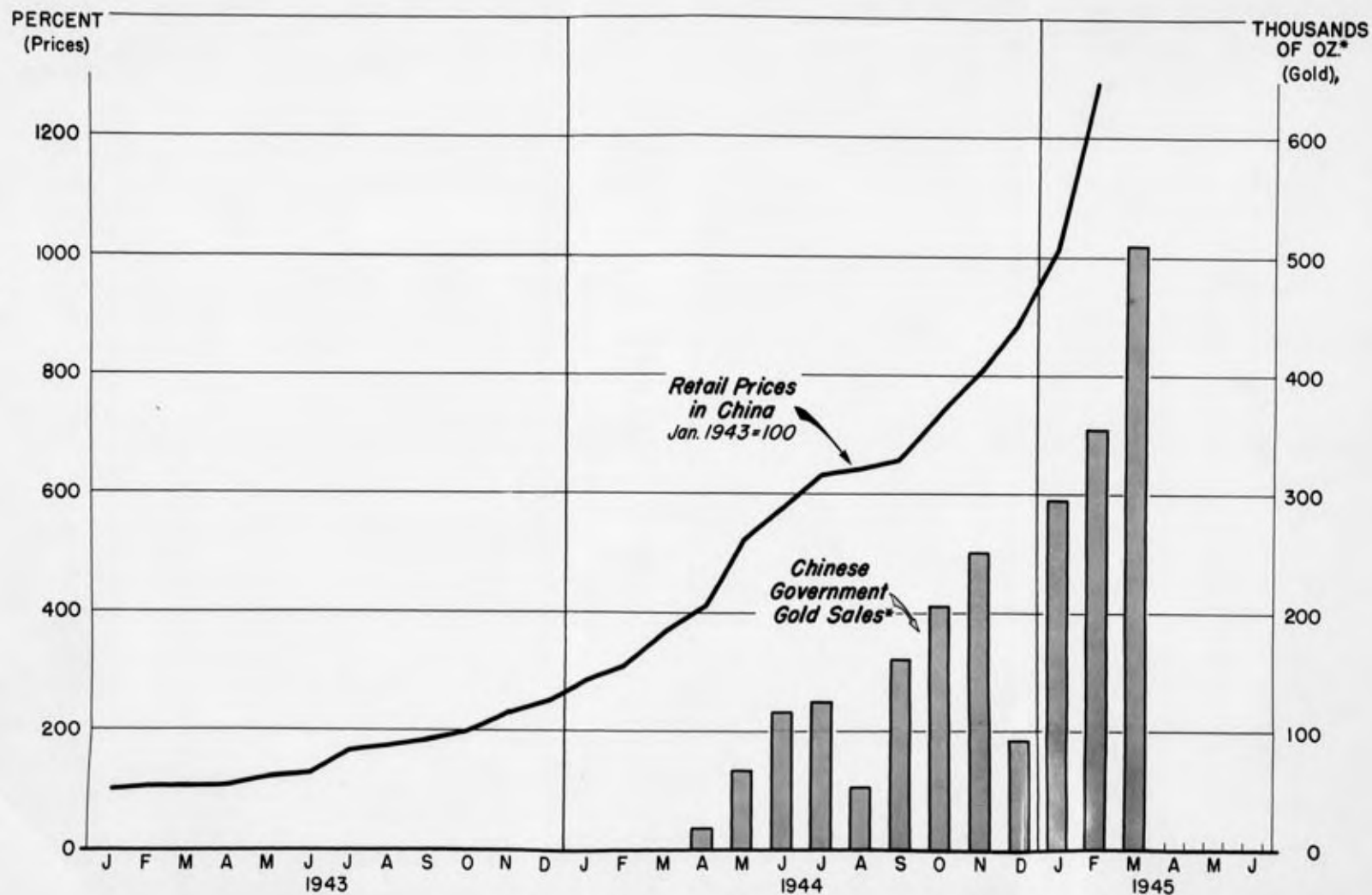
<u>Forward Sales of Gold</u> <u>Undelivered</u>		<u>Savings Accounts Payable</u> <u>in Gold falling due</u>		<u>Total</u>
1944 November	110,985	1945 May	105,158	216,792
December	27,031	June	64,132	91,163
1945 January	61,730	July	233,731	295,461
February	94,535	August	259,237	353,772
March	20,730	September	488,290	509,020
April		October	263,873	263,873
May (up to 5th)		November	44,427	44,427
	315,011		1,459,018	1,774,029

Equivalent to 1,761,244 oz.

II. ESTIMATE OF MONTHLY SALES IN THE IMMEDIATE FUTURE

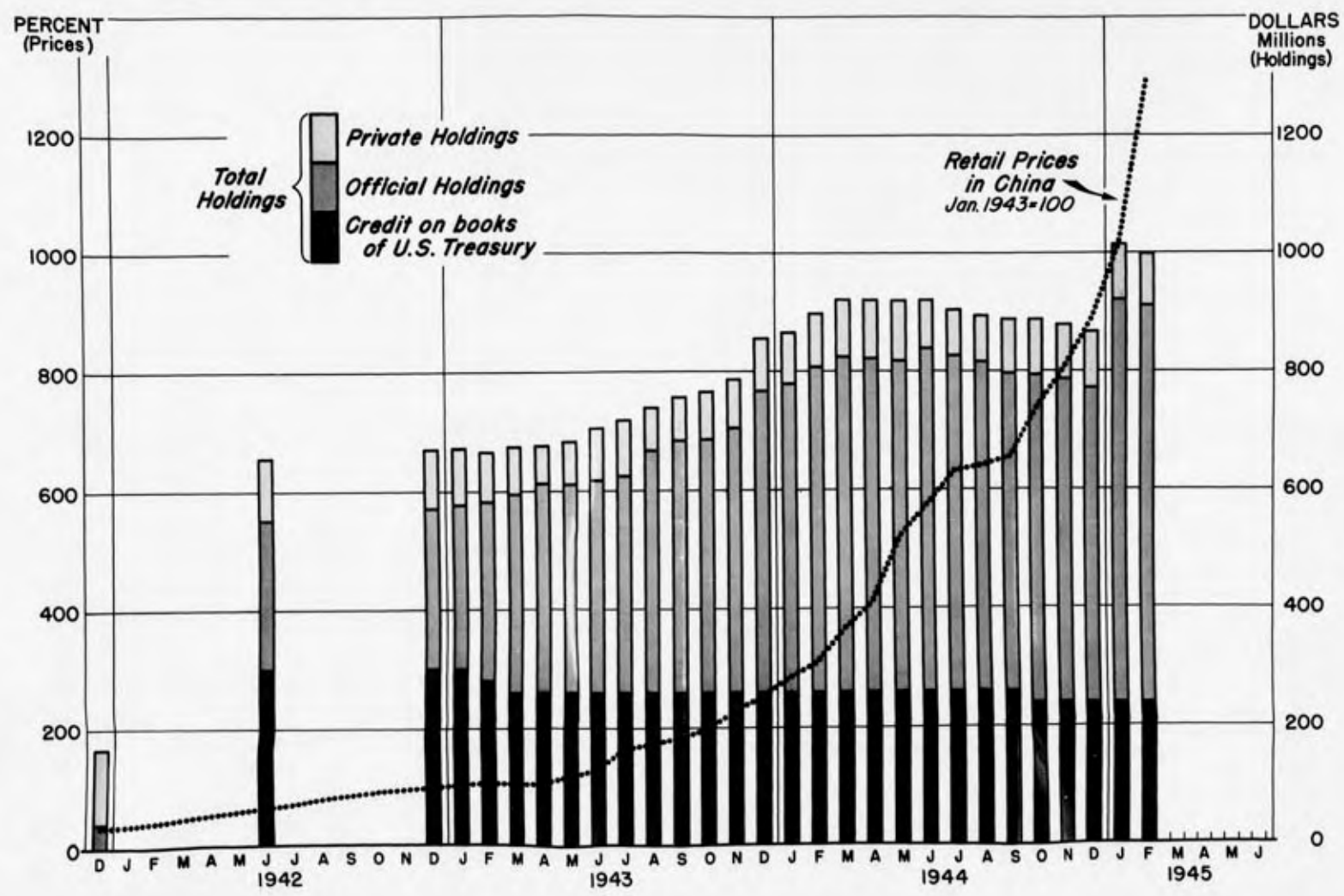
On the basis of monthly sales for the last three months, totalling 1,131,000 ounces, it is estimated that the sales in the immediate future will on the average require at least one million ounces for each three-month period.

RELATION OF GOLD SALES TO INFLATION IN CHINA



*Sze-liang ounces; 1=1.00471 troy ounces.

INFLATION IN CHINA AND CHINA'S HOLDINGS OF DOLLARS AND GOLD IN U.S.



Bern

Dated May 1, 1945

Rec'd 5:49 p.m.

Secretary of State

Washington

WEB FROM MOGELLAND

KINDLY DELIVER FOLLOWING MESSAGE FROM STERNBERG
TO THE VAAD HANATZALA NEW YORK

With reference to your various inquiries concerning Lithuanian Jewish deportees in Germany we have recently received reliable information from Intercess that a large number of Lithuanians are in concentration camp of Landsbergalech not far from Munich. Out of 14,200 Jewish internees in this camp (12,000 men and 2200 women) largest national group is Hungarians, then Lithuanian and finally Polish.

It is hoped that this camp will soon be liberated in which case any steps you could take to obtain lists of inmates from Allied military authorities would be appreciated.

HARRISON

JMS

Bern

Dated May 1, 1945

Rec'd 4:05 a.m., 2nd

Secretary of State,

Washington.

2550, May 2, 6 p.m.
FOR OFFICE OF WEB FROM MOGELLAND.

ICRC DSA informed us on April 30 that convey of 10 Renault trucks which left Switzerland April 25 carrying among other relief goods, 3660 WEB parcels for concentration camp of Dachau are now stalled at Uffing outside Munich, ICRC Southern Delegation Headquarters. Allied military authorities will not permit this convey proceed to Dachau. While we hope this situation is only temporary and based on military operational requirements we should appreciate any steps heard could undertake in competent quarters to insure continued flow of relief supplies to Dachau and similar camps at least during immediate post liberation, when feed will doubtless be even more necessary than before.

In absence here of adequate information as to scope feed relief which liberating Allied forces are able undertake for such concentration camp inmates it is difficult for us to judge extent to which we should stand ready continue shipments of WEB parcels through ICRC. We understand basic question of continued ICRC relief activity this sort in zones now occupied by United States forces is at present being examined by SHAEF. Meanwhile, however, all shipments are held up at a particularly critical moment.

It would seem logical extension WEB ICRC program to continue shipping parcels at least temporarily to concentration camps until, for instance, unused backlog approximately 30,000 WEB packages still in Switzerland out of 60,000 originally sent here (not counting 206,000 recently acquired by board from War Department) is exhausted, provided SHAEF does not object or is able send adequate supplies directly through Army channels.

We would welcome expression your opinion.

HARRISON

JMS

Bern

Dated May 1, 1945

Rec'd 11:00 p.m.

Secretary of State,

Washington.

2552, May 1, 7 p.m.

FOR COUNCIL OF MEM FROM MCCLELLAND

We are making plans send WBS parcels with emergency ICRC truck convey to Bolzano region in northern Italy for relief several thousands badly undernourished Italian deportees who have been escaping across Brenner into Italy during past 2 weeks under conditions of frightful physical hardship. Concentration camp of Orice near Bolzano reported to still contain several hundred Jewish deportees will also be included this relief action.

Will inform you if and when this convey can get off.

HARRISON

JMS

EE-1294

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

Bern

Dated May 1, 1945

Rec'd 3:28 a.m., 2nd.

Secretary of State,

Washington.

2553, May 1, 9 p.m.

FOR COUNCIL OF MEM FROM KATZKI AND MCCLELLAND.

Legation's 2263, April 27.

Four Swiss Commercial trucks destined to repatriate Swiss citizens from Austria left Switzerland April 25. In agreement with ICRC DSA they carried 8550 WBS parcels, among other relief goods, for off-loading at concentration camp of Landsberg am Lech. These trucks were routed via Buchs, Feldkirch, Landeck in Arlberg and were then to cut north to Landsberg. As yet we have no news whether they reached their destination safely. Landsberg was reported occupied on April 27.

HARRISON

JMS

JP-1295

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

Bern

Dated May 1, 1945

Rec'd 3:15 a.m., 2nd

Secretary of State,

Washington.

2555, May 1, 9 p.m.

FOR CENTER OF INFO FROM MOORELAND

Legations 2299, April 20.

SHAEF G-4 and G-5 reported on April 25 that
destination of refugees to be evacuated from Switzerland
had been changed from Philippeville to southern Italy,
disembarkation to take place at ports of Bari, Brindisi
or Taranto.

We have had to abandon second target date for
departure first convoy from Switzerland of May 2 since
French authorities have not yet given their final agree-
ment to transit these refugees. First group will
probably not be able leave now much before May 8 or 9.
Preparations this end for movement are practically
completed so that first convoy of about 1100 can depart
as soon as word is received from SHAEF. Herbert is in
regular contact with them via Army phone from Annemasse.

HARRISON

HSH

May 2, 1945
10:10 a.m.

BRETTON WOODS

Present: Mr. O'Connell
Mr. Luxford
Mrs. Klotz

H.M.JR: Give me five minutes on Bretton Woods vs. the Bill.

MR. LUXFORD: I'd be delighted to. Yesterday there was one good thing, the gang came out for Bretton Woods and Goss testified.

H.M.JR: Old Albert Goss. I had him head of the Land Bank of Farm Credit.

MR. LUXFORD: He tied two qualifications to his support of Bretton Woods. One was the CED amendment and two, he was hopeful that something could be worked out to combine the directive powers of the Fund and Bank, but we pinned him down. He finally said CED was what he was really after and he left it fuzzy on the combination of Executive Directors, but his statement was favorable, definitely, to Bretton Woods. He said he Council had gone on record last fall in opposition to Bretton Woods but they reconsidered it and thought the Monetary Fund could be worked out with the CED amendment, so they would support it. The other thing was General Ayres, and he spent the whole substance of twenty minutes with a prepared statement reciting the ills and inflation that occurred after the last war with the very obvious attempt to show that was what would happen after this war. Paul Brown did the most masterful piece of cross-examining that anyone has done in these hearings.

H.M.JR: Yes?

- 2 -

MR. LUXFORD: He really went to town on Ayres and before he was through he had him agree if they would make the CED change, that would be enough. In the afternoon Ayres shifted away from that again but Brown had him pinned down and said, "I don't understand how you can have good management in the Bank and poor management in the Fund," which is in effect what he was saying, and the boys really went to town yesterday.

I was greatly encouraged that they understand the Fund.

MR. O'CONNELL: Brown will amaze you. Every once in a while he comes out with a line like that, a line of questions that couldn't be improved upon.

MR. LUXFORD: Mike Monroney cut loose on Ayres and he did a job.

H.M.JR: What's going to happen the rest of the week?

MR. LUXFORD: The crackpots are on.

MR. O'CONNELL: You mean the opposition?

MR. LUXFORD: They are going to have the rest of this week--nine witnesses.

H.M.JR: Is that the Ohio-Smith crowd?

MR. LUXFORD: Professors from here and there including Kemmerer and that crowd.

MR. O'CONNELL: This fellow was from the Chamber of Commerce of Los Angeles. But they have three days.

H.M.JR: Have they finished?

MR. LUXFORD: No, then they still have to get Eric Johnson of the Chamber of Commerce and nobody knows how that fellow is going to testify, and then we have to put

- 3 -

in at some point three witnesses. Just as courtesy we have to get CIO, Railroad Brotherhood, and Farmers Union, all labor groups and farmers behind it, and we are going to try to run it Monday next week. I don't know what is Tuesday, but Johnson will be Wednesday. We think we will have them close them up Wednesday afternoon by putting Sprague on for us.

MR. O'CONNELL: We are shooting to close hearings next Wednesday, but in a week more we will be through in the House.

MR. LUXFORD: Can I give you good news? Kunkel returned. He is on the committee. He is a Republican. His father was a Congressman and his father before him was a Congressman, and he was greatly impressed by his tours, and gains--

H.M.JR: He has been to England.

MR. LUXFORD: We helped work out his trip.

MR. O'CONNELL: He was mentioned at lunch when we talked about the fellow who couldn't get back.

H.M.JR: I would like to see him.

MR. LUXFORD: We have arranged that. He is going to come here to lunch with the Under Secretary on Friday and bring with him two other wavering Republicans on the committee--Kunkel, Gamble, and Kilburn. And if you should be free, I think we can pull the job and pull in the three of them.

H.M.JR: Fix it up.

MR. LUXFORD: I'll tell them this morning. Do you want to hear--we are getting three wavering Congressmen, Republicans. Kunkel is going to tell us what he found out.

244

- 4 -

H.M.JR: A quarter of one.

MR. LUXFORD: Friday.

H.M.JR: Mrs. Klotz, will you fix it up down stairs, or will you do that? (To Luxford)

MR. LUXFORD: It doesn't make any difference with me.

H.M.JR: Consult with Mrs. Klotz. She can get better food than anybody else.

MR. LUXFORD: I think she ought to do it.

MRS. KLOTZ: Don't be so generous. I'll be glad to.

MR. LUXFORD: Burgess came in with Mr. Ayres when I was in Spence's office, and he said we ought to sit down and talk again. I said, "Oh sure," and I left. I didn't see him any more and E. M. Bernstein tells me that they are squirming.

H.M.JR: Was he friendly?

MR. LUXFORD: Wolcott's cross-examination was a tip-off, too, in the line that he took in asking what were the changes that the bankers would require. It followed the memo we prepared after talking to Burgess. Now, that's where Wolcott went. Now, he said, you want this and you want this and--

H.M.JR: He followed what memo?

MR. LUXFORD: The memo we prepared after our conversation with Burgess.

H.M.JR: Well, now, what about this round robin you were going to send around on the advisory council after Friday's luncheon?

MR. LUXFORD: We have the first draft ready, but haven't sent it around. One reason I was reluctant to

245

- 5 -

send it around unless I had a chance to talk to you was from your personal point of view I don't know if it is advisable to have it only an advisory board. I don't see when the Secretary of the Treasury is Chairman of the Board, why he should be in a position, if the Board agrees with him, why he shouldn't be able to give any instructions.

H.M.JR: I am too tired to put my bean on that one this morning. When you have it done let me know--this first draft stuff.

MR. LUXFORD: All right.

MR. O'CONNELL: He hasn't done it yet.

MR. LUXFORD: I'll shoot it to you. I'll go get it.

MR. O'CONNELL: He can have another draft in three-quarters of an hour. It is a job that wouldn't take him much longer than to go back to his office and come back here.

MR. LUXFORD: I'll sit right here and call for it.

H.M.JR: Do you play poker?

MR. LUXFORD: Sometimes.

H.M.JR: I won't call you today.

MR. LUXFORD: I wish you would.

H.M.JR: A good poker player knows when to call and not to call.

MR. LUXFORD: That's what I thought. You play poker, too.

H.M.JR: I just put my cards down.

MR. O'CONNELL: That was the right play.

H.M.JR: All right.

May 2, 1945
12:06 P. M.

246

HMJr: I was under the impression that you were going to slip me that piece of paper.

General Hilldring: Well, that was right, Mr. Secretary. The impression is correct.

HMJr: Yeah.

H: I was in error yesterday when I informed you that all the chiefs had voted on that. They hadn't.

HMJr: Oh.

H: There is one of them that hadn't voted when I came to work this morning, but I still promise you, Mr. Secretary, that the instant he votes I will get the paper over to you.

HMJr: Well, now....

H: And the reason I haven't done it is because they haven't all yet voted - or hadn't the last inquiry I made. I've been out of the office all morning.

HMJr: Well, here's the point. You remember you thought - you said that in as much as it had passed you thought we couldn't draw up our own piece of paper, you see?

H: Yeah.

HMJr: You remember?

H: Er, uh, uh....

HMJr: You remember I dictated in there a suggestion, you know, about....

H: Yes, sir.

HMJr: ...everybody said that was all right. Then you said these five-star boys they've all passed on it.

H: Only four - only three of them had, Mr. Secretary.

HMJr: That was where I was mis....

H: I think I said that I had been -- that a rumor that it wasn't official. I think I qualified that.

- 2 -

247

HMJr: Well, I'm not trying to pin you down.

H: Well, I understand, sir.

HMJr: What I'm trying to do is get the damn thing cleared up.

H: Yes, sir.

HMJr: Because I think if the Chiefs of Staff and we could get together -- I spoke to President Truman this morning. Hello?

H: Yes, sir, I'm listening, Mr. Secretary.

HMJr: I think he'll -- if we could get together on that one point, I think he is going to clear the thing.

H: Yes, sir. I regret, Mr. Secretary, that they haven't come out with this paper, but I've got one of my boys bird-dogging the thing right now. Well, I was going to say by 12 o'clock - it's 10 after 12 now. I think I can get that paper out of there pretty soon.

HMJr: Well, when you see if you could get it so that I can get a look at it - then you see, if we could circulate it....

H: Well, I won't....

HMJr: I'll let you know if it's all right, but then....

H: Yes, sir.

HMJr:maybe we could clear the whole thing up tomorrow morning when we meet at 9:00.

H: That's my target, Mr. Secretary, and I hope I can -- we can get the Joint Chiefs to have their paper in your hands not by then but early this afternoon.

HMJr: All right. Now, I've got three things. That's number one.

H: Yes, sir.

HMJr: Number two - I hear with you said that we are going to have -- that Treasury is going to have a good standing in the Philippines as the Chase Bank.

- 3 -

248

H: The opposition, Mr. Secretary, has been removed.

HMJr: (Laughs) Well, you know it's wonderful. If the Government can be as good as the Chase Bank, that's something.

H: Yes, sir, it is.

HMJr: Yeah.

H: Of course, Mr. Secretary, you were always right (Laughs)

HMJr: (Laughs)

H: And that's nine-tenths of the law. If you are right, by golly, you'll always prevail.

HMJr: Except on the 15 civilians for Italy.

H: Yes, sir, well....

HMJr: You did your duty that way.

H: I done my duty, Mr. Secretary.

HMJr: That's fine.

H: I had to wait the pleasure of the Cabinet officers. I have nothing further to say on that.

HMJr: Now one other thing - this is purely informally - just between you and me.

H: Yes, sir.

HMJr: You know we've been asked to send a few financial men over there, see? To Germany.

H: Yes, sir.

HMJr: And I wanted you to sort of inquire around, and if we suggested Laughlin Currie whether that would be acceptable or not, see?

H: All right, sir.

HMJr: I don't want to suggest it unless....

H: Yes, sir.

HMJr: See?

249

H: Yes, sir. Well, we like Laugh over here. Denny Bell called me up yesterday morning.

HMJr: Yeah, what did he --- who did he suggest?

H: No, he didn't suggest anybody. He wanted me for you to find out from Clay and Eisenhower...

HMJr: That's right.

H: ... at what date you wanted this fellow to show up.

HMJr: That's right.

H: So I sent such a cable off to Clay to talk to Eisenhower about it and to get back the word so that I could relay it to you, and I'm awaiting that reply, Mr. Secretary. As I said all along, Ole Bernie is doing a swell job, and there isn't much heat on the thing for that reason. But I think I should send another one now with respect to this gentleman that you....

HMJr: Well, I haven't spoken to the gentleman.

H: Yes, sir, well, I understand that, Mr. Secretary.

HMJr: I haven't asked Currie, but I was just -- I don't know whether he would go or not.

H: Well, sir, I understand.

HMJr: But.....

H: This is just a little reconnaissance you want me to make very quietly.

HMJr: That's right.

H: I understand, sir.

HMJr: You've got it.

H: Yes, sir.

HMJr: O. K.

H: All right.

HMJr: Thank you.

H: All right.

May 2, 1945
2:23 P. M.

259

HMJr: Hello.

Operator: Mr. Crowley.

HMJr: Hello.

Mr. Leo Crowley: Hello, Henry.

HMJr: Leo, good afternoon.

C: Yes, sir.

HMJr: You remember I spoke to you about the Chinese and the gold.

C: Yeah.

HMJr: And at the time you said you didn't think you would have any direct interest.

C: That's right.

HMJr: Well, now, I find you have because yesterday with Patterson away they sent over Somervell, and Clayton came over here, and I find that T. V. Soong has been doing the usual thing that these foreigners do - they've been shopping all over.

C: Ahuh.

HMJr: And I thought that we might get a kind of joint memorandum together for the President so that he won't be shopping with you for one kind of trucks, and over with Clayton for some kind of cotton, and with Somervell for something else.

C: Sure.

HMJr:and for me with gold.

C: That's right.

HMJr: And then we could present a united front against the Chinese. So if that is agreeable to you, whoever is handling that for you.

C: I'll have Willauer get in touch with Frank Coe, Henry.

HMJr: Will you do that? And then looking towards - we

- 2 -

251

HMJr:(cont) agreeing amongst ourselves on something, and then presenting it to the President for his approval or disapproval.

C: Fine. We're trying, Henry, to get some textiles. We got some from Mexico and Brazil, I think.

HMJr: Yes. Well, there was a lot of discussion here that was above my head, but I listened closely, between Clayton and Somervell on civilian and Army cotton.

C: Yeah.

HMJr: And you've got a stake in that.

C: That's right. I'll have Whitey Willauer, who is our Chinese man, get in touch with Frank and let them work out a memorandum for us to sign or initial, Henry.

HMJr: That's what I thought.

C: Fine. Thank you, Henry.

HMJr: Thank you.

May 2, 1945
4:25 p.m.

251-A

The Secretary stepped to his outer office to say goodbye to Mr. Fred Florence, President of the Republic National Bank, Dallas, Texas, and to Congressman Wright Patman. Mr. Luxford brought the gentlemen in and remained for the discussion that followed.

Mr. Florence asked the Secretary to meet with Randolph Burgess of the American Bankers' Association to discuss a compromise on Bretton Woods, with the clear understanding that the bankers' demands would be kept to a minimum and that Burgess would have definite authority to bind his group on any agreement reached.

Mr. Morgenthau said "No," that he had been through conference after conference with the bankers, had pleaded with them for their support in terms of the broad over-all issues, had heard all their arguments over and over, and could see no point in further discussions at this late hour. The Treasury has been working hard on this project for over two years. The Treasury recommendations are set forth in a bill submitted to Congress, and hearings are in progress before a "good" committee. If changes are to be made, it is now the responsibility of the Congress to make them.

Mr. Morgenthau said the only thing that interests him now is peace - world peace - sound peace good for a hundred years or more. One basis for that peace is a substantial economic structure and he sees no better foundation for general economic stability than the Bretton Woods agreements. This peace is bigger than Randolph Burgess, or the Secretary, or his position; and Mr. Morgenthau will not have its beginnings sidetracked by "playmate" compromises. He added that in previous discussions with Burgess the latter had, in effect, promised that even if the ABA were critical of the Plan, the ABA would nevertheless state that if it came to a choice of Bretton Woods

251-B

- 2 -

or nothing, the ABA would accept Bretton Woods. In the Secretary's opinion, Burgess had not kept his word and now he had doubts of Burgess' power to bind the ABA.

In the course of his remarks, Mr. Morgenthau was careful to state that there exists no personal ill feeling between Mr. Burgess and himself, that if Dr. Burgess were to enter the room at that moment, Mr. Morgenthau would be happy to shake him by the hand. But on the subject of Bretton Woods they were getting nowhere.

In passing, Mr. Morgenthau pointed out that despite the fact that the bankers are now better off than ever, the ABA has a 100% record for standing against the progressive economic program of the Government. He specifically mentioned the ABA's opposition to Postal Savings, the Federal Reserve Act, FDIC and SEC. He also said that he had never seen anything like the strong lobby the ABA has thrown against Bretton Woods.

Mr. Morgenthau concluded stating that if Dr. Burgess wanted to set down his ideas in writing, the House Banking and Currency Committee, no doubt, would be glad to consider them. But it seemed to Mr. Morgenthau that the important issue at stake - the economic foundation for peace - was far too vital to spend hours in useless discussion of small compromises.

Throughout Mr. Morgenthau's remarks, Mr. Florence assured the Secretary that he personally was in agreement with the Treasury and was in favor of the Bretton Woods proposals as submitted to the Congress, and that he thought that the suggestions for compromise which he had given to Mr. Luxford were not at great variance with the Treasury's views. (These suggestions were along the lines of those developed in the Treasury discussions with Burgess in New York)

May 2, 1965
5:40 P. M.

252

HMJr: This is Henry.

Mr. Wright
Peterson: All right, Henry.

HMJr: Was I all right?

P: Yes, perfectly all right, in fact I gave him the devil after I left there.

HMJr: You did.

P: I said you fellows can't afford to be on the wrong side of this. You've just got to make them compromise it. And he left me to go see Burgess, you know.

HMJr: Yeah.

P: You know Burgess was the first fellow he saw when he got here.

HMJr: I see.

P: And Burgess has been waiting around here today.

HMJr: But don't you think he was just an ambassador from Burgess?

P: I think that's right.

HMJr: The thing that touched me off was when he said "...do this thing with Burgess."

P: Yeah.

HMJr: But I just wanted to be sure because I figure such a good friend that if I went too far you'd tell me so.

P: That's right I would have. You didn't go too far.

HMJr: And I felt the thing to do was to let them know at this and no compromise.

P: Yeah. I told them that you had to deal with the committee, and if they would put it down in writing like you suggested and furnish it to the committee and to you - well, it's just really to the committee...

HMJr: That's right.

- 2 -

253

P: Which they've never done...

HMJr: Yeah.

P: And they don't want to do, and I've told him they must agree to go all the way through - Senate and all.

HMJr: Yeah. Well, you've always been so kind and I wanted to make sure that you were perfectly happy.

P: Oh, I am, and I told him before we went down there, I said, "Now, if they don't agree with you, I'm still for the Treasury and for the Bretton Woods proposals". I wanted him to understand that, see?

HMJr: Well, I got a little excited but I meant every word I said.

P: Well, I think it was good medicine for him.

HMJr: Well, thank you.

P: Well, thank you, Henry.

HMJr: Bye.

P: Bye.

12"

2115 MARGHENT AVENUE, N. W.
WASHINGTON 8, D. C.

ADAMS 8800

HEBREW COMMITTEE OF NATIONAL LIBERATION

HEBREW COMMITTEE OF NATIONAL LIBERATION

May 2, 1945

Mr. Josiah K. DuBois
Treasury Department
Treasury Building
Washington 25, D. C.

My dear Mr. DuBois:

As a leading American citizen, your deep interest in the solution of the Jewish problem, not only from a humanitarian point of view but also from the point of view of security and sound foundations for a lasting peace, prompts me to write you at this time.

Unfortunately, the confusion surrounding the Jewish question has resulted in so many complex and contradictory notions that it has been difficult to reach the core of the problem. We feel that it is this confusion that has been the greatest obstacle to a solution.

We believe that the enclosed letter sent by Mr. Peter H. Bergson, Chairman of the Hebrew Committee of National Liberation, to Dr. Chaim Weizmann, President of the Jewish Agency, has succeeded in dissipating this confusion and has brought forth a clarity which was badly lacking.

We trust that you will grant us the privilege of your attention to the contents of this letter and that we may have your views on it. You will not only find it interesting and illuminating, but also a clear answer to your own doubts and queries.

Cordially yours,

S. Morlin
S. Morlin
Secretary-General

Enclosure

1111 Massachusetts Avenue, N. W.
Washington, D. C.

April 1943

HEBREW COMMITTEE OF NATIONAL LIBERATION

April 7, 1943

Dr. Chaim Weizmann,
President of the Jewish Agency for Palestine,
77 Great Russell Street,
London, W.1,
England.

My dear Dr. Weizmann:

This letter, and the proposals it contains, are the result of a very exhaustive analysis of the situation and I wish to assure you that in this analysis, as well as in the preparation of our proposals, we have striven to the utmost of our ability to be impartial and not let prejudice and grievances becloud the issues or affect our thinking.

Everywhere - amongst all shades of Jewish opinion in this country, in England and even in Palestine - there is an accepted tendency to see the national disaster that has befallen our people in Europe as just one more episode in the long chain of sad episodes with which our history is studded. But it is an inescapable fact that Germany has managed to deal us a blow on a scale which surpasses anything we have endured in the past. It is an inescapable fact that the decimation of the Jewish population of Europe is not only a multiplication of several million personal tragedies; it has completely altered the position of our people in the world and it has completely altered the course of our future national existence in Palestine.

Since this is true, all the plans that were formulated prior to this national disaster, based on past experience when there were some eight million Jews living in Europe, must be altered in some way. In fact, the changes are so basic that it is clear that new plans and new formulas must be found if we are to recuperate from the mortal wounds which have been inflicted upon us.

True, there has indeed been a great intensification of Zionist activity. The Jewish National Fund and the other funds have nearly doubled their incomes. But not therein lies the solution of the present problem. For it is a fact

that the Jewish National Fund, after forty years of activity, owns only some three percent of the soil of Palestine, and it is still a fact that our population in Palestine, in twenty-five years of the most arduous and practically miraculous efforts, increased by some 500,000 people which, at best, is only about fifteen percent of the number of lives we have lost in the past few years.

And then there is also a broader question. What Germany has already done to us will indeed remain as the blackest and most barbarous crime any nation has ever committed. But it would be self-delusion to ignore the fact that at the same time it has affected our status throughout the world. All propaganda notwithstanding, the Germans did not dare do in any consequential numbers to other people what they have done to us. When they speak of "Russians," "Poles," "Greeks," and "Yugoslavs" who have been exterminated in human death factories, it is but pretense. The world knows that overwhelmingly they were Russian-Jews, Polish-Jews, Greek-Jews and Yugoslav-Jews who were exterminated. And the world was slow in either feeling or expressing a sense of shock at what was happening to us. The facts are that, even while the war against these same cannibalistic Germans is going on, Anti-Semitism is once again on the march, not only in countries like Rumania, but even in Holland, France, England and even the United States. "Kill all the Jews" has remained the slogan, even after Auschwitz and Treblinka.

To proceed in the face of such facts with the same methods and in the same tempo as in the past, to our mind, means to proceed to utter obliteration and destruction. Not only shall we never have Palestine, but even the fate of the Jews in the big, old democracies is bound to deteriorate and ultimately to reach a disastrous state. The key to the situation, however, still remains an adequate solution of the problem of the Jews in Europe, a problem which certainly cannot be solved without a swift solution of the Palestinian problem.

Every surviving Jew in Europe is sick to his soul from what he has had to endure. He has learned his lesson and is eager to proceed to Palestine the day he is liberated from the Nazis. But already months have passed since more than half a million such Jews have been prevented from going to Palestine; have been forced to remain where they are and seek some means of livelihood and existence. These are tired and worn-out people. If they are forced to make compromises and adjustments and accept again an inferior kind of life - but one which is a great relief compared with life under the Germans - they will accept it. At least, large numbers of them will. They are not better than any other nation and the majority of most nations, whether they be American, Irish, Polish or Russian, has always been willing and content to live in conditions of hardship and subjugation. (Revolution in all these countries was accomplished by a very small minority.)

The Jews of Europe today, however, still hope that the reason they cannot go to Palestine is because they are not yet over and that as soon as it is over they will be able to proceed. Meanwhile, however, a situation develops where for six months or a year after the termination of hostilities in Europe immigration to Palestine is still on a scale of 1,000 or 2,000 a month, a situation is bound to arise in which the number of people who will be willing to go to Palestine will become pitifully small and the future of Palestine thus sealed.

Our adversaries are aware of this and it is to that end that their policy is designed. Your compatriot and co-religionist, General Sir Edward Spears, was gleefully saying in London only recently that the Palestine problem was "solved" since after the war there will be no Jews left in Europe who will want to go there.

The objective, therefore, must be to make it possible to transfer to Palestine some 500,000 Jews in the first six months of the transition period that will follow cessation of hostilities in Europe and to plan the absorption of another million in the year that will follow. Only a reasonable approximation of this goal can save us and put us on the road to recovery from the national disaster which has befallen us. All the various palliatives that are being suggested can breed only disaster.

In order to fight them and in order to make it absolutely clear to the Mandatory Government, as well as to the whole world, that we intend to exercise our international right to go to Palestine and live there, a policy must be adopted and publicly proclaimed to that effect, and plans ought to be made and launched to commence the actual transfer of large numbers of the surviving Jews of Europe into Palestine. It was being done on a considerable scale in 1937-38-39 and even during part of 1940; it can be done on a much larger scale now, British opposition notwithstanding; only that now it can and should be done openly with the assistance of the friendly governments of the United Nations, which did not recognize the Chamberlain White Paper policy and which are on record as opposing its provisions. Most important amongst those, of course, is the Government of the United States.

The Hebrew Committee of National Liberation has devised such a policy and publicly proclaimed it. It is also engaged in the execution of plans to implement it. I am sending you under separate cover the Statement of Policy which was published, together with the texts of communications from us to the Mandatory for Palestine, on the subject of the rescue of the Jews of Europe and their admittance into Palestine.

-4-

Another very crucial set of problems for which we believe a solution is required is (a) the question of the Jews in the world of those Jews who are citizens of free countries and who do not desire to move to Palestine, and (b) the general question of the relations between the Jewish religion and the proposed "Jewish Commonwealth".

When you speak of a Jewish Commonwealth, are you proposing the establishment of a theocratic state? Yet what else can it mean?

It is impossible to deny that we Jews are primarily a religion; at any rate, there exists a Jewish religion to which millions of people the world over actually adhere. The term "Jewish Commonwealth" therefore inevitably denotes the suggestion of a theocratic state, precisely such as would be denoted by the term "Catholic Commonwealth".

Of course, historically speaking, we Jews are descendants of the ancient Hebrew nation whose national territory was Palestine, and there are still many people of Hebrew descent in the world, particularly in Eastern Europe, who are actually members of that ancient and unrecognized Hebrew nation which never ceased to exist, though in exile for 1800 years. They lived through the centuries in exile - in "Galuth". Today they are referred to as "stateless Jews," or as members of a Jewish national minority, which comprises both the Jewish religion and Jewish nationality, and which was recognized under the terms of the Versailles Treaty in some Eastern European states, such as Czechoslovakia, Poland, Rumania, etc.

This status, however, is in sharp contradiction to the status of Jews in the western democracies such as France, and England, and particularly to their status in the United States where the Jews are solely a religious, cultural community on an equal footing with Catholics and Protestants, enjoying an absolutely full equality under the law and legally undistinguishable from any other Americans.

When Zionism was formed as a political movement, it meant the actual moving of all Jews who believed in Zionism from Czarist Russia and the Austro-Hungarian Empire, where the movement was formed, into Palestine. Today the Zionist Organization of America and the Zionist Organization of Great Britain are a direct continuation of that same movement and adhere to the same principles. Yet not even a fraction of the Zionists in the United States are actually planning to leave their country and move to Palestine. Zionism today has become, to millions of Americans, both Jews and Christians, a confusing mixture of national, a religious and a spiritual movement.

-3-

I beg to stress again that this letter is not written in any spirit of reproach or criticism but rather with a deep-rooted desire to be of service in an hour of desperate need of the tormented Hebrews in Europe. We say, therefore, that it is impossible and unnecessary to maintain in 1945 in the United States the same principles of organization and objectives of a movement which was organized in 1886 in Czarist Russia. The world has changed greatly during these years, but there were no changes made in the structure of Jewish life in the world.

One other reason, and a very fundamental one, for the basic need for a radical change is the fact that the tireless efforts of Zionists all these years have truly brought them triumph. They have attained the major objective of their aim: the re-establishment of Hebrew national life in Palestine. This is no longer a proposal, a plan, that has to be attained. It is an accomplished fact. There is a young nation, active and alive, living on its soil in Palestine, only that nation does not exercise self-determination; it is not free; but neither are many other nations in the world today, small or large.

But this does not contradict - indeed, it augments - our basic thesis that, with the existence of a Hebrew nation in Palestine and with the existence of hundreds of thousands of Hebrews in Europe - people who have the right and a desire to rejoin their nation - the problem is no longer one of laboring towards such a goal as: "There ought to be established a national home for the Jewish people."

The goal today is to win recognition for the existing Hebrew nation amongst the nations of the world, to achieve the right of self-determination for every Hebrew in Europe whether still under Germany's yoke or in liberated territories, or whether prevented by the Mandatory for Palestine from proceeding home.

As a result of changed conditions, an entirely new structure has come into being, and Jewish life the world over must adjust itself to, and benefit from, this change.

The time has come to make clear - both for the survival of the Hebrews of Europe and the best interests of the Jews of the United States - the fundamental difference that exists between a "Hebrew" and a "Jew," in terms of the political realities of the world.

It is the difference between a nationality and a religion.

There are 900,000 Hebrews already living in Palestine. Hundreds of thousands of the surviving Jews of Europe are also Hebrews: they are those Jews who are not in Palestine today only because they have been physically prevented from going there. They have given up, or are all ready to give up, immediately.

their German, Hungarian, Rumanian, etc., citizenship. Because of their torturous predicament and in order to enable them to reach Palestine, they should be regarded as Hebrews, that is, as nationals of Palestine, even though they have not yet arrived there.

It is obvious that this is not the case with the 5,000,000 Jewish citizens of the United States. They are Americans and wish to remain Americans. They are not now Hebrews but are Americans of Hebrew ancestry. Like all other Americans, they have a national extraction (Hebrew) quite apart from and in addition to their religious affiliation, which is Jewish. Thus, I, who sign this letter, am a Hebrew who practices the Jewish religion, while Rabbi Wise is an American who practices the Jewish religion. Our religion is the same. Our nationality is different. This distinction between religion and nationality is more familiar, but not more significant, in relation to Catholicism. There are American Catholics, Spanish Catholics, English Catholics. There is no confusion there between religion on the one hand, and nationality on the other.

Yet it is precisely the widespread confusion which does exist about the nation of Hebrews and the religion of Jews which blocks effective solutions of our problem. Without such confusion, millions of American citizens of Hebrew descent could begin to live in full harmony and integration with the millions of other Americans who are also conscious and proud of the nations from which they hail.

In order to be able best to realize our platform and proposals, let us imagine that your proposed "Jewish Commonwealth" has been established. A number of questions will demand answers. These questions will include the following:

1. Does every Jew in the world automatically become a citizen of the Jewish Commonwealth? And if not, which Jews do and which do not?
2. What would be the status of Moslems and Christians who will reside in the "Jewish Commonwealth," and who might wish to enter that country? Would their nationality be "Jewish"?
3. Who would be the diplomatic representatives of the Jewish Commonwealth? Today Palestine is represented by the World Zionist Organization. Rabbi Wise is at present its leading representative here in the United States. Will he therefore be appointed the Jewish Commonwealth Minister to the United States, or will some other arrangement have to be made since he is an American citizen?

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-7-

4. What will become of the Jewish Agency which was intended to represent "the interests of the Jews of the world" in Palestine? The proclamation of the establishment of a Jewish Commonwealth will not eliminate the interests of the Jews of the world in Palestine. Does this mean that the Jewish Agency will proceed to negotiate with the Government of the Jewish Commonwealth on behalf of the Jews of the world? Or here again, will some other arrangements have to be made and the Jewish Agency undergo some changes?

5. What will become of the World Zionist Organization? Will it continue to exist as a sectarian international Jewish organization, or will the fact of the establishment of the Jewish Commonwealth call for some changes in its structure?

6. Finally, what will become of the World Jewish Congress? Will this too continue its existence as an international Jewish body and attempt to speak for the "Jews of the world" on all political questions, or will such representation be no longer needed by the establishment of the Jewish Commonwealth?

We believe that it is the lack of any practical answers to the above questions, as well as to many similar problems, which is the biggest obstacle standing in the way of the rescue of the Hebrews of Europe and their restoration to life, security and freedom in Palestine. We believe that if you attempted to view Jewish life the world over from the point of view of an already existing "Jewish Commonwealth," and if you attempted to face and solve the actual problems of the establishment and integration of such a commonwealth, you would find yourself solving one by one all these problems in a manner similar, if not identical, with the proposals contained in this letter.

But not only is this of urgency and of crucial importance for us Hebrews, it is essentially needed for the well-being of Jews everywhere.

The Zionist leadership owes an explanation to those millions of persons of Hebrew descent who adhere to the Jewish religion and who prefer of free choice to remain nationals of the countries in which they now live. This is of particular importance for the millions of Americans of Hebrew descent who form an integral part of the United States as the people of Dutch, Irish or British descent, and who neither have nor should have any different tie with Palestine than the others have with the countries from which they originally hailed.

Even the Hebrew national disaster in Europe and the millions of casualties it claimed have failed to secure a large-scale intervention on the part of the governments and leaders

-3-

of the United Nations. We say that this is not because of the lack of good will on the part of people like Roosevelt, Stalin and Churchill, Hall, Stettinius and Eden. We say this is primarily because of the confusion and the imponderable formula of our present existence in the world.

The insistence of Jewish leaders that there exists a universal Jewish people which makes it possible for a "Jew" to be a member of the American, the Russian, the Argentine, or, for that matter, the German nation, and simultaneously also be a member of the "Jewish people" is utterly unrealistic and politically meaningless. It is because the Jewish organizations have asked the aid of the governments of the United Nations for this "Jewish people" - a politically non-existent entity - that nothing on a governmental scale has been undertaken despite millions of casualties and despite a sincere desire on the part of President Roosevelt and many other key officials to help save our people.

For example, the World Jewish Congress wants representation at the San Francisco United Nations Conference. You yourself, Dr. Weizmann, expressed your indignation that the "Jewish people" were not invited to be represented there. What Jewish people, Dr. Weizmann, and who should have been invited? Let us presume that you as President of the Jewish Agency and Dr. Wise as President of the World Jewish Congress are the two spokesmen of the "Jewish people". Do you really believe that the Government of the United States should have addressed a formal diplomatic note to you and to Dr. Wise inviting you to represent the "Jewish people" at an international conference? Could they ignore the fact that you are a British subject and that there is only one way in which they can deal with British subjects and that is through the British Government? Can they ignore the fact that Dr. Wise is their own national and is going to be represented in San Francisco, as all of the other Americans are, by the American delegation which was appointed by the President of the United States? Could they, particularly in the face of a rising tide of anti-Semitism in both countries, give an official recognition to the contention that "the Jews are not actually Americans but are a foreign element which is not quite a part of the country," and that the Jewish citizens of Great Britain are not actually Englishmen; they are foreigners who just happen to reside in Great Britain and are actively and politically a part of a foreign people - the "Jewish people".

Surely you must realize that the conference will be attended by representatives of governments or national authorities, each speaking for a specific national entity and surely you must see the absurdity of requesting that you, an Englishman, and Dr. Wise, an American, be given a seat at the Conference by virtue of your being heads of organizations which are composed not only of citizens of all the different United Nations (who will be represented

-9-

by their own governments), but also citizens of neutral countries, such as Sweden, Portugal and Argentina (which should not be represented at all.)

If one wanted to be exact in his logic in this matter one should stress the fact that under the policies of the Jewish organization the same equality of citizenship which the Jews have in the United States and Great Britain should be recognized for the Jews in all countries, including Rumania and Bulgaria and Italy and Germany. You, therefore, actually want to get an invitation of your own Governments to represent in San Francisco a sort of "international" of your own and a very broad-minded one, as it also includes enemy nationals.

Of course you will not be represented at San Francisco and the result will be that neither Palestine with its 700,000 Hebrews nor the surviving Hebrews of Europe will be represented in San Francisco. Just as we do not exist at all on the political map of the world. And the Jewish Organization will go on blaming the outside world while the fault is their own, for it is they who maintain and enforce a set-up which makes it impossible even for our staunchest friends such as President Roosevelt to come to the aid of our people on a truly large governmental scale.

Although most government officials have a very negative reaction to the mere existence of such bodies as the "World Jewish Congress," and the Jewish Agency, they accept the verdict of "the Jews themselves" of what they consider "an internal Jewish affair", and have done nothing about it.

Basically this is the only complaint we can have against our friends in the American Government. They should have taken the initiative and explained the political impossibility of the present set-up and advised a new and workable one. They did not because they think that Jews are capable enough of taking care of their own interests. They believe that the Morgenthau's, the Frankfurters and the Rosenmans, while members of the American Government, must have good reasons for permitting a situation to continue in which they are also being politically represented before their own Government as members of another political entity - the "Jewish people" - on questions of foreign and international policy. But if they took the trouble really to look into the problem they would find that there is no reason for this state of affairs other than confusion and inertia.

What we Jews have done up to now has been to ignore all this and simultaneously demand: "Recognize the Jews as one of the United Nations," "Proclaim the Jews prisoners of war," "Give the Jews representation at the Peace Conference," "Establish a Jewish Commonwealth," and at the same time, "The Jews are the

-10-

most loyal American citizens." "The Jews are the most loyal British citizens." "The Jews are the most loyal Argentine citizens."

The results were four million dead.

The results were refusal to recognize their murder as a war crime.

The results are refusal by UNRRA to give one loaf of bread to the 400,000 surviving, starving Hebrews in Rumania whom it insists on treating on the same footing as it treats their Rumanian murderers.

The results are an absolute deadlock of the Palestinian problem, and the result, if this is going to remain our "platform", is bound to be a shifting of the conditions which brought about the disaster in Europe to other places where large numbers of Jews are congregated.

One of America's greatest statesmen, a man who still yields through his position, predominant influence on world affairs, once told me in a concise phrase: "The Jews must make up their mind as to what they are." And this, Dr. Weizmann, is the crux of the problem from which there is no escape. If we do not decide what we are we will have a continuance in various forms of the present status of the Jews the world over. Hoping to survive until such time as an ideal world will be established when it will make no difference whether one has a country or a nation or a territory or a border or an army; when all human beings can live under God in true freedom and equality. I believe that such a world will eventually come to be, but if we let the Jewish situation remain as it is there is no doubt whatsoever in my mind that hardly a Jew in the world will survive to live in that era.

What is wrong with the present Jewish structure is that the "assimilationists" say that all Jews must assimilate and the "Zionists" say that all Jews are part of a political entity called the "Jewish people," and that they should sooner or later go to Palestine.

What we propose is to abandon this undemocratic and impractical point of view which calls for arbitrary enforcement of a certain status against the will of the individual. Surely, Dr. Weizmann, it is undemocratic when you try to force Mr. Rosenwald, for example, to belong to a nation to which he does not want to belong and whose existence he denies. It is just as wrong on Mr. Rosenwald's part to deny me the right to belong to the Hebrew nation and to insist that I must become a German or a Rumanian or a Santo Domingan.

It can thus be made clear that there is a Hebrew nation to which adhere only those who wish to adhere to it (as is the case

-11-

with any other nation? and not a "Jewish nation," which involves every Jew whether he wants it or not.

We want Palestine, therefore, as a free state and not "a Jewish state". It is only then that we can tell the American-Jewish Committee and the American Council for Judaism, and the Anglo-Jewish Association and all the other non and anti-Zionists, that they should have the good grace not to interfere with the affairs of a nation to which they do not belong. And it is only then that the breach will be healed and the question of "the Jewish people not agreeing amongst themselves in regard to Palestine," which has been a major obstacle all these years, will be solved and dropped.

* * * * *

All that we want, as I very well know all you and your fellow Zionists want, is to bring an end to the scandal of the territorial homelessness of a great and ancient nation. If we do this we must with cold sobriety realize the fact that the Hebrew nation is not composed of all the people in the world who are commonly referred to as Jews, some thirteen or fourteen million of them. That our task is not to solve the "homelessness" of the Morgenthau's or the Lord Sarnels or the Litvinovs. We must realize that we cannot have a free state in Palestine and an international "Jewish people" at the same time. We can have one of the two, and it is up to us to make our choice. Once the independence of Palestine is secure and every Hebrew has been enabled to return there, the present Jewish problem will be transformed into the following:

1. There will be the State of Palestine (or whatever name this self-governed country might call itself): the national territory of the Hebrew nation.

Here will live several million people adhering to the Jewish, Christian, Moslem and a variety of other religions. But just as the nation inhabiting The Netherlands are the Dutch, just as the nation inhabiting Iraq are the Arabs, so the nation inhabiting Palestine is Hebrew. Palestine will have no state religion, just as there is no state religion in the United States, for to have a state religion is against the principle of freedom of religion and surely Palestine ought to have as complete a freedom of religion as is found in the United States.

2. In many countries of the world there will be people professing the Jewish Religion, but these will be purely religious communities.

-12-

The Jewish organizations will have to be purely religious or cultural organizations, for there will be no need or justification for political activities on behalf of Jews.

This framework will provide for the Jews of the United States a national designation which they alone lack among all Americans. It is because they lack such a designation that the term "Jew" is extensively used to denote national origin. This is of no little significance, nor is it a play of words. It is of great significance because the term "Jew" meaning an active affiliation with a religion, is today also construed to mean an active affiliation with a foreign nation.

When one says General Knudsen is Danish, one means he was Danish. When one says Justice Frankfurter is Jewish, one means he is Jewish. If one would say Justice Frankfurter is Hebrew, it too would mean he was Hebrew, for his Hebrew affiliation is a matter of the past, and is as possible as Knudsen's Danish affiliation, while his Jewish affiliation is an active, daily state-of-being.

Moreover, as things are today, when the Hebrew nation is so completely interwoven and intermingled with the Jewish Religion, when you say "Recognize the Jewish state," "Give the Jewish people a seat in San Francisco" (for all who say "Jewish people" actually mean "Jewish nation") you could not possibly distinguish whether you speak of David Ben Gurion, Moshe Cohen - a stateless Jew, now on the Isle of Mauritius - Henry Morgenthau, or Lord Samuel, for all of them are Jews and all of them are actively practicing those things that make them Jews. I for one could never determine whether Henry Morgenthau is "more" a Jew than Ben Gurion, or vice versa. What difference can there be between them but that Henry Morgenthau is an American and David Ben Gurion is a Hebrew, and so is Moshe Cohen of Mauritius.

When we say "Recognize the Hebrew nation," "Give the Hebrews a seat in San Francisco," it clearly defines whom we speak of, and it is right to ask representation for the Hebrews because they are not otherwise represented.

The term "Hebrew" will become synonymous with "Palestinian" once the country is independent and everybody can be easily made to know that Mr. Morgenthau and Lord Samuel are not Hebrews or Palestinians, though they are Jews.

Of course, we are fully aware of the fact that this distinction cannot be made internationally known over night, but experience since the establishment of the Hebrew Committee in Washington last May has shown how rapidly and easily people understand the basic distinction and adopt it. It should certainly be strictly adhered to in all appeals and approaches to the governments of the United Nations.

-13-

We must establish now a national status for those Jews who have not accepted or are not subject to any other national sovereignty. Must the Jews of Palestine remain subjugated and the Jews in Europe remain stateless or accept forced membership in the German and Russian nations? Must all these be denied the right of Hebrew nationality because the Jews of America or England, and of many other lands, do not need or wish it? Why are you denying us the right to claim Hebrew nationality now? Must we have no voice of our own and accept the humiliating and disastrous status of "stateless Jews"?

I regret, Dr. Weizmann, that this letter is becoming exceedingly long. I wish I knew how to express my views in a briefer and more concise form. But it is not a memorandum or a political communication or a literary pamphlet that I am writing. I am trying to present to you and to the other leaders of the Zionist movement an analysis of the reaction of the members of the new generation of Palestine, of that Palestine that you helped bring about. Is it so hard to conceive that Palestine has produced a number of young patriots who are sincere and who really want to serve the interests of their people?

Must it be that we are, as your colleagues have been frantically and publicly describing us, a group of selfish and greedy "crooks" who are trading with everything, even with the blood of the millions of our martyrs in Europe? Must it remain a Zionist objective actively to vilify us before the American and British Governments and public opinion, at great expense and use of public funds collected for "the poor Jews of Europe"? Or is it possible that Palestine has brought forth in the past thirty years a new generation of sane, healthy and stalwart Hebrews? You have recently visited Palestine, Dr. Weizmann. You saw them there - husky, Middle-eastern lads, on the farms and in the factories, performing a Herculean task of colonization in circumstances harder than any ever undertaken before anywhere.

That new generation has also produced thousands of youths who are today smarting in British concentration camps, in Palestine, in the jungles, in Eritrea and in the Sudan to which they have been exiled. It has produced Shlomo Ben Joseph, who went singing to the gallows in 1938 though he had harmed no one. It has produced Bet Zuri and Hakin, whose composure, spirit of sacrifice and courage won them admiration, even from their British executioners.

Is it impossible to conceive that that same Hebrew generation has produced a number of men who have dedicated themselves to the service of their people; who, having faith in the inherent decency of mankind, are determined to fight for their people by means of political weapons and with the strength of the support and friendship which our national struggle is bound to receive from the people of the United States?

-14-

Must all stalwart and courageous Hebrews stay in Palestine's concentration camps and, driven to desperation, engage in assassinations, or just suffer in silence and leave the representation of our national interests solely in the hands of American and British Zionists? Is it not only logical that a number of them have come to the United States and with the help of the people of this generous and mighty nation are endeavoring to secure recognition of the renaissance Hebrew nation and the independence of Palestine?

In the course of our serving the Hebrew people in the past eight years, we have always endeavored to discover the root of the obstacles that all these years have prevented a solution of the age-old problems of our people.

We ourselves spoke of the "Jewish people" and of the "Jewish Army" and of the "Jewish State," even as you and your colleagues speak today. We know now that our very successful and history-making campaign for the creation of the "Jewish Army" in this country has not created such an army, only because a "Jewish Army" is an impossibility; only because people throw into our faces "Catholic Army" and "Protestant Army" and only because if we said "Jewish Army" and meant the Jews of Palestine, the stateless Jews and volunteer Jews from neutral countries, the American Jewish leaders thundered back: "What's wrong with the American Army? Why should my son not go into the American Army but join instead the Jewish Army?"

Had we made it clear that it is a Hebrew Army that we wanted, there might have been an army two hundred thousand strong now marching into the heart of Germany.

But even at this late date you prefer to sell that same Hebrew Brigade, that was formed so much as a result of our efforts, "The Jewish Brigade" so that the contribution of well over a million Jews today fighting on fields of battle the world over is confused with the one meagre "Jewish Brigade," sent to the front just when the shooting in Europe is nearly over.

In the existing confusion you insisted on, and got from the Colonial Office, the right of Englishmen of the Jewish Religion, who have been fighting and dying with the British Army since the first day of the war, to transfer to the "Jewish Brigade". You did not press the right of Americans of the Jewish Religion to transfer to the Jewish Brigade only because you knew the Americans would never consent to it. But we receive numerous requests from Zionists in England, who supported our Army Committee, that we campaign in this country to get American Jews to join the "Jewish Brigade".

-15-

We did not permit ourselves to be dominated by old notions. We learned from experience. We learned as we worked in a rapidly changing world.

Thus we learned that a mercy organization of such high standing as the International Red Cross was unable to extend any worthwhile assistance to our tormented people in Europe, not because of bad will or lack of sympathy, but because "the International Red Cross works among nations and not among religions."

We learned that United Nations leaders refrained, in international political statements on atrocities and war crimes, from mentioning the word "Jew" because of their anxiety not to segregate their own Jewish citizens. But the Nazis naturally took these omissions as direct evidence of the lack of consideration and interest on the part of the big United Nations powers, and proceeded without fear of reprisal to accelerate their campaign of extermination.

We learned that there existed American civilian organizations for giving assistance to Greeks and Yugoslavs and Poles and every other afflicted nation; that 130,000,000 Americans have been asked to contribute towards their funds, and with each contribution went an expression of sympathy and friendship for these foreign peoples. But the Hebrew nation could not receive anything because you insist on referring to us as Jews and making us subject to, and the exclusive concern of, only six million Americans who are Jews by religion. The other 130,000,000 Americans are not only not asked but are thus being prevented from giving their support to the Hebrew people.

We learned all this and we tried to find an answer. We worked hard. We experimented. We tested it with American Government officials and with officials of many of the United Nations - European and Latin American. They all agreed that our program offers a complete and practical solution; that it offers a basis on which large-scale governmental support might be given to us immediately, while the war lasts and without waiting for the settlement of our deadlock with the British over Palestine and its establishment as an independent state. They all agreed that it is an imperative step you will have to take if you want to bring the present position to an end.

The one obstacle we have not hurdled is the Jewish organizations, which stubbornly refuse even to study our plans and which, while not knowing what we actually stand for, conduct against us a vicious and bigoted campaign by far exceeding anything American anti-Semites have yet dared to say publicly about a group of Jews. Their fury was such that for a long time it was hopeless to expect logical consideration and reaction. We had the strength to resist the temptation to launch a counter-campaign of criticism against the structure and methods and weaknesses, the aims and

-16-

crimes committed by this, that or the other organization, and by this, that or the other Jewish leader.

We concentrated on the constructive job of formulating and establishing the foundation for Hebrew national sovereignty, and in this we have been most successful. Not only a large number of leading Americans in Government, in Congress and in public opinion understand and support this Committee and its program, but our point of view has been both formally and informally presented to the numerous statesmen of the United Nations who are assembled in this leading capital of the world.

What might interest you most is the fact that, despite the hysterical mud-slinging which the launching of the Hebrew Committee has provoked from the Jewish organizations and their leaders, tens of thousands of Jews joined the American League for a Free Palestine which fully endorses and supports this Committee. Together with thousands of other American members of the League they now form a formidable force. More and more Jews in this country are thus realizing the true practicability and wisdom of our proposals. And it is in this situation, in addition to the ever-present urgency of the critical position of the Hebrew people in Europe, that gives us the hope that the Zionists and other Jewish leaders will now be willing at least to study with a minimum instead of a maximum degree of prejudice and old notions the contents of our analysis and our proposals for a solution.

It is for this reason that I am addressing this voluminous letter to you. I shall take the liberty to send copies of it to the members of the Jewish Agency for Palestine and to a number of Jewish leaders in this country and abroad.

* * * * *

We firmly believe the course we advocate to be wise, just and practicable. We believe that unless we, the surviving Hebrews, act with such vigor and determination, we are betraying the millions of our dead who will have died in vain. We believe that there is very little we can expect other nations to do for us if we do not establish ourselves on a normal national basis and thus afford governments friendly to us an opportunity to help us.

Some thirty years ago Great Britain took the initiative to proclaim to the world the renaissance of our nation and its ultimate establishment in its ancient national territory. All the civilized nations of the world have recognized this historic development. Now it is up to us to materialize it, to bring it into being by a fait accompli, and not to plead and beg again for a new declaration and a new statement.

-17-

We therefore propose that the Jewish Agency for Palestine, augmented with members of the Vaad Leumi, reconstitute itself and become a representative national authority to speak for the Hebrew Nation temporarily, until such time as, in due democratic process, a more representative provisional government may be established.

(Naturally, as a Hebrew National Authority only Hebrews can be members of the new body. Americans, British and other nationals cannot belong, for surely they cannot serve as representatives of a Hebrew governmental authority. Eventually you too will agree to this distinction and urge its adoption. We say it must be made now for in the present condition of our nation additional delay is most detrimental.)

The headquarters of the new authority must not be on British or British-dominated territory, since it ought to be free to negotiate with the British Government as a sovereign authority. Washington would be the most appropriate place.

This will entail an open declaration to the world that the Hebrew people of Europe and Palestine have decided to assert their right of self-determination and that the Jewish Agency for Palestine has handed over its prerogatives and assets to the newly-formed Hebrew national authority which will be regarded by the Hebrew people as their provisional government-in-exile.

The Hebrew Committee of National Liberation has already established before the governments of the United Nations the foundation for such action. But, should you feel that the time has not yet come, though we believe it has, for the establishment of a provisional government, we trust you will agree that it is certainly high time for the establishment of a clearly defined, representative Hebrew national authority.

The new Hebrew authority should recognize the British Mandate over Palestine and the prerogatives of the Mandatory Power. It should advocate full cooperation with the British Administration in Palestine. The Hebrew Nation, though not recognized as such, should regard itself and act as a member of the United Nations. It is in this spirit of alliance that the new authority should seek to establish its relationship with the British Government. It should aim at an early agreement regarding Palestine's independence and the conclusion of an appropriate treaty with the British Government.

Because of the recognition which was given to the French and other Committees of National Liberation, the present United Nations organizations are officially constituted by "governments and authorities". There is, therefore, ample precedent for the constitution of and recognition for a Hebrew national authority.

-18-

In the course of this war there have existed several committees of national liberation, all of which have been recognized and later established as provisional or permanent governments of their nations. They were the French, the Yugoslav, the Italian, the Polish and the Greek Committees of National Liberation. It has thus become an accepted pattern and there are excellent chances that the Hebrew Committee of National Liberation would receive the same recognition.

While we have embarked upon this course and have made gigantic strides forward, we are well aware of the fact that the opposition to this course of action by the Jewish Agency for Palestine and the other Jewish organizations affiliated with it, as well as the opposition from non and anti-Zionist organizations, is bound to hamper and considerably slow down the attainment of our goal. We feel confident that if a concerted effort were now made in this direction, within but a few short months a Hebrew national authority, and possibly even a Hebrew provisional government, would be recognized by many if not by most nations of the world.

Our nation has been bled white and the time element is of the gravest urgency. The members of the Hebrew Committee of National Liberation are dominated - to the greatest degree a human being is capable of being dominated - solely by the desire to serve the interests of our nation. I wish therefore to inform you most solemnly and publicly that if the essence of our proposal is accepted and a Hebrew national authority is established, we, as patriotic Hebrew nationals, will hasten to recognize the authority of the newly formed government or committee, to which we will gladly transfer the assets, archives and property of the Hebrew Committee of National Liberation.

We believe that unless the Jewish Agency and the bodies associated with it deem it advisable to launch now the establishment of a Hebrew government-in-exile, they should take over the title of Hebrew Committee of National Liberation, since such pattern has been successfully established by other nations. But this decision too we propose to leave to the new authority, in which we shall endeavor to serve in whatever capacity necessary in complete disregard of personal feelings.

The very minimum development which could be initiated by you would be simply to reconstitute the Jewish Agency into a Hebrew Agency, by having its membership composed of Hebrew nationals.

(This should not preclude you personally from retaining your membership or Presidency of the new body, but it would necessitate renouncing your British nationality and accepting Hebrew nationality, which the new agency would have the power to grant. There is a fitting precedent for such procedure: Mr. De Valera, the President of Ireland, was born in the United States and gave up his

-18-

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-19-

American nationality in favor of Irish nationality.)

The new Hebrew authority should immediately undertake a number of governmental tasks on behalf of the Hebrew people. These should include the following:

1. Endeavor to obtain recognition for the Hebrew Nation as a full-fledged member of the United Nations.

2. Endeavor to secure official or *de facto* representation in the following:

- (a) The United Nations War Crimes Commission in London.
- (b) The United Nations Relief and Rehabilitation Administration in Washington.
- (c) The Intergovernmental Committee on Refugees in London.

And all other United Nations organizations and councils in which the interests of Hebrew nationals are involved.

3. Endeavor to secure immediate recognition of the new Hebrew authority by a number of European and Latin American countries, and exchange diplomatic representatives with them.

4. Secure Hebrew representation at the Peace Conference and at all other United Nations conferences in which all United Nations members participate.

5. Secure an agreement with the International Committee of the Red Cross to extend its services to Hebrew nationals.

6. Establish formal delegations in the various European capitals in order to represent Hebrew national interests there. These will supervise the extension of UNRRA aid to Hebrews as well as the return of property and the claims for compensation of all Hebrew nationals.

(UNRRA, for example, does not operate in Argentina since that country is an ex-enemy, but there are 40,000 Hebrews in Argentina who, under the UNRRA constitution, are eligible for its help.)

7. Establish a naturalization procedure and issue Hebrew passports to those in western Europe who qualify for them.

-80-

[This will forever abolish the shameful and humiliating status of stateless Jews, and every Jew in Europe who does not wish to live amidst, and under the aegis of, the murderers of our nation will be able immediately to renounce his German, Rumanian, Hungarian, Bulgarian, etc., nationality and accept Hebrew nationality, even while he is preparing for his transfer into Palestine.]

This being an emergency naturalization procedure it should be available only to persons claiming it on this basis. Americans, British and other Jews can become Hebrews only by actually taking up residence in Palestine and complying with the naturalization laws which will be established there.)

8. Plan and immediately commence the actual transfer to Palestine of all holders of Hebrew passports.

[While the new Hebrew authority recognizes the prerogatives of the Mandatory Power in Palestine, it should not recognize the provision that sets illegal restrictions on the entry of Hebrews into Palestine. In this respect the Hebrew authority should publicly and openly endeavor to disregard the British regulation by defiantly bringing shiploads upon shiploads of Hebrews into the harbors and on to the beaches of Palestine. It is certain that many governments will cooperate with the new Hebrew authority in the execution of this plan.]

9. Begin direct negotiations with the various Arab states and endeavor to arrive at a friendly understanding with them.

10. Seek United Nations arbitration of our conflict with the Mandatory for Palestine, which blocked the entry of Hebrews into Palestine in flagrant violation of its accepted pledges to facilitate and assist such entry.

11. Negotiate with the Mandatory Power for the immediate utilization for settlement of the wastelands of Palestine.

[These comprise some thirty percent of Palestine's total territory. Under the terms of the Mandate they should long ago have been made available for Hebrew colonization. To illustrate the importance of this problem, one must remember that after forty years of arduous efforts the "Jewish National Fund" now owns a little under three percent.]

12. Secure an international loan to finance the tremendous tasks which the provisional government will face.

13. Endeavor to negotiate a lend-lease agreement with the Government of the United States.

-21-

14. Establish appropriate companies for the exploitation of the natural resources of our country, particularly its considerable quantities of oil.

(And many other steps that could not have been undertaken till now because of the non-existence of a Hebrew governmental body.)

Once again, Dr. Weizmann, I wish to repeat that the proposals in this letter are proffered solely through the desire to serve, and I pray that you and your colleagues will give them your fullest consideration in the same spirit rather than brush them off or try to interpret what "trick" is hidden therein or what, other than the reasons stated, moved us to bring them before you.

There is one other tendency which your Zionist colleagues in the United States have always had towards us. From the time I first met with Zionist leaders in the United States (in 1941) they have continued to tell us that we are just about at the end of our rope, and that they will see to it that is the "course of the next few weeks" we shall be completely liquidated. I have heard this threat expressed in various forms and through various stages of our work at least a dozen times, but during this time we have developed from a small Zionist-Revisionist faction into the powerful and historically significant movement we represent today.

A short time after the Hebrew Committee of National Liberation was formed last May, several of the Yiddish press jubilantly reported that "The young men from Palestine are packing their suitcases and running away." I am writing this letter to you ten months later from our headquarters in Washington. From my desk I can see the Hebrew flag waving in the street which is today the diplomatic artery of the world. The officials of the various embassies no longer stop to stare at it, for they now know the flag; they know whom it represents, and they have come to accept it.

I am telling you all this because your Zionist colleagues in the United States will probably hasten to tell you that they have managed to liquidate us; that their smear campaign has worked; that their denunciations have been effective, and that all the members of the Hebrew Committee are simultaneously going to be deported from the country, inducted into the United States Army, put in jail, or just die of plain heartbreak, and that our proposals must therefore be taken as a sign of capitulation and as an attempt to secure a dignified way out.

I hope that you will not fall a victim to this baseless sort of wishful thinking, for not in our wildest dreams did we

-22-

hope that in but a few short months the Hebrew Committee would make such gigantic strides forward. Viewed against the background of the development of the Zionist organization in this country over a period of close to fifty years, the standing, the importance and the influence that the Hebrew Committee has achieved is practically miraculous.

We have dedicated our lives to the struggle for survival which has been thrust upon the Hebrew nation, and we shall therefore make every sacrifice to assure that never again shall Hebrews die in the manner in which they have died in Europe these past years. For it is not their death but the manner of their dying which is the most shocking.

We are determined to bring to an end the humiliation and disgrace which characterizes the position of "the Jews" today. We are determined to end the confusion and chaos which dominates our position.

The forthcoming United Nations Conference at San Francisco will once again be the scene of scores of American, British and Canadian Jews milling around the lobbies as "representatives of the Jewish people". The following organizations, in addition to your own Jewish Agency, have already announced their intention to send delegations to San Francisco:

The American Jewish Conference, the American Jewish Committee, the American Jewish Congress, the World Jewish Congress, the Canadian Jewish Congress, the Board of Deputies of British Jews, the Anglo-Jewish Association, the Zionist Organization of America, the Agudas Israel, the Mizrachi and numerous other organizations and societies.

You, and all these good people, inspired as you are by the best intentions, must understand how futile and ridiculous this all is and how harmful.

Americans, Britons and Canadians, having no right at all to represent a foreign people, can be regarded only as beggars, tolerated as a nuisance, but they have always been excluded from the conference table. This pitiful status can achieve no other results except strengthen the anti-Semitic cry that "the Jews are a foreign body in the American nation." This is one of the many tragic aspects of the abnormal structure the Jewish organizations are maintaining.

Dr. Weizmann, you and your colleagues must make the choice. Either continue the status quo, which has proved to be disastrous for us Hebrews and most harmful and potentially explosive for Jews everywhere, or recognize the realities of a changing world and accept the program contained in this letter, which provides a basis

-23-

for true equality and a free life for every Jew desiring to be an integral part of the particular nation in which he lives and to which he is happy and proud to belong, and a new, dignified and workable structure for the survival and liberation of our great and ancient nation, and its immediate restoration in an independent Palestine.

May God grant you and your colleagues the courage and the wisdom to act with foresight and determination in this hour of destiny.

Faithfully yours,


Peter H. Bergson
Chairman

25

May 2, 1945

Dear Mr. Davis:

This is in response to your letter of May 1, submitting a revised draft of a proposed V-E Day statement to be issued by Judge Vinson and asking our review.

The four-line question and answer sequence on war Bonds, on Page 26, is not satisfactory to us. In revising the material we submitted to you on April 16, in response to your previous request, you have omitted all reference to the Seventh War Loan, which presumably will be under way when this statement is issued by Judge Vinson. The drive is already in progress in its preliminary phases.

The effect of completely disregarding the Seventh War Loan Drive, and mentioning instead a future campaign, would probably be to hurt our current efforts instead of helping them.

I urge most strongly that you include at least this much of the material we provided you April 16 for the answer portion of the sequence:

"A. Yes, the Seventh Loan will go on, and there will need to be at least an Eighth Loan. We must put into the war with Japan every man and every piece of equipment which can be effectively utilized."

In this connection, I would like to repeat in writing a point which Mr. Gamble and Mr. Fussell have made in previous telephone conversations with the Office of War Information people preparing this statement. This point is that, whatever the phrasing, war financing is worth much

more detailed attention than four lines on the next to the last page of a lengthy document. I take it that the purpose of the statement is to encourage everyone to cooperate in the remaining phase of the war and during the postwar period. Some people can cooperate in some efforts and some in others, but everybody can cooperate by buying war Bonds. It is going to take a great deal of effort to reach the quotas set for the Seventh War Loan Drive, and succeeding drives may be even more difficult. We need all the help we can get and I hope you will pardon me in saying that the material as it now stands is a disappointment.

As you suggest, I am communicating these views to Mr. Brackett, and also to Mr. Stone who is your contact man with the Treasury.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable Elmer Davis
Director of the Office of War Mobilization
Washington, D. C.

278

-2-

25

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(Signed) H. Morgenthau, Jr.

The Honorable Elmer Davis
Director of the Office of War Mobilization
Washington, D. C.

280

-2-

OFFICE OF WAR INFORMATION

WASHINGTON



281

OFFICE OF THE DIRECTOR

May 1, 1945

The Honorable
The Secretary of the Treasury
Treasury Department

Dear Mr. Secretary:

On April 12 we sent you a draft of a proposed
V-E Day Statement for your review.

We have received your comments and the attached
draft has been prepared as a result of your suggestions.
It is planned that this statement will be released about
11 AM on V-E Day plus 2 by Judge Vinson at a press conference.

In order to be prepared, may I urge upon you the
necessity for an immediate review to be sure that the
statement is accurate.

Will you please have your information director
communicate any changes to Mr. James R. Brackett, Senior
Deputy Director, 1357 Social Security Building-Telephone
Republisc 7500-Ext. 76576.

Will you also then make arrangements to keep this
statement up to date at all times?

A copy of this letter and a copy of the statement
are being sent to your information director.

Cordially,

Elmer Davis
Elmer Davis
Director

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Attachment - 1

NEWS WRITING DIVISION, ONI
EXT. 74417

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OFFICE OF WAR MOBILIZATION
AND RECONVERSION

Washington, D. C.

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These copies for clearance only

The President
The White House
Washington, D. C.

Dear Mr. President:

I submit herewith a report entitled "The War: Phase Two". This report has been prepared by the Office of War Information in collaboration with other government departments and agencies. It is designed to answer specific questions which will be uppermost in the minds of the public after the defeat of Germany. It is part of a general program of government VE-Day information, begun under Justice Byrne, which I have recently discussed with you.

The report attempts to outline in simple terms the military and industrial effort which will be required to defeat Japan, the amount and rate of reconversion; our foreign commitments for relief and rehabilitation; the Army's plans for re-deployment of troops and eventual demobilization.

In summary, it tries to give a picture of the conditions under which the American people will live during the second phase of the war against the forces of evil.

Any report which undertakes to forecast events is subject to error and this report is no exception. Nevertheless, it is based on the best judgment in government of the demands upon the nation for the war against Japan.

Respectfully submitted,

Fred M. Vinson
Director of War Mobilization
and Reconversion

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THE WAR: PHASE TWO

283

Just how big is the job of crushing Japan? What changes and adjustments must be made in America to accomplish that defeat? How many men must remain in our Army and Navy? How many men will be drafted? What will civilian life be like in this second phase of the world's greatest war? How many jobs will there be? What quantity of consumer goods? How soon can men be released from the armed forces? How many? On what basis?

These are questions which must be answered if the people are to know the size of their task. To the extent that such questions can be answered without giving the enemy valuable information, this statement outlines the situation for America.

THE BASIC FACTORS

Governing the answers to all these questions are these ten controlling statements of principles and facts:

1. Fighting in Japan probably will grow in severity over a prolonged period. Unconditional surrender of Japan, as of Germany, is our goal, and it is hardly likely that Japan will yield her home islands to occupation by our forces short of successful and complete invasion. Experience has shown that any effort to forecast definitely the duration of such war activities usually fails. All our effort toward war, and toward production will be needed up to the last instant.
2. Some demobilization of such men as the Army can spare will begin in a few weeks, but the number released will remain relatively small for many months. The Navy does not plan to demobilize any men until Japan has been defeated finally.
3. As a result of lessening pressure on the European war front, cuts in war production began some time before VE Day. During the last six months of 1945, war productions cuts will be relatively small--about 10 per cent cut in production for Army needs as compared with the first six months of the year.

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- 2 -

The Navy's small production cuts have been already scheduled. Greater cuts may be expected during the first six months of 1946, after the long pipelines to the Far East have been filled. Even then, munitions production should continue at about two-thirds of the level previously required by the two-front war.

4. High production still required for the Japanese war will require a great part of those now employed in war production. During the first six months, probably no more than a million workers will be displaced, and no more than 600 000 men demobilized from the armed forces. These should be quickly absorbed into expanding civilian services and industries reconverted to civilian manufacture. By the end of the first year after VE Day, another two to three million workers, another 600 000 veterans probably will be released. The total number of unemployed, mostly temporarily out of work between jobs, probably will not total more than two to two-and-a-half million persons at the end of a year. There will be severe local unemployment problems but nationally, the situation will not be acute. The major task will be maintenance of war production. Strict manpower controls will continue to be necessary.

5. Reconversion planning must nevertheless proceed vigorously. But we must not let planning for reconversion interfere with doing the war production job now. Although some reconversion is expected to take place soon, we cannot have complete reconversion until after the unconditional surrender of Japan.

6. Military requirements for food will not decrease, and relief needs, will be greater. Domestic demand for food will continue at high levels. As a result, no early improvement in the civilian food supply situation can generally be expected as a result of cessation of hostilities in Europe. Food production must be continued at present record levels.

7. There can be little relaxation in government controls over prices, materials, supplies, transportation and like matters for several months at least. The relaxation is likely to be gradual rather than sudden.

SECRET

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SECRET

- 3 -

8. One major home-front battle that will continue to demand strongest public support is that against inflation and rising prices. War Bonds, restraint in buying, observance of price control and rationing regulations remain near the top of the list of civilian responsibilities. A wage stabilization policy must be maintained during the conversion period to prevent inflationary price increases and to avoid a deflationary trend after peace comes which would destroy wage standards.

9. The paramount command: Win the war! Victory over Japan comes ahead of every other consideration and the war will be expedited to the greatest extent possible if everyone keeps this main objective before him.

THE JOB OF CRUSHING JAPAN

Q. Can Japan be expected to surrender unconditionally?

A. Unconditional surrender and occupation of Japan are primary war aims. But the Japanese "will fight to the bitter end," says Under-Secretary of State Joseph Grew, for 10 years U. S. Ambassador to Japan. Iwo-Jima's toll of 20,000 American casualties for 28,000 Japanese dead is an example of the to-the-death tenacity which may be expected in key positions.

It is difficult to estimate how long it will take the allies to defeat Japan. No prediction can possibly take into account the accidents and fortunes of war. The only certain forecast is that the harder we hit Japan and the more quickly we apply our maximum pressure the sooner the war will end and the smaller the cost in American lives.

Japan has two great strengths: (1) The willingness of her soldiers to die to the last man, rather than to surrender; (2) her geographical position. Our nearest large harbor is in the Philippine Islands, 1700 miles from Tokyo, and 5,000 miles from Hawaii. (Okinawa, only 325 miles south of Kyushu, has anchorages but no harbor facilities of importance.) Guam and Saipan are 1600 miles from Tokyo, 3500 miles from Hawaii, and Hawaii is as far from San Francisco as London is from New York.

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- 4 -

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Q. What is Japan's armed strength?

A. Japan has an army of 4,000,000 men, less than a fourth of them south of Formosa and China. She has several million men fit for military service and not yet called up. So far, we have not come up against the main strength of the Japanese army.

Although the Japanese fleet has been crippled, it can still strike damaging blows in waters protected by land-based aviation. Her air force is still a powerful defensive factor. Until our recent bombings of Japan became frequent, Japan was producing planes faster than we could destroy them. In one recent raid over Tokyo the Japanese were able to put 650 fighter planes in the air against our Superfortresses.

Q. How strong is Japan's industrial position?

A. Government experts have estimated that Japan is capable of maintaining a large production in almost every category of war equipment and military supplies. Although Japan has suffered spectacular military reverses, a large portion of the war machine with which Japan began the war remains intact. The reduction of Japan's industrial potential will require a great intensification of our heavy air attacks.

Japan has many critical war materials on the home islands, in nearby Korea and Manchuria. She also has stockpiled large quantities of key materials, enough for at least a year of full-scale war, in anticipation of being cut off from outside resources.

Q. How has Allied warfare weakened Japan?

A. We have crippled her Navy, reduced the size of her air force, and destroyed the perimeter defenses of the empire. Our present positions in the Philippines and Okinawa blockade her supplies from the south. Our bombers are increasing the force of their assault on her heavy industry. Since Pearl Harbor, we have sunk or damaged more than two-thirds of Japan's merchant fleet, and have

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- 5 -

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severed her water lines of communication. However, as we get closer to the home-land, the remaining merchant fleet may be adequate for the shorter lines of communication.

In cutting Japan off from Formosa, the Allies have blockaded the home islands from almost their sole source of sugar, used not only for food but also to make alcohol for explosives. Even blockading Japan from the mainland, a difficult task, would not starve out the Japanese. These people thrive on less and poorer food than Americans. Blockade will increase the difficulties of the present short food supply in Japan but will not seriously interfere with the war effort, and will not result in starvation.

Q. What forces will the Allies require to compel Japan's unconditional surrender?

A. To mount the climactic phases of the war against Japan and to occupy conquered territories, the Army will require total forces of 10,000,000 men. This requirement, as well as that of the Navy has been calculated by the Joint Chiefs of Staff, using the same precise methods that were used to calculate the requirement for our successful campaigns in Europe, Africa, and our advances in the Pacific. The Army's present strength is about 8,000,000 men. The Navy will reach its authorized strength of 13,389,000 by June 30, 1945.

Every ship of our Navy which can be spared will be sent to augment the forces already operating against Japan. The British have thrown forces into Burma, and a portion of their fleet is fighting beside that of the United States. Great Britain, France, the Netherlands and China, among others have pledged their full assistance in combat and in all forms of cooperative effort in the war against Japan.

It will take time to bring our own maximum forces to bear. The task of transporting our maximum forces will be a tremendous one and will depend on the available water and air transportation. The maximum use of both ships and planes

SECRET

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- 6 -

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will be employed to bring this force to bear against Japan with all possible speed.

Some of our forces will be started on the way in a few weeks, but re-grouping, re-equipping, re-training and redeploying our armies will require many months, since men and material must be transported to the far Pacific.

Transportation is a key problem in the Pacific, and it is doubtful whether much merchant shipping now operating in the Atlantic can be shifted to the Pacific because of the millions of men and large quantities of equipment which will have to be moved out of Europe. It is anticipated that the shipping situation will be tighter than ever for many months after VE Day, because of military requirements in the Pacific, redeployment of troops, and shipment of supplies to liberated areas.

DEMobilIZATION AND SERVICE HANDBOOK NEEDS

Q. What are the plans of the armed forces for demobilization of men after VE Day?

A. Prosecution of the war against Japan must take precedence over all other considerations, but men and women who can be spared from the Army will be demobilized. The Navy will demobilize none of its personnel until Japan has been defeated. The Army expects to demobilize a total of 6 000 000 men prior to the defeat of Japan, but this will have to be done very slowly at first because first priority on shipping must be assigned to the men and material going to the Pacific.

The current rate of discharges from the Army for medical or other reasons runs 60 000 to 80 000 men per month. By the end of the first three months, demobilization should increase to about 80,000 a month. The maximum possible rate of demobilization is placed at 800 000 men per month, and 60 months must elapse before this rate can be reached.

It is impossible to estimate when any particular individual will be demobilized. No man who is needed will be released. Those who can be released will be demobilized on the basis of service and dependency. In general it is possible that personnel of the Army Ground Forces may be reduced more rapidly than personnel

SECRET

X-41089

- 7 -

SECRET

in the Army Service Forces and Army Air Forces.

289

Soldiers will be demobilized from the service only through the Army's Separation Centers and Army hospitals, in this country, and as close to their homes as possible.

Q. How will the Army select those men and women in its service who will be demobilized?

A. The selection will be made through the application of fair and impartial standards based on the views of the enlisted personnel themselves. The Adjusted Service Rating Score will be computed for each enlisted person. This score will be based on number of months in the Army, number of months overseas, the number of decorations, and battle participation stars received, and parenthood. Each of these factors, except parenthood, will be computed from 16 September 1940. Parenthood credit will be given for a maximum of three children under 18 years of age. Each factor will be given a multiple which, when applied against the factor and the results added, will represent the individual's Adjusted Service Rating Score. After all scores are known, the War Department will determine a "critical score". The "critical score" is that score at or above which an individual will be considered for demobilization.

The Army expects that each enlisted person whose score is equal to or above the critical score will ultimately be released from service. However, two factors may delay the separation of an individual who is a member of an organization to be retained in service:

- (1) The lack of a qualified available replacement with a score below the critical score and
- (2) The operation of military necessity.

In all cases, however, enlisted personnel with scores equal to or above the critical score who are held in service, will be released as rapidly as circumstances permit.

SECRET

X-41089

- 8 -

SECRET

Separate critical scores will be computed for the Army Air Forces, the Women's Army Corps, and for the remainder of the Army. Since these critical scores will be applicable throughout the world, it should be recognized that it will be manifestly impossible to separate individuals in the sequence of their scores. To appreciate this fact, one needs only to consider the difference in the time required to move personnel between Europe and the United States and the Pacific and the United States. Similarly, it should be recognized that some men with scores above the critical score will be engaged in combat, while others will not be. Obviously, those not in combat can be released for return to the United States before those who are so engaged.

In addition, married members of the MAC will be released, upon application, if their husbands have been demobilized or discharged from the armed services.

Q. On what basis are "scores" given to Army men and women?

A. The following are the credits allowed on the Adjusted Service Rating Cards, for totalling toward a critical score:

Service Credit--based upon the total number of months of Army Service since September 16, 1940-- 0 points for each month.

Overseas Credit--an additional credit based on the number of months served overseas-- 0 points for each month.

Combat Credit--based upon each battle participation star, and each of the following decorations. 0 points for each: Medal of Honor, Distinguished Service Cross, Legion of Merit, Silver Star, Distinguished Flying Cross, Soldier's Medal, Bronze Star Medal, Purple Heart.

Parenthood Credit--a maximum of 60 credits, based on each dependent child under 18 years up to a limit of three children-- 0 points for the first, 0 each for the next two children.

The Army has a somewhat similar system for officers. However, because of the character of their duties, the element of military essentiality will play

SECRET

X-41069

- 9 & 10 -

SECRET

a larger part in the decision.

Q. How will troops be redeployed to the Pacific?

A. Because of the urgency of the military task, large numbers of troops will go direct to the Pacific. This number will include many service units needed to prepare the harbors, bases and air fields essential to sharply expanded combat operations. Other troops will go to the Pacific by way of the United States and will have an opportunity for furloughs before proceeding to their new destination. About 60% will go direct, and about 40% by the United States.

Q. Will the draft continue?

A. Yes. They will continue to be large. Deformants for men under 30 will be few. The exact size of the calls that will be required to meet the needs of the Army and Navy cannot be calculated at this time.

Q. Will recruiting for the women's services be continued?

A. Yes. The MAC and WAVES are below authorized strength, and recruitment must continue. The other services--the Marine Corps Women's Reserve and the SPARS--will require replacements. Similarly the Army and Navy will continue to recruit nurses. Veterans Administration, which now has 4,180 nurses, needs 5,000 more before July 31, 1946.

Q. Has Victory in Europe decreased the need for merchant seamen and officers?

A. No. The need for seamen and officers will continue until at least six months after the end of the war in the Pacific. Repatriation of American troops, movements of supplies and equipment, and transport of rehabilitation supplies will continue to engage most of the United States Merchant Marine for perhaps as long as three years after the end of hostilities with Japan.

The U. S. will need 115,600 additional seamen and officers by January 1, 1946. These men are expected to be obtained as follows: Men to be recruited by WSA, through seamen's unions, and ship lines--36,200;

SECRET

X-41069

- 11 -

SECRET

292

C Few men to be recruited and trained--79,000, almost all of whom are to come from NSA training schools.

THE PRODUCTION JOB

Q. What effect does the end of the war in Europe have on production?

A. War production must continue at a very high rate. Even six months after VE Day, war production will almost equal the rate of 1943. It is not as simple as "shifting from a two-front to a one-front war." To date, our fighting in the Pacific has constituted only the preliminary battles to the main attack upon Japan. The main battles lie ahead. Warfare in the Pacific will accelerate and production must keep pace.

Actually, some categories of production will increase; some new items will be added, and the emphasis will be shifted in other programs. Some items will be cut back. In the first three months after VE Day, net total decline of war production from second-quarter, 1945, rates will run about 10 per cent.

In the first three months after VE Day, war production will be cut back about 10 per cent. From that point, further cuts will take place until the long pipelines to the Pacific have been filled. However, the needs for the Japanese war are so great, that in the last six months of the year following VE Day, war production will stand at approximately two-thirds of the schedules of the first half of 1945.

The shifting demands of war are such that it is not possible to estimate accurately the names nor the number of plants far in advance.

Q. How will production cutbacks be distributed?

A. Cutbacks will be spread as evenly as possible. However, the changed nature of war needs will affect differently the output of different industries, different areas and different plants. Wherever possible, cutbacks will be distributed so as to spread the load as equitably as possible.

SECRET

X-41089

- 12 -

SECRET

293

In general, it is planned to cut back production first in tight labor areas, so that work opportunities may be equalized. Contracts for heavy ground equipment, ships and aircraft already are being reduced and many of the munitions programs already have been cut back.

Q. What additional civilian production will be permitted immediately?

A. Additional quantities will be permitted of essential civilian items already in production but needed in larger quantities, including such items as oil drilling machinery, new locomotives and freight cars, trucks, and farm machinery. In addition, essential consumer items such as refrigerators, and washing machines, will be started immediately in moderate quantities. Many minor electrical appliances and other durable and semi-durable goods will start, or expand production.

Not all factories now producing for war will have to make extensive changes in machinery or methods to produce for civilian consumption. Actually, about 80 per cent of all so-called war production plants can continue to work with the same, or similar machines, and in similar ways, to switch to consumer goods. In some cases where specialized equipment is used, physical reconversion will be necessary.

Q. How will cutbacks be distributed among various war plants?

A. The procurement agency which issued the original contract will notify the Production Readjustment Committee of the War Production Board, which includes representatives of all concerned government agencies, that cutbacks of a certain amount are necessary and will recommend the plants to be cut back.

SECRET

X-41089

- 13 -

SECRET

All agencies concerned review the allocation, after which the local representative of the procurement agency, in cooperation with the local termination committee, gives notice to the manufacturer. Simultaneously labor is notified. The termination committee is made up of local WFB and WEE representatives and those of the procurement agencies.

Before notifying management and labor, the local termination committee determines what best use can be made of the facilities and manpower being released by the cutback in production.

Q. How will production of civilian goods get started?

A. The WFB will release its controls as quickly as possible. Some can be removed entirely, others may be released on a local basis in the light of local needs for war production. Among the controls which WFB will relax immediately are:

1. Revocation of a number of orders which at present restrict, or prohibit, the manufacture of certain minor durable and semi-durable consumer goods, or that limit the use in such articles of materials which now are no longer critical.

2. "Open-ending" the Controlled Materials Plan (CMP) so that certain shapes and forms of copper, steel and aluminum, now covered entirely by allotments for purposes of war production, may be released also to civilian manufacturers for purchase in the free market in such quantities as are no longer needed for war or essential civilian purposes.

3. Removing of "rating floors" from a number of items, now under WFB orders, to permit delivery or production of these items without a special WFB priority.

4. Positive priority assistance for small business in obtaining needed materials and components.

SECRET

X-41089

- 14 -

SECRET

It is expected that 2,500,000 tons of steel products will be released during the first quarter after VE Day, and around 150,000,000 pounds of aluminum probably will be available for civilian production during the same period.

The smaller manufacturer will have a fair chance to obtain his share of materials and components.

Q. How quickly will it be possible to start civilian production in those plants where war orders have been cancelled and which must be reconverted?

A. The length of necessary time will vary with each individual plant according to the amount of changeover needed for its new products. Government agencies already have in operation procedures (1) for prompt settlement of cancelled contracts, (2) for clearing government-owned equipment and surplus inventories out of facilities no longer needed for war so as to permit manufacturers fullest and quickest freedom to follow their own bent for civilian production, within the necessary limitations of supplies of material and manpower.

In general, a war producer whose contracts have been cancelled will receive re-imbursement for all costs incurred by him, which were necessary for the performance of the war contract, plus a reasonable allowance for profit. Expenses of reconversion, however, may not be charged to the government as part of the liquidation costs.

Basic plans for handling all such matters have been worked out and information on them is available to all war plants from their contracting agencies.

Funds for settlement of all contracts already are in the hands of government agencies, from the sums originally set-aside within procurement agencies for the whole contract. When a contract is terminated, a portion of the sums

SECRET

X-41089

- 15 -

SECRET

remaining is set aside to handle all liquidation costs. As of May 1, for instance, the War Department had approximately \$100,000,000 set aside for this purpose. Other procurement agencies have similar funds.

Q. How much is reconversion expected to cost?

A. Total reconversion of all plants now producing for war is expected to cost not more than \$3,000,000,000 (B). Manufacturers and investors of the nation are estimated to have reserves of more than \$20,000,000,000. Smaller manufacturers, who may not have their proportionate share of this big reserve, have access to special financing. The government is prepared to supply them from funds owed them under their contracts in anticipation of full settlement, and also has set up procedures to provide guaranteed interim financing loans on request.

Q. What effect will shifts in war production have upon national manpower and employment?

A. Nearly 48,000,000 (M) civilian workers are in jobs which will continue during the first six months after VE Day regardless of cuts in war production. Of these, some 40,000,000 (M) are in agriculture, trades and services, transportation, plants manufacturing civilian goods, or in plants which do not have to reconvert in order to manufacture for civilian consumption. About 8,000,000 (M) are in war plants which must continue munitions production for the war against Japan.

By the end of one year after VE Day about one third of the 8,000,000 (M) persons now employed in munitions industries will have been released. It is difficult to estimate now the total increase of unemployment which will result. But present calculations indicate that civilian industries, reconversion and the needs of such industries as railroads, textiles, agriculture and lumber should provide jobs for most of those who will be displaced by

SECRET

X-41089

- 16 & 17 -

SECRET

cutbacks. The net increase in unemployment, which will be mostly temporary, local between jobs, is not expected to total more than a million at the end of the first year after VE Day.

Shutdowns probably will cause some serious local unemployment, chiefly in one-industry towns where everybody works at the war plant. Where necessary, the United States Employment Service of the WEC will supply information as to where workers are needed and will assist the worker in obtaining employment.

The tremendous backlog of heavy civilian needs and purchasing power is expected to stimulate new enterprises and provide jobs. Many services which have been curtailed since the beginning of the war undoubtedly will expand, such as transportation, retail trade, laundries and public utilities, all now short of workers.

Women may be affected more seriously by cutbacks than men, especially in those plants which rely now largely on womanpower. But re-employment records show that many women who are released when contracts are cancelled have dropped from the labor market.

Q. What help is available for displaced workers?

A. For one thing, unemployment compensation is available to released workers in all states. The payments vary, but range generally up to about \$18 per week for 20 weeks, provided the worker is continually unemployed. Workers may obtain unemployment compensation by reporting to the local United States Employment Service immediately. If USES cannot refer them to new jobs, it will set the wheels in motion for the payment of unemployment compensation.

Q. Will there be an early reduction in the number of persons working for the government?

A. Yes. Detailed plans have been made for reorganization and curtailment of agencies whose work is no longer vital to the war or is vital only to a lesser degree. Some agencies, such as the Veterans' Administration and the Surplus Property Board will have to increase in size. Manpower agencies, in particular, will be realigned.

Q. What does a veteran do to get his old job back?

A. If he held a position other than temporary, usually he need only to apply to his old employer, who in accordance with the Selective Training and Service Act will reemploy him in his old job, or in a position of like seniority, status, and pay. If any questions arise, his local Selective Service Board will advise him his rights and assist him in

SECRET

X-41089

SECRET

- 18 -

Up to the end of the war in Europe, more than 2,000,000 soldiers had been discharged. Of these, only 26 per cent had asked for their old jobs back. Most of them found their own employment. A veteran seeking a new job may go to the United States Employment Service local office and ask to see the veterans' employment representative.

If a veteran is out of work and the USES is unable to find him a job, he can obtain an unemployment allowance. Under certain conditions he may be eligible for a readjustment allowance of \$20 a week, for from four weeks to a total limit of 62 weeks, depending on his length of service.

If a veteran wishes to obtain specific detailed information about his government insurance, medical benefits, educational allowances, and other aids provided by veterans legislation, he should apply to the nearest field office of the Veterans Administration.

CIVILIAN LIFE

Q. Is it necessary to continue food rationing?

A. Yes. For three reasons: (1) Total food supplies available for both civilians and the military this year are expected to be five to 10 per cent less than last year. At the same time, total requirements are five to 10 per cent greater, and will remain high regardless of the end of the European war. (2) We have just as many soldiers to feed as before VE Day. They must be fed, whether they remain in Europe, or return to the United States, or are transferred to the Pacific. Moreover, we are helping to feed millions of persons other than our own soldiers in Europe. (3) Supply lines to the Pacific are longer than to Europe. More food will have to go into these supply lines. We will be feeding more men in the Pacific.

Point values of rationed food, as in the past, will be raised or

SECRET

I-41089

SECRET

- 19 -

lowered according to the supplies of rationed foods available. The established system of making red and blue points good on the first of each month will continue, as will the plan of expiration dates for ration stamps.

Q. What foods will be scarce?

A. Meat is the most serious shortage; sugar is next. But butter and other fats and oils also will be scarce. Supplies of meat are expected to be 26 per cent less than the estimated requirements of claimant agencies for the third quarter. They will provide military requirements plus quantities for home consumption at a level equal to an annual rate of 115 pounds per capita. This is at a rate of about 36 pounds less than the average which Americans ate last year and 10 pounds less than was consumed in the average pre-war year. There will be a little more meat in the last quarter due to the seasonal increase in livestock marketings. But there will be a corresponding increase in military requirements.

Sugar requirements are much greater than the available supply. The United States acquired the bulk of the 1945 Cuban crop and allocations were made early in the year. There is no prospect that the victory won in Europe will reduce the sugar demand--rather the need of liberated countries will increase it--and there is no way of increasing the supply significantly. The present sugar ration is 17.1 pounds per person per year for home use excluding ration board allowances for home canning which are 70 per cent of 1944 totals. Supplies might be cut due to a drought in Cuba so that the ration might have to be cut later in the year.

Butter production will be about 600,000,000 pounds short of requirements. This will be almost seven fewer pounds of butter this year than in pre-war years for every man, woman and child in the country.

There is a world wide shortage of other fats and oils. The smaller quantity available in this country is due largely to the decline in lard

SECRET

I-41089

- 20 -

SECRET

300

production. The quantity of all edible fats and oils available this year is 1,800,000,000 pounds less than American requirements.

Supplies of cereals, except rice, are adequate. Supplies of fresh and frozen fish are large. Domestic supplies of fresh vegetables are entirely adequate and prospects, based on commercial and victory garden production, are that this situation will continue. The outlook for fresh fruit is that supplies will be as large as last year. Civilian supplies of eggs will be about the same as the record totals of last year. Supplies of fluid milk are of record size, and are about a fourth larger than before the war. Adequate supplies of dried peas will be available.

Q. Will we continue to feed liberated people in Europe?

A. Yes. We are sending somewhat more food to Europe this year, including relief distributed through military channels.

Fats and oils are the most important group of foods we are sending abroad, because fat is both indispensable and a cheap supplement to the large amounts of cereals which will be sent because they are relatively abundant. Supplies of meats and fish, cheeses, condensed, evaporated and dried milk, sugar, rice, and desirable types of beans are so short that they can be supplied to meet only the most urgent needs. But these items cannot be used to make up for the significant shortage of fats.

Q. Will supplies of clothing begin to increase soon?

A. The Joint OPA-WPS clothing program should increase production of low-cost items of clothing to meet at least minimum demands. However, certain textiles still needed by the military will not be released in any large amounts until after Japan is defeated, and military needs for some textiles suitable for the Pacific theatre will be even higher. The serviceable and inexpensive cotton yard goods known as 80-square printcloth, will be largely needed by the military.

SECRET

X-41059

- 21 -

SECRET

301

The new OPA-WPS program is designed to channel most of the available materials of all kinds--cotton, wool, rayon--into lower and cheaper priced clothing items sorely needed at present. What is left can be made into any material a manufacturer may wish to produce. But supplies of luxury materials--heavy rayon-satin, upholstery, brocades and similar textiles, will be strictly limited, probably until after the defeat of Japan.

Nylon and silk stockings are made of war materials and cannot be expected in any large quantities until well after VJ Day.

Shoes must continue to be rationed, for lack of enough leather, but shoe needs of the nation will be met by the production of non-rationed shoes made from fabric and with non-leather soles.

Q. When will it be possible to buy new equipment for the home--radios, washing machines, vacuum cleaners, furniture?

A. Some of the appliances should be available in limited numbers within a year. Washing machines, refrigerators and other badly needed items will undoubtedly go into production first. Some household needs, such as electric irons and stoves have been produced in limited quantities during the past two or three years and production probably will be stepped up in three to six months--as skilled manpower and materials permit.

Provision must be made to see that the most essential civilian needs, such as those of hospitals, are filled first. If there are any appliances left over they will probably be sold without rationing.

Under present production plans civilian radios should be available within the year. However, a sudden demand for a new invention might well tie up the radio industry for some time and postpone production of civilian radios.

Some items of furniture will be available but shortages of lumber

SECRET

X-41059

- 22 -

SECRET

and heavy textiles may limit the production. Generally, as soon as critical materials are available for civilian production, the furniture will have metal fittings and hardware as in pre-war models.

Q. When will it be possible to get a new automobile?

A. A few cars may be coming off the assembly lines in six months but it will be a long time before they are produced in really large quantities, and there cannot be enough to meet pent-up civilian demand in less than three years. OPA will see that the most essential users get the first available cars under the present rationing program. New cars will be variants of 1942 models.

Spare parts to keep present cars rolling will be produced at the same record rate as last year when the War Production Board programmed the manufacture of \$750,000,000 worth of auto and truck parts. This should meet demands except for batteries. U. S. cars average nearly eight years of age, trucks nine years, and will have to last three to four years longer. Greatest parts shortage is in batteries and tires. Need for care of cars was never greater than today.

Q. Will there be more gasoline?

A. Best estimate is that there will be from 100,000 to 200,000 more barrels daily for civilian use--an increase of 8 to 16 per cent. Any such increase, however, may be temporary. Added gasoline supplies will be divided among "A" and commercial card holders. It may be possible to increase the mileage allowed some "B" card holders who can show need.

Q. Will it be possible to build new homes soon?

A. Home building already is under way on a limited scale where necessary to relieve congestion, but only where manpower can be spared. Priorities on materials probably will be necessary for many kinds of building materials. However, returning veterans are given priorities if they cannot find suitable

SECRET

X-41089

- 23 -

SECRET

accommodations for their families; priorities also are granted in cases of hardship. Restrictions on home building will not end until lumber and other materials are generally available. At least 250,000 home and apartments are expected to be built in the next 18 months, although the figure might be as high as 400,000 if sufficient materials become available.

Essential repairs can be made now and priorities can be obtained if necessary. It is hoped all restrictions can be removed soon.

Q. When will it be possible to get better home services?

A. Delivery service on groceries and other items, and department store deliveries of packages below present weight and size limits may show some improvement near the end of the first year after VE Day. Shortage of trucks, parts, tires, gasoline and especially of manpower will continue to limit delivery service. Where manpower is locally available, some limitations may be relaxed.

Repair service on refrigerators, stoves, etc. should be improved as repair parts and skilled mechanics become more plentiful.

Some improvement can be expected in laundry and cleaning services in localities where labor is freshly available. These facilities, too, will depend upon new equipment to reach their pre-war standards.

Q. Will the load on transportation facilities be lightened now?

A. No. The transportation requirements of the shift to the Pacific war will add to the problems of the already overburdened railroads. Large quantities of supplies must be carried for months to the eastern ports for the liberated countries and American occupation forces. At the same time, the Japanese war will call for increased rail shipments of men and material to the west, a long haul over the few western railways at a time when grain shipments may be reaching their peak volume.

SECRET

X-41089

- 24 -

SECRET

Present Government controls on civilian freight traffic must continue.

The total freight tonnage will decrease slightly, but the shift of the main current of traffic to the west may add as much as ten per cent to the present heavy load. The increase in length of haul will add to the ton-mile volume. It will be necessary to make greater use of water carriers to shorten rail-hauls. Lack of pipe lines and waterways to the west coast will require maximum use of railroads to haul petroleum products for the Japanese war.

Q. Will passenger travel become easier?

A. No. Trains will be crowded. Pullman space will be almost unobtainable except for essential travelers. The ban on conventions will continue and promoters of amateur and professional sports will be expected to continue their pledges of minimizing travel. Further curtailment of passenger service may be necessary.

All efforts for most efficient use of trucks and buses must continue.

The shortage of tires, batteries and gasoline will not allow the use of private motor cars except for the most essential purposes.

Q. Will wartime inflationary pressures continue after VE Day?

A. Yes. They will be serious. The production of peacetime goods for which the market is good will create a big demand for limited supplies of raw materials. Purchasing power will continue to exceed supply. Total income will continue to be high. Individual savings have reached the \$140 billion mark. Savings are growing at the rate of \$3 billion per month. Checking accounts are at an all-time high--over \$60 billion. Money in circulation is at a record height--over \$25 billion. But many consumer goods will continue to be scarce. At best, it will take some time to get back into the large-scale production of peace-time goods.

SECRET

X-41089

- 25 -

SECRET

Price and rationing controls, wage controls, high taxes, and continued

War Bond sales will be essential in keeping consumer buying within bounds. People will be encouraged to buy only what they need and to keep up their War Bond purchases.

OPA will continue price ceilings on items now available and will establish prices on newly manufactured goods, which will be fair to both producer and consumer. These will be continued to prevent inflationary tendencies. Production of more civilian goods will not, for a while, make price control easier.

Q. Will wage controls be lifted?

A. Not at this time. The nation must have a wage stabilization policy as a protection against both inflationary price increases and deflationary wage tendencies which would destroy wage standards.

Q. Will wages be lower for displaced war workers who take new jobs in plants producing civilian goods?

A. While a given plant cannot reduce wage rates for a particular type of work without War Labor Board approval some workers will move to other factories at a rate lower than their war plant job paid. Ultimately, however, the Government believes the postwar total take-home pay will reach and pass the present level.

Q. Will the 48-hour work week continue after VE Day?

A. In most industries and communities, yes. As victory over Japan draws near, workers in consumer goods industries may return gradually to the 40-hour week. War industries will, however, remain on the 48-hour schedule, except possibly in construction of merchant ships in which the emergency program runs out December 31, 1946, or in those war industries where pay

SECRET

X-41089

- 26 -

SECRET

306

rates are high which have taken a heavy cutback.

Q. Will there be an early reduction of taxes?

A. This matter will be decided by the Congress, but it has been recommended that no general reduction in taxes be made until after Japan is defeated. New tax programs are being planned for the post-VJ-Day period to reduce industry and corporation taxes to stimulate reconversion and new enterprises.

Q. Is it necessary for censorship to continue?

A. Yes. Censorship must remain until all danger to our security has passed, and this will not be until American lives no longer are in peril. However, with the combat zone narrowed to the Pacific-Asiatic area, some censorship modifications are in order. International mails and cables may be expected to move more freely outside the battle area.

Q. Will it be necessary to continue saving used fats, paper and tin cans?

A. Yes, all these materials will be needed for the victory over Japan. There is a world-wide shortage of fats that must be partially made up by kitchen fats collections. Paper will be even more necessary in the packaging of material for use in the Pacific where the climate is hard on food, clothing, munitions and other war equipment. As for tin, our former major supply source is still in the hands of the enemy, Japan.

Q. Will there still be War Bond campaigns?

A. Yes. There will need to be, at least, an Eighth Loan. We must put into the war with Japan every man and every piece of equipment which can be effectively utilized.

Q. What is the prospect of an orderly readjustment of both civilians and veterans?

SECRET

X-41089

- 27 -

SECRET

307

A. There is no reason to anticipate any difficulties as between civilians and veterans other than the individual differences which occur under any set of circumstances between any groups of human beings.

Q. Will normal foreign trade become possible now?

A. Not generally for all areas of the world. Wartime restrictions on commercial export-import business, necessary to control use of cargo space for essential war needs, will be removed gradually, but normal export and import trades will not be possible before the end of the war with Japan. In accordance with the London Agreement of Principles, of August, 1944, emanated by the State Department and the British Foreign Office, the United Nations' control of merchant shipping for military purposes will continue until cessation of hostilities or six months after the defeat of Japan. This is a continuation of the Combined Shipping Adjustment Board's work, expanded as necessary to control merchant ship tonnage of the world up to VJ Day and for six months thereafter.

Q. Will any newsprint or pulp be available immediately for export to the United States from Sweden or Switzerland?

A. Yes, some supplies are available, but estimates of the amounts vary. The limiting factor will be the availability of shipping, vitally needed for conduct of the war.

SECRET

X-41089

MAY 2 1945

My dear Mr. Secretary:

In reply to the request contained in your letter of April 25, I have arranged for Treasury Agents to continue after May 1 the investigation of cases of alleged irregularities by employees of the Office of Surplus Property, which organization is being transferred to your Department on May 1. In view of your statement that it is your intention to organize a force to handle these matters under your direction by July 1, we will anticipate terminating these investigations and turning the work over to your Department on or about that date.

It is further noted that you desire this Department to continue character investigations of employees as they are considered for appointment in the Office of Surplus Property. We cannot perform this service on an indefinite basis but are happy to continue to make such investigations for the remainder of the current fiscal year, when it is assumed that the Department of Commerce will be in a position to undertake full responsibility for all investigative activity pertaining to its surplus property program.

I am glad to be able to cooperate with you in this matter.

Very truly yours,

(Signed: H. Morgenthau, Jr.)

Honorable Henry A. Wallace
Secretary of Commerce
Washington 25, D. C.

ELI:CSB:eg
5-2-45



DEPARTMENT OF COMMERCE

OFFICE OF THE SECRETARY

WASHINGTON 25

April 25, 1945

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

My dear Mr. Secretary:

In connection with the transfer of the Office of Surplus Property and its activities from the Treasury Department to the Commerce Department, there is one phase of the matter on which I would appreciate your cooperation and assistance.

John Pehle has informed me that pursuant to your direction arrangements were made for the Treasury investigative staff under Elmer Irey to investigate cases of alleged irregularities by employees of the Office of Surplus Property, and that a number of such investigations are in progress. I am also advised that arrangements were being made for the Office of Surplus Property to build up a separate investigative staff for this work. I have asked that such a separate investigative staff be built up in the Office of Surplus Property as promptly as possible. In the meantime, I would appreciate it very much if the Treasury investigators under Elmer Irey could continue the investigations which they have initiated and such other investigations as may be requested prior to the establishment of a separate investigation force here. We will try to have such a force set up and operating by July 1 of this year.

In addition, I would appreciate it very much if the Treasury investigative staff could continue to make character investigations of employees of the Office of Surplus Property as they are hired. I am told that the Treasury handles this work in a very effective way and on occasion performs such services for various non-Treasury organizations.

Your cooperation in these matters will be very much appreciated.

Very truly yours,

H. C. [Signature]

Secretary of Commerce

310
May 2, 1945.MemorandumTO: Secretary Morgenthau
FROM: Mr. Gaston

At 11:00 A.M. Tuesday, May 1, I attended, at your request and as your representative, a meeting in the Archives Building of persons connected with the administration of the Franklin D. Roosevelt Library. The meeting appeared to be primarily that of the Board of Directors of the Franklin D. Roosevelt Library. Trustees present included the Archivist Solon Buck, Basil O'Connor, Frank Walker and a Mr. Leland. Judge Samuel Rosenman and Miss Grace Tully were present as members of a committee created by a memorandum of President Roosevelt found among his papers. This committee is charged with the duty of selecting papers to be transmitted to the Library.

There was some discussion of the business of the Library and its three funds. The Investment Fund authorized by the Act has no assets. The Gift Fund, available only for limited purposes, has something over \$400, proceeds of the sale of the 2nd edition of the President's papers. The Income Fund has something over \$13,000, consisting almost wholly of receipts from admissions to the Library, which were substantial in the first fiscal year of its operation and have lately been picking up again.

Mr. Buck submitted some proposed regulations to cover the acquisition of material, which indicated the expectation that the Library would have the task of going over the President's papers and selecting those suitable for public disclosure. Judge Rosenman made it plain that the committee, of which he, Harry Hopkins and Grace Tully are members, will do the weeding out on the Roosevelt papers and that the Library will not be asked to assume that responsibility, notwithstanding the fact that Buck had intimated their staff might do it under the Committee's direction. I am attaching a copy of

311
- 2 -
Buck's proposed regulations which were not adopted but held for further study and also of a proposed statement of functions of the Library, prepared by Buck. Some doubt was expressed as to whether they covered enough ground.

REGULATIONS GOVERNING ACCESS TO THE CONTENT OF HISTORICAL MATERIAL
ACCEPTED OR ACQUIRED FOR THE FRANKLIN D. ROOSEVELT LIBRARY

The use of historical material accepted or acquired by the Archivist of the United States for the Franklin D. Roosevelt Library shall be subject to the following regulations respecting access to the content of such material:

1. If such material has been accepted or acquired under conditions of donation, gift, sale, or loan wherein it is specified that certain other material known or suspected to be interspersed therein is not intended to be offered for acceptance or acquisition by the Library, all the material shall be examined at the direction of the Director of the Library or at the direction of the Archivist for the purpose of finding and segregating the material not intended to be offered for acceptance or acquisition by the Library. The content of no portion of any historical material accepted or acquired under a condition of the kind mentioned shall be made available to the public until such an examination and segregation shall have been made for that portion of material. Applications for access to the content of material that is in the possession of the Library but that has been specified in a condition of the kind mentioned as not intended to be offered for acceptance or acquisition by the Library shall be referred to the owner of such material and shall be granted only upon his written order.

2. Historical material accepted or acquired for the Library shall not be available to the public if it has any of the following kinds of content:

- a. Content originally communicated in confidence and in reliance upon the discretion and good faith of the recipient or of the Government; Provided, That the reasons for keeping the material confidential have not ceased to exist.

- b. Content derogatory to the character or good repute of living persons or to a blood relation one degree removed of a living person ^{or to a deceased person whose widow is living}; Provided, That consent of the living person or persons who is or are involved has not been obtained for making such content available to the public.
- c. Content relating to the intimate private life of living individuals that would ordinarily be kept from public knowledge by the safeguards of individual privacy; Provided That the consent of the living person involved has not been obtained for making such content available to the public.
- d. Content that might embarrass or injure the relations of the United States with foreign nations or governments if made available to the public.
- e. Content of material originally classified by competent authority as top secret, secret, confidential, or restricted; Provided, That the classification has not been changed by competent authority or that the reasons for the classification have not ceased to exist.
- f. Content that might be made the basis of a claim against the United States; Provided, That authorization for access to such content has not been given by the appropriate Federal official or by a Federal court having jurisdiction in the matter at issue.
3. The Director of the Library shall cause all historical material accepted or acquired for the Library to be examined for the purpose of finding and segregating or marking all material having content of one or more of the kinds specified in the preceding paragraph. No portion of historical material accepted or acquired for the Library shall be made available to the public until such an examination has been made for that portion of material and until

all material having one or more of the kinds of content specified in the preceding paragraph has been segregated or temporarily removed from that portion of material.

4. The content of all historical material accepted or acquired for the library shall be available to officials of the United States for use in the transaction of official business but the Director of the Library shall require the presentation of appropriate credentials in cases where such officials desire access to the content of material not available to the public.

BRUCE J. BUCK
Archivist of the United States

Draft, HHI, May 1, 1945

315
Draft - S. J. B. 4-30-45

Proposed Statement of the Functions of the
Franklin D. Roosevelt Library

The Franklin D. Roosevelt Library, as an agency of the Federal Government administered by the Archivist of the United States, should perform the following functions:

I. Acquire and preserve by gift, loan, exchange, or purchase material of historical, biographical or other research value:

1. Relating to Franklin D. Roosevelt, members of his immediate family, and his progenitors,
2. Relating to national or international aspects of American history from 1910 to the end of the second World War,
3. Relating to American naval affairs to the end of the second World War, and
4. Relating to the Hudson River Valley and especially Dutchess County, New York, to the end of the second World War.

By material is meant books, pamphlets, manuscripts, papers, newspaper and periodical files, motion and still pictures, sound recordings, and museum objects. Purchases of material should be made from trust funds rather than from Government appropriations when such funds are available.

II. Arrange, organize, classify, inventory, calendar, catalog, index, and otherwise bring its holdings under such control that they may be effectively used, and disseminate information concerning its holdings by the publication of guides, inventories, calendars and the like. The cost of such publication should be met from trust funds when such funds are available.

III. Exhibit in permanent or temporary displays such of its holdings as are appropriate therefor.

IV. Make its holdings available to scholars and others for appropriate use under regulations that will insure their preservation and will prevent such use of them or of information in them as would be injurious to the public interest or, through the disclosure of confidential information, would be injurious to the reputation of any living person.

316

V. Edit and publish printed, processed, or photographic reproductions of appropriate portions of or selections from its unrestricted holdings. This activity should be supported by trust funds.

The Library should not itself, either with Government appropriations or trust funds, engage in or support interpretative research or writing, except as such activities may be incidental to the performance of the above functions, but it should impartially facilitate such work by others in its field of interest so far as may be consistent with its obligations to donors and to the Government.



OFFICE OF
COMMISSIONER OF INTERNAL REVENUE

OFFICE OF THE
COMMISSIONER OF INTERNAL REVENUE

A&C:EL

TREASURY DEPARTMENT

WASHINGTON

MAY 2 1945

MEMORANDUM for the Secretary

Reference is made to your recent informal suggestion that a survey be made in a typical and representative farm area to determine the extent of income tax delinquency on the part of farmers and farm laborers. Such a survey has now been completed under the direction of the Collector of Internal Revenue at Albany, New York.

For his survey, the Collector selected Rural Route No. 2, out of Hudson, Columbia County, New York. This route embraces 300 mail boxes and there are 89 farms located thereon. Of the 89 farms located on this route, 46 are fruit farms, 15 are dairy farms and 28 can be classified as general farms since their products are poultry, fruit and dairy. There follows a tabulation of the results of the Collector's survey.

FARMERS

Number investigated	89
Number who had previously filed income tax returns for 1944	86
Number who had not previously filed income tax returns for 1944	3

- * Two of these farmers had losses during 1944. While delinquent returns were secured, there was no income tax liability in either case. The remaining farmer had incurred substantial medical expenses and while delinquent return was secured, there was no income tax liability.



- 2 -

Memorandum for the Secretary

FARM LABORERS

Number investigated	79
Number who had previously filed returns	62
Delinquent returns secured from	17 79

Analysis of Returns Secured from 17 Farm Laborers

Tax	\$1,286.55
Penalty	75.41
Interest	6.15
Total Collected	\$1,368.11

Three of the farm laborers were also delinquent for 1943 and one of them was delinquent for 1941 and 1942-1943. Delinquent returns for these years, as well as for 1944, were secured from these four farm laborers. Thus, a total of 22 delinquent returns were secured from 17 farm laborers. The yield in tax, penalty and interest totaled \$1,368.11, or an average of \$62.18 per each of the 22 returns.

The Collector reports that the salaries and travel expenses of the three deputy collectors who conducted this survey aggregated \$134.80. Including both farmers and farm laborers, there were 168 contacts made at an average cost per contact of eighty cents.

James H. Turner
Commissioner

319

MAY 2 1945

AHC:EM

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320

- 2 -

Memorandum for the Secretary

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Commissioner

AHC:EMH
Prepared: 4-30-45

OK'd by JHS
4/20 4/30/45
JHS

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

TO Mrs. Mlotz

FROM Mr. Russell

The attached article, prepared in response to the request of the Editor of the South from Secretary Berenson regarding Farmers' Seventh War Loan Drive.

I think it is a good article and we have indicated their approval. I would have the Secretary sign it if he thinks

E. C. T.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 5/2/45

TO Mrs. Elets
FROM Mr. Russell

The attached article, prepared in War Finance, is in response to the request of the Editor of the Southern Planter for a statement from Secretary Morgenthau urging farmers to buy War Bonds in the Seventh War Loan Drive.

I think it is a good article and both Mr. Gaston and Mr. Coyne have indicated their approval. I would appreciate it if you will have the Secretary sign it if he thinks well of it.

Ed Russell

OK. But than War Finance
I would offer this article
to all the papers.

Special to SOUTHERN PLANTER

322

WAR BONDS FOR VICTORY AND PEACE
by
Hon. Henry Morgenthau, Jr.
Secretary of the Treasury

I appreciate this opportunity to discuss War Bonds with the patriotic and progressive farmers of the Southland who read the SOUTHERN PLANTER. From reports that come to the Treasury I know that you are already making substantial War Bond investments. But I feel that you will buy and hold more of these bonds when you know how vital they are in winning complete victory, and how valuable they can be as a firm financial reserve.

You farmers don't need to be told to buy bonds for patriotic reasons. In every survey the Treasury has made most farmers give patriotic motives as their first reason for buying War Bonds. With your sons fighting on battle fronts around the world you're ready to back them up with your dollars.

Even so, I feel that it's hard for us to realize how important every bond is to victory. Perhaps the farmer who was going to buy a hundred-dollar bond would make it five hundred if he knew just why that money was needed and what it would do.

In the Seventh War Loan half the goal must come from individuals. Out of a fourteen-billion-dollar total we must sell at least seven billion to individuals. That's more bonds than we have ever sold individuals in one drive. They must be bought by farmers like you, the merchants up and down Main Street, and the men and women in the factories. From these individuals we must get half the money that is needed to push this war on toward victory.

The real battle of Japan is just beginning. The bonds you buy will be mighty important to that boy fighting in the Pacific. Until we took Iwo Jima, we were just battling in the outer Japanese Empire — and to the Japs these islands and the men who defend them are expendable. At Iwo we hit the first

-2-

323

outpost of the inner Japanese Empire. The resistance there — according to Admiral Himitz — was a pattern of what we can expect in future offensives. So we must have more B-29's that cost six hundred thousand dollars each. We must have more of everything that is especially adapted to the Jap war — more tanks, half-tracks, jeeps, and trucks. And above all — more ships — for in crushing Japan the greatest single obstacle is distance. It takes as long as 5 months for supply ships to make the round-trip to the Pacific fighting fronts.

That's why your country needs every possible dollar that you can put into War Bonds. But there's yet another reason to consider. That's winning the peace — right on your own farm — for yourself and your family and that fighting son who is going to come home from victory. It's patriotic to think of that too when you buy War Bonds.

In producing the food which has been so important in winning this war, you farmers have put a tremendous strain on your soil and equipment. I've been told that farmers are wearing out buildings worth 10½ billion dollars and equipment valued at 3½ billion. Depreciation alone on these buildings and equipment amounts to over 2½ billion dollars a year. Farmers must put away this amount in War Bonds just to protect their business!

We created War Bonds to help win the peace as well as the war — as the ideal investment for the great majority of Americans. That's why they have fixed redemption values. The ups and downs of the financial market will never affect the worth of these bonds. For a safe investment they pay a high rate of interest — the highest of any Government security now available.

The farmer who invests a substantial portion of his wartime income in War Bonds, and then holds his bonds, will be assured of the wartime income in farming and better living. To buy bonds now is the obligation of every American, but it is also the greatest opportunity we have ever had. Make the most of it in the Seventh War Loan.

-30-

3/22/45

REGISTRATION FINANCE CORPORATION
THE RAILROADS COMPANY
FEDERAL NATIONAL MORTGAGE CORPORATION
NATIONAL TRUST COMPANY
NATIONAL TRUST COMPANY

SECURITY FUND CORPORATION
SECURITY FUND CORPORATION
SECURITY FUND CORPORATION
SECURITY FUND CORPORATION
SECURITY FUND CORPORATION

324

FEDERAL LOAN AGENCY
WASHINGTON 25, D. C.



May
Second
1945

JOHN W. MORGENTHAU
FEDERAL LOAN ADMINISTRATION

Dear Mr. Morgenthau:

It was good of you
to write and congratulate me on my
appointment as Federal Loan Administrator;
I appreciate your good wishes. Many, many
thanks.

Sincerely yours

John W. Morganthau

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

MAY 2 1945

Dear Mrs. Roosevelt:

The expressions of gratitude in your letters
of April 29th about the Secret Service and Agent
Charles Fredericks have been conveyed to Chief
Wilson and his interested personnel.

All of us were honored by the opportunity to
extend whatever courtesies were possible to you
and the other members of your family. We had a
great personal satisfaction in serving the late
President, and I knew that all the members of the
Secret Service had a very deep devotion for him,
inspired by his kindness and consideration to them
constantly from November, 1933, until April 12th,
1945.

Thank you for your note of appreciation.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Mrs. Eleanor Roosevelt
Hyde Park on the Hudson
New York

Frank J. Wilson:CSB:eg
5-1-45

325

12"

TELEGRAPH
RECEIVEDHYDE PARK
ON THE HUDSON, N. Y.

April 25, 1945.

Dear Mr. Secretary:

It was more than kind of you to assign Mr. Charles Fredericks to Hyde Park in order to help us through this first period. Mr. Fredericks was with the President so much, he is very familiar with many of my husband's possessions and has been extremely valuable to us.

My children and I are deeply grateful to Mr. Fredericks for his loyal devotion to the President, and for his helpfulness now.

Very sincerely yours,

*Marion H. Post*TELEGRAPH
RECEIVEDHYDE PARK
ON THE HUDSON, N. Y.

April 25, 1945.

Dear Mr. Secretary:

I want to express for myself and my children, our gratitude to the men in the Secret Service branch of your Department.

Mr. Wilson, chief of the Bureau, and to all of the men who have so carefully guarded the safety of my husband and my children, I want to say a special word of deep appreciation. Their loyalty and their never failing courtesy and helpfulness will always remain in my memory.

Very sincerely yours,

Marion H. Post

25

May 2, 1945

Dear Dr. Kung:

Your letter of April 26, mourning the untimely death of President Roosevelt, is indeed a fitting tribute to a great man who was, as you say, "one of the chief architects of human history" -- and also my personal friend. And you and I know the depth of his friendship for China.

Mrs. Morgenthau joins me in the hope that your recovery will be rapid and complete. We need you, and all other active men of good will in all Nations, to help carry on the tasks that have been started and must be continued.

Please give Madame Kung my best wishes.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Dr. H. H. Kung,
Room 4201 Waldorf Astoria Hotel,
New York, New York.

H. H. Kung

327

EXECUTIVE YUAN
NATIONAL GOVERNMENT OF CHINA

328

April 26, 1945.

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

Dear Mr. Morgenthau:

When the sad event which shocked the whole world occurred, I had just gone through a second major operation. Because my family and the doctors knew I had a great admiration and affection for the late President and because of my condition following the operation, I was not allowed to know the sad news sooner. Therefore, I am sorry that I could not have written you earlier to express to you my deepest sympathy for the untimely passing of President Roosevelt.

The people of China especially mourn his passing as the irreparable loss of our dearest friend and leader and organizer in the worldwide struggle against aggression. He is unquestionably a great man, one of the chief architects of human history whose remarkable personality and constructive achievements will remain a living inspiration to future generations of humanity.

At the moment I heard of the sad event, I immediately thought of you who are not only his invaluable colleague but his personal friend. I know he always had great confidence in you, and it gives me great pleasure to know that, as one who has an intimate knowledge of his wishes and ideals, you are continuing your important work in the government for the realization of his policies and ideals.

Please convey my best wishes to Mrs. Morgenthau,

Sincerely yours,

H. H. Kung
H. H. Kung

IMMEDIATE RELEASE

MAY 2, 1945

329

The President has received the following letter of resignation from the Honorable Frank G. Walker, Postmaster General of the United States, and has advised Mr. Walker that he has "reluctantly and grudgingly" accepted the resignation, effective as of the close of business on June 30, 1945:

"Dear Mr. President:

I hereby tender you my resignation as Postmaster General, to become effective at a time that best meets with your convenience.

I have in the stage of preparation a report of my stewardship, together with certain suggestions concerning a reorganization of the Postal Department. This report will be completed within thirty days. If agreeable to you, Mr. President, I would like to have the resignation made effective at that time.

The mantle of a great President has fallen upon you. Statesman and humanitarian, Franklin D. Roosevelt had a heart which beat with true compassion for all who suffered or bore heavy burdens. The Nation so sorely bereft of his leadership has found unity as well as strength and courage in the pledge of faith which you gave to all the world in the address to the Congress in Joint Session this afternoon.

Franklin D. Roosevelt now takes his place with the great men of the ages. May his noble spirit guide and inspire you as you take up the fight for the ideals in defense of which he gave all of his strength, his very life.

It remains for me only to add that I have full confidence in your leadership. Although I relinquish public office, I am yours to command if ever I can be of service to you in the heavy tasks which lie ahead.

Sincerely,

FRANK G. WALKER"

"Dear Frank:

I have learned in a very short time that the President of the United States all too often has to act in ways that please others and which are very different from the personal wishes and feelings of the President himself. Full realization of this is brought home to me very forcibly by your request that I accept your resignation as Postmaster General.

It goes without saying that your request is reluctantly and grudgingly granted, effective as of the close of business on June 30, 1945. I must warn you, however, that I confidently expect to take advantage of your offer to return to me whenever there is need of your services in the future.

We sever only the official ties between us. The warm friendship and close association which has been ours through many years goes on as before.

The splendid service you have rendered your Country and your Government will long be remembered by a grateful people. I count myself one of them and I thank you for your statement of confidence in my Administration.

Very sincerely yours,

HARRY S. TRUMAN"

ILM ROLL NO.

IMMEDIATE RELEASE

MAY 2, 1945

330

STATEMENT BY THE PRESIDENT

At my request, Mr. Justice Robert H. Jackson, in addition to his duties as Justice of the Supreme Court, has accepted designation as Chief of Counsel for the United States in preparing and prosecuting the charges of atrocities and war crimes against such of the leaders of the European Axis powers, and their principal agents and accessories, as the United States may agree with any of the United Nations to bring to trial before an international military tribunal.

Pursuant to the Moscow Declaration of November 1, 1943, all war criminals, against whom there is sufficient proof of personal participation in specific atrocities, are to be returned to the countries where their crimes were committed, to be judged and punished by those countries themselves. These cases are not involved in this assignment.

There are left, however, the cases of other war criminals -- particularly the major war criminals and their principal agents and accessories, whose offenses have no particular geographical localization.

I hope and expect that an international military tribunal will soon be organized to try this second category of war criminals. It will be Justice Jackson's responsibility to represent the United States in preparing and presenting the case against these criminals before such military tribunal.

Justice Jackson has assembled a staff from within the War, Navy, and other Departments concerned, which has already begun work, so that there will be no delay on the part of the United States. It is desirable that preparation begin at once, even though the details of the military court are not yet determined.

I have just signed an Executive Order designating Justice Jackson to this post. He and his staff will examine the evidence already gathered and being gathered by the United Nations War Crimes Commission in London and by the various allied armies and other agencies; he will arrange for assembling the necessary additional evidence; and he will begin preparation for the trial.

It is our objective to establish as soon as possible an international military tribunal; and to provide a trial procedure which will be expeditious in nature and which will permit no evasion or delay -- but one which is in keeping with our tradition of fairness towards those accused of crime. Steps to carry this out are actively under way.

Arguments in the Supreme Court for the current term will conclude this week, and the Court has ordered adjournment on May 28th. It is hoped that the trial of these war crimes cases will have been completed next October when the Court reconvenes.

IMMEDIATE RELEASE

MAY 2, 1945

EXECUTIVE ORDER

PROVIDING FOR REPRESENTATION OF THE UNITED STATES IN PREPARING
AND PROSECUTING CHARGES OF ATROCITIES AND WAR CRIMES AGAINST
THE LEADERS OF THE EUROPEAN AXIS POWERS AND THEIR PRINCIPAL
AGENTS AND ACCESSORIES

By virtue of the authority vested in me as President and
as Commander in Chief of the Army and Navy, under the Constitution
and statutes of the United States, it is ordered as follows:

1. Associate Justice Robert H. Jackson is hereby designated to act as the Representative of the United States and as its Chief of Counsel in preparing and prosecuting charges of atrocities and war crimes against such of the leaders of the European Axis powers and their principal agents and accessories as the United States may agree with any of the United Nations to bring to trial before an international military tribunal. He shall serve without additional compensation but shall receive such allowance for expenses as may be authorized by the President.

2. The Representative named herein is authorized to select and recommend to the President or to the head of any executive department, independent establishment, or other federal agency necessary personnel to assist in the performance of his duties hereunder. The head of each executive department, independent establishment, and other federal agency is hereby authorized to assist the Representative named herein in the performance of his duties hereunder and to employ such personnel and make such expenditures, within the limits of appropriations now or hereafter available for the purpose, as the Representative named herein may deem necessary to accomplish the purposes of this order, and may make available, assign, or detail for duty with the Representative named herein such members of the armed forces and other personnel as may be requested for such purposes.

3. The Representative named herein is authorized to cooperate with, and receive the assistance of, any foreign Government to the extent deemed necessary by him to accomplish the purposes of this order.

HARRY S. TRUMAN

THE WHITE HOUSE,

May 2, 1945.

333

May 2, 1945

Mr. Luxford
Secretary Morgenthau

Please let me know what this is all about.

Done

Attach clipping from New York World Telegram, April 27, 1945
entitled "Treasury Plans Used to Aid Red Fund Drive" by
Frederick Weitzman.

333

Stockholm

Filed May 2, 1945

Rec'd 4:24 p.m.

Secretary of State,

Washington.

1635, May 2, 4 p.m.

Our 1476 of April 20, 6 p.m. made reference to 800
Danish-Jews instead of 5,000 as stated in Department's
774, April 27, 3 p.m. Informed local sources indicate
that 425 have actually arrived here to date and that this
group comprises the living remainder of approximately
525 originally deported from Denmark, the balance having
died in concentration camps.

JOHNSON

ED

Bern

Dated May 2, 1946

Rec'd 9:40 a.m.

Secretary of State,

Washington.

2562, May 2, 9 a.m.

FOR COUNTRY OF WHERE FROM NOTED

Legation's 2471, April 27.

ICRC delegate Dunand visited the Resienstadt again on April 21 and reports conditions there good (repeat good) in every respect. 4,000 new Jewish internees have arrived apparently mostly from "protectorate" since his previous visit on April 7. Dunand advised ICRC that he considered it unnecessary send further food shipments to the Resienstadt. Ultimate fate of Ghetto is still uncertain although Dunand seems very optimistic.

On other hand, deportees recently rescued from concentration camp of Mauthausen 2471 (Legation's 2468, April 27) reports frightful conditions prevailing there. Most brutal type of extermination is in progress.

It is most doubtful that ICRC will be able to evacuate further inmates camp since Russians were reported to have crossed Rhine river south of Mauthausen about two days ago.

Ironically enough at last minute (April 30) Swiss Army placed 60 postal buses with capacity of 25 to 30 persons each at disposal ICRC for such evacuation work. If these buses had been available a month ago several hundred more detainees could have been rescued. I fear, however, that it is too late.

HARRISON

SIA