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May 7, 1945
9:30 a.m.

GROUP

Present: Mr. D. W. Bell
Mr. Gaston
Mr. O'Connell
Mr. Haas
Mr. Gamble
Mr. Bartelt
Mr. C. S. Bell
Mr. Luxford
Mr. Coe
Mr. DuBois
Mr. Fussell
Mrs. Klotz

H.M.JR: Good morning.

MR. GASTON: Good morning.

H.M.JR: What have you got, a bad back or something, George?

MR. HAAS: No.

H.M.JR: There are more chairs there, two very comfortable chairs on the other side of you people.

Ted can lie down.

Well, I found Mrs. Morgenthau distinctly improved, and unless there is some other setback, they will move her in two weeks, which is encouraging.

Herbert?

MR. GASTON: I haven't anything special. I would like to talk to you later about one matter.

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H.M.JR: Well, I want you and Joe and Bell and Bartelt to stay a while, and you can see me after that. How is that?

MR. O'CONNELL: There are two things I might mention. On Saturday we lost the Chase Bank case, and maybe I shouldn't mention it again, but--

H.M.JR: Why the hell I should write a fellow congratulating him for losing a case doesn't make sense!

MR. O'CONNELL: Well, it is just a good will gesture.

H.M.JR: Good will my eye.

MR. O'CONNELL: He tried the case and did a good job trying.

H.M.JR: I would rather go back and say, "Who is the fellow who said I should push it?"

MR. O'CONNELL: I don't think a mistake was made. I said last week it was a tossup. The jury was out for twelve hours and came back twice for special instructions, and it was one of those close cases.

H.M.JR: If I wrote him a note on it, it would leave me holding the bag. The editorial blamed the Department of Justice, and you see, I will make you a bet within two or three days that something will come out saying, "It wasn't us, it was the Treasury," even though--

MR. LUXFORD: If you had won the case, they would still say you persecuted them.

H.M.JR: I don't mind being accused if I win.

MR. O'CONNELL: Well, in any event, you don't want to say the U. S. Attorney did a good job.

H.M.JR: No, he lost the case. Why don't you tell me to send one to the fellow who put this fellow in Cincinnati for six years? He is the fellow I would like to send a telegram.

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MR. D. W. BELL: Is that our case?

MR. O'CONNELL: It was an OPA violation.

H.M.JR: I would like to send the fellow who tried it--that Federal District Attorney a letter. I mean all these papers that went across my desk--what is the fellow's name?

MR. GASTON: Gould.

H.M.JR: Certainly Irey's group claimed it was their case. Avis' man made the case.

MR. D. W. BELL: Is that something you can say at your press conference, that that was a case you had in mind? It was a case on the list.

H.M.JR: Oh, yes, very much. I have been hearing about the Gould case for a month.

MR. D. W. BELL: Couldn't the Secretary say that was one of the cases he had an investigation on?

H.M.JR: They ran it down through--either it was eleven or seventeen one-thousand-dollar bills. Is that right?

MR. O'CONNELL: It was a lot of money--currency--involved.

MR. GASTON: He handled a lot of thousand-dollar bills. Toward the end he told them not to give him any more thousand-dollar bills. He was getting them changed.

H.M.JR: It was either eleven or seventeen. I didn't want to have a press conference this afternoon. I have nothing to say. I think just to meet these people and not have anything to say is silly.

MR. FUSSELL: I had hoped you would have something to say about this Gould case at the press conference, either in praise of the Department of Justice or the Judge, for giving them such a stiff sentence.

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H.M.JR: Just have a press conference for that?

MR. FUSSELL: No, if you don't want to have a press conference.

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

MR. FUSSELL: Or you could send a telegram or give us a quote praising him, because a lot of cases have been handled like they were police court cases--thirty to sixty-day sentences.

H.M.JR: Have you anything except the Gould case?

MR. FUSSELL: No.

H.M.JR: Gamble, have you anything?

MR. GAMBLE: No. In a day or two you could give a statement. If you put this with the Gould case, they will destroy a good case for us. They can get coverage on it, and they will write about how you put some fellow in jail. You can discuss the Seventh War Loan Drive, the launching of it and what is going to take place next Sunday and Monday and some of the special events that are going to take place.

H.M.JR: Would you mind having a press conference with me and letting me know?

MR. GAMBLE: I had a request for five minutes today to see you.

MR. GASTON: I think you have enough material from Ted for a press conference. They might mention the Gould case. It is not a big news story today. I think since there is something you can use, the percentage is in favor of having a press conference rather than not having one.

H.M.JR: I think we ought to get busy on the Seventh War Loan, huh? Why don't you come in at three forty-five?

MR. GAMBLE: Fine.

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H.M.JR: We will do the Seventh War Loan thing first. Right?

MR. GASTON: Right.

H.M.JR: You can tell them outside. He doesn't know there was going to be press.

What else?

MR. O'CONNELL: The other thing I might mention at Dan's suggestion--

H.M.JR: You might have copies for me of the stuff I might send the Judge and the District Attorney.

MR. O'CONNELL: It was just the District Attorney. We will have something for you. We have prepared a form of order which, if you--

H.M.JR: Excuse me. If there is any particular man in alcohol tax who ran this three-million dollar case down, he might get a letter.

MR. O'CONNELL: Find out from Avis. I think it was a group effort in which a number of people, both in Alcohol Tax and OPA, operated, don't you, Herbert?

MR. GASTON: We have furnished all the steam and--

H.M.JR: Is Senator Schwellenbach going to be Secretary of Labor?

MR. FUSSELL: He hasn't told me so.

H.M.JR: Marquis Childs said so at two o'clock yesterday.

MR. GASTON: I see George Schoeneman is going to be Administrative Assistant in personnel matters. That was in Jerry Klutts's column that George Schoeneman was going to take Mack's place.

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H.M.JR: Nunan told me about that. You were here, weren't you?

MR. O'CONNELL: Yes. You recall Schoeneman was to see McKim.

H.M.JR: Bob Hannegan picked him.

MR. GASTON: I should suspect so, yes.

H.M.JR: I will pick his successor in the Bureau.

MR. O'CONNELL: We have prepared a form of order addressed to all of the banks requiring them to make reports of unusual currency transactions. I have to talk to Dan and some other people about the form of it, but if you have no objection, we will proceed on that basis.

H.M.JR: It is high time.

MR. O'CONNELL: We have plenty of authority; and if it is agreeable, when we have it ready, probably by the end of the day, or tomorrow--it is probably one you might wish to sign yourself.

H.M.JR: Anything else?

MR. O'CONNELL: That is all.

MR. FLOUGH: I think we ought to get together within the next day or two and see where we stand on the tax business. George is not yet back from abroad. I don't know whether that means he is sick or what it means, but until he gets back, I don't think the Joint Committee is going to move. President Truman made a statement in his last press conference.

H.M.JR: I saw that, and it bothered me.

MR. D. W. BELL: Somebody said it wasn't right on the ticker.

MR. FLOUGH: It was wrong on the ticker.

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H.M.JR: What was right?

(Discussion off the record.)

H.M.JR: The Allies officially announce Germany's surrender unconditionally. There is no use getting excited.

MR. GASTON: You will get a bulletin to follow that up. It is just a flash.

H.M.JR: I can't get excited; I don't know about the rest of you. I don't know what is happening in Okinawa. Nobody seems excited.

Where were we?

MR. BLOUGH: On taxes. The ticker said that Truman had said he had been talking with Congressional leaders, but apparently he didn't say that. None of the papers mentioned it, so I think it is all right.

H.M.JR: He had been talking with Congressional leaders, but Shaeffer said he did not say that and that none of the papers reported it. It was an error on the ticker.

MR. COE: He said he had been talking with Secretary--

MR. BLOUGH: Yes. Vinson's office checked with me-- Prichard--late Friday, and apparently he just wanted to make sure it was nothing really new.

H.M.JR: Well, now, I am saying this in the room here. Look out for Prichard, see. Prichard is no friend of the Treasury. He did something once before about telling me something that they were doing, and then I called up Fred Vinson and he didn't know anything about it. So I don't want any pipeline to Prichard. As far as I am concerned, he might just as well be a member of the Republican Party. Among other things he and Paul Porter were among the people who tried to get rid of me when Mr. what's-his-name came in here.

MR. BLOUGH: We ought to work with Mr. Vinson.

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H.M.JR: Yes, directly with Mr. Vinson.

MR. BLOUGH: Prichard is very close to Mr. Vinson.

H.M.JR: I don't know, but he is bad medicine anyway you look at it. He and Paul Porter were out trying to replace me and were working anti-Morgenthau among the big politicians, but they got nowhere.

MR. BLOUGH: It would be a good idea to have a chat with Judge Vinson.

H.M.JR: If he is interested. I forget what it was, but Prichard called up about something, and then I called Vinson back, something about their--

MR. O'CONNELL: I was in on that. He called me in and said Vinson wanted you to know, I think, that he had nothing to do with the Byrnes release, you recall. I told you, and you called Vinson. Vinson didn't know what you were talking about, but then he said Prichard usually spoke for him.

H.M.JR: Let's cut that pipeline off into the Treasury. Fred Vinson ought to know that I want to cooperate with him one hundred percent, because he has cooperated with me one hundred percent, but Prichard, no!

MR. BLOUGH: It is going to be a little hard since Prichard is more or less speaking for Vinson on a lot of things.

H.M.JR: The next time he calls simply say, "I am very sorry. If you want that, you will have to get it from Secretary Morgenthau." Turn it right to me.

MR. D. W. BELL: He is on the committee, isn't he?

MR. BLOUGH: Yes, on the Interdepartmental Committee on Taxation as a representative of Vinson, and there has been no--

H.M.JR: Well, you should be--if he asks something, you can say, "I am very sorry, but you had better ask Mr. Morgenthau."

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MR. BLOUGH: But I think it would be well to have a little talk in the Treasury about where we go from here.

H.M.JR: Well, I want you to come in at three o'clock, and if possible, I would like to have a two-page memo that I could give to Mr. Truman on Wednesday telling him where we stand. Could you give me an outline of what this thing is that is proposed by the Joint Committee?

MR. BLOUGH: Yes, sure I can. Of course, to make it clear in two pages is almost impossible, but I can make it as clear as I can.

H.M.JR: Take as many pages as necessary. You have got forty-five minutes to go over it with me.

MR. BLOUGH: Today at three?

H.M.JR: Today at three.

MR. BLOUGH: Certainly Mr. O'Connell ought to be here if he can make it.

H.M.JR: All right.

MR. BLOUGH: And Mr. Wales, probably.

H.M.JR: Dan, are you in on this?

MR. D. W. BELL: Yes, I would like to be in on it.

H.M.JR: You can have forty-five minutes. I want you to tell what you think the committee is going to do so I can give it to him.

MR. BLOUGH: I could have told you a week ago what I thought the Committee was going to do, but I haven't been in touch with them the last week. I think they are all right.

H.M.JR: Suppose you come in with a memo. You have got from now until three o'clock.

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MR. BLOUGH: Fine. That is all I have, I think.

H.M.JR: George?

MR. HAAS: I have nothing.

H.M.JR: Frank?

MR. COE: We have got a group up ready to go to the Philippines, Mr. Secretary, to be headed provisionally by Mr. Alk, who is the Chief Counsel for Foreign Funds, and three Foreign Funds people, and one Monetary Research person is going a little later, and I would like to get your approval on it.

H.M.JR: Germany surrendered unconditionally to the Western Allies.

MR. GASTON: Who surrendered? Who acted on the part of Germany?

H.M.JR: Jodl.

MR. LUXFORD: Surrendered to the Western Allies. Walter Bedell Smith, Chief of Staff--

MR. DUBOIS: Western Allies?

H.M.JR: As yet no V-E Day proclamation has been issued by Washington.

MR. BLOUGH: What about Russia? That doesn't say anything about Russia.

MR. LUXFORD: It says "...to Western Allies."

H.M.JR: Jodl. That name is so familiar, Colonel-- General Jodl.

MR. COE: He was one of the big ones. He is one of the old German Generals.

H.M.JR: It says, "unconditionally to the Western Allies and Russia."

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MR. GASTON: He acts as chief of the general staff, does he?

MR. FUSSELL: Mr. Secretary, if there's a V-E Day proclamation issued today, I would think under those circumstances it would be advisable not to hold a press conference.

H.M.JR: I think so, too.

MR. GASTON: You will have a statement of your own to give to the War Finance managers.

H.M.JR: It is all finished, isn't it?

MR. GAMBLE: It is ready.

(Secretary holds telephone conversation with Colonel Kyle in Secretary Stimson's office.)

MR. GASTON: They get it from all press associations and all radios. Nobody is going to wait for anything more official than that.

MR. GAMBLE: The Hamburg radio had it officially at eight-forty this morning.

H.M.JR: I think this is official enough. (Secretary shook hands with his staff.)

MR. D. W. BELL: Colonel Hilliard came back today from SHAEF headquarters with a piece of paper on the German gold and he said they even took him into a room and closed the door when they told him all about it and gave him this secret document in Washington, and he said there were only eleven copies of it made, "And I have one of them," he said. This was the most secret document they had received from the War Department since the War started. "We really have to be very careful of it," he said and the next day Colonel Bernstein had a press conference in Paris and it was in there word for word. (Laughter)

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H.M.JR: Who heads this thing up?

MR. O'CONNELL: The General Counsel, Foreign Funds.

(Secretary signs letter to Secretary of War, dated May 7, 1945.)

MRS. KLOTZ: How about a photostat of this? (Hands Mr. Coe memo from Mr. Coe and Mr. Schmidt to the Secretary dated May 4, 1945.)

H.M.JR: I'm not going to make any speech. I don't think it is beholden on me to make any speech, but I would like to say this much. I think that those of you who have been associated with me since Pearl Harbor and before and what we did to help the English and help the French--I think we can all feel we have had a little share in this victory. Certainly when they were laying off men it was because they had no work to do. We gave them some orders to start with--the French engines. I think the Air Corps got at least one full year's head start due to the fact that airplane factories, engine factories had been working on Allied orders, and all of that was done from this office. I think that Mr. Purvis and I were with President Roosevelt, and he got the idea of lending the ships to the English rather than selling them, and Purvis wanted--the idea of the Lend-Lease was sort of born there that day when Purvis was asking for them, and there was no question that the Treasury wrote the Lend-Lease Bill and got it through the House and Senate. I mean, we worked just as hard on that as we did on Bretton Woods, and anybody can write all the books in the world, but it was the Treasury that got that thing through. We wrote the speeches for Walter George. We did everything possible, and--

MR. LUXFORD: I remember the night of the drafting.

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H.M.JR: And I will never forget the month that I spent on the Hill being investigated by the Military Affairs Committee because General Arnold sold me down the river.

MR. GASTON: And Harry Woodring.

H.M.JR: And the stuff we sent across, those guns to the English, the rifles in 1940--we had a lot to do with helping. And certainly we have raised the money that the war has cost from the people. It has been the people's financing, and the people themselves have gotten in on this war the way they have as far as financing is concerned. And it is all right. I think each one in his own heart can feel he has contributed something here at home toward quickening the end of this phase of the war. Now, we have got another very tough one ahead of us. Some of it has come out, but the Japanese with their suicide planes and boats--they have just thrown about everything they had at our boys there at Okinawa. And how long this will last, I don't know, but certainly we all want to see this last phase through. And then when the last phase is through and the Japanese quit, then I think for the first time in my life--I have never really been drunk-- I think I will get drunk then. I have never been drunk, but I think on that day I will.

MR. D. W. BELL: I don't know.

MRS. KLOTZ: I don't know if I can last that long.

H.M.JR: I think once in a lifetime--you have got to do everything once, including Ted Gamble. I have never been drunk, but I think that day will be a good time.

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But, anyway, for the part that each one and all have played--some of the people aren't here who were in the beginning, but for those who helped me through this most difficult period, my most heartfelt thanks. I never could have done it without you, and I like this thing, "We did it also." This is America, and there is nobody here because of social position, wealth, or political backing. Everybody in the room is here because he pulls his own weight, and that is the way I like to have it. And each person here is here because he has made good on his own. We have had some of the socialites and wealthy people, but they didn't last long. The company was too fast for them.

But anyway, for what each and every one did to help me and the Treasury, I think if we can all look back, we can all be very happy that we were together at this time, and it was a good team. Again, thanks for all of the assistance. I never could have done it alone. I couldn't have done it without the unlimited assistance that you have all given me.

I know that each of you have had chances--financial offers to do other things, but money has not been enough attraction to take you from this most important work. So we don't want to be too satisfied, but I can't help but remember I have Bob right in the middle of it, and I still don't know if Henry is all right, but I hope he is. But it would be that my two boys--one had to be at the last fighting in Austria and the other at Okinawa, but we will see this next thing through, and then we will have a real celebration.

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MR. D. W. BELL: Let's hope 1945 will see the end of this one.

MR. GASTON: Henry was in this fight in Austria?

H.M.JR: Right up to the end. He is right behind the 90th. He's on the flank of the 90th. The 90th was right with the 4th. It was the 11th Panzers which surrendered to the 90th, the famous 11th Panzers and he was on the flank of the 90th. The 4th and 90th did the spearheading and he was on the flank of the 90th.

Now, we'll go back to Monday. Where were we? Does everybody want to stop and get out of here or do you want to go ahead?

MR. GASTON: I think you better go ahead.

MR. D.W. BELL: Business as usual.

MR. BLOUGH: We discounted this a week ago on Saturday.

H.M.JR: I took care of your people in the Philippines.

MR. COE: Yes, thank you. We want to see you--some of us will want to see you this week on China and France.

MR. D.W. BELL: How about the gold?

MR. COE: I think we ought to have a little session with some of the group who have been in on the discussions on this German gold that we discovered. It's awfully complicated.

H.M.JR: Here are the plans: Press is out. I think it's silly for me to have a press conference.

MR. D.W. BELL: Shouldn't that gold thing be today, Frank. They seemed to think it was rather important to get some decision on it.

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MR. COE: Well, the things--yes, I guess it would be good. We have a request from the Bank of England for people to go in and look at the gold.

H.M.JR: I said yes.

MR. COE: Well, then, I think we can wait.

H.M.JR: You asked me on the phone and I said yes.

MR. D.W. BELL: The Secretary said yes, the Bank of England people could go, but I said we ought to give it some consideration and we didn't agree with that right at the moment and we would like to talk to you. You have had some discussions with State and war and you would like to discuss it before that goes forward, wouldn't you?

MR. COE: I think it would be a good thing to let you know what it's about. It will just take ten minutes sometime.

MR. D.W. BELL: We have not said yes to the war Department.

H.M.JR: I have Blough at three. I am going to give Blough a full hour come hell or high water.

What's the next most important thing?

MR. COE: I guess we can meet tomorrow on China, can't we? I asked for a session and I thought it was to be tomorrow.

H.M.JR: Well, let's do the thing. T. V. Soong is coming in at three. Why don't we start at 9:30 tomorrow morning on China?

MR. COE: Yes.

H.M.JR: And any other monetary things you want.

MR. COE: I think ten minutes today or tomorrow on this German gold.

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H.M.JR: What about the German gold?

MR. COE: Well, the point is we are going to have a series of decisions like this one. Let these men go in. Send men over there, and there is going to be increasing pressure to make up our minds as to how we intend to handle it, or keep several courses of action open, and I think those we ought to talk to you about and see what the courses of action are, and then decide these cases as they come up in the light of what we are going to do.

MR. D.W.BELL: You are going to have other requests beside the British to go in there, and the Yugoslav's already want to go and the French will want to go.

H.M.JR: Let Mrs. Klotz give them some time. I can't quite judge. I'll see you sometime this morning.

On the Soong thing, when you come in tomorrow, I would like very much for you to have a program for me telling me which of these agencies are holding back.

MR. COE: Well, any decisions with regard to China tomorrow can only be about our own gold.

H.M.JR: Well, couldn't China come in and give me a program?

MR. COE: You mean later?

H.M.JR: I mean can't they come in instead of just wasting my time and say, "This is what I want, Mr. Morgenthau?"

MR. D.W. BELL: He has already said that, not to the Secretary but--

MR. COE: He said that to State originally.

H.M.JR: I have nothing from him.

MR. D.W. BELL: And the Secretary ought to have tomorrow morning where that program stands. I understand they cannot get the textiles and other things, and the only thing they can get at the moment is the gold.

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H.M.JR: Has he ever asked for anything--a complete program in one document?

MR. COE: He gave one to State and Clayton furnished us with a copy, and T. V. Soongs' men also gave us a copy of it, and you have had over this week end from Crowley a formal statement indicating that he can't move forward.

H.M.JR: Bring it up as close as you can for tomorrow morning, will you?

MR. COE: Yes.

H.M.JR: Now, the other thing is this--didn't I say nine-thirty?

MR. COE: Yes, sir.

H.M.JR: Then, we'll do China tomorrow morning, and Mrs. Klotz will remind me, and also Gutt is coming in at three o'clock Wednesday, so why not let's run through that tomorrow, too, after we have done China?

MR. D.W. BELL: All right.

H.M.JR: And Fleven is coming in at ten o'clock Thursday. I have press at ten-thirty.

MR. COE: I asked for some time--I asked Fitz for some time on Wednesday for that. I thought--

H.M.JR: Let's get ready Tuesday morning for all of these things, and I think--who is contacting Fleven and Monnet? Who's doing that?

MR. COE: I don't know where--it must have come directly to your office.

H.M.JR: It must be down stairs.

MRS. KLOTZ: It must be.

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MR. D.W. BELL: You mean in addition to the nine-fifteen?

H.M.JR: Yes, but let's--tomorrow morning when we meet at nine-thirty, let's do anything that has to do with foreign financial affairs first. Let's have everything, see? Run the stuff through; have a little program for me.

MR. COE: All right.

H.M.JR: All right. That will be Belgium, France, China, and you better put England on our schedule. What's-his-name has raised this question of export under lend-lease, General Somervell.

MR. COE: Well, we are running that down. I don't think we'll find anything there, sir.

H.M.JR: Well, I'm putting you on notice.

MR. COE: Yes.

H.M.JR: George?

MR. HAAS: I have nothing, sir.

H.M.JR: When do you want to come over and brief me as to what I--

MR. GAMBLE: At three forty-five.

H.M.JR: Let's say four o'clock.

MR. GAMBLE: You said three forty-five.

H.M.JR: I changed it because there will be no press today.

MR. GAMBLE: Four o'clock will be fine. I would like half an hour, and I would like to bring some of our people to go over details.

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H.M.JR: You can have half an hour. Would you inquire? I know that the Army and Navy through moving picture industries, make up a lot of sixteen millimeter pictures, the very latest, don't they, which they send overseas?

MR. GAMBLE: Yes, they do.

H.M.JR: Do they send them in the form of sixteen millimeter, the very latest pictures?

I wondered if I couldn't get some of the good ones. I think by the end of the week Mrs. Morgenthau could see those set up over her bed.

MR. GAMBLE: We can do the whole thing. We can do it through our own sixteen millimeter.

H.M.JR: Get hold of three or four very good pictures.

MR. GAMBLE: Do you want to specify any you have seen?

H.M.JR: I don't know. She's very fond of Greer Garson.

MR. GAMBLE: We'll get hold of half a dozen of the newest ones and have them down there this week end. I'll have one delivered at Daytona.

H.M.JR: You don't need an operator. They have everything there. All they need are the pictures. They have everything.

MR. GAMBLE: I'll have that Thursday.

H.M.JR: I think the way it is she could see it right from her bed. You need something like that.

MR. GAMBLE: It's not the Army, it's the motion picture industry that takes care of it--District War Activities Committee.

H.M.JR: If you could.

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MR. GAMBLE: It's easy.

H.M.JR: And you're coming over at four. If anybody is interested in the Seventh War Loan and wants to hear about it, you are invited, if you want to be here.

MR. GAMBLE: Here are a couple of things that ran yesterday. (indicating)

H.M.JR: Fussell, I think you ought to be here. How about you, Dan?

MR. D.W. BELL: Yes.

MR. GAMBLE: I thought you might want to show this to the President--an editorial on page seven on Truman and the Seventh War Loan. This is the Seventh War Loan issue.

We settled the network thing. I might as well tell you about that now.

H.M.JR: Ted, I can't hear you.

MR. GAMBLE: We settled this network show. We'll have all four networks next Sunday night for you. We have agreed that about three minutes--it would take about three minutes' time at the close of four thirty minute simultaneous programs. Each network is going to build its own show from eight-thirty to nine o'clock, Sunday evening, Eastern War Time. You will be picked up at all four shows at the close of the shows for three to three and one-half minutes at the end of the show.

H.M.JR: You mean I have to do it four times?

MR. GAMBLE: Once. All four networks will join on it. This will be the first time anyone else but the President has been on four networks.

H.M.JR: I get three and one-half to four minutes.

MR. GAMBLE: Yes. That's all you want.

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H.M.JR: I'll not be garrulous in that time.

MR. GAMBLE: But I think with the kind of shows they are building you can cover all the ground.

H.M.JR: Eight-thirty to nine.

MR. GAMBLE: Sunday night, and I think we ought to pick you up right at your desk. You will be asked to go on one or more programs. I don't think you should do it. Bob Hope's show is going to be here in Washington and they will put a lot of pressure on you to go on his program. He has one of the half-hour shows. I think you ought to appear from your desk. We have been negotiating for this four network show for sixty days, and we have trapped the networks, so to speak, and they are doing this job, and I don't think we now ought to appear on any one of four shows.

MR. GASTON: Unless you can appear on all of them.

H.M.JR: Just keep Bob Hope and Pepsodent away from me.

MR. GAMBLE: Pepsodent has turned him and his whole show over to do this special broadcast and they are adding a lot of people.

H.M.JR: Who's that fellow out there?

MR. GAMBLE: Luckman.

H.M.JR: Just keep him away.

MR. GAMBLE: They'll be after you. I have already told them you're going to do it from your desk.

MRS. KLOTZ: What about Monday night?

H.M.JR: He'll tell me.

MR. GAMBLE: I have all the details on Monday. It's at night, ten o'clock Eastern War Time, but there are a number of activities that I want to clear with you this afternoon on that.

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H.M.JR: I'll tell you what I would like to do. I would like to invite the nine-thirty group and their wives to have supper with me tonight at the Chinese Restaurant.

MR. GAMBLE: Sunday?

H.M.JR: Tonight.

MRS. KLOTZ: Wonderful!

H.M.JR: And we'll have a little bit to eat around seven o'clock and we'll have a little movie and come here afterwards. You know the restaurant.

MRS. KLOTZ: The Republic.

H.M.JR: The Republic.

MR. GAMBLE: Do you want any help with the menu?
(Laughter)

MR. GASTON: What is it you want, Ted?

MR. GAMBLE: We want some sweet and sour fried rice.
(Laughter)

H.M.JR: About seven o'clock?

MRS. KLOTZ: Yes.

H.M.JR: Fried rice. You can let Mrs. Klotz know if you're not coming.

MR. LUXFORD: You ought to let me take care of the arrangements.

MRS. KLOTZ: Yes, we'll certainly get a big dinner.

MR. D.W. BELL: Two rooms?

MRS. KLOTZ: You know what happened.

MR. D.W. BELL: He got everybody excited.

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MRS. KLOTZ: No, he told you about arranging a luncheon, and he told me, and he told Bernstein to do the same thing, but it was all the same luncheon.

MR. D.W. BELL: I was asked if I was going to the Secretary's luncheon and I said no, I was going to another, and it was the same luncheon.

MRS. KLOTZ: Anyway we paid the bill.

H.M.JR: All right, about seven o'clock at the Republic.

MR. D.W. BELL: It's a crowded place.

H.M.JR: Not on the third floor.

MRS. KLOTZ: If we can get it tonight.

H.M.JR: Do you want to find out?

MRS. KLOTZ: Sure.

(Mrs. Klotz leaves conference temporarily.)

H.M.JR: Where were we?

MR. GAMBLE: Here.

H.M.JR: He changed his seat.

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MR. GAMBLE: I came around so I got in a different place in the line. The nine-thirty group might want to bring their wives and see this Bob Hope show. We'll reserve seats for them at Uline Arena, and I think it would be a nice thing, Mr. Secretary, if you went down there and made an appearance.

H.M.JR: Listen, your time is four o'clock this afternoon.

MR. GAMBLE: I won't be able to cover all these things in that time.

H.M.JR: All right.

Fussell?

MR. FUSSELL: I have nothing.

MR. BARTELT: I have nothing, Mr. Secretary.

H.M.JR: You pass. I suppose I'll find him up here in a minute. (To Mr. Gamble.)

MR. DuBOIS: We haven't heard anything on either of these German documents, Mr. Secretary, except for the fact late Saturday afternoon apparently the Joint Chiefs of Staff had not yet approved the Directive.

H.M.JR: I'll call up General Hildring and find out where the hell it is! He would know where either or both are.

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MR. DuBOIS: He should know about the status of both, because apparently War is going ahead on both of them.

H.M.JR: I just have my fingers crossed on Stimson.

MR. DuBOIS: I do, too. Glasser heard they were trying to get Lou Douglas back immediately from abroad, and we tied the two together. Possibly Douglas may be coming back as an expert from the field saying these things can't work, and so forth. It is just a guess that that may be part of it. I think myself--

MR. D.W. BELL: He hasn't been there long enough.

MR. DuBOIS: Those guys only need one day and then they are experts.

H.M.JR: Has anybody heard anything about Bernie being on his way back? I'll bring my expert, too.

MR. D.W. BELL: He's in Paris.

MR. LUXFORD: We furnished Vinson, Eccles, Acheson and Brown with the text of the proposed amendments, and indicated on each of them that you hadn't seen them yet, but I haven't heard anything from them.

H.M.JR: All right.

MR. D.W. BELL: We haven't heard anything, I don't believe, on the President's form that he was supposed to sign for withholding taxes.

MR. O'CONNELL: Yes we have. I have it. It came from the Secretary's office to me Saturday, and you weren't in, so I thought I would hold it and give it to you this morning.

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MR. D. W. BELL: We paid him on the basis of the old form, and there may have to be an adjustment; I don't know.

MR. O'CONNELL: I don't know what the old one was, but I do have it.

MR. D. W. BELL: Send it to Bartelt so that it can go through the regular channels. It goes to the General Accounting Office.

Senator Capehart--I guess he is a Republican--from Indiana--

MR. GASTON: That is a good guess.

MR. O'CONNELL: Right on both counts.

MR. D. W. BELL: He is heading a little group of members of the Senate. He tries to get together with them every so often the heads of the bureaus in the various departments to discuss the problems, he says, with which the nation is confronted.

The thing that worries me is that it is headed by a fellow by the name of Walker, Chief of the Washington Office of the American Food Institute. It is an independent organization. Senator Capehart invites these people to dinner at a private home. Some woman who is the wife of an RPC official has a home at 1615 Q Street, and they have dinner, and Senator Capehart is supposed to pay the bill. Then they sit around and talk about the problems of the government, and so forth.

H.M.JR: What is this--an anonymous letter?

MR. D. W. BELL: No. This isn't a letter. This gentleman called up Mr. Bartelt's secretary and he wants to have a dinner, and he wants to invite from the Treasury Mr. Bartelt, Mr. Nunan, Mr. Gaston, Mr. Wilson, and myself.

(Mrs. Klotz reenters conference.)

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H.M.JR: Capehart?

MR. D. W. BELL: Capehart, yes. It is given at this more or less private home, and the secretary, apparently, is this outside individual who is the head of the Washington office of the American Food Institute, and I thought at first that probably the American Food Institute was paying the bill.

MR. LUXFORD: Could I comment on that?

H.M.JR: Just one second.

MR. D. W. BELL: I think that it's all right for the senators to get together with government officials, but it seems to me we ought to tell them that the government provides office space for that, and we would be delighted to see them in the Treasury instead of going to a private home for dinner. We might get into the same trouble--

MR. LUXFORD: I'd like to interrupt, because Harry White and I attended one of these for Capehart on Bretton Woods. We had him organize it for Bretton Woods, and I would say they are tough apples, the Republicans he brought there. It was a very worthwhile meeting from our point of view.

(Secretary holds a telephone conversation with General Hilldring.)

MR. DuBOIS: "It just hit us!" That is a peculiar way of putting it. They have been working on it for months.

H.M.JR: He meant the final document.

MR. DuBOIS: There is no reason why that should go to the Joint Chiefs of Staff.

MR. COE: It is not a method of clearance that will last very long. We worked for months with the Army

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and Navy and with a one star general, and then we are told the five star generals are holding up the whole policy! I'm talking about IPCOG.

H.M.JR: Where were we?

MR. LUXFORD: I was only mentioning--

H.M.JR: Listen! You know, two wrongs don't make a right.

MR. LUXFORD: I was trying to argue on the merits of it. However, I think that if--

H.M.JR: That's funnier than I thought it was.
(Laughter)

MR. LUXFORD: I was arguing from the merits of the thing that these kind of meetings with senators that are genuinely interested in the Treasury's activities--and they are freshman senators, a good many of them--I know Capehart is--they need something like this. It isn't too difficult.

H.M.JR: It is the setup--the way it is based.

MR. O'CONNELL: The place and--

H.M.JR: If you fellows got away with it, you are lucky.

MR. D. W. BELL: Remember that other case we had on R Street?

MR. O'CONNELL: Knox and a number of others were embarrassed because of the sponsorship of the dinners. The subject is not anything to be embarrassed about. Our best people are ready to talk with any group of senators. Walker, the intermediary, wants a job with the World Bank when it is set up.

H.M.JR: Who is he?

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MR. CHARLES BELL: A lobbyist. Nobody can figure what he is getting out of it.

MR. O'CONNELL: Food--American Food Institute.

H.M.JR: What does he do--supply the steaks?

MR. CHARLES BELL: Steaks and the whole show, and he is using Capehart's money.

MR. D.W. BELL: We were told Capehart was paying the bill.

MR. CHARLES BELL: Aldrich sent him in here originally last December to see me.

H.M.JR: Winthrop?

MR. GASTON: Ernest Aldrich.

MR. CHARLES BELL: After he had written a letter introducing him, he said it was a little bit slippery, to look out for it, and I have been looking out for it ever since.

MR. D. W. BELL: I wonder if it wouldn't be a good thing to have Joe go around and see Senator Capehart and tell him if he'd like to have a conference--

(Secretary holds a telephone conversation with Mr. Clayton.)

H.M.JR: Well, anyway--

MR. D. W. BELL: I don't know whether you want to tell Senator Capehart we'll be glad to see him.

H.M.JR: Listen, boys. We have spent enough time on this, see? You handle it. (Mr. D. W. Bell)

MR. D.W.BELL: Okay.

H.M.JR: Do you have anything, Charlie?

MR. CHARLES BELL: No, sir. I am all caught up.

H.M.JR: Wonderful!

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May 7, 1945
9:49 A. M.

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HMJr: Hello.
Operator: Colonel Kyle.
HMJr: Right. Hello, Colonel.
Colonel Kyle: Good morning, sir.
HMJr: Good morning. Is this an official surrender on the part of the Germans now?
K: Mr. Secretary, I'm on an open line and the information I have in my desk is still classified as top secret.
HMJr: Oh.
K: And I gather the Secretary will be here in just a few minutes. I have your request here that I showed him, and I prefer to refer it to him when he comes in, sir.
HMJr: Well, how will I find out? Through the White House telephone?
K: Yes, he'll probably call you on that.
HMJr: He'll call me?
K: I'll suggest that he do that as soon as he comes in. He's been away over the week-end. He's due at the airport at 10:00.
HMJr: Well, can I read you what the Associated Press said?
K: Yes, sir, I've heard that but I wish you would though, sir.
HMJr: Well, it says "Germany surrenders unconditionally to the Western Allies and Russia at 2:41 A. M. French time today."
K: Yes, sir.
HMJr: That's what it says.
K: Yes, sir. Well, the official -- the President, of course, is going to make any official announcement on this and until it is decided what he is going to do.....

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HMJr: Yeah.
K: ..I rather hesitate to put out any information from this office.
HMJr: That's all right. I'm not pressing you.
K: Yes, sir.
HMJr: Thank you.
K: I think they are working on the information now over here as to how any release is going to be handled when it is going to be announced from our people.
HMJr: Ahuh, well.
K: I think they are in intercession right now on it, sir.
HMJr: I see. Well, when you can I'd like to know.
K: Very well, sir.
HMJr: Thank you.
K: Yes, sir.

May 7, 1945
10:24 A. M.

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HMJr: Hello.

General Hilldring: Yes, sir, this is Hilldring.

HMJr: Pretty good day today.

H: Oh, this is a big day - this is a great day, Mr. Secretary.

HMJr: Yeah. General, now, of course, that the Associated Press have -- the Germans have capitulated don't you think it's about time we had a policy on a directive and also on reparations?

H: Yes, sir, I certainly do, Mr. Secretary.

HMJr: I gathered it's being held up by the Army.

H: Yes, sir, it is.

HMJr: Well, when the hell you fellows going to move?

H: I hope this morning. They -- I'm doing all I can, Mr. Secretary.

HMJr: Yeah. How high up is it? Is it the five-star boys?

H: Yes, sir, the four and the five-star boys, Mr. Secretary.

HMJr: Four out of the five?

H: I say four and five stars.

HMJr: Four and five.

H: Yes, sir.

HMJr: Well, now I thought that on the directive when we had that little amendment in here Friday that that ended that.

H: Well, what I said was that I would pursue it with utmost vigor and try my best to sell it, and I'm still on that hunt, Mr. Secretary.

HMJr: And, how about Mr. Stimson?

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H: Well, sir, he doesn't commit himself until the Generals have come to him with a final proposal. Now I've got a lot of proposals over here, but I don't like them and you won't, so for the moment I'm trying to get one that I think I can sell to you gentlemen. I'm between here, Mr. Secretary.

HMJr: Well, of course, the Army is very vulnerable on this stuff, you know. I mean that it's so late in getting it out.

H: Well, sir, we're responsible, Mr. Secretary, for a few days delay only.

HMJr: Yeah.

H: And the committee itself, I think, that is, that other committee..

HMJr: Yeah.

H: ..has some responsibility, you know.

HMJr: Granted. Granted.

H: If the first proposal had gone over with much less than is now being granted by the committee, this furor would never have occurred, you see.

HMJr: What do you --- you don't mean March 10th, do you?

H: No, sir, I don't mean that. I mean the - in the paper that was turned out of - out of with respect to this oil question.

HMJr: Oh, oh.

H: Wasn't too good - which I pointed out to the committee when they passed it.

HMJr: Well, I'm not familiar with that. That must have been out at the Working Committee.

H: No, sir, it was in the big committee. I made a speech on this oil business, Mr. Secretary, and I got plowed under.

HMJr: Well, you'll have to refresh my memory sometime, I'm not clear on it.

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H: Yes, sir.

HMJr: How long ago was that?

H: Well, it was at the last meeting on the draft, sir.

HMJr: Well, the time that you made the speech and I thought I'd agreed and then the draft came out something different?

H: Yes, sir.

HMJr: That time?

H: Yes, sir. That time.

HMJr: That's clear in my mind.

H: Yes, sir.

HMJr: I wouldn't forget one of your speeches.

H: And that scared the boys over here to death.

HMJr: Yeah.

H: Yes, sir.

HMJr: Well, now, you think that it may clear today?

H: I'm doing nothing else, Mr. Secretary.

HMJr: Nothing else.

H: Nothing else. That's all I'm doing.

HMJr: Well, if you need a little help, you know, I'm one of these gentle souls....

H: Yes, sir.

HMJr: ...that like to get in on something.

H: Yes, Mr. Secretary.

HMJr: And what about the reparations thing?

H: That - it's hit us, but I think we will have no trouble with that. I don't like to do any negotiating on it, but I think we can get a vote on that very fast.

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HMJr: Well, now, the five-star boys don't get in on that.

H: Pardon?

HMJr: The five-star boys don't---

H: I don't think they have any objection to it, Mr. Secretary.

HMJr: No, right, O. K.

H: All right, sir.

HMJr: Thank you. .

H: Bye.

May 7, 1945
10:33 A. M.

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Mr. Will Clayton: Hello, Henry.

HMJr: Hello, Will.

C: Yes, have you been down to Florida?

HMJr: Have I been where?

C: Florida.

HMJr: Yeah.

C: How's your wife?

HMJr: She's getting along nicely, Will.

C: Oh, that's good, I'm glad.

HMJr: Yeah. Well, Will, now that General Eisenhower says the fighting is over in Europe, when are we going to get a directive for him?

C: Well, I've been tracing the War Department. I've talked to Bob Lovett. I talked to General Hildring...

HMJr: Yeah.

C: ...Saturday afternoon, and he said that he had been working with the Joint Chiefs of Staff the night before and all Saturday, and he hoped to have it cleaned up over the week-end. I had to go out a few minutes ago, and I've got a note right here now to call him.

HMJr: Well, I just called Hildring myself.

C: You did?

HMJr: Yeah.

C: When?

HMJr: Just two minutes ago.

C: What did he say?

HMJr: Well, it's just that he's working - he has hopes - he can't guarantee anything.

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C: I'll be dog! I can't understand because everybody was so optimistic it was going to be all right.

HMJr: Yeah. If I might suggest, I think that the Acting Secretary of State had better get busy.

C: You mean on that?

HMJr: Yeah. I think we are all vulnerable. Damn it, the war's over...

C: Yeah.

HMJr:we haven't got any directive - we haven't got anything on the reparations.

C: Yeah. On the reparations, Henry, I tried to get Bob Lovett to sign the memorandum on Saturday..

HMJr: Yeah.

C: And he said, well, he thought it would be much stronger if Mr. Stimson signed it, and, of course, it would.

HMJr: Yeah.

C: And Mr. Stimson was away and due back today, and I've got a messenger out now going to all the people - Joe Crew has signed it, you've signed it, and I've signed it.

HMJr: Yeah.

C: I've got a messenger out now going to all the people to get it signed. Now, I tried to get Mr. Pauley Saturday, and I couldn't and he left yesterday for San Francisco. I don't think we need to get him to sign it, Henry.

HMJr: No.

C: Because it says there that he agrees, and it is really a memorandum from the committee, you see.

HMJr: Yeah.

C: So I've got a messenger out now getting it signed at the FEA, and at War and Navy, and that will complete it. And as soon as it is completed, how do you think we should deliver it? Should we just send it over to the President, or you and I go over, or how?

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HMJr: I think if we just sent it over - I'm afraid it would get lost.

C: That's what I'm afraid of.

HMJr: Yeah.

C: Well, suppose as soon as I get it in my hand all ready to deliver, I give you a ring.

HMJr: Right.

C: And we'll try to make an appointment to see him.

HMJr: Right.

C: All right, thank you.

HMJr: Thank you.

C: Goodbye.

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May 7, 1945
10:40 a.m.

MEMO FOR THE PRESIDENT ON STRENGTHENING FISCAL CONTROLS

Present: Mr. D. W. Bell
Mr. Gaston
Mr. Bartelt
Mr. O'Connell
Mr. C. S. Bell
Mrs. Klotz

H.M.JR: I am running this thing on the debit side and not credit side of the ledger--at least one side. I am doing the borrowing but I have no control whatsoever of the expenditures.

MR. C.S. BELL: I understand.

H.M.JR: And nobody can run this business. I want to keep--I'm Secretary of the Treasury irrespective of who is here, you see, and I want to start this thing off instead of ending it with that quote from Carter Glass.

MR. GASTON: You know--

MR. C.S. BELL: I don't know--I am familiar with the quote from Carter Glass.

H.M.JR: It's very good.

MR. D.W. BELL: It's in connection with the 1921 Budget.

H.M.JR: Carter Glass said, "The responsibility for the preparation of the Budget should be placed upon the President and in my judgment he should meet this responsibility through the Secretary of the Treasury, the chief fiscal officer of the Government," see?

MR. C.S. BELL: And start off with this?

H.M.JR: I think so. That's my idea, and start off with that thing. I first thought I would do this

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thing peacefully. I am open to argument. Whether we should include SEC or other things, I don't care, but I think that the two things are important--and it is very appropriate now to say, "Mr. President, we have passed V-2 Day." I would say I have already given this document to President Roosevelt, you see. You think about that, that in the period of reconstruction--that's what I would call it--that the Secretary of the Treasury in order to do his job must be in control of both sides of the ledger.

MR. C. S. BELL: Yes sir.

H.M.JR: He cannot be in charge of just one side of the ledger, and he can't be waking up some morning to find three hundred million dollars were loaned to Holland and some other loans were made here and there. Then I would bring in this thing that we must have as rapid a reduction of expenditures, of war expenditures, as possible, and then the other thing which I want in here which I have written down here is this. Under the reconstruction period we face the thing under entirely different circumstances than we have had before. We have eighty-five million people who are stockholders in this Government and fifty million taxpayers, and they have a right to look to some one person in charge of the Government financing to give them the answers, and those people are going to demand an answer. They shouldn't look to the President of the United States, they should look to the Secretary of the Treasury and Chairman of this overall Board.

MR. C. S. BELL: The eighty-five million people are the people paying taxes?

H.M.JR: They are bond holders, and fifty million--I have written this down.

MR. D. W. BELL: That's eighty-five million people--I don't know.

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H.M.JR: Whatever it is. We have got so many people who are shareholders in the Government holding bonds and so many people paying taxes. We have never had this thing, and these people are going to demand some one person to be in charge of Government finances.

MR. D. W. BELL: I think they have a right to.

H.M.JR: I had lots of time alone coming back on the plane to think this thing through, and he in turn, as President of the United States should look to some one person, and he shouldn't have to look to fifty different people. Bringing in FDIC and all that stuff--that is all very unimportant, see. I mean, the Government will go on just as well with FDIC separate, or whether it is--

MR. D. W. BELL: It has got to be included as part of the financial setup that has been built up over twenty billion dollars.

H.M.JR: That is all right, but the point is, I want to write, with the help of the people in this room, a very strong document to the President of the United States. I don't want to have to wait until Beardsley Ruml does it, or Senator George does it, or--

MR. D. W. BELL: ...Brownlow. He is back in town. He has retired, you know.

H.M.JR: Or the Director of the Budget, or anybody else. The responsibility has to be on one person, and that person should be the Secretary of the Treasury, and somehow or other I would like to bring in that kind of making power in order to do the job. And I put it this way, that no Secretary of the Treasury in the reconstruction period can do this job unless he has this authority, see.

MR. C. S. BELL: Most of this authority can be given you under Executive Order. You want to stay with that, that it is the simplest method.

H.M.JR: Yes, but the point I want to bring over--I want to say to Mr. Truman when he sees me Wednesday or

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Thursday morning--I want this document finished, and I want to say--can I call it by a better name, the reconstruction period? Do you know of a better name? I don't like reconstruction. It is reconstructive. Do you know a better name, Herbert?

MR. GASTON: No, I don't think so.

MR. C.S. BELL: We will think up one.

H.M.JR: I think reconstruction--after the Civil War isn't that what they called it?

MR. GASTON: Yes, after the Civil War it applied to the South mainly, which was a devastated country.

H.M.JR: It is a reconstruction period for the world, and you have got every country in the world knocking at our door. There has got to be a central authority. Now, I point out in my memo that these subcommittees should meet every week, and the committee of which the Secretary of the Treasury is head should only meet once in two weeks. In the chart I want a place under the Secretary of the Treasury for the secretariat.

MR. C.S. BELL: Composed of whom?

H.M.JR: Just use the word, "Secretariat."

MR. C.S. BELL: Subject to your filling that.

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H.M.JR: There will be a secretariat. We will have one person who will be the secretary, and one person to watch each one of these agencies.

MR. C. S. BELL: I understand. That is within your own organization.

H.M.JR: There will be one man assigned to each one of these groups, and he in turn would be assigned a secretary who functions under the Secretary of the Treasury. I feel that this man is coming in, and I want to give him an overall picture on how the finances of the Federal Government can go through this reconstruction period in the world and function on a businesslike basis.

No bank could function if everything, the cashier's department and the teller's department, was absolutely separate. When you go into a bank you find they are all next to each other. A bank where the cashier's window and--what do you call it--the deposit window were completely separate, never talking to each other--how long would it be before that bank went bust?

MR. C.S. BELL: I follow you.

H.M.JR: I want something. It is all here, so it is nothing new. It is really right in the preface. I want something tomorrow.

MR. BARTELT: As a matter of fact, we receive letters occasionally from the people saying that they are not going to buy any more war bonds because of the purposes for which public money is being spent, and we have to say we have no control over that.

H.M.JR: I say that in that thing.

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I want to take this over tomorrow and just lay it on his desk.

MR. D.W. BELL: I have a feeling that this fellow McKim who is going to head this whole secretariat in the White House, has something like this in mind. I talked to George Schooneman yesterday, and he said he had a conference with him and that the fellow has really got a lot of worked laid out for the people who are going to be under him.

H.M.JR: After twelve years, I either ought to know the right way to run the finances of this government, or I ought to get out. But I can't run it this way, and nobody can be responsible for the finances of this government and run them in a haphazard way.

MR. GASTON: We have criticized Congress because they have it all split up and the people who spend the money are not the people who raise the money, but the Executive Department is just as vulnerable to the same criticism.

H.M.JR: This thing, Charlie, you lock yourself up in your room and draft it and show it to these people for their criticism. It is all there.

Who did that originally?

MR. CHARLES BELL: It started out in our office and went to Eddie.

H.M.JR: Well, Eddie, you and Charlie spend the greater part of today on this, will you?

MR. BARTELT: Yes.

H.M.JR: Spend the greater part of today on it, but I want it. Remember, this should be written like a document that I can make public, see?

MR. BARTELT: Yes.

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H.M.JR: And I want to show that after twelve years I know what's the matter and I know how this should be run and I am not afraid to say I should head this whole thing, because I don't give a damn. It's horse sense. This thing--all the thousands of loose ends. It's impossible. It is just impossible.

And I would put down there I don't know where you can control the loans that he makes on oil, foreign oil, and they have told me about that. He doesn't ask anybody's opinion.

MR. O'CONNELL: Where does he get it?

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

MR. D.W. BELL: Out of the President's Emergency Fund, RFC; I don't know.

May 7, 1945
12:39 P. M.

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HMJr: Hello.
Operator: Mr. Clayton.
HMJr: Hello.
Mr. Will Clayton: Yes, hello, Henry.
HMJr: Yes, Will.
C: Yes.
HMJr: You called me.
C: Oh, oh, yes, I'm sorry. My secretary gave me your message the other day about this party that I spoke to you about.
HMJr: Oh, yes.
C: And I know that Jack McCloy will want to get something from me when he arrives. I was just wondering if you could tell me any further about that.
HMJr: Well, since then McConnell has told Bell that this fellow won't take it.
C: Will not take it.
HMJr: Under any circumstances.
C: Oh, well, that settles it.
HMJr: So that settles that.
C: Yeah.
HMJr: Huh?
C: That settles it then.
HMJr: Yeah, I think McConnell is working on it - Bob McConnell.
C: Yeah.
HMJr: And he said he wouldn't take it under any circumstances.
C: I see.

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HMJr: So I didn't bother to call you back.
C: Yes, I see. Well, all right, thank you very much.
HMJr: Well, what's new on.....?
C: Well, I talked with the General after I talked with you.
HMJr: Yeah.
C: He said he had talked with you, and he is just working as hard as he can and he hopes to have it all buttoned up early this afternoon.
HMJr: I see.
C: He spoke very confidently about it.
HMJr: Good.
C: So I think we will have the thing ready this afternoon, and we are getting the memorandum on the reparations is being carried around to be signed now, so I think I'll have that too. I'll let you know as soon as I get it.
HMJr: I thank you.
C: Now, I was just talking to T. V. Soong.
HMJr: Yeah.
C: He's coming in to see me this afternoon.
HMJr: Yeah.
C: And I'm afraid we can't tell him anything very encouraging about the textiles. The information I got while you were away was pretty bad. The Army, as the General said there the other day, they won't give up anything and it looks like to get it out of civilian requirements is going to take a lot of heavy, heavy work.
HMJr: Well, I tell you what you do. Hello?
C: Yes.

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HMJr: After you've seen him - I'm seeing him tomorrow.

C: Yes.

HMJr: Could I get a memo from you in the morning, letting me know what happened?

C: Well, I don't think anything will happen with him because all he's coming for is to find out what the score is, see?

HMJr: And you are going to tell him nothing doing, eh?

C: No, no, I don't want to tell him that. I'm just going to tell him that we are moving heaven and earth on it -- I thought we were going to have a meeting probably with you tomorrow on it. When he came in - I suggested it then. But I don't think that anything short of a memorandum from the President to the Army would....

HMJr: Well, is there any sense in our having a meeting? I'll call one.

C: No. Well, I would think that we ought to have a meeting to talk about what we are going to do to try to get these textiles for him. We either have to do that, or tell him that there is nothing doing and I just hate to do that, because the thing is so darn important.

HMJr: How are you fixed around eleven?

C: Tomorrow?

HMJr: Yes.

C: Let me see. No, I'm afraid I won't be able to do it, Henry, because I've got to be up on the Hill. This trade agreements program thing is giving us a lot of concern.

HMJr: Well, T. V. is coming in at three?

C: Three, yes.

HMJr: Do you want us to come over before then?

C: Well, you could do that - come in at, say, 2:15 or something like that.

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HMJr: Two-fifteen.

C: Yes, will you....?

HMJr: What?

C: Would you notify the others?

HMJr: I'll take care of the others.

C: Well, fine, you know who they are. Fine, I'll be there at 2:15.

HMJr: Or do you want your office to do it?

C: No, you're handling it, and I think it would probably be better if you would.

HMJr: All right.

C: Fine.

HMJr: Thank you.

C: Thank you.

HMJr: Bye.

May 7, 1945
3:00 p.m.

TAXES

Present: Mr. D. W. Bell
Mr. Gaston
Mr. Blough
Mr. O'Connell
Mr. Wales

H.M.JR: Now, Mr. Blough, I will try to be as attentive as I can on V-E Day, so do your stuff. You are a long suffering gentleman.

MR. BLOUGH: Not at all. You will perhaps not be so long suffering. I do not have a memo for you of the kind you suggested. Perhaps on the basis of this you can indicate what you think would be most helpful to Mr. Truman. I have handed you the memo.

H.M.JR: What shall I do, read Bryant in the Wall Street Journal?

MR. BLOUGH: What I have handed you is what George Bryant put in the Wall Street Journal.

H.M.JR: Did you hear the one Vanderpoel pulled? He said what Vanderpoel got in the Wall Street Journal--

MR. BLOUGH: Bryant.

H.M.JR: This is Vanderpoel. What Bryant got was undoubtedly the payoff for running the story of Walter George for Secretary of the Treasury.

MR. GASTON: Uh huh.

H.M.JR: Pretty good. I mean, that's the way they do things in this town.

MR. GASTON: Good.

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H.M.JR: Government by leaks.

MR. GASTON: That's good, legitimate dealing--black market.

MR. BLOUGH: The only trouble with that is I told Vanderpoel that and I didn't think it was worth telling you, so he came and told you.

H.M.JR: No, I thought that was very good. That's just the kind of stuff that makes sense around this town.

MR. BLOUGH: I think he probably got it from Christie Russell while George was in Europe.

H.M.JR: Who's that?

MR. BLOUGH: Mrs. Scott Russell, Senator George's Secretary.

H.M.JR: Is that the girl who loves apples?

MR. BLOUGH: Yes. Christel Kennedy.

H.M.JR: She's quite up and fresh and coming.

MR. BLOUGH: Yes. She's a good girl. I think she's a good girl. She's a nice girl.

H.M.JR: Why don't you read the thing? Now I have to stay awake and listen.

MR. BLOUGH: Fine, I'll read it.

(Reading from "Special Memorandum on Suggested Tax Changes to be Effective after the end of the War in Europe, dated March 31, 1945.")

"In a letter to members of the Joint Committee on Internal Revenue Taxation for Post-War Taxation dated March 24, 1945, Mr. Doughton, the chairman, proposed that at the next meeting of the committee consideration be given to tax revisions to be effective in the interim

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period following the end of major hostilities with Germany and prior to the end of the war with Japan. He also indicated that the tax suggestions of the staffs of the Treasury Department (including the Bureau of Internal Revenue) and the Joint Committee on Internal Revenue Taxation, applicable to this period, would be available for consideration at that time. Accordingly, this special memorandum has been prepared summarizing the suggestions for the interim period, most of which have been presented in Studies in Post-War Taxation.

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

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

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

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

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"4. While the armed forces are still called upon to endure personal and economic hardships, tax reduction would impair morale.

"The positive suggestions for tax revision to take effect for the interim period after victory in Europe are as follows:"

I am going to read them one at a time and explain them, if I may.

"1. Speed up refunds attributable to carry-backs of net operating losses and of unused excess-profits credits."

H.M.JR: Now wait a minute. This is a speed up after victory in Europe and at the other place--

MR. BELL: No tax reduction?

MR. BLOUGH: Points one to four do not involve the tax liability. Point five does. I will come to it later.

"1. Speed up refunds attributable to carry-backs of net operating losses and of unused excess-profits credits."

Now, the situation is this: The Revenue Act of 1942 provided for a two-year carry-back of unused excess profits credits and of losses, of operating losses, the idea being that when the war was over companies would have expenses and losses which really should be charged against the war, like deferred maintenance of railroads, hotels, and so forth, but not incurred in cash during the war. It was desired that those expenses and losses be chargeable against the war profits. That's now in the law, but it can't be used until the audits are complete for all the years involved, including the year in which the loss is incurred.

There have been serious complaints that the businesses would be dead and gone long before they got their money. It is proposed in these suggestions that a company finding in the middle of the year that it had a loss or would be

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entitled to a refund could postpone or defer payment of taxes due at that time, and thus save its cash until it found out whether it actually owed the money or not. Also it is provided here that after the end of the year in which a company does have a loss on which a refund would be due it, it can file an application and be paid within ninety days before the audit of the return. In other words, this takes business to a considerable strength on faith and says if a businessman or corporation at the end of the year files a return showing that it has a refund coming to it, that it can apply for that refund and get it before the audit of its books.

When the books are audited the whole thing will be cleaned up and straightened out. Now, we lose some revenue by that, but that has been again and again impressed on us, both by people in the Government and out of the Government, that unless something of the kind is done, these carry-backs will have no value to anybody, or not no value but much less value than they should have.

So, point one is a method by which cash which will be due to businesses because of the carry-backs given to them quickly--

MR. BELL: This helps reconversion?

MR. BLOUGH: It's intended to help with reconversion. Point two is very similar. "2. Speed up refunds resulting from the recomputation of deductions for amortization of emergency facilities."

H.M.JR: I understand that.

MR. BLOUGH: Good. "3. Make the post-war credit of 10 percent of the excess-profits tax currently available for tax liabilities of 1944 and subsequent years."

"4. Advance to January 1, 1946, the maturity date of outstanding post-war refund bonds."

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We got ten percent of excess-profits taxes as a compulsory loan. We didn't call it that but that's what it was in the Revenue Act of 1942. That isn't to be available under present law until several years after the war is over, depending on the time. We think that again for the purpose of giving them cash and for the purpose of avoiding any outstanding Government bonds selling at a discount that they ought to be able to cash the post-war refund bonds they have and they ought to be able to use currently the credit on which they have not yet received bonds.

H.M.JR: Uh huh.

MR. BLOUGH: Those are points three and four. Points one, two, three, and four then do not affect anybody's tax liability at all, but simply make available quicker cash which they otherwise have coming to them.

MR. BELL: They don't affect the ultimate aggregate of the tax liabilities over a period of three or four years.

MR. BLOUGH: That's right. It will affect the amount of money coming in and paid out by the Government in a particular year, but it will not affect the taxes over a period of say, three or four years.

MR. GASTON: Now that we have abolished interest it doesn't make so much difference.

MR. O'CONNELL: We lose a little interest on the post-war refunds.

MR. GASTON: I see now.

MR. BLOUGH: I think we will save more than we lose by this.

MR. O'CONNELL: On the refunds, but you lose on post-war refunds.

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MR. GASTON: We begin to pay interest as soon as they turn the bonds in, of course, January, 1944, 1945.

MR. BLOUGH: 1946.

MR. BELL: Yes, 1946.

MR. WALES: And there is a minor effect, as Roy explained, of a little loss in items one and two.

H.M.JR: Go ahead, Roy. I want to get the picture.

MR. BLOUGH: "5. Increase the specific exemption under the excess-profits tax from \$10,000 to \$25,000, effective for 1948."

At the present time that exception is ten thousand dollars and the ninety percent rate on everything above that, and the ninety-five percent rate within the post-war credit makes a net rate of eighty-five and one-half on everything above that. We felt right along that that was pretty hard on smaller businesses. This is an attempt to relieve that and give them a little better break in the next year or two.

(Reading) "No further changes are suggested for the interim period." And then you can jump to the last paragraph.

H.M.JR: Read the whole thing.

MR. BLOUGH: All right.

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

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

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

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

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

H.M.JR: This whole thing was printed in the Wall Street Journal.

MR. BLOUGH: All but the first paragraph.

H.M.JR: Isn't it outrageous?

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MR. BELL: This is confidential. The Committee printed it and it hasn't been released by them yet.

MR. BLOUGH: No.

H.M.JR: How about my calling up Senator George's secretary and asking her when he is going to be back?

MR. BLOUGH: I have been in daily contact with them. He had not yet come back this morning. He was expected the first part of this week.

H.M.JR: I see that Doughton is Chairman. How about my calling up Doughton? I haven't spoken to him for months, you know.

MR. BELL: It seems to me this thing ought to be released after it is in the hands of one newspaper and ninety percent of it printed. It ought to be released by the Committee.

MR. O'CONNELL: Even a Congressman called me up and asked me for a copy.

H.M.JR: Why can't I call Bob Doughton?

MR. BLOUGH: I just don't know at the moment. It's a new thought. Let me appraise you with what else has gone on and maybe you will have a better idea whether you want to talk to him or not.

Since that report was given to the Committee, they had a meeting and they heard the report read and then discussed the question. They did not decide what they wanted to do but they did ask Stam's staff and our staff to prepare a report for the Joint Committee to issue. See, this is not a report of the Joint Committee. This is a staff report to the Joint Committee, and we have prepared--and Mr. Stam is in my office now. We are finishing up. We just finished going over this report. We have prepared a report for the Joint Committee to issue, which spells out in more detail what was in the

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two pages which were read to you. In addition to that report which they have not yet adopted, but which we have good reason to believe they will adopt although perhaps with minor changes, they expect to issue a press release at that time, and that press release will summarize the report. In addition to that, the press release, if they decide to adopt it, will carry the statement that the Joint Committee thinks that the excess-profits tax ought to be repealed by January 1, 1947, if the war is all over by that time.

H.M.JR: I see.

MR. BLOUGH: That is something we talked about before. We rather felt it was rushing it a little bit but it was one of those things we had to give and take on, and that's the way it came out, that if the war was over before the end of 1946, that's next year, the excess-profits tax would end on January 1, 1947.

MR. BELL: Any time during the year?

MR. BLOUGH: Any time during the year.

H.M.JR: Not earlier than January 1, 1947, I thought you meant.

MR. BLOUGH: Our thought was not earlier, Stam's thought is not later. The press release is put in terms of by January 1, 1947, which is a little nearer his than it is to ours.

MR. BELL: Gentlemen, I think it's kind of tying your hands.

MR. BLOUGH: Well, I would rather they wouldn't say anything about it.

MR. BELL: Suppose the war with Japan ends December 1, 1946?

MR. BLOUGH: It's obviously too soon.

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MR. BELL: To say you will take off these taxes by January 1, one year later, a lot of war profits are going into the next year, and you are not going to get them.

MR. BLOUGH: If it ends December 1, I think it's too soon.

MR. BELL: You have the same thing this year if the war should end with Japan say September 1. When would you eliminate excess-profits tax?

MR. BLOUGH: It would not be eliminated until January 1, 1947.

MR. BELL: That's the definite agreement?

MR. GASTON: January 1, 1947?

MR. BLOUGH: If it ended this fall.

MR. GASTON: Not 1946?

MR. BLOUGH: No, 1947.

MR. GASTON: I can't understand that. You are proposing if the war ends with Japan in 1945 that the excess-profits tax run all through 1946, but if the war lasts through 1946, you are proposing to end it before.

MR. BLOUGH: That's quite correct, and the explanation of that is this: If the war ends in 1946 we propose the rate go down to sixty-five percent for 1947 and end at the end of 1947.

MR. WALES: Sixty-five percent for 1946.

MR. BLOUGH: Now, if the war ends suddenly, there is going to be a whole lot more carry through in my opinion than if the war ends gradually, and if they can see the thing is coming, they have the year in which to taper off, and the thing will be in much more reconverted condition

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as of January 1, 1947, if the war ends in 1946, then it would be on January 1, 1946, if the war ends in 1945, and it is on this theory that reconversion will have proceeded to a very substantial degree that we are willing to say that the excess-profits tax would go out as of a certain date. And I think it is very likely even if the war ended late in 1946, that if the War and Navy Departments and Congress had any way of contemplating that, as they very possibly may, that the cut-backs would have taken place and reconversion would have been practically complete. Now, good or bad, that's the logic.

MR. GASTON: It still puzzles me.

MR. WALES: Also, the practical consideration that if the war with Japan ends in 1946 or in later years, the probabilities of retaining the excess-profits tax are less than they are in relation to if the war ended in 1945.

MR. BLOUGH: We are not putting--if this press release says anything about the excess-profits tax and just won't mention any date except January 1, 1947, assuming the war has ended prior to that time--

H.M.JK: Well, look, I don't want to get down too much on this thing. I want to get a kind of overall picture, and I can do it again, see, if I have to. I can say to Mr. Truman, "This is what the staff has recommended."

MR. BLOUGH: Yes. I can give you something easier for Mr. Truman to grasp than that, I think.

H.M.JK: What's the matter with that? I think it's very good.

MR. BELL: He doesn't need all that first page, does he?

H.M.JK: It's good to see who the Committee is. No, I like this. And this is now pending before this Committee?

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MR. BLOUGH: That's right.

H.M.JR: I like it just the way it is.

MR. BLOUGH: Well, let me give you then the two numbers which have the detail which you could--

H.M.JR: I'll have you in the outer office when I go, and if he wants it in detail, you can come in.

MR. BLOUGH: That's Wednesday?

H.M.JR: Yes. I haven't any appointment yet. I have asked for one. I still think it would be good for me to call Robert Doughton and say it should be pushed, and I don't think we ought to wait for George to come back.

MR. BLOUGH: I think there is no doubt that it ought to be pushed. I think I would handle it as an inquiry. What is the Joint Committee planning to do, or something like that.

There is this indication, that George, so far as I know, never got beyond Paris. Now, why didn't he when he intended to go to Germany? I haven't seen anything about it.

MR. BELL: He might be sick.

MR. BLOUGH: He might be ill.

H.M.JR: You don't think he got beyond Paris? Maybe somebody played a song for him, "The Last Time I saw Paris," and he remembered.

MR. BELL: Maybe he's in very good health and that's why he didn't get beyond Paris.

MR. BLOUGH: Well, he's about seventy.

There are a couple of other things that are in the mill.

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H.M.JR: Mill?

MR. BLOUGH: ...that you will want to know about. One of them is that the Economic Stabilization Board headed by Mr. William Davis, at its last meeting dropped in our lap the problem of trying to get through Congress an extension of the holding period for capital or long-term capital gains.

H.M.JR: To make it longer or shorter?

MR. BLOUGH: Longer.

H.M.JR: Six months?

MR. BLOUGH: Six months. It used to be more than two years. Mr. Eccles says unless it's three years, it's no good.

H.M.JR: We have settled for two years.

MR. BLOUGH: You can't possibly get it more than two. That's the answer for that.

MR. BELL: I'd settle for one year after the war.

H.M.JR: Won't that be retroactive for this year?

MR. BLOUGH: That's up in the air. I don't think it should.

H.M.JR: Would that be first?

MR. GASTON: We have never conceded applying a thing to the current year -- was retroactive application.

MR. BLOUGH: That's correct, and in harmony with our previous practice, you would say, "Yes, let's make it retroactive, but what's the alleged purpose of this?"

H.M.JR: I don't get what Gaston said.

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MR. GASTON: We have said this, when we have enacted a tax bill along late in the year changing the rate as applying to the current year--we have never admitted that that was retroactive taxation.

MR. BLOUGH: But it is..

H.M.JR: But it applies to the whole year.

MR. GASTON: Nevertheless, it applies to the whole year.

H.M.JR: Supposing somebody that is a fairly large dealer in securities made a sale on the assumption--

MR. BLOUGH: In no event should it apply to sales that take place prior to some public announcement that this is going to be done.

MR. GASTON: Especially in the case of the capital gains, it ought not to apply.

(The Secretary holds a telephone conversation with Mr. Doughton, as follows:)

HMJr: It's a good day today.

Mr. Robert Doughton: Yes, sir, I'm glad to hear your voice again. Where have you been all this time?

HMJr: Well, you all have been doing so well, I didn't think I'd bother you.

D: Well, don't know as we are doing so well, but we are on the job all the time.

HMJr: I thought you were getting along fine, and you are a busy man, and I didn't want to trouble you.

D: Oh, you never trouble me when you want to talk to me. You never trouble me or bother me - always help me.

HMJr: Well, that's very kind of you.

D: Even if we don't always positively agree, I always know we're heading for the same objective and it's always helpful for me and comforting to talk to you.

HMJr: Well, that's very nice. That's the way I feel, Bob.

D: I know you do.

HMJr: Bob, I've been talking with Roy Blough about this so-called confidential memorandum which they have, I believe, about to lay before your joint committee on taxation.

D: And it's post-war.

HMJr: Yeah.

D: Yeah.

HMJr: And you know President Truman said something about taxes at his press conference the other day, and he said he was going to take it up with me. I hope to see him in the next day or two, and I'd just like to tell him about where we stand. And I gather that this thing is sort of being held up on account of Walter George being out of the country, and I wondered if that was true.

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3:32 P. M.

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D: Yeah, we'd had a meeting our staffs, your staff and the Treasury, which is working for the same and the Joint committee staff to make a final report, and they didn't want to do it until George got back. He went off unexpectedly, and I arranged with that just as soon as he got back and agreed to meet, we'd have a meeting if it was some evening.

HMJr: Well, is there any indication when he will be back?

D: No, I called his office this morning and I can't find out. Last week they said he would be back by the first of this week. I called his office this morning, and they were not able to give me any information so I don't know -- I'll call over there again directly.

HMJr: Well, the point - if I may take the liberty of saying - making - this suggestion, I think with V-E Day on us now, the British say it is going to be tomorrow, I think the public is going to want something, see, on the tax fund.

D: Well.....

HMJr: And I'd kind of like to see it move forward.

D: Well, we all would but they ought to know that we can't pass a tax bill -- it takes time to pass a tax bill.

HMJr: No, I don't think.....

D: We've been working, working, and have been trying to be as near ready as we could. Your staff has been working.

HMJr: No, I don't -- you misunderstand me. You've done all this magnificent work on the Hill.

D: You mean you want a statement from the Joint Committee.

HMJr: That's what I mean.

D: ...as to what they - well, that's-we thought we would give it out - that's what we had in mind, Sam and I.

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HMJr: Now, that's what I -- you've done all this magnificent work and I think the public ought to know about it.

D: Well, I fully concur that. I think they ought but I'll find out if I can anything more about George. We've got to have a meeting before we give it out.

HMJr: I see.

D: And you see he's gone, and Barkley is gone. I don't know where is. I don't know how many Senators that belong to that Joint Committee here - don't know how many are here.

HMJr: Vandenberg is in San Francisco.

D: How's that?

HMJr: Vandenberg is on that. He's in San Francisco.

D: Vandenberg is out there you know.

HMJr: Yeah. These Senators get around, don't they?

D: Yeah. Seems like we're having difficulty about it. But I think George - I hope and expect he will be in in the next two or three days.

HMJr: Yeah.

D: Let me call you again tomorrow, and if I find out anything this afternoon, I'll call you.

HMJr: I thank you.

D: Just as soon as I can find anything, I'll call you again. We'll push that up all we can, Henry.

HMJr: Well, you've done such fine work, I think the public should know about it.

D: Well, we ought to get the full benefit of it.

HMJr: That's right.

D: And the only way to do that is for the public to know it.

HMJr: That's right.

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D: Thank you. I'll call you again sometime between now and say 10 o'clock tomorrow morning.

HMJr: Wonderful.

D: What time will you be in your office in the morning?

HMJr: Oh, nine o'clock.

D: All right, you'll hear from me.

HMJr: I milk the cows before I come in.

D: Yeah, I know you do, and cut stove wood.

HMJr: (Laughs)

D: (Laughs) All right, thank you so much.

HMJr: Good bye

D: Goodbye.

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(The Secretary holds a telephone conversation with Mr. Coe.)

H.M.JR: Well, Hillering and Colonel Chandler sent word they have got a request from Germany. They want to reply and put into production synthetic oil plants, and if we do it--he (Coe) says it's high-class blackmail--they think they can get this IPOGG 1, which is a directive to Eisenhower on Germany, through.

MR. BELL: The General Staff. Well, we agreed to that, didn't we?

H.M.JR: Well, it was to put into production pending a decision on this.

MR. GASTON: Who in the State Department is representing Germany?

H.M.JR: The State Department? This isn't the State Department.

MR. GASTON: I thought this was.

H.M.JR: This is the Army.

MR. GASTON: They are transmitting an offer on the part of the Germans?

H.M.JR: This is the Army.

MR. BELL: The General Staff.

MR. GASTON: I don't believe we have any government to deal with. I thought we were--

H.M.JR: No, this isn't the German Government. This is Eisenhower and the American Military Government. This is the American Military Government, and they want to put these things into production.

MR. BELL: The Army can use them while they are there. That's the story.

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H.M.JR: Go ahead.

MR. BLOUGH: Incidentally, about the only trouble that is contemplated on that Joint Committee with respect to this report is from the House Republicans. Reed has already put in a bill to cut the excess-profits tax beginning next January, and calling for other cuts later. Whether Reed will really stick or not, I don't know. I really--

H.M.JR: Look, old man, you have given me enough. I think if I have this and I take this thing with me, see, and you sit in the outer office so that I can say between now and Wednesday this is where the thing stands today, it will be enough. The only other thing I want is, does Fred Vinson know where this thing stands?

MR. BLOUGH: Yes, he knows where it stands. If he doesn't, it's his fault and his subordinates who know.

MR. GASTON: In view of the publication of this bill in the Wall Street Journal it seems to me the Chairman of the Joint Committee and the Secretary of the Treasury might be at liberty to issue the thing jointly, or perhaps better than that, perhaps the President could make a statement which would--

H.M.JR: I don't think so.

MR. BLOUGH: I wouldn't mess it up now. I think within a day or two this thing is going to be taken care of. I think we should be beginning to think about the fact that this is only a beginning, that there is more to a post-war tax program. I think another thing, and that is that it is desirable to press for action on this quickly.

H.M.JR: Well, I agree with you on that.

MR. BLOUGH: For this reason. If this should be held over until fall or late summer, there will be all kinds of pressures to have a general tax bill, and that tax bill will probably have a lot of tax reductions

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applicable to the period after the war. If we can get something like that through this spring, there may be a tax bill in the fall, yes, but at least there won't have to be and there won't be nearly as much pressure for it. Doughton is going to be a little hard to move on that because he feels he has to get his reciprocal trade through and that will take him sometime yet.

MR. WALES: I happened to see him on Friday or Saturday and he said that that would take a week or two, and they have further work on negotiations so it will be June 1st before--

MR. BLOUGH: ...they could get to this.

H.M.JR: You ought to see that I go up there occasionally to see these people. Somebody has to push me to do it--call on George and have him down to lunch-when I don't want something from them.

MR. O'CONNELL: Yes.

MR. BELL: Is there anything in this document about the 1947 date?

MR. BLOUGH: Nothing about the 1947 date. The only place that it would appear would be in a press release by the Joint Committee. That was in part seven.

MR. BELL: I think I saw it. That's all confidential.

MR. BLOUGH: And tied in with a lot of other things.

MR. BELL: It might be well to keep it out of this first--

MR. BLOUGH: If it is in with this, this is blanketed and if they want this to make the papers, they ought not say anything about the excess-profits tax.

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MR. BELL: This was published in the Wall Street Journal, and there was a good editorial on it.

MR. GASTON: That would be the only hot point in the story if you intend to cut off the excess-profits tax.

MR. WALES: On the other hand, that issue when the excess-profits tax is going to be repealed is a very important issue, and one on which sometime in the near future both the Congress and Administration might well make a statement.

MR. GASTON: It would give your story some play. There's no question about that.

MR. BELL: I would say it would be repealed just as soon as it can be determined that all of the war profits can be gobbled up.

MR. O'CONNELL: Not earlier than the end of the year in which the war ends. There is another way of saying it. We'll take a look at it at the end of the war and decide then, but business and others want a commitment now which will be as much as they can make it binding on the Congress and the administration, and they are naturally pushing for as good a deal as they can get.

H.M.JR: Roy, are you going to be going away this week?

MR. BLOUGH: I was planning to go away this week. I am following out our discussion in here. I have accepted several appointments to meet in off-the-record discussions with business groups, and I have such a meeting in Cincinnati Thursday, and Indianapolis Friday.

H.M.JR: I see.

MR. BLOUGH: If I can kill them I ought to kill them fast. I would rather not change that. They have been arranged.

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H.M.JR: Well, I have asked to see the President Wednesday morning. You won't go?

MR. BLOUGH: I won't go in any event until Wednesday evening, and I could fly out Thursday if it got to a pinch.

H.M.JR: Well, thank you all.

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The positive suggestions for tax revision to take effect for the interim period after victory in Europe are as follows:

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

No further changes are suggested for the interim period.

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

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

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

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

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

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

Pursuant to resolution of the
JOINT COMMITTEE ON INTERNAL REVENUE
TAXATION

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

MARCH 31, 1946



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2079

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JOINT COMMITTEE ON INTERNAL REVENUE TAXATION FOR
POST-WAR TAXATION

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CONFIDENTIAL

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

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

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

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

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

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

4. While the armed forces are still called upon to endure personal and economic hardships, tax reduction would impair morale.

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May 7, 1945
3:50 p.m.

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Present: Mr. D. W. Bell
Mr. Coe
Mr. Glasser
Mr. DuBois
Mrs. Klotz

H.M.JR: Come on Frank, let's go.

MR. COE: Harold Glasser has heard from Despres and Colonel Chandler at the War Department. They would like to send this telegram out right after IPCOG 1 is approved, and it's clear from the War Department that General Hilldring is taking the position that if they get this thing cleared they would be--he thinks he can get approval of JCS today. Is that it?

MR. GLASSER: That's right.

H.M.JR: Who said that? Who did he say that to?

MR. GLASSER: To Despres.

MR. DuBOIS: This is really General Somervell, isn't it Harold?

MR. COE: This is Somervell's crowd, which is agitating for it.

H.M.JR: I am not going to be part of a sort of blackmail scheme. I am going to ask General Hilldring if it's true. Who told who to what?

MR. GLASSER: I'll give you the background of the story. General Somervell's crowd wanted to put in a new provision in IPCOG 1 permitting them to rehabilitate the synthetic oil plants. We took the position that IPCOG 1 now has adequate administrative machinery to handle that

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question and we don't have to add anything. They admitted that that was true but they said, "If you agree to the table going out permitting us to repair the synthetic oil plants, now then, we'll agree to IPCOG 1."

H.M.JR: Who?

MR. GLASSER: General Somervell's crowd said to Hilldring.

H.M.JR: If I call up Hilldring he will say, "Who says this?"

MR. COE: Chandler told Mr. Glasser and Mr. Despres also told--

H.M.JR: And they are putting it up to me.

MR. GLASSER: It's blackmail.

H.M.JR: Why don't I go to Clayton, who's Chairman of this Committee, and say, "This is outrageous, and I will be no party to it?"

MR. BELL: Why did they do this now instead of waiting for a cable from Eisenhower? Do you know?

MR. GLASSER: I think there is a cable.

H.M.JR: I think the thing for me to do is deal on the level with Clayton.

MR. COE: Yes, I think Clayton--I don't see any reason--you have dealt with Hilldring. It would be better to deal with Clayton. He's Chairman of the Committee. On the other hand, we can deal with Despres who can get it to Clayton.

H.M.JR: Did they tell you to bring it to me?

MR. GLASSER: I told Despres it was being cleared with you.

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MR. DuBOIS: Frank, you had some feeling we might want to go along, the Secretary might want to get both sides of this. I feel the same way you--

H.M.JR: Of what?

MR. DuBOIS: Of the advisability of going along with this.

MR. GLASSER: If I may speak on that point. I think that we should go along with it because there are two questions here. One question, and the question we are deciding with this cable is that we should begin to--they want to begin repairs of the plants now pending the answer to the major question of whether we want the synthetic oil plants to stay in Germany. Now, that question is going to come before the Clayton Committee now, whether we want the plants to stay. If they repair the plants--

MR. BELL: I thought we decided they didn't want to stay in the order.

H.M.JR: You get me all balled up. I can't follow your thinking. The other day in the midst of this thing--we haven't got this thing immediately. I mean, you don't let me keep my mind on the principal track and my main thinking is to get this IPOOG 1 out.

MR. GLASSER: The way to get it out is to approve the cable.

H.M.JR: I don't agree with you.

MR. COE: Those are the two views, sir, on that.

H.M.JR: Well, I mean, Glasser, in the middle of the meeting I am trying to think how to get this thing out before the thing is even signed. He says the thing isn't going to be carried out.

MR. GLASSER: Mr. Secretary, that wasn't my own opinion, that was a result of the discussion here amongst all of us.

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MR. DuBOIS: All of us felt that.

H.M.JR: How do you know that?

MR. DuBOIS: This is one good example right here. Here is your first case right here.

H.M.JR: All right. I am not going to be part of it.

MR. BELL: I should think this might very well be necessary in certain periods here, but I think if you allow it, there ought to be some limitation on it.

H.M.JR: Let them get IPCOG out first and then we will talk about this. If he can get IPCOG out today--because this cable goes out--let him get IPCOG out today.

MR. BELL: This is properly a question under IPCOG to come back from Eisenhower to this Committee and to that section.

MR. COE: That's the point. If we can get IPCOG out without this, we all want it.

H.M.JR: I am not going to be part and parcel of this thing. Before I do something like this I want Mr. Stimson to tell me he wants this thing out. I am going to use Colonel Chandler's name and Despres' name. Can you stand on that?

MR. GLASSER: Yes, sir.

H.M.JR: And they say if I approve this, IPCOG can go out today?

MR. GLASSER: That's right.

H.M.JR: It's outrageous!

MR. DuBOIS: It's a very good issue for the President to focus on. I don't think he will agree with Mr. Somervell at all on this.

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MR. COE: I don't think it's such a hot issue.

H.M.JR: What did you say?

MR. COE: I said I don't think it's such a hot issue for the White House.

H.M.JR: I don't think we should answer. I think this is a Committee that can function and I take it that Clayton should get hold of this thing and say, "If there is a chance of this thing going out, I want this thing to go out today."

(The Secretary holds a telephone conversation with Mr. Clayton, as follows:)

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4:01 P. M.

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HMJr: Hello.

Operator: Mr. Clayton.

HMJr: Hello.

Mr. Will Clayton: Hello, Henry.

HMJr: Will, you got a minute?

C: Yes.

HMJr: Look, Will, I'm kind of angry, see?

C: What's the matter?

HMJr: Well, let me tell you the way the thing - Coe's brought me a story. He's brought me a telegram which I'll read to you, see?

C: Who brought it?

HMJr: Frank Coe.

C: Oh, Frank Coe, yeah.

HMJr: The proposed telegram that they want to send out, that is General Hilldring does, is the following: "The question of permitting production and necessary repairs including cannibalization to permit production of synthetic oil in Germany now under discussion on a governmental level here, pending the determination of that question and receipt of further instructions, you are authorized pursuant to paragraph 30 and 34 of new JCY-1067 to permit such production and necessary repair including cannibalization." Now I am told this - it comes to me through Colonel - what's his name - Chendler and Dupres, that if I approve this cable, see? Hello?

C: Yes.

HMJr: Then Hilldring says that he can get this I out today.

C: Ahuh.

HMJr: Now what I say is this. I don't like blackmail in any form.

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C: Yeah.

HMJr: If he can get IPCOG I out today, let him get it out and then let you call a committee meeting of this committee and then we'll consider this cable.

C: Yes.

HMJr: What?

C: Yes.

HMJr: It's just holding a pistol to my head.

C: Yes.

HMJr: And I don't like it. Now I don't know whether it has reached you or not, but the boys first thought I should call Hilldring, and I said no, you're chairman of this committee and you and I think alike on these things.

C: Yes. Pending determination of that question and -- how does that read?

HMJr: I'll read it back...

C: Yeah.

HMJr: ...do you want to put a girl on?

C: The last - no, just the last paragraph.

HMJr: "Pending determination of that question on receipt of further instructions, you are authorized pursuant to paragraph 30 and 34 of New JCS 1067 to permit such production and necessary repair including cannibalization."

C: Yeah. I see.

HMJr: Now what they are saying to me is this - in so many words - and I understand, for you, that it is Somervell who is back of this thing.

C: Yes, I think so.

HMJr: If I, Morgenthau, will approve this, and the rest of them but they just put it up to me - I mean, I can only talk for myself...

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C: Yes.

HMJr: Then Hilldring says he can get out IPCOG I today.

C: Yes.

HMJr: And I say if there's a chance of getting out IPCOG I let them get it out first and then let this come before the committee as provided for in IPCOG I.

C: Yes, yes. I think you are right.

HMJr: What?

C: I think you are right. Let me call him.

HMJr: I think it is much better....

C: I'll call him right away and then I'll let you know.

HMJr: Because I think that this comes pretty near to blackmail.

C: Yeah. I'll call him right away and I'll let you know.

HMJr: Will you call me right back?

C: As soon -- just as soon -- I've got a matter in the next room that I've just got to finish first...

HMJr: All right, all right.

C: ...but as soon as I do that, I'll call him, and I'll call you back.

HMJr: Don't you think it's pretty outrageous?

C: Yes, I do. I think they ought to get out IPCOG I and then let us discuss the telegram.

HMJr: Well, we could call a meeting at once.

C: Of course.

HMJr: And another thing, the request would come from Eisenhower. Now this doesn't come from Eisenhower.

C: Yeah, that's right.

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HMJr: This - we suspicion - comes from Somervell.
C: Yeah. I shouldn't wonder.
HMJr: What?
C: I shouldn't wonder.
HMJr: Well, I thought you would agree with me.
C: I'll call him right away, and I'll just - as
soon as I get through this matter in the next
room, then I'll let you know.
HMJr: Thank you so much.
C: O. K.

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MR. COE: Everybody's happy.

H.M.JR: Let me just give you a little--don't--you fellows all wanted me to sign this, to agree to this thing, see? Let me give you a little talk. I have always said I have got my bull's-eye on one thing and I think I do what my conscience tells me is right, and as long as I do what my conscience tells me is right, then these fellows can't get me. Now, just as soon as I start to make side deals then I am vulnerable and then if they do this, well, if you make another one we'll get another one and maybe we can get it out, and I won't be--hell, they can do it over me. Look, the longer--I want you to look up the day I took this IPCOG 1, what we call here Revised 1067. I want to know what day I took that to the President. It's at least ten days ago. It's almost two weeks and every day they wait. You heard me tell him the Army is vulnerable and every day that these people hold this thing up they are that much more vulnerable. But the other thing, if I may let an older man say something goes wrong, I want to know it, but I don't want to--well anyway each person--I thought you used bad judgment. That's that. Now forget it. Skip it. There's that and we all work under pressure. You most likely get excited. I get excited. I am not going to be-- I am going to fight along the line that we get IPCOG 1 and no deals. I am not going to make any deals. I hope you are with me.

MR. BELL: Yes, I think that's right. I don't think you ought to make any deals to get IPCOG 1. On the other hand, if this is a real situation some place along the line--

H.M.JR: Let General Eisenhower send me a cable.

MR. BELL: We have a procedure for handling that and we agreed to that the other day.

H.M.JR: Say, look how Clayton reacts.

MR. BELL: Yes.

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H.M.JR: This thing--I think I'll win.

MR. DuBOIS: I think you will.

H.M.JR: Okay, boys?

MR. COE: Mr. Secretary, T. V. wants to know whether you want to see him alone or with some of his men.

H.M.JR: Some of his men.

MR. COE: Shall I tell him Somervell and Clayton are going to be here?

H.M.JR: I don't think they will stay. It's just a preliminary meeting. Clayton asked me to call this meeting.

MR. COE: You think you will be--I see.

H.M.JR: I'll just have my own people.

MR. COE: All right.

H.M.JR: But it makes me mad. That's all. I will not deal with these people. I am not going to do it. They can overrule me.

MR. BELL: If this is a sincere effort, I think it's all right. You never can tell.

H.M.JR: This fellow, Somervell, has been holding this thing up and if he holds it up much longer--and I caught it on the phone, not only five-star generals but some of the four-star generals--!

May 7, 1945
4:00 p.m.

WAR BONDS

Present: Mr. D. W. Bell
Mr. Gaston
Mr. Gamble
Mr. Fussell
Mr. Coyne
Mr. Houghteling
Mr. Prensall
Mr. Lane
Mr. Delehanty
Mr. Engelsman
Mr. Shugrue
Mr. Bailey
Miss Blake
Mr. Holtz
Mr. Melcher
Mr. Predmore
Mr. Adams
Mr. Murphy
Mr. Haas
Lt. Levy
Mrs. Oulahan
Mrs. Klotz

MR. GAMELE: We had a staff meeting this morning, Mr. Secretary, at which time we told these people what you had to say this morning about the part that War Finance has played in bringing about this impending V-E Day, and I asked these people to prepare a very brief report on where they stood at the moment on the Seventh War Loan. I outlined what I wanted them to give you so far as high lights of accomplishment are concerned so you would have a picture of what is going on.

I will start with Mr. Lane of Radio, Advertising, and Press.

MR. LANE: May I use part of your desk for these things?

H.M.JR: All right. When you said half an hour-- you want twenty minutes for them and ten for yourself?

MR. GAMELE: I am keeping several here on the other.

MR. LANE: We have reached the state where we have been concentrating on the use of material. Mr. Delehanty will tell you that we are out to beat the records of advertising space of previous war loans, and there will come a war loan when we will not exceed every previous one, but this one is not going to be it. I think we can promise you there will be more ads--more radio ads and more posters this time than ever before. We are not going to take the time to go into these in detail, but Mr. Bell may want to see them later.

H.M.JR: Fix me up a little exhibit.

MR. GAMELE: It is all ready.

MR. LANE: So much for advertising.

(Mr. Gaston enters the conference.)

MR. LANE: The news desk is going to start this week. They will start with a clip sheet--a pay roll clip sheet, and three special labor clip sheets for the CIO, AF of L, and the railway publications.

Here are some map features that are running in about two thousand newspapers, some of them in as many as four hundred weeklies. We have a couple new press features, one is by-line features by some very well known authors, Drew Pearson, Nash, Ilka Chase, and so forth.

In the meeting with the Advisory Committee of Managing Editors that helps us plan all this material, they suggested a cartoon release for the first time. Practically all of our stuff is very serious, and there is the thing we are featuring.

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The big thing in press, we expect, however, will be statements from Admirals and Generals, designed for front page use on front pages of papers. There will be fifty-six of those and Paul Miller of AP promised to carry two a day, one for AM and one for PM. There will be a short statement to run with the pictures.

MR. GAMBLE: They have come from these people. Incidentally, the Admirals and Generals have sent them in. We have cleared them through War and Navy that they are issues in conjunction with the Drive.

MR. LANE: On magazines we just have a few of the covers in. I'll show you those as a sample, showing that these are going to be used really in as many different ways as the war bond was used. That's all signed by the seven five-star Admirals and Generals. In the Fifth War Loan we had those war bond covers, and we had two thousand twenty-six magazines with a circulation of one hundred and seventy-two million and we are ahead of that already, Mr. Secretary, with two thousand five hundred and forty-six magazines and a circulation of one hundred and seventy-four million, seven hundred and fifty-four. On our magazine advertising we had last time sixteen hundred and fifty magazines of all types that gave us space for the official Treasury ads and this time we are going to have about two thousand. As to the editorial side of magazines, some of the things you already know about, the piece by yourself in the New York Times, the magazine section. Ted Gamble has the full-page editorial in the Saturday Evening Post. Collier's is having their corps overseas send in war bond messages. American Weekly is preparing factual articles on a number of people that own war bonds and that sort of thing, and we think that will be very outstanding this time and in addition from proofs already in we believe national advertisers are taking on more war bond advertising than in any previous drive.

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Here's one by Santa Fe Railroad they are running in eleven hundred different papers. Here's another one showing insignia. Here's one by Gallory Hats. Here's one that is very appropriate, Mr. Secretary. I am going to give you this, "The nearer we get, the harder they fought," by American Locomotive. I think that's very good. For these times it's really very much right.

As far as radio goes, you know about the kick-off plans between eight-thirty and nine the night before the Drive opens. We can give you the details on that after this meeting. Then at nine o'clock the following morning there is going to be a big show from here in Washington, the Breakfast Club, which is going to start retailers off on their drive. That night there is going to be the Buffalo show. All in all we think the radio looks very promising.

For the first time we got OWI to ask each commercial show, not for one, but two complete programs to be devoted to war bonds. As far as local material goes, the transcriptions--the orders from that are higher than we have ever had which is due in a large part to the grand job Lieutenant Levy has done over there in building these shows. The stations have liked them.

On outdoor designs I don't know whether you have seen our own designs. Here are two of them for local sponsorship. There is a third one which is not ready yet, based on the two Jim flag raising--the same as the poster.

(The Secretary holds a telephone conversation with Mr. Clayton.)

(The Secretary leaves the conference temporarily.)

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MR. LAMM: These are a few of the boards being used by national advertising users converting their regular outdoor showings to war bonds.

MR. GAMBLE: There are eighty-five thousand of those throughout the country.

MR. LAMM: Here's a car card being used in about one hundred car card plants. We have a million miscellaneous items. This is one of the best. This will be used on the front windows of about fifteen thousand Western Union and Post Offices with an additional distribution of about twenty-five thousand railroad stations. I think that's very good. This leads up to the Eighth War Loan, Mr. Secretary. Coca Cola has already sent in an outdoor design they want us to approve for the Eighth War Loan. (Laughter) Those are the highlights of the advertising campaign.

MR. GAMBLE: Tom omitted one thing. On the opening day we have forty network shows next Monday, ten on each of the four networks, exclusively dedicated to the opening of the Drive and sixty percent of all the programs in the opening week with a schedule of about forty percent for the remainder of the period. Tom has covered that for all of his department, Mr. Secretary. The others are all very brief. Ralph, on the payroll savings--

MR. ENGELSMAN: As you know, the payroll drive has been on since April 8th, and although the bulk of the money will come in in the last few weeks of it, we already have reports from many large companies they have oversubscribed their quota. The money is not all in but money is coming in, you can see by the E bond report. One of the most satisfactory things, I think, to report is that the shipyards where they have had cut-backs have already discounted that problem and were the first to start their drives, and we have about five of the large shipyards already reported as being over the top. That is one of our headaches out of the way, we hope.

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Now we are not kidding ourselves. A three months' drive is a long drive to carry out, so we are checking this week with one thousand of the bigger firms in the country throughout the country and by the end of next week we will have a line about where we stand on subscriptions so far. We are also planning some extra car card designs in June in case we have to have a clean-up campaign to put us over. From this moment on I want to report I feel confident we'll make the goal.

MR. GAMBLE: We have a quota showing what plant quotas have already been confirmed by the plants showing exactly where we stand. You can keep that, and we are checking it every day to make sure there is no time lost in getting that important payroll money in.

Mr. Fredmore will report briefly on the farm phase of the program.

MR. FREDMORE: Mr. Secretary, the farm phase of the Seventh has two main features, one, our regular farm-to-farm canvass; two, solicitation by rural bankers of their farmer depositors.

In the farm-to-farm canvass we have more better-trained volunteer solicitors and will ask more farm families to buy bonds than ever before.

The American Bankers Association in its official program for the Seventh has specifically urged solicitation of farmers by rural bankers.

To implement this, we have arranged with the Agricultural Commission of the American Bankers Association and the State Colleges of Agriculture to sponsor meetings in rural countries to discuss "keeping agriculture financially sound."

These county meetings include rural bankers, a few farm leaders, and the County Agricultural Extension Agents.

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At these meetings the main topic is to show that in addition to helping finance the war, how larger War Bond investment by farmers will give agriculture the economic stability it needs--both now and in the post-war period.

This emphasis on farmer solicitation by the ABA with the educational work the Extension Service will do with rural bankers combined with our regular farm-to-farm canvass will give us the best job we have ever done in the farm field.

MR. GAMBLE: Mr. Melcher will report on schools.

MR. MELCHER: Mr. Secretary, our school children, composing an army of thirty million eager bond salesmen, are accepting (and are already achieving) Seventh War Loan quotas averaging about ten percent of local E Bond quotas.

As you know, many local War Finance Chairmen had for months been urging that the Seventh be timed so that the school children could take part.

The significance of this insistence became clear when Dr. Lickert reported his findings on the Sixth War Loan.

Briefly, Dr. Lickert found as follows: In the Sixth, more than twenty million people received information about the drive from children; half of all the homes that were solicited were solicited by children; three million people were reached by children who were reached in no other way; those solicited only by children were just as likely to buy as those solicited only by adults; one million five hundred and ninety-five thousand people bought their extra Bonds in schools.

The quotas schools have accepted in the Seventh range from ten percent in Louisiana, to twenty-two percent in Michigan (which amounts to fifty million dollars), to the one hundred percent undertaken by the schools of Greene County, Alabama.

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In Rhode Island, the students have undertaken to sell a bond apiece; and in Hammond, Illinois, forty-nine students and one teacher have set and already achieved a goal of fifty Army field ambulances, representing an E bond sales goal of two thousand dollars.

Exciting letters about school sponsored equipment are beginning to come back to inspire the children. A French student pilot being trained in South Carolina only last week wrote to the St. Hedwig's School in Chicago to thank them for sponsoring the trainer he was using. Similar letters are coming from Burma, the Philippines, Germany, and all over the world.

This year's sales reports from schools will show that the schools have accounted for almost one and three-fourths billion dollars worth of E bond sales since Pearl Harbor.

The result is, of course, much greater than either the Treasury or the schools ever hoped for. To account for it, let it be pointed out that the school War Bond Army comprises thirty million students and one million teachers meeting five days a week, to which must be added one thousand seven hundred colleges and thousands of youth groups.

Furthermore, the schools have been able to give the Schools At War program a lot of attention, because the Treasury has made it an education program.

In other words, we have remembered that the first job of the schools is to teach, and we have made our War Bond school projects educational. Today, every child learns much of his arithmetic by keeping Stamp sales records, and the same is true of the other subjects.

An important factor is that the schools are on the job between drives as well as during drives. In the interim between the Sixth and Seventh they successfully conducted more than two hundred and fifty thousand

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separate campaigns for life rafts, parachutes, ambulances, planes, and even entire hospitals.

More than fifty thousand schools thus earned the right to fly the Treasury Minute Man Flag, denoting regular purchases by at least ninety percent of the students, and many have flown this flag continuously for more than two years.

Thank you.

H.M.JR: Thank you.

MR. GAMBLE: I think we'll jump around. We got in ten minutes late, you know.

H.M.JR: I'll give you a full thirty minutes.

MR. GAMBLE: We'll take Mr. Houghteling on railroads.

MR. HOUGHTELING: In our labor work we are working with Mr. Engelsman, of course, on payroll savings, and purchase of additional bonds through the pay offices of the companies. We have made a special effort in the field of railroads. We had four regional meetings at which all sixty of the class one railroads which we serviced through this office were present and we got them all to adopt quotas which is the first time that that has been done. I have a list here of fifty-six railroad quotas which have been adopted voluntarily by the war bond organizations. They cover railroads employing one hundred and twenty-nine thousand one hundred and eighty-three persons, and the total of the quotas have jumped to one hundred and twenty-six million nine hundred dollars, nine hundred and four thousand six hundred and seventy-one, which is an average of one hundred and three dollars and twenty-four cents per capita.

Now, in the last drive they raised about twenty-six dollars per capita, so if they make the quota they have adopted themselves and they swear they are going to make, they will do about four times as well as they have done

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before. And they are going into it by all sorts of competition between divisions and different units. I also want to show you, Mr. Secretary, V-E Day letters which have been written by William Green of the American Federation of Labor and Philip Murray of the CIO urging all members of those organizations to intensify their efforts on account of V-E Day and to go ahead and increase their payroll savings rather than let it go down.

These also will go out. They are in Chicago at our mailing office there and they will go out as soon as V-E Day is declared by the President.

H.M.JR: Thank you.

MR. GAMBLE: This railroad job is really an outstanding job this time for the first time, Mr. Secretary. It meant a lot of hard work on Lawrence's part. They spent ninety days on it, he and his railroad people, and they have done a fabulous job for it.

Ned Shugrue and some of his special events boys could tell you about the activities designed to help people in the field from here, and you couldn't cover this in the rest of the afternoon. I'll take yours.

H.M.JR: I am sorry I didn't allow enough time.

MR. GAMBLE: How many events are there?

MR. SHUGRUE: Four thousand two hundred and forty.

MR. GAMBLE: There will be forty-two hundred and forty cities throughout the United States having a show with the Army, Navy, Marine Corps, Coast Guard, and so forth. We are shipping several hundred planes and taking thirty-two infantry units to all of these cities in all of the forty-eight states. It's an unbelievable story. This is a story of unity on the home front which out-does everything in the war, really. It's a shame to cover it so sketchily and so briefly, but we will leave that for you so you can see that. Those are actual dates that have been arranged for in those cities.

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Mr. Shugrue has both of his aides with him, one from Hollywood and one from another city on the West Coast in charge of two of his activities, from Portland, Oregon. (Laughter)

Mr. Holtz will tell you something about our sixteen millimeter program which supplements this job.

MR. HOLTZ: Mr. Secretary, the organization of the sixteen millimeter film industry was accomplished for the Sixth War Loan Drive. The industry had never functioned as a complete entity prior to this drive.

Twenty-five thousand sixteen millimeter motion picture projectors belonging to schools; war plants; individuals; Government, state and county agencies; roadshow operators; etc., were mobilized for the purpose of exhibiting War Bond films during the Sixth War Loan Drive. There were eighty-seven thousand showings to twenty-three million five hundred thousand people. It is anticipated there will be one hundred and twenty-five thousand showings to a minimum of thirty-five million people during the Seventh War Loan Drive.

War Finance in Washington has already made available to the field the necessary exploitation and publicity materials and approximately twelve thousand prints of fourteen different films produced by the Navy, Marine Corps, Army Ground and Air Forces and the U.S. Coast Guard, prints of which are now being shown throughout the country. The majority of the films were produced exclusively for the Treasury Department for the Seventh War Loan Drive.

With the cooperation of the Office of War Information, Bureau of Motion Pictures, some four hundred and twenty-five educational and commercial sixteen millimeter distributors have volunteered their facilities to distribute these films under the direction of a State sixteen millimeter Chairman who is a member of the State War Finance Committee. During the Seventh War Loan Drive many states have established a film coordinator on the county level who is under the direction of the County War Finance Chairman and the State sixteen millimeter Chairman.

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I also have the material here--explanations and publicity material that is being used in this program.

MR. GAMBLE: All the films are being completed and copies will be here in the Treasury to be shown at any time. They will be shown this time to thirty million people during the Drive itself.

Tom, do you want to report on Hollywood films?

MR. BAILEY: Yes.

From the standpoint of organization, manpower, enthusiasm and ideas, the motion picture industry's Seventh War Loan campaign should be its most successful.

An actual total of sixteen thousand four hundred and twenty-five owners and managers have, in writing, pledged their complete cooperation. Highlights of this participation follow:

Approximately five thousand theaters are issuing agents. The goal for the Seventh War Loan is ten thousand agents.

During the Sixth Loan, more than five thousand five hundred bond premieres were held. The industry is hoping for eight thousand in the Seventh.

June 8th, the anniversary of D Day, will be Free Movie Day. Any bond-buyer will be admitted free to any theater in the United States.

On sixteen thousand screens, four special motion picture subjects will be shown. Important among these is "The All-Star Bond Rally," which is considered one of the best bond-selling instruments yet produced by Hollywood.

Secretary Morgenthau, Lieutenant-Commander Robert Montgomery, Edward Arnold, Bing Crosby and his four boys will appear in the three other films.

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Ten or more stars will tour sixty cities participating in important city-wide and factory rallies.

Bob Hope is bringing a cast of stars to Washington for a kickoff rally at Uline's Arena, Sunday evening. This event will be broadcast nationally over NBC.

Hundreds of other events are being planned in all parts of the country, such as the unveiling on May 11 of a replica of the Iwo Jima flag raising, in Times Square, New York.

Samuel Finanski, national chairman of the Seventh War Loan Committee for the industry, has asked me to express the following to you:

"Both Secretary Morgenthau and Mr. Gamble often have thanked the producers, exhibitors and distributors for their efforts. While we appreciate such expressions, we feel it would be more fitting and proper for the motion picture industry at this time to express gratitude to both Secretary Morgenthau and Mr. Gamble for permitting us to participate in this war financing program, which to our minds is second only to actual fighting, so far as the war effort is concerned."

H.M.JR: May I make a little suggestion? I like to make suggestions. Nothing much ever happens to them, (laughter) but I saw last week--I saw down at the hospital at Dayton-- the Signal Corps get out a weekly picture which is restricted. It's an all action picture.

I don't think you were here, were you? We had one here. For instance, for the first time it showed--I had never seen it before--a bazooka in action actually shooting. They hit something and then a couple of Germans came out. They won't release it. It's silly they won't, but what I was thinking of is a trailer. Supposing they only take thirty seconds and they show a soldier aiming a bazooka and shooting--and underneath, this costs so much. This takes a twenty-five dollar bond, this takes a fifty dollar bond, but it's an action picture. They had the new ninety tank with a ninety millimeter gun that had never been shown before. It shows this tank in action, but it costs so much.

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In other words, it takes thirty seconds. Take things which are news which they don't release which is just plain stupid and the public hasn't seen--a motion picture thirty seconds long. This costs so much.

MR. GAMBLE: We can get each newspaper to cover one principal instrument of war.

H.M.JR: Just take the bazooka in action, but it costs so much, a fifty dollar bond, a seventy-five dollar bond. If this one were shown, this costs so much.

MR. GAMBLE: It can be done. These films, he just--

H.M.JR: You can use it for the Eighth War Loan.

MR. GAMBLE: We can use it for the Seventh War Loan.

H.M.JR: I was thinking, for whatever it's worth, there is no copyright.

MR. GAMBLE: These films that will be shown at the bond rallies were made at a cost of one hundred thousand dollars that the industry has paid for.

H.M.JR: That's what they are paying you and me for.

MR. GAMBLE: It's packed with entertainment. You will enjoy the subject as a motion picture subject. It runs seventeen minutes. There is a good crack in there about Morgenthau, and the industry liked the subject of yourself so well the one we made for the plants now--

H.M.JR: Give the women three minutes.

MISS BLAKE: The women are very much on the job. I think they are better organized than they have ever been before. We have--at the beginning of the drive we sent out a brochure which emphasizes the part women can play. May I say the house-to-house canvass is better organized than I have ever seen it. I think they realize the importance of that. Then we did get out a booth charter which does recognize the volunteers

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Heretofore, I think, we haven't perhaps given them enough recognition, and they have to, of course, meet certain requirements in order to do that.

Then we have the various promotions, hospital equipment, and Navy planes, which have a great interest to them all, and you might be interested, Mr. Secretary, to know that we have contacted all the States where we have Women's Committees, and each one of the six regional advisers, Mr. Engelsman has contacted two of the States and I have contacted the others, so I think we have a very good coverage for the Seventh War Loan.

Thank you.

H.M.JR: When you go back dictate a little letter to Mrs. Morgenthau.

MISS BLAKE: I'll be delighted to. I'll send her this little report. I'll be delighted to.

H.M.JR: She's in the Welch Hospital, Daytona Beach, Florida. She asked how many different kind of posters we have.

MR. LANE: We have a general poster, an Iwo Jima poster, a payroll poster, and a bank employment sales display piece.

H.M.JR: Get me a set tomorrow. I'll take her down a set. She would like to see them.

MR. GAMBLE: She saw them all in the making. She would like to see the finished product.

We might take one minute and let Mr. Delehanty tell you all these things.

MR. DELEHANTY: If I can come up here, Mr. Secretary, all of the Seventh War Loan materials has been in the field and in many cases has been in the hands of our State Offices for some time. For the past thirty days over one hundred million pieces of printed material have been used. Here are some of the major items and some of the statistics in this particular folder.

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H.M.JR: Let me have that.

MR. DELEHANTY: All of the material--

H.M.JR: I didn't know you were going to do that. If you fix an exhibit, I'll get Mr. Gamble and a few of you people and we'll go in there and we'll have another session. I don't enjoy doing it this was-- rush.

MR. DELEHANTY: It's ready for you.

MR. GAMBLE: Where?

MR. DELEHANTY: In room forty-four twenty-six.

MR. GAMBLE: Upstairs.

MR. BELL: I think it's a very good program, well advanced, and certainly, the figures are showing up. I notice the figures have been pretty high; the first of May, the first of the month was very low, running around forty or fifty million dollars a day.

MR. GAMBLE: We'll have over one billion dollars of E Bonds backlog as we go into the opening of the Drive.

That doesn't mean we are not in good shape.

H.M.JR: When you fellows are all confident, that's when I begin to worry.

MR. GAMBLE: They have been worried for ninety days, whistling in the dark.

MR. ENGELSMAN: The "Little Flower" came across for the first time. I guess he is having everyone in the City Government interviewed just because he is not going to run again.

H.M.JR: Gaston?

MR. GASTON: It sounded swell.

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H.M.JK: I want to say this to you ladies and gentlemen: It sounds all right, but we have got this thing across, and how the American public is going to react, I don't know. What happened today, I don't think anybody is going to know and I said that right along, what has happened here in the Treasury is a good omen because everybody has kept at their work. There hasn't been anybody that has left their desk today and I haven't heard any noise.

MR. GAMBLE: New York City was about the only place in the country where there was any.

H.M.JK: I am talking about it here and there is no use fooling ourselves. I mean, we have a tremendous job to do in the Seventh War Loan, and I have always said, and Mr. Gamble agreed, that these promotion efforts have to be done. They are necessary, and from the little I have seen, evidently they are being extremely well done, but in the final analysis, under a volunteer plan, the men and women in this country have got to make up their own minds that they want to buy these bonds, and just what their state of mind will be from now on, nobody knows, but I think we should keep ourselves sufficiently fluent that we can use the influence of the Seventh War Loan to keep the country's nose to the grindstone, as far as winning this war is concerned. I think it is always our job here, or fully fifty percent is to help on the morale, and then go back to the days when we were worried whether the CED--not CED, what was it--Office of Civilian Defense--OCD would let us go into a city or not, and they held themselves wholly responsible for the morale of the country, and they folded up their department and disappeared.

That's what happens to organizations when they don't have the right spirit. There is no question about the spirit and will and heart in this organization. But don't let over-confidence get you until the last dollar is in, and say we hope that the American public will not lose interest in the war in the Pacific. If they have, I think it's up to us to help steer them back on the path, if they do so.

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I think everybody should keep themselves sufficiently influenced so they can move from day to day. No matter how many pictures are set, no matter what radio program is being made, we ought to be big enough to scrap it tomorrow or tonight if we thought we were on the wrong track, and I think that through all these people that you have got to keep your stethoscope to each person's heart and brain, nearer the heart to make sure that we are going to get the thing, but keep ourselves on our toes to meet this situation, and I think if we do, we will meet with success again.

I appreciate this opportunity in getting a little preview and maybe on my trip up and back to Buffalo-- I don't know who is going to meet me there--maybe I can get some more--but I have always been interested and I have always felt that the raising of the money was my first job. I have a lot of other things to do but this is my first concern and I am available to be of any assistance, at all times, so don't hesitate to call on me day and night, and I mean that!

So, those that are going to tell me what I am doing in Buffalo Monday, if they will stay behind, I will appreciate it.

(Mr. Gaston, Mr. Coyne, Mr. Houghteling, Mr. Prenosil, Mr. Delehanty, Mr. Angelman, Mr. Bailey, Miss Blake, Mr. Holtz, Mr. Melcher, Mr. Fredmore, Mr. Adams, Mr. Haas, and Mrs. Oulahan leave the conference.)

MR. FUSSELL: The OWI program tentatively is slated for Friday night, a post V-E Day radio program, at which you will be interviewed.

MR. GAMBLE: It will be a five-minute speech, Mr. Secretary.

H.M.JK: I thought you cleaned up everything. They were going to take my voice off the sound track.

MR. GAMBLE: For three minutes and a half Sunday night. This is five minutes.

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H.M.JR: I'll be in Daytona Beach.

MR. FUSSELL: Delegate it to somebody else or go over to Jacksonville and hook on the circuit there.

LT. LEVY: It depends on how many stations take this, because there is a station in Daytona, the Blue Network. If the Blue Network is in on it, we can do it from there.

MR. GAMBLE: I would leave it that way and if you can do it from Daytona; I would do it.

H.M.JR: If I am on Sunday night and Monday night, I don't think I should go on Friday night.

MR. GAMBLE: I feel a little that way, too.

H.M.JR: I don't think I should go on. Let's go on Sunday and Monday night. I think that's plenty.

MR. GAMBLE: I feel that way, too.

H.M.JR: I think that's plenty. By Friday nobody is going to listen.

Did Mr. Truman make a statement at three o'clock?

MR. FUSSELL: He is going to make it tomorrow.

H.M.JR: Who is interested--who's going to be interested in what I say Friday? Fussell, glad to have met you, many thanks. Sit down and listen to the rest. I am not going to do it.

MRS. KLOTZ: Do you want to know about this memo?

(Discussion off the record.)

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MR. GAMBLE: We will first read you the schedule for Buffalo.

LT. LEVY: Three p.m., press conference; four p.m., our radio rehearsal, no dress rehearsal which you would have to attend, just a private rehearsal; six p.m., War Finance Division reception and dinner with approximately one hundred and fifty people at the Statler; eight p.m., attend the Infantry Show at the Stadium. You will not be required to speak but you could, if you wished to. Approximately forty thousand people will be there; ten p.m. broadcast at the Music Hall.

MR. SHOFARDE: That's a very nice place.

H.M.JR: The mood I'm in tonight--have you got that written down?

MR. GAMBLE: We have killed about ten things they wanted you to do, Mr. Secretary.

MR. LANE: At least that many.

MRS. KLOTZ: When is this?

H.M.JR: Buffalo.

MR. GAMBLE: The 14th.

MRS. KLOTZ: This coming Monday?

H.M.JR: That's not such a good day.

MR. GAMBLE: The thing you could cut off there, if you cut something, would be the dinner. I think you should go to the Stadium to see the show.

MRS. KLOTZ: Danny Kaye is going to be on the same program.

H.M.JR: I asked for him.

MRS. KLOTZ: That's wonderful. I certainly would go, Mr. Morgenthau.

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H.M.JR: I'm on the radio at ten o'clock.

MR. GAMBLE: And I think you should go to the Infantry Show. Mr. Murphy has prepared the first draft of your speech, and it's good.

H.M.JR: Did Murphy say it is good?

MR. GAMBLE: I said it's good. I went over it with Mr. George Haas and we made one suggestion only. We thought the speech was very good.

H.M.JR: This is for Monday night?

MR. GAMBLE: Yes, in Buffalo.

H.M.JR: Who's the fellow you worked with over there when I asked you, Henry?

MR. MURPHY: Mr. Horn.

H.M.JR: Horn.

All right, that's Buffalo.

MR. GAMBLE: The only other thing Barth is doing the speech for you Sunday night.

H.M.JR: He's having lunch with me tomorrow.

MR. GAMBLE: There is nothing to discuss about that other than to check on the time. The program is from eight-thirty to nine. You will go on at approximately eight twenty-six and one-half or eight twenty-seven. We would like to have you do it from your desk, after which we would like you to visit the show at the Arena, Bob Hope's show. His show is part of the broadcast you are on and following the broadcast he is doing to do an hour's show at the Arena.

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H.M.JR: Who fixed it for me to get two and one-half minutes?

MR. GAMBLE: Three and one-half.

H.M.JR: You did?

MR. GAMBLE: Yes. Let me tell you the story back of that.

H.M.JR: Suppose I wanted four minutes?

MR. GAMBLE: We'd set it up. We can probably crowd it up. The thing is to write something that fits the occasion and adjust the time then. Let me tell you what we did on it. We could have built a program around you for fifteen or twenty minutes. When we lost the President we lost four network shows, but we talked the networks into doing four simultaneous shows, all at the same time. There will be approximately fifty million people listening to it, and so you don't fall outside of that I preferred to have you fit in to that thirty-minute show. So what we are really doing is taking a part of each of the four shows on four networks. I would rather have you talk to fifty million people than put you on fifteen minutes later and talk to five million people. You're the only fellow--

H.M.JR: Thank you.

MR. GAMBLE: You're the only fellow outside of the President of the United States that has taken a four networks show.

H.M.JR: I think in the early days I did.

MR. GAMBLE: I understand that the President was the only one.

H.M.JR: I think in the early days I was on four networks.

MR. GAMBLE: All right.

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H.M.JR: After you check it we'll beef. (Laughter)
Check it just for fun.

MR. GAMBLE: This is really a good break in the light of all the problems we have. I think the President is making a serious mistake not to talk to our War Bond people. I think he is getting terrible advice from somebody.

H.M.JR: You know who.

MR. GAMBLE: No.

MR. LAND: That's a great time, Sunday night. You will be speaking to by far the largest listening audience you ever have.

MR. GAMBLE: This will probably be the largest radio audience to listen to a show.

H.M.JR: Don't make me nervous. Barth knows, doesn't he?

MR. GAMBLE: Yes. He knows he's to do it, and he knows the occasion, and I have suggested he might want to make this a statement from you to the War Bond workers, as a theme for it.

H.M.JR: Let me give--

MR. GAMBLE: I am through.

H.M.JR: Let me give you an idea for a show I might like to take part in later on, see? I would like to get together some of the Congressional Medals winners from the Pacific and get them here, see? I would like to have men who flew dive bombers. Make it a kind of "We the People." It would be Levy and Morgenthau without the governor or something.

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MR. GAMBLE: You can add my little boat.

MR. LANE: What happens to my little boat?

MR. BELL: What's the fellow's name, the actor?

MRS. FLOTE: Orson Welles.

MR. BELL: You would leave him out, too.

H.M.JR: Ted is always crowding me on Orson Welles.

MR. GAMBLE: I sure have.

H.M.JR: Pick out some of these men who received these recent citations. They are simply magnificent! And if you can get half a dozen of these Congressional Medal winners, and put them on, and talk about what they have done in the Pacific, and that have gotten them within the last month, I think it would make quite a show.

MR. GAMBLE: It would be a good audience show.

H.M.JR: I think it would be a good show. Will you think about it, Dave?

LT. LEVY: Yes.

H.M.JR: Get the ones fresh from the Pacific, somebody fresh from Okinawa or some who have got Congressional Medals of Honor.

MR. GAMBLE: We can.

MR. LANE: Put it on NBC or CBS.

MR. GAMBLE: They will help build it up.

LT. LEVY: One of those days would be a good time-- Memorial Day or--

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- 25 -

MR. GAMBLE: NPC is taking Memorial Day and they are devoting every program on the air that day to it, Mr. Secretary.

H.M.JR: I want to give you a couple of ideas. If they want me to do another one, I want to do one on hospitalization of the soldiers.

MR. GAMBLE: I would do that on Memorial Day and the other on Flag Day.

MR. BELL: You mean the job that is being done.

H.M.JR: It's a wonderful job, and it's got to be done because there is going to be more and more of it. More and more of the money has to go there. It's a wonderful job.

MR. GAMBLE: The story there again is to get boys out of the hospital. My brother was just a number in the Infantry until he got injured and from that day on you would have thought he was a General in command of the Army.

H.M.JR: I have kept out of this. They suggested at the hospital--a Colonel and a Lieutenant Colonel were both talking to a civilian who had trench feet; he was discharged and the man couldn't hold his job because he couldn't stand up, and this Colonel and Lieutenant Colonel and the man's wife went out together; they looked at his feet and looked at his shoes. The trouble was with his shoes. They talked to his wife and told her to get him a new pair of shoes so the fellow could stand at his job. That's the kind of attention that these fellows that are being discharged are getting, just like this fellow with trench feet. But there are so many cases, and I would like to do one program on hospitalization. How does that strike you?

MR. GAMBLE: I like it very much.

H.M.JR: The place to do it is at the hospital and I'll not do it at Walter Reed.

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MR. BELL: They are doing a program at each hospital. They started at Walter Reed last week.

H.M.JR: Your Navy Program is awfully good. Did you listen to it? You might find out who's running that.

LT. LEVY: "Meet Your Navy."

MR. GAMBLE: The Navy is running it.

LT. LEVY: That's the Chicago show.

MR. GAMBLE: Great Lakes Naval Training Station.

H.M.JR: All right. I'll look this thing over. Who will be with me in Buffalo?

MR. GAMBLE: Levy and probably George Little.

I think you probably ought to do all of these.

H.M.JR: Okay.

MR. GAMBLE: One other request. The Senators want you to--

H.M.JR: Senator Mead should be in Buffalo with me.

MR. GAMBLE: All right.

MR. BELL: Wagner?

H.M.JR: Mead is from Buffalo.

MR. BELL: And do you want any Congressman?

MR. GAMBLE: Do you want Congressmen, or do you want to stop at Senator Mead?

H.M.JR: I think Mead. If you go to New York City, take Wagner. I would just start with Mead.

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MR. GAMBLE: You can keep one fellow in pretty well, but if you take more than one, you will have trouble.

H.M.JR: Will you tell him it's my idea?

MR. GAMBLE: I'll be glad to. They want you to be photographed at the Flag raising ceremony Wednesday morning, at eight o'clock.

H.M.JR: Tell them about my appointment with the President. If I don't have an appointment at the White House, I will.

Operator: Go ahead.

H.M.Jr: Hello.

Mr. Will Clayton: Hello, Henry.

H.M.Jr: Yes.

C: This is Will. Will Clayton.

H.M.Jr: I can hardly hear you.

C: This is Will Clayton.

H.M.Jr: Yes, Will.

C: I just finished talking to General Hillaring. As you surmised the trouble is with our friend- he's pretty tough, you know, that was in your office the other day.

H.M.Jr: Somervell?

C: Yeah.

H.M.Jr: Yeah.

C: And the General said though - I told him that these two things ought not to be coupled. That we ought to get IPOCG I out of the way at once, and then we could get a little meeting of our committee and discuss this matter, and I didn't believe we would have any difficulty agreeing on it.

H.M.Jr: Yeah.

C: And he said well, he says "I'll never get Somervell to agree" - but he says, "On your word on the thing if you want to handle it that way, I'll go direct to General Marshall and see what I can do." And he has done that and he's going to call me back as soon as he talks to him.

H.M.Jr: Good.

C: I think we'll get it on the track again.

H.M.Jr: Well, I....

May 7, 1945
4:16 P. M.

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C: It's unfortunate that the thing - until we do it's holding up the reparations because Bob Lovett called me and called my attention to that fact that our memorandum on the reparations..

HMJr: Yeah.

C: Says that the IPOOG document is awaiting the President's approval, you see. Which is as a matter - is really technically isn't awaiting his approval until the Chiefs of Staff approve it.

HMJr: Well, as I remember, I think it was either Thursday or Friday a week ago that we took that to the President.

C: That's right.

HMJr: And since then the President has been waiting on the Army.

C: That's right. I think we are going to get it on the track now. I've got the memorandum for the Reparations document in front of me and signed by Mr. Stinson - it's signed by Pawley. I thought Pawley hadn't signed it, but he signed it Saturday night.

HMJr: Oh, wonderful.

C: It's signed by Lubin, signed by Ralph Bard, signed by you and me and Leo Crowley by Fowler because Fowler himself is out of town.

HMJr: Well, I think that's wonderful.

C: We've got the whole thing ready except that Bob Lovett put me on notice that I shouldn't deliver it until we got the IPOOG thing straightened out on account of this sentence in there.

HMJr: I see.

C: So I'm holding it on that account. But as soon as I hear from Hildring, I'll call you back.

HMJr: Well, there's another way to look at that. If we delivered the reparations one to the President and told him that the Army has been holding the other one up for ten days....

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C: Yes.

HMJr: Hello?

C: Yes.

HMJr: You might think that over.

C: Yes, that's right. Only if we did that I'd have to give him a little memorandum and say that the Army is still holding it and it is really not for his approval until they - as he said - that he didn't want to act until the Army acted.

HMJr: Yes, but if we brought it to him that would be a direct way to bring it to his attention.

C: That's right.

HMJr: That the Army has been ten days holding this up.

C: That's right. Well, we'll get this thing. I'll call you as soon as I get it on the track.

HMJr: I'm glad that -- I was sure that you and I felt the same about it.

C: Absolutely.

HMJr: Thank you.

C: Goodbye.

Treasury Department
Division of Monetary Research

Date 5/7 1945

To: Mr. Coe

From: Mr. Glasser

War Department wants us to agree to this cable as the price of getting JCS approval to IPCOG 1.

Friedman and I recommend that we concede on this cable and make the fight on the major question. It should be pointed out that repairs and cannibalization at this time would prepare the plants for removal from Germany as reparations.

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5/7/45

Reference to (blank)

The question of permitting production and necessary repairs including cannibalization to permit production of synthetic oil in Germany now under discussion on a governmental level here. Pending determination of that question and receipt of further instructions you are authorized pursuant to paragraphs 30 and 34 of New JCS 1067 to permit such production and necessary repair including cannibalization.

12"

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MAY 7 1945

Dear Lord Keynes:

Thank you for your note concerning our work on Bretton Woods. I am optimistic about the prospects for the legislation, even though it has been going more slowly than we had anticipated. As you may have noticed, President Truman spoke out strongly in its favor, a day or so after he took office.

I was glad to learn of the preparatory talks which you and the Chancellor have had with members of the House of Commons.

With warm personal regards to yourself and the Chancellor.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The Right Honorable Lord Keynes, C.B.,
H.M. Treasury Chambers,
Great George Street,
S.W., 1,
London, England.

FCine 5/5/45



Exchequer Chambers.

Herbert George Vivart.

+ M. L.

Henry Morgenthau Esq.,
The Secretary of the Treasury,
Washington, D.C., U.S.A.

March 31, 1946

Dear Mr Secretary,

Thank you very much for sending me your 'Foreign Affairs' article on Bretton Woods. I have also just had the opportunity of reading your excellent opening statement to Congress, a copy of which our Ambassador sent personally to the Chancellor of the Exchequer.

We here are full of admiration of the energy and enthusiasm with which you are waging the campaign and congratulate you on it. On this side, it has seemed wiser to avoid too much publicity during the period whilst the issue is before Congress. But we are not being idle. The Chancellor of the Exchequer has been seeing representative Members of the House of Commons in his room at the House, about a dozen at a time. There have been three such meetings already and the fourth (and probably final one) is next week. I shall have a similar meeting with members of the House of Lords.

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I have been present at the Chancellor's meetings, and the way in which those present (and they have included the hottest critics) have responded to explanations has been very encouraging.

Yours sincerely,

Keynes

RECEIVED
Treasury Department
APR 14 1945
Office of
Assistant Secretary White

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date

TO Commissioner Numan
FROM Secretary Morgenthau

I have your memorandum of May 2, 1945 describing the new proposal of the Stock Exchange with respect to the employment contract between it and Mr. Emil Schran. I see no reason to take issue with your view as to the action the Salary Stabilization Unit of the Bureau should take with respect to the application filed by the Stock Exchange.

O. R. W. M. W.



TREASURY DEPARTMENT

WASHINGTON 25

OFFICE OF
COMMISSIONER OF INTERNAL REVENUEADDRESS ONLY TO
COMMISSIONER OF INTERNAL REVENUE
AND REFER TO

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MAY 2 1945



MEMORANDUM FOR THE SECRETARY:

In re: Salary Plan for Mr. Edil Schram,
President, New York Stock Exchange.

On March 22, 1944, the New York Stock Exchange filed an application requesting approval to increase the salary of Mr. Schram from \$48,000 to \$65,000 per year for three years beginning July 1, 1944, and ending June 30, 1947, and for seven years thereafter to employ him in an advisory capacity at a salary of \$30,000 per year. This application was later amended to request a salary of \$35,000 per year for three years beginning July 1, 1944. The contract also provided that Mr. Schram was to be employed in an advisory capacity for a seven-year period beginning July 1, 1947, at a salary of \$35,000 a year, and contained further provisions that in event of his death during the three-year period, his widow would receive \$35,000 for seven years, and in the event of Mr. Schram's incapacity during the three-year period, Mr. Schram would continue to receive compensation at the rate of \$35,000 a year for seven years.

Due to your interest in the matter, the case was referred to your office for consideration and comment. As a result of your memorandum to me dated May 10, 1944, the application was rejected.

Mr. Schram, however, continued as president of the Stock Exchange at the original established salary rate of \$48,000 per annum, which position he still occupies at that salary.

On March 20, 1945, the Exchange filed a new application covering the proposed employment of Mr. Schram for a period of approximately fourteen years commencing February 1945 and ending December 31, 1958. The provisions of the proposed contract of employment are as follows:

Memorandum for the Secretary. -2-

1. To pay Mr. Schram \$48,000 per annum as president of the Exchange so long as he is elected to that position. Mr. Schram is not obligated to accept the position following the annual meeting in 1947.
2. To pay Mr. Schram \$25,000 per annum in an advisory position from the date he is not elected president to December 31, 1958.
3. In case of Mr. Schram's incapacity during the period of employment, the Exchange will pay him at the rate of \$25,000 per annum commencing at the date of incapacity and ending December 31, 1958. However, such payments shall cease when payments made for the position of advisor plus payments made by reason of incapacity shall have been paid for ten years. The effect of the proviso is to limit the total payments in the event of Mr. Schram's incapacity to an amount not in excess of \$250,000.
4. In case of Mr. Schram's death during the period of employment, the Exchange will make payment to his widow at the rate of \$25,000 per annum commencing at date of death and ending December 31, 1958. However, such payments are to cease when the salary paid for the position of advisor plus payments, if any, made for incapacity, plus payments made to the widow shall have been made for a period of ten years in the aggregate. The effect of this proviso, also, is to limit total payments to an amount not in excess of \$250,000.
5. The Exchange will reimburse Mr. Schram for all reasonable expenses incurred by him on behalf of the Exchange.
6. The contract shall be terminated if (a) Mr. Schram fails to perform his duties under the agreement; (b) if Mr. Schram accepts full-time employment in any other business; (c) if Mr. Schram engages in or accepts employment in a competitive business.

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Memorandum for the Secretary. -3-

7. So long as Mr. Schram is an employee and the Exchange maintains retirement and group insurance plans, he may avail himself of benefits thereof by making contributions thereto.
8. All payments which the Exchange agrees to make under the contract will be reduced by the amounts withheld for retirement, group insurance, etc.

The application based upon the contract of employment has been examined by the Salary Stabilization Unit. It is the conclusion of that office that the salary rate of \$48,000 may be continued without approval. In view of the policy of the Exchange in establishing advisory positions prior to October 3, 1942, the Exchange may be permitted to establish the position of advisor for Mr. Schram at a salary rate of \$25,000 per annum. The rate appears reasonable and within stabilization policies when compared with rates for similar positions of like importance previously established by the Exchange.

The payment of \$25,000 to Mr. Schram in event of his incapacity, or to his widow in event of his death, also appears allowable under the Stabilization program in view of the policy established in this respect by the Exchange prior to October 3, 1942.

I have reviewed the file and concur in the ruling which the Salary Stabilization Unit proposes to make. However, in view of your past interest in this matter, I am bringing the case to your attention before final action is taken. Any comments which you desire to make will be appreciated.

Attached is the administrative file and the proposed ruling letter.

James H. Thompson
Commissioner

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May 7, 1945

Conversation with Clayton

At 5:30 Will Clayton called me to say that General Hilldring had been unable to get in to see Marshall. He has an appointment with him at 8:30 tomorrow and one at 8:45 with Stimson. I said, "Now don't promise them anything and don't give anything away." He said, "I haven't, but I told them at once that if Ipcoff was an official document and they brought this up before the Committee, they would have no trouble with me on any reasonable request." I said that that was right.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 7, 1945

TO Secretary Morgenthau
FROM Mr. Coe FC

SUBJECT: Information for your Meeting with Gutt.

Recently the Treasury and War Departments have held many meetings with Gutt on the subject of settlement for advances of Belgian francs to the U.S. Army for troop pay. In calculating the amount to be paid, the War Department deducts the amount of currency which experience has shown will be returned by our troops through military channels. Gutt does not think that we should make this deduction.

The War Department told Gutt on May 4 that it was certifying to the Treasury a payment of \$13.5 million. This is \$12.5 million in excess of what had been certified when Gutt began his discussions and is \$8½ million more than the War Department had agreed to pay several weeks ago. Gutt was also told that strong cables were dispatched to the Army in Belgium to reduce its outstanding advances.

Gutt is still not satisfied. The War Department has indicated to him that no further steps can be taken before its regular certification to the Treasury about June 15.

On May 4 you sent a letter to Gutt dealing in detail with the principles involved.

Gutt will probably open this question with you again. I suggest that you state to Gutt that, since Belgium will receive all the dollars that are due regardless of the arrangements made and since the Treasury and War Departments' staffs are in agreement, he should not press the matter further. You could state also that you do not have the time available to consider this matter in detail.

Copies of the letter from Gutt and your reply are attached.

Attachments.

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May 7, 1945

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Attachments.

JWC:lrn, 5/7/45

FILE COPY

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My dear Mr. Gutt:

This is in reply to your letter of May 1, 1945 concerning advances of Belgian francs for the pay of United States troops in Belgium.

We have gone as thoroughly into the matter relating to Belgian francs advanced to the United States Army as is possible at the present time. As a result of this re-examination, the War Department has now indicated that we can pay an additional \$6,500,000 to the Belgian Government at this time, making a total of \$13,500,000 paid on account of advances for troop pay. This payment will be made promptly in the usual manner.

I realize that a considerable discrepancy still remains between the Belgian francs advanced to the United States Army and the francs for which we have settled on account of troop pay. I can assure you, however, that steps are being taken to remedy this situation, and it is anticipated that within the near future the total of advances will be reduced substantially. About June 15, as we have already indicated to you, the entire situation is due to be re-examined by the War Department on the basis of more complete and up-to-date information than is at present available. At that time the actual situation should be much clearer than it is now.

In view of our arrangements with other liberated countries, it will be impossible for us to make additional payments to Belgium until the situation is reviewed on June 15. We, of course, understand fully your concern with the wide discrepancy between advances by you and settlement for these advances, and as pointed out above, the War Department is taking steps to remedy this aspect of the situation. It has, however, been difficult for us to understand your insistence on immediate payment for all francs used for troop pay, when all that can be involved is a payment followed by a partial repayment. Contrary to the impression which you have that the "reserve" allowed in the War Department calculations for return to military channels of troop pay paid in local currency is a guess, this "reserve" is based on careful analysis of the expenditure pattern of our troops.

- 2 -

In closing, I wish again to assure you that we have given careful consideration to all aspects of this problem. Although I am leaving town today for a few days I hope to see you again before your return to Belgium.

Sincerely,

Mr. Camille Gutt,
1715 - 22nd Street, N. W.,
Washington, D. C.

JWG:lrn, 5/4/45

O

AMBASSADE DE BELGIQUE
+

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With the compliments of Mr. Camille Gutt

O

COPY

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D.8443-6-1 & 8402-3

Washington, May 1st, 1945

No. 2677

My dear Secretary:

Friday afternoon, April 27th, I had a meeting with Messrs. Daniel Bell, Frank Cox, General Richards and his assistant. Another meeting is scheduled to take place some time this week. But, although they all showed every possible courtesy and good will, I am afraid things did not advance much and I wonder whether they will advance more this week, as the Army seems to want definite figures, whilst I want definite principles.

One never knows whether one is entirely right on a given question before having discussed it with the opposite parties and having listened to their arguments. I listened with great attention to the arguments put forward by the Army and I am really convinced I entirely met every one of them. This is why I am writing you today.

. .

Our position is based on the letter sent on January 30, 1943 by our Ambassador in Washington to the Secretary of State, making it clear that we would provide in reverse land-lease "supplies, materials, facilities and services for the United States forces, except for the pay and allowances of such forces, administrative expenses, and such local purchases as its official establishments may make other than through the official establishments of the Government of Belgium."

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

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There could be no doubt about the meaning of this sentence. All the Belgian notes used for the pay of the Army did not come under the reverse land-lease provisions and had therefore to be paid in dollars or sterling.

From the first day we agreed not to ask for the payment of the notes transferred to the armies but not actually paid up by them, e.g. remaining with the Field Army cashiers, although they have been - on account of their importance - a heavy burden for us as they quite unduly increased our monetary circulation.

But from the first day too, our point was - and has never been contradicted until I came to Washington last month - that the sums actually paid up to the troops had to be reimbursed to us in dollars or sterling, it being understood: firstly, that a certain margin - 10% or 20% - could be left to cover the direct purchases made by the armies; secondly, that this was purely a current account to be regularly adjusted and that the Belgian notes, when ultimately handed back to us, would be repaid to the United States Army in dollars.

This is, in fact, the agreement we made with the Canadians and the British. And the latter, having received substantially the same amount as your Army until March 31st, agreed to make two first payments totalling 84 million dollars. So far, payments made by the United States Army to us have amounted to only 5 million dollars.

. .

This startling difference comes from the fact that the United States Army wants to make its payments according not to

....

the amount paid up to the troops, but to the amount that the troops are supposed to have actually spent.

To me, this does not seem logical at all. It is pure guessing and, I would add, useless guessing. If a part of the pay has not been spent, it will eventually flow back to the Field Army cashiers and from them to us, and we will repay it in dollars. This is clear and definite. But we have to start from actually known figures and not from approximate estimates. And the only known figures are:-

- 1) The sums transferred to your Army;
- 2) The sums paid up to your troops by your Army.

" "

I do not think this thesis in itself met with any opposition. The objections raised were objections of fact, not of principle. They are as follows:

1) This thesis could have been discussed at the beginning of the operations, but it should not be at this stage of the war.

2) It should be discussed all the less because if our point were admitted, the other liberated countries would want to take advantage of it, which would oblige the Army to entirely alter its accounting system.

I did not agree with either objections, and my reply was the following:

1) The operations in Belgium began in September. We had transferred to SRAEF, before the liberation, more than five billion francs (115 million dollars) for the two armies. As soon as new demands were put forward, I repeatedly drew the attention

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of SRAEF on their quite abnormal volume and pointed out that the figures were extravagant. Despite all the replies to the contrary, events have conclusively proved that I was right. At the same time, I unceasingly asked for accounts indicating the distribution and the use of the funds^{and} for payments. Both were always promised for one or two months later, but every time the date was postponed. You certainly will agree with me that it would not be fair to make us bear any responsibility for the matter being discussed only now, as we raised the point from the very beginning of the operations and the delay comes exclusively from the Army.

2) Whether other liberated nations would claim the same regime I am asking to be applied to us, I do not know; but I want to point out that our situation is quite different from theirs.

For geographical and strategical reasons, the density of the troops located in Belgium has been much greater in proportion to the territory occupied than in any other liberated areas. The Battle of the Bulge still increased this difference. Belgium is the country which, proportionately, has by far transferred to the armies the greatest amount of national currency, and by far supplied the greatest volume in lend-lease.

3) This leads me to a third remark which was made at our meeting, when it was suggested that we should consider our position vis a vis the United States globally, e.g. from the angle not only of Belgian notes transferred but, too, of lend-lease received.

Had I adopted this point of view, the only result would have been to make our case still much stronger, as the reverse

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lend-lease we supplied considerably exceeds the lend-lease we received.

As a matter of fact, on March 31st, 1945 we had actually supplied to the United States Army reverse lend-lease goods and services to the amount of 77 million dollars (to which should be added all the commitments entered into), whilst we had received in lend-lease 7 million dollars. The Agreement signed on April 17th, 1945 brings the latter figure - as of March 31st - to about 10 million dollars.

"

Of course, we are not asking the United States Army to change its accounting system. But accounting is one thing, provisional payments are something else. They have to be based on the only real figures we possess, and to be adjusted later on either monthly or quarterly.

I apologize for this long letter, but I had two reasons for writing it:

The first is to show you that none of the arguments raised against our point of view can stand discussion.

The second - and I stressed it already in my previous letter - is that, did we not come to a fair agreement, I should fear the public opinion's reactions in my country. I am very much concerned about that point.

The payments made by the British and Canadians have been published in Belgium. I instructed my people in Brussels not to mention, so far, the 5 million paid over here. I was afraid such publication would create hard feelings, and I would go to any length to prevent it.

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For the last eight months, I have lived in Belgium and I have seen how public opinion in a liberated country reacts. People having been shut off from the outer world and having stood under the strain of occupation for more than four years do not always easily understand certain things. It was hard, for instance, to explain in Belgium our lend-lease position and my lend-lease agreement. I nevertheless did explain the position and took the responsibility of signing the agreement, for I thought the arrangement was a fair one. I could not say the same, in all sincerity, if the point I made at the meeting were not met.

Believe me, my dear Secretary,

Yours very sincerely,

25

May 7, 1945.

My dear General Wesson:

For the Secretary, I am acknowledging
your memorandum of May 3, which transmits
a copy of the report on the status of the
Soviet Aid Program as of March 31, 1945.
Thank you for calling this material to Mr.
Morgenthau's attention.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Major General G. M. Wesson,
Director of the U.S.S.R. Branch,
Foreign Economic Administration,
Washington 25, D. C.

GEM/she

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FOREIGN ECONOMIC ADMINISTRATION
WASHINGTON 25, D. C.

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IN REPLY REFER TO

May 3, 1945

MEMORANDUM

To: The Honorable Henry Morgenthau
From: Major General C. M. Neeson
Director of the U.S.S.R. Branch *Chen*
Subject: Status of the Soviet Aid Program

Attached hereto is your personal copy of the report on the status of the Soviet Aid Program as of March 31, 1945. This report summarizes operations in the month of March and in the entire period from October 1, 1941 to date.

Enclosure - 1
Copy No. TRA

PRECISION

TRADE MARK

MICROSTAT

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MICROFILM

ROLL NO.

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SECRET
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STATUS OF THE SOVIET AID PROGRAM
AS OF MARCH 31, 1945

Prepared for the President's Soviet Protocol Committee
by the Foreign Economic Administration

0-2017

Regraded Unclassified

SECRET

STATUS OF THE SOVIET AID PROGRAM PERFORMANCE DURING MARCH

Shipments from the Western Hemisphere to the U.S.S.R. during March totaled 483,885 long tons -- 145,540 tons to North Russia, 4,409 tons to the Persian Gulf, 172,104 tons to the Black Sea and 161,832 tons to the Soviet Far East.

Shipments during the first nine months of the Fourth Protocol period have totaled 4,772,817 long tons, which is 110 percent of the 4,352,679 tons required by the Protocol. April shipments are expected to reach 540,000 tons and present forecasts indicate total shipments for the entire Protocol period of 6,500,000 tons which would be 114 percent of the Protocol commitment.

Cargo shipped during March and in the first nine months of the Protocol period is summarized in the following table:

Type of Cargo	March 1945		July 1944- March 1945	
	Long Tons	Percent of Total	Long Tons	Percent of Total
U. S. SUPPLIES				
R.R. Transportation Equipment	19,875	4	328,033	7
Trucks and Other Vehicles	61,806	13	523,778	11
Metals	87,270	18	982,436	21
Chemicals and Explosives	42,097	9	351,992	7
Petroleum Products *	69,980	15	618,975	13
Machinery and Equipment	38,089	8	423,025	9
Food	108,228	22	1,005,867	21
Other U.S. Supplies	25,428	5	266,903	5
U. S. TOTAL	452,773	94	4,501,009	94
CANADIAN AND BRITISH SUPPLIES	31,112	6	271,808	6
TOTAL	483,885	100	4,772,817	100

* Does not include clearance through the Persian Corridor of 328,781 long tons of petroleum products supplied during the Fourth Protocol period by United Kingdom refineries at Abadan for United States account and replaced by the U.S. to the U.K. in other areas.

Aircraft deliveries continue ahead of Protocol schedules with additional allocations supplementing Protocol offerings. During March, 357 army aircraft were delivered from factories, 342 departed from Fairbanks, Alaska with Soviet pilots, and one was shipped by vessel to North Russia. In addition, 12 Navy flying boats departed from Elizabeth City, North Carolina. In all, 13,475 U.S. manufactured aircraft have departed from North America to the U.S.S.R. Of the total, 3,081 planes were delivered in fulfillment of United Kingdom Protocol obligations.

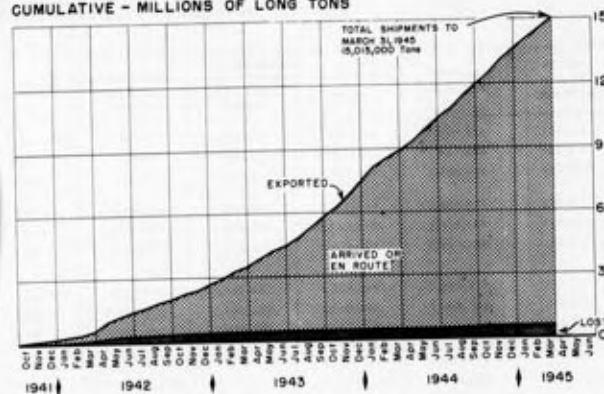
Other important items shipped in March included: 182 medium tanks, 9,434 trucks including 72 amphibians, 224 track-laying tractors, 76 R.R. locomotives, 504 flat cars, 157 marine engines, and machinery and equipment valued at \$30,879,000.

Foreign Economic Administration
April 26, 1945

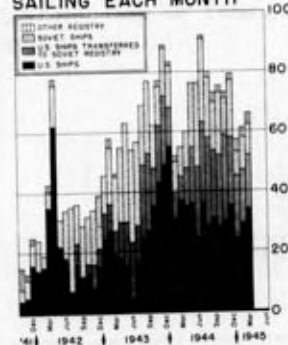
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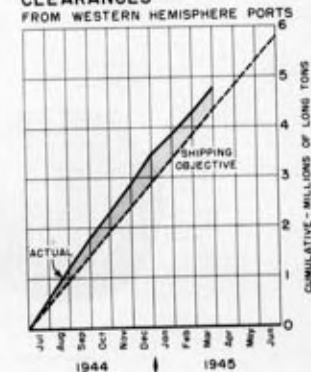
SHIPMENTS TO U.S.S.R. CUMULATIVE - MILLIONS OF LONG TONS



NUMBER OF SHIPS SAILING EACH MONTH



FOURTH PROTOCOL CLEARANCES



Foreign Economic Administration

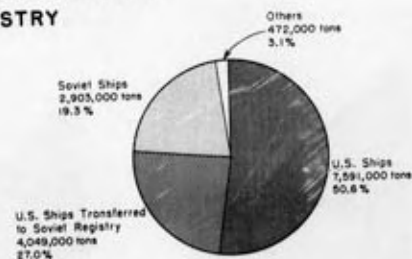
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ACTUAL SHIPMENTS VS SHIPPING OBJECTIVE FOURTH PROTOCOL - CUMULATIVE

MONTH	ACTUAL SHIPMENTS			SHIPPING OBJECTIVE	ACTUAL IN % OF OBJECTIVE
	ATLANTIC ROUTE	PACIFIC ROUTE	TOTAL		
JUL 1944	283,153	341,425	624,578	483,632	129.1%
AUG	505,152	680,914	1,186,066	967,263	122.6
SEP	783,568	982,415	1,765,983	1,450,894	121.7
OCT	1,019,541	1,291,843	2,311,384	1,934,925	119.5
NOV	1,262,057	1,605,753	2,867,810	2,418,156	118.6
DEC	1,557,570	1,874,892	3,432,462	2,901,786	118.3
JAN 1945	1,768,531	2,069,837	3,838,368	3,383,417	113.4
FEB	2,037,378	2,251,554	4,288,932	3,869,048	110.9
MAR	2,559,451	2,413,566	4,972,817	4,352,679	109.7
APR				4,836,310	
MAY				5,319,941	
JUN				5,803,571	

Data on actual shipments and objective are in long tons

DISTRIBUTION OF TONNAGE BY SHIP REGISTRY



SHIPMENTS, IN GROSS LONG TONS, FROM OCTOBER 1, 1941 TO MARCH 31, 1945

Foreign Economic Administration

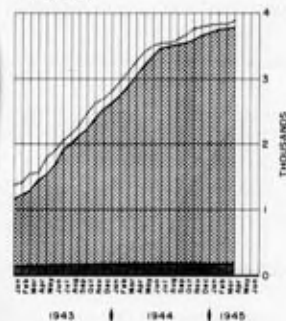
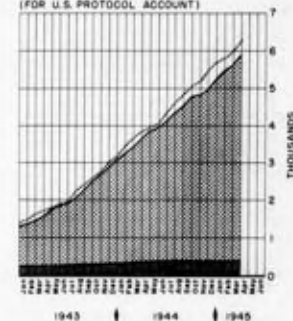
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EXPORTS AND AVAILABILITY CUMULATIVE SINCE OCTOBER 1, 1941

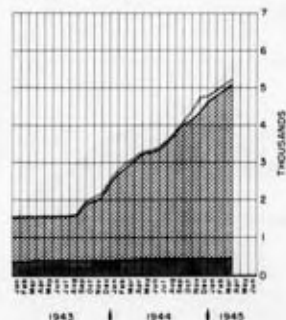
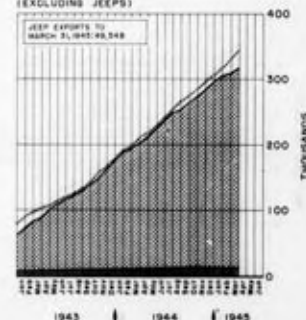
..... Quantity made available at
U.S. centers of production

Exported
Arrived or
En Route
Lost

BOMBERS

PURSUIT PLANES
(FOR U.S. PROTOCOL ACCOUNT)

MEDIUM TANKS

TRUCKS
(EXCLUDING JEEPS)

Foreign Economic Administration

SECRET

EXPORTS AND AVAILABILITY

CUMULATIVE SINCE OCTOBER 1, 1941

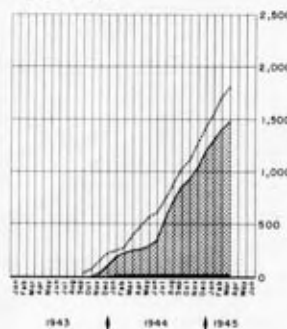
Quantity made available at U.S. centers of production

Exported

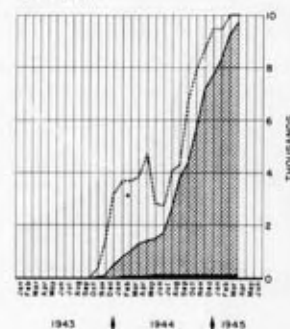
Arrived at En Route

Lost

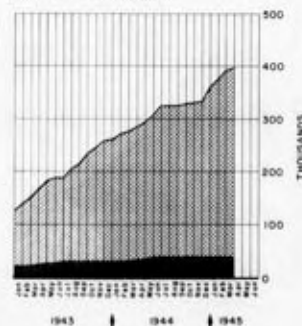
LOCOMOTIVES



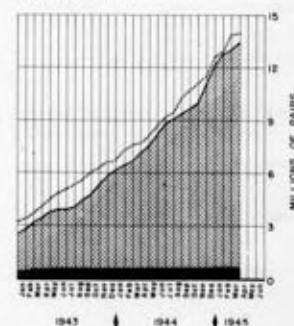
FLAT CARS



FIELD TELEPHONES



ARMY BOOTS



Foreign Economic Administration

Regraded Unclassified

SECRET

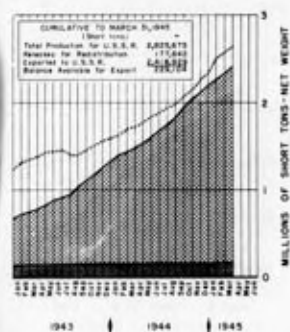
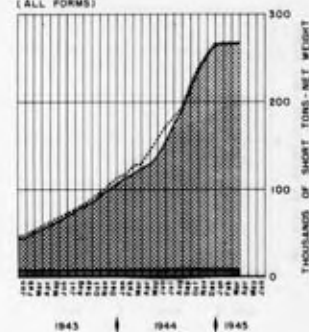
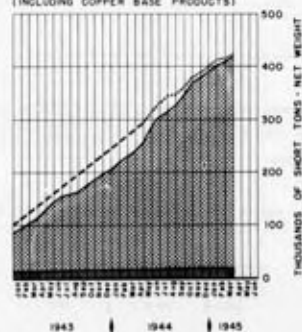
EXPORTS AND AVAILABILITY

CUMULATIVE SINCE OCTOBER 1, 1941

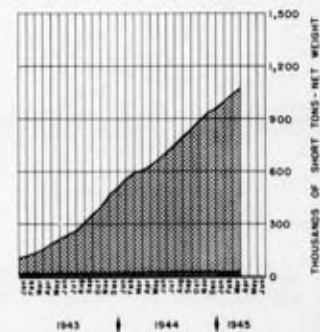
..... Quantity made available at
U.S. centers of production

Exported
Arrived at
En Route
Lost

STEEL

ALUMINUM
(ALL FORMS)COPPER
(INCLUDING COPPER BASE PRODUCTS)

CHEMICALS AND EXPLOSIVES



Foreign Economic Administration

Regraded Unclassified

EXPORTS AND AVAILABILITY

CUMULATIVE SINCE OCTOBER 1, 1941

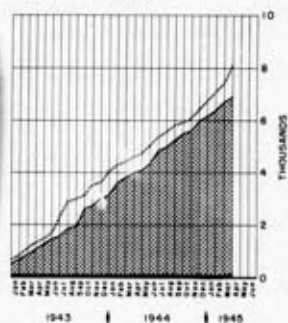
EXPORTS AND AVAILABILITY

CUMULATIVE SINCE OCTOBER 1, 1941

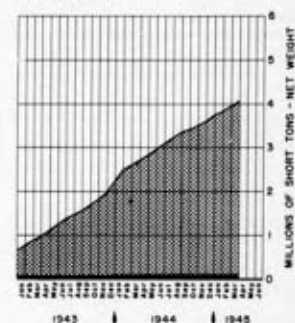
SECRET

Quantity made available at
U.S. centers of productionExported
Arrived at
Ex Route
Lost

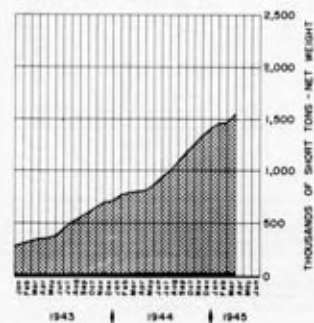
MARINE ENGINES



FOODSTUFFS



PETROLEUM PRODUCTS



Foreign Economic Administration

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SECRET

STATEMENT OF VESSELS SAILED TO U.S.S.R As of March 31, 1945

Date of Sailing	Number of Vessels Sailing					Arrived	En Route as of Mar. 31	Cargo Disch. in U.S.	Lost	Losses by Month
	For North Russia	For Persian Gulf	For Black Sea	For Soviet Arctic	For Soviet Far East					
1941 Oct	10	-	-	-	5	15	14	-	1	-
Nov	9	1	-	-	3	13	12	-	1	-
Dec	14	7	-	-	4	25	22	-	3	1
1942 Jan	20	-	-	-	4	24	19	-	4	1
Feb	13	2	-	-	4	19	16	-	3	9
Mar	21	6	-	-	6	33	32	-	4	7
Apr	42	6	-	-	10	78	45	13	29	6
May	14	10	-	-	7	31	25	-	4	6
Jun	8	11	-	6	9	34	27	-	-	7
Jul	2	5	-	16	12	35	34	-	-	16
Aug	11	5	-	1	29	36	37	-	3	1
Sep	4	8	-	-	17	29	29	-	-	10
Oct	-	13	-	-	19	32	34	-	-	-
Nov	-	8	-	-	26	34	32	-	-	-
Dec	4	11	-	-	24	39	38	-	1	-
1943 Jan	12	11	-	-	23	46	38	-	8	-
Feb	23*	7	-	-	28	58	36	-	10	1
Mar	1	29	-	-	26	46	44	-	1	1
Apr	-	18	-	-	37	55	54	-	-	1
May	-	15	-	-	44	63	62	-	-	2
Jun	-	4	-	5	45	54	54	-	-	-
Jul	-	17	-	16	24	57	57	-	-	-
Aug	-	24	-	7	38	69	67	-	-	-
Sep	-	27	-	-	50	77	77	-	-	-
Oct	10	25	-	-	27	62	61	-	1	-
Nov	20*	25	-	-	32	77	76	-	-	1
Dec	29*	21	-	-	39	89	87	-	-	2
1944 Jan	30	24	-	-	23	83	82	-	-	1
Feb	17**	14	-	-	19	52	51	-	-	1
Mar	16	11	-	-	18	55	53	-	-	1
Apr	-	35	-	-	25	80	59	-	-	3
May	-	36	-	-	40	76	76	-	-	-
Jun	-	24	-	9	43	76	76	-	-	-
Jul	20	17	-	15	40	92	91	-	1	1
Aug	25	9	-	9	41	80	80	-	-	-
Sep	23	11	-	1	38	73	73	-	-	-
Oct	10	20	-	-	45	79	75	-	-	-
Nov	20*	11	-	-	41	73	73	-	-	-
Dec	29	8	-	-	42	79	77	-	-	-
1945 Jan	15	3	7	-	30	55	44	11	-	2
Feb	20	-	12	-	29	61	59	10	-	-
Mar	19	-	19	-	28	66	5	61	-	-
Apr	-	-	-	-	-	-	-	-	-	-
May	-	-	-	-	-	-	-	-	-	-
Jun	-	-	-	-	-	-	-	-	-	-
Total, Oct. 1941 to Mar. 31, 1945	541	341	38	89	1,087	2,296	2,071	94	52	76

* Includes one tanker from U.S. for U.S. purposes account
** Includes two tankers from U.S. for U.S. purposes account

Of the 2,296 sailings from October 1, 1941 to March 31, 1945, 1,055 were made by American vessels, 680 by Soviet vessels, 513 by American vessels transferred to Soviet registry, 47 by British vessels and 1 by a Swedish vessel. In addition to the 2,296 sailings, there were 120 ships that loaded partial cargoes in the U.S. for the U.S.S.R. In addition to the 76 ships shown above as lost, several ships have been sunk on their return voyages.

SECRET

STATEMENT OF CARGO SHIPPED TO U.S.S.R.
As of March 31, 1945

(Thousands of Gross Long Tons)

	For North Russia	For Persian Gulf Full Partial	For Black Sea	For Soviet Arctic	For Soviet Full Partial	Total	arrived	In Force as of Mar. 31	Stock on hand in U.S.	Lost	Losses by Month
1941 Oct	48	-	-	-	17	65	64	-	-	3	-
Nov	41	3	-	-	14	58	55	-	-	3	-
Dec	50	15	-	-	11	76	63	-	-	8	3
1942 Jan	63	-	-	-	26	89	70	-	1	16	9
Feb	66	-	1	-	20	87	76	-	5	15	5
Mar	171	17	-	-	23	211	183	-	20	48	42
Apr	176	21	-	-	20	217	197	-	20	128	-
May	12	70	8	-	31	121	143	-	18	50	38
Jun	15	44	7	-	18	104	130	-	-	56	55
Jul	13	39	25	-	68	145	171	-	-	9	114
Aug	66	20	15	-	83	194	197	-	-	22	7
Sep	28	69	9	-	79	185	229	-	-	-	65
Oct	-	109	11	-	108	228	229	-	-	-	2
Nov	-	56	5	-	206	267	165	-	-	13	17
Dec	19	81	0	-	123	223	237	-	-	-	2
1943 Jan	91	83	4	-	38	256	210	-	18	14	8
Feb	171	60	-	-	129	360	198	-	150	8	16
Mar	9	110	-	-	143	262	248	-	9	7	7
Apr	-	137	5	-	184	337	330	-	-	7	-
May	-	114	9	-	216	350	343	-	-	-	15
Jun	-	15	4	-	18	429	479	-	-	-	-
Jul	-	116	10	-	58	294	306	-	-	14	14
Aug	-	179	4	-	30	293	456	-	-	-	-
Sep	-	194	4	-	113	311	511	-	-	9	-
Oct	66	147	6	-	181	400	611	-	-	8	9
Nov	148	184	1	-	229	562	561	-	-	14	-
Dec	131	257	-	-	242	630	629	-	-	-	-
1944 Jan	222	290	-	-	176	688	997	-	-	3	22
Feb	279	144	-	-	100	523	133	-	-	8	3
Mar	110	150	-	-	60	320	793	-	-	14	8
Apr	-	276	-	-	154	430	409	-	-	4	18
May	-	187	-	-	184	371	551	-	-	-	-
Jun	-	187	-	-	207	394	540	-	-	-	-
Jul	196	127	-	-	66	389	611	-	-	1	1
Aug	181	16	-	-	31	228	561	-	-	-	-
Sep	80	115	1	-	298	594	580	-	-	-	-
Oct	251	96	1	-	309	657	545	-	-	-	-
Nov	228	97	1	-	210	536	556	-	-	-	-
Dec	110	26	5	-	145	306	515	-	-	-	-
1945 Jan	253	-	5	-	142	400	521	-	-	15	-
Feb	148	-	4	-	160	312	452	-	-	-	15
Mar	-	-	-	-	-	-	-	-	-	-	-
Apr	-	-	-	-	-	-	-	-	-	-	-
May	-	-	-	-	-	-	-	-	-	-	-
Jun	-	-	-	-	-	-	-	-	-	-	-
Total, 1941-1945 to Mar. 31, 1945	3,653	3,797	146	364	303	8,163	13,549	690	270	497	497

In addition to the above, the U.S. has aided in the movement through the Persian Corridor of petroleum products originating at British refineries in Abadan, reported to total 415,000 long tons.

In addition to the 185,000 tons shown shipped to North Russia in August 1944, an undetermined amount of U.S. Army cargo lifted on the August ship has been turned over to Soviet authorities in North Russian ports.

SECRET

PROGRESS OF INDUSTRIAL PROJECTS FOR THE U.S.S.R. As of March 31, 1945

TIRE PLANT This \$10,000,000 project, placed in procurement in November 1941, was designed to produce a minimum of 1,000,000 military tires a year from U.S.S.R. supplies of synthetic rubber and natural rubber obtained from abroad. To utilize American equipment which was idle at the time, the tire plant of the Ford Motor Company was purchased and its basic elements were supplemented with new equipment necessary to complete the production cycle for large size military tires. A power plant to supply the necessary steam and electrical power has been supplied at a cost of \$1,000,000. Five American engineers were sent to Moscow to aid in construction; three of the five are still there. Due to changed conditions and construction delays the plant is still in construction. Only test production is expected from various departments until late fall.

ETHYLENE REFINERY PROJECT This project approved in September 1942, was developed to replace Soviet refining facilities destroyed by the German Army. It consists of four basic plants and two subsidiary plants designed to produce ethylene gas, motor gas and lubricating oils. The entire project is valued at \$20,000,000 including engineering and replacement. Ninety-nine percent of the equipment has been shipped to the U.S.S.R. Fifteen U.S. engineers are in the U.S.S.R. aiding in construction. The Chief Engineer is returning to the United States for consultation. A report by the engineers at the end of March stated that the first basic plant was 99 percent completely erected, the second 16 percent, the third 70 percent and the fourth 41 percent completed. U. S. experts will be sought to aid Soviet operators during initial operations of the plants. Soviet reports indicate that equipment for subsidiary plants is arriving at sites, foundations are virtually complete and erection is progressing.

Orders valued at \$17,900,000 were approved in April 1944 for additions to equipment to supplement the facilities already supplied. Purchase orders have been placed for 97 percent of the equipment, 17 percent has been delivered by suppliers, and 5 percent has been exported.

R. S. BLACK SIGNAL SYSTEM This project approved in January 1943, is to permit automatic signal-operation of a portion of the U.S.S.R. railroad system. It will increase the carrying capacity of existing rail facilities without increase of rolling stock. The equipment valued at \$10,900,000 will provide signal and signal operating equipment for 3,000 K.M. of track. Equipment valued at \$10,800,000 has left the manufacturers of which 99 percent has been exported.

POWER PROGRAM Under the Second and subsequent Protocols, various projects have been approved to provide electric power for areas of the U.S.S.R. devastated by the enemy and for Soviet war plants. A total of 1,457,276 K.W. has been approved as follows:

Stationary Steam Plants	611,929 KW	Trailer Mounted Diesel Plants	72,945 KW
R. S. Power Trains, Steam	267,500 KW	R. S. Power Cars, Diesel	103,000 KW
Stationary Diesel Plants	327,498 KW	Hydro-Electric Stations	54,792 KW

This program is estimated to cost \$182,700,000. Equipment valued at \$116,895,000 has left U.S. ports.

ROLLING MILLS An aluminum rolling mill to supply aluminum sheet for the U.S.S.R. aircraft industry was approved for procurement in December 1941. The project valued at \$6,367,000 has been completely fabricated and Soviet representatives state the mill is now in operation in the U.S.S.R.

An 18" merchant mill valued at \$1,600,000 was placed in procurement in November 1941. Equipment valued at \$1,615,000 has been made ready for shipment and \$1,510,000 has been exported.

Two pipe fabricating mills were approved in February 1943 at a cost of \$1,451,000. Although the principal components of these mills were diverted to the U.S. Army to meet the needs for seamless pipe for the rapid advance through France, replacements are nearly completed and equipment valued at \$1,250,000 has already been shipped to the U.S.S.R.

A project consisting of a blooming mill, rail and structural mill, and a railroad tie and fish plate mill and soaking pits was approved for production in November 1943 at a total cost of \$13,675,000. Seventy-two percent of this project has been fabricated and 50 percent has left the U.S.

STEEL EXPANSION PROGRAM Since December 1942, auxiliary equipment for expansion of U.S.S.R. steel facilities has been approved. When installed in the U.S.S.R. it is expected to increase Soviet production of carbon steel ingots by 2,500,000 tons a year. The equipment is valued at \$11,500,000 of which \$11,900,000 has been made available at manufacturers and \$11,130,000 has been exported.

OTHER PLANTS

	Date Approved	Total Cost*	Percent of Total Made Available to U.S.	Percent of Total Exported
Wall Board Plant	11/17/42	\$663,000	100	100
Glass Bulb and Tubing Plant	3/17/43	1,442,000	46	18
Wetral Plant	2/22/43	175,000	100	100
Nitric Acid Plant	11/27/42	575,000	100	77
Hydrogen Gas Plants	5/9/43	333,000	100	100
Hydrogen and Catalyst Plants	11/ 9/42	2,627,000	100	48

* Includes engineering services, training of Soviet operators, miscellaneous materials, etc.

SECRET

AIRCRAFT DELIVERIES TO U.S.S.R.

October 1, 1941 to March 31, 1945

Perusal requirements are filled upon delivery of aircraft from deliveries.

Departure points from North America are: U.S. ports for water shipments, Fairbanks for flight-deliveries via the Alaska-Siberia Ferry Route, and Miami, Florida or adjacent fields for flight-deliveries via the South Atlantic. Flights are subject to weather to North America are considered delivered upon arrival at destination of aircraft. Flights subject to weather to the Persian Gulf are considered at Shadua and when planes arriving there over the South Atlantic Ferry Route are delivered at Shadua to U.S.S.R. pilots. Alaska-Siberia Ferry Route planes are delivered to Soviet pilots at Fairbanks.

With the exception of 99 P-40 fighters shipped from U.S. ports in September, 1941 and arrived in North America in November and December, 1941, this schedule includes all aircraft shipped from the U.S. for direct delivery to the U.S.S.R. Aircraft shipped from the U.S. intended for use in the United Kingdom but not transferred from the United Kingdom to the U.S.S.R. are not included.

	Delivered at Fairbanks	In North America		Lost in North America	Departed North America	Lost after departure	Shipped to U.S.S.R. at destination	Shipped to U.S.S.R. at destination	Shipped to U.S.S.R. at destination	Shipped to U.S.S.R. at destination
		In U.S.	In Canada and Alaska							
BY ROUTE										
Alaska-Siberia Ferry Route	1,380	180	100(100)*	70	5(22)*	1,650	0	0	0	1,650
South Atlantic Route to Shadua	1,050	0	0	10	0	1,060	40	1	0	999
Water to North America	1,050	0	0	0	0	1,050	300	1	0	750
Water to Persian Gulf assembly at Shadua	4,140	0	0	0	0	4,140	210	0	0	3,930
Total	3,620	180	100(100)*	80	5(22)*	5,220	550	1	0	4,669
PERMIT PLANE										
P-40 aircraft	30	0	0	0	2(3)*	27	0	0	0	27
P-40 North America, Water	1,050	0	0	0	0	1,050	40	1	0	999
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
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P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
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P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 North America, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 Persian Gulf, Water, U.S. Asst.	870	0	0	0	0	870	50	0	0	820
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 aircraft, U.S. Asst.	1,050	0	0	0	0	1,050	300	0	0	750
P-40 North America, Water										

EXPORTS AND AVAILABILITY
As of March 31, 1945SECRET
Sheet 1

Line	Fourth Protocol Program Performance			Exported		Total A-12 - Four Protocols (October 1, 1941 to Mar. 31, 1945)			
	Adjusted Program a	Made Available to 3/31/45 b	Percent of Program Made Available c	During War, 1943 d	3/31/45 e	Made Available f	Exported g	Lost Diverted h	Diverted Diverted i
I. AIRCRAFT AND EQUIPMENT									
AIRCRAFT									
(For U.S. Protocol Amount)									
1-1A Patrol Plane	2,430	1,937	79	297	1,760	} See Detailed Schedule			
1B Light Bombers	0	23	-	0	23				
1C Medium Bombers	300	305	101	54	250				
1D Heavy Bombers	0	0	-	0	0				
1E Transport Plane	223	160	72	52	170				
1F Flying Boat, PB	60	131	218	17	114				
1G Observation Plane	0	0	-	0	0				
1H Advanced Trainer	0	0	-	0	0				
(For U.S. Protocol Amount) (Under Reciprocity Agreement)									
1-I4 Patrol Plane	0	0	-	0	0				
1-J4 Light Trainer	0	0	-	0	0				
1-K4 Aircraft Landing Mate (1000 sq. ft.)	40,000	34,700	87	1,960	32,740	33,100	22,653	0	0
II. MILITARY EQUIPMENT									
Combat Vehicles									
2-141 Light Tank	0	2	-	0	0	1,482	1,480	443	0
2-142 Medium Tank	2,229	1,895	85	182	1,713	7,208	7,108	117	0
2-143 Self-Propelled Gun, 4.7 76 mm	0	0	-	0	0	5	5	0	0
2-144 Self-Propelled Gun, 4.7 57 mm	0	0	-	0	0	400	400	0	0
2-145 Self-Propelled Gun, 4.7 5 mm	0	0	-	0	0	52	52	0	0
2-146 Self-Propelled Gun, 4.7 77 mm	0	0	-	0	0	100	100	0	0
2-147 Self-Propelled Gun, 4.7 90 Cal.	0	0	-	0	0	1,000	1,000	0	0
2-148 Self-Propelled Gun, 4.7 90 Cal.	0	365	-	0	365	1,162	1,158	5	0
2-149 Self-Propelled Gun, 4.7 90 Cal.	0	1,128	-	0	1,128	3,182	3,182	0	0
2-150 Self-Propelled Gun, 4.7 90 Cal.	0	1,128	-	0	1,128	3,182	3,182	0	0
Infantry Equipment									
3-141 Rifle	2,229	1,994	89	182	1,812	13,146	13,025	1,142	0
3-142 Rifle	246	354	65	88	270	1,197	1,383	9	0
3-143 Tank Recovery Sigs	0	0	-	0	0	130	130	0	0
3-144 Tank Transporters	0	238	374	48	286	370	352	26	0
3-145 Total	886	238	59	147	947	14,177	14,990	28	0
Trucks									
4-141 Jeeps (2 ton and)	8,998	5,576	65	5	5,677	49,870	46,139	3,657	1,778
4-142 Jeeps, Amphibious	800	299	37	99	109	3,111	3,109	0	0
4-143 Jeeps, 2 1/2 ton	5,198	3,276	63	44	3,232	19,686	18,600	986	0
4-144 Trucks, 1 1/2 ton	68,148	36,848	54	2,142	27,996	149,898	138,415	6,660	1,824
4-145 Trucks, 2 1/2 ton	73,564	32,479	44	1,642	27,996	149,898	138,415	4,351	1,130
4-146 Trucks, 3 ton and, Amphibious	1,000	60	6	70	76	80	76	4	0
4-147 Trucks, 3 ton and, water	1,000	60	6	187	1,906	2,626	1,906	6	0
4-148 Trucks, Special Purpose	900	20	2	17	17	1,001	1,001	0	0
4-149 Trucks, Truck-Tractors with Trailers	1,000	995	43	28	83	1,501	1,493	8	0
4-150 Trucks (All Purpose Truck Tractors)	1,000	43	4	17	17	1,001	1,001	0	0
4-151 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-152 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-153 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-154 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-155 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-156 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-157 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-158 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-159 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-160 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-161 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-162 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-163 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-164 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-165 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-166 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-167 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-168 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-169 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-170 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-171 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-172 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-173 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-174 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-175 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-176 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-177 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-178 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-179 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-180 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-181 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-182 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-183 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-184 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-185 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-186 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-187 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-188 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-189 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-190 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-191 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-192 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-193 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-194 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-195 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-196 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-197 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-198 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-199 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-200 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-201 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-202 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-203 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-204 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-205 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-206 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-207 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-208 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-209 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-210 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-211 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-212 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-213 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-214 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-215 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-216 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-217 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-218 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-219 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-220 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-221 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-222 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-223 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-224 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-225 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-226 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-227 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-228 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-229 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-230 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-231 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-232 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-233 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-234 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-235 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-236 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-237 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-238 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-239 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-240 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-241 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-242 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-243 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-244 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-245 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-246 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-247 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-248 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-249 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-250 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-251 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-252 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-253 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-254 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-255 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-256 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-257 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-258 Trailers for Trucks	0	43	4	17	17	1,001	1,001	0	0
4-2									

Release: All items are 2000 lbs. and weight.

- **Reliability**

* Original U.S. Fourth Period offerings adjusted as instructed by U.S.D.A. to conform with shipping possibilities and insurance needs involving commodities to be exported to Japan (11).

⁶ Value available from production or by assignment after deduction of (costs) expenses represented or incurred before export. Includes profits for each.

1. Quantities reported have arrived in the U.S.S.R. or Persian Gulf ports or are enroute except for quantities shown as lost or destroyed.

5 Represents number of vessels transferred to the Inland Flag less number retained by the U.S. For the same vessels and time periods.

been transferred and returned to the U.S. under exchange agreements. My large vessels include one navigation corps and passenger vessel.

[†] Additional quantities are being made available from U.S. army stocks in U.S.

SECRET
Sheet 3

[illegible]

Notes	171,000	141,743	822	344,707	306,129	802,129	1,430	1,148
a. Original U.S. Fourth Protocol offerings adjusted as indicated by U.S.S.R. to conform with shipping possibilities and reasonable volume including quantities to be supplied in Annex II.								
b. Data available from provision of my colleagues after deduction of quantities requested or diverted before export. Includes purchases for cash.								
c. Quantities exported were available in the U.S.S.R. or Persian Gulf ports or are otherwise exempt for quantities exempt from license of export.								
d. Quantities considered made available in shipping.								

Regraded Unclassified

a Original U.S. Fourth Protocol offerance adjusted as indicated by U.S.-S.R. to conform with existing prohibitive and reasonable statutes including limitations to be supplied in Annex III.
 b Unavailable from production or by assignment after donation of quantities represented or diverted before export. Includes purchases for sale.
 c Quantities exported have arrived in the U.S.-S.R. or Persian Gulf ports or are enroute except for quantities shown as lost or diverted.
 d Quantities estimated must be available as indicated.
 e The offering for S.R. includes offering under category 9-10, Mining and Unexplored Nonmetal.
 f Includes offering for category 9-10, Secondary Distribution, Payment, and Other.
 g Estimated.

SECRET
Sheet 5

Item	Source Protocol Program Performance			Exported		Total aid - Four Protocols October 1, 1945 to Mar. 31, 1948			
	Adjusted Program \$	Value available to 3/31/45 \$	Percent of Program Value available	During Mar. 1945	7/1/45 to 3/31/47	Value available \$	Exported \$	Less Service	Directed Service
1. INDUSTRIAL MACHINERY AND EQUIP.									
(1000)									
V-23 Printing Press Machinery and Equip.	0	0	114	0	0	0	0	0	0
V-24 Tire Plant	0	1,000	-	31	1,000	6,297	6,297	0	0
V-25 Rubber Working Machinery	0	129	-	1	129	129	129	0	0
V-26 Automotive Machinery	880	101	48	41	438	1,009	851	15	0
V-28 Metal Working and Working Furnaces	5,160	12,007	433	440	8,130	37,761	23,210	636	0
V-27 Steel and Reheating Furnaces	6,761	2,500	77	276	6,147	5,309	4,799	0	0
V-28 Foundry Equipment	1,364	797	51	220	930	1,770	1,816	13	0
V-29 Spec. Ind. Furnaces, Kilns and Ovens	2,037	2,037	100	38	2,001	2,317	2,030	0	0
V-30 Petroleum Refinery Plants	79,000	1,316	33	802	1,163	43,796	39,966	261	0
V-30B Petroleum Refinery Machinery and Equip.	21	31	100	0	36	229	168	0	0
V-31 Spec. Machinery for Glass Industry	1,117	875	64	168	476	1,160	476	0	0
V-32 Spec. Machinery for Chemical, Wg. Ind.	1,811	360	19	101	479	1,109	1,087	0	0
V-37 Gas Generating, Conditioning and Producing Apparatus	6,568	4,763	86	643	8,567	21,169	12,796	0	0
V-38 Misc. Spec. Ind. Machines	891	1,276	137	-	3,509	6,500	6,455	1	0
V-38B Cartridge Mfg. Lines	0	1,074	-	87	3,151	30,396	30,396	0	0
V-39 Machine Tools	30,000	30,000*	100	7,008	10,277	307,000	268,716	8,008	0
V-39B Milling Mills and auxiliary Equip.	13,170	13,171	100	1,191	16,008	28,139	26,139	0	0
V-37 Drawing Machines	590	1,199	123	45	2,001	2,307	2,004	0	0
V-38 Other Primary Metal Forming Machinery	0	0	-	0	0	364	364	0	0
V-39 Secondary Metal Forming and Drawing Machinery	15,830	10,000*	63	573	23,480	66,000	66,270	975	27
V-40B Working Machinery, Marine	0	2,064*	58	293	3,608	7,100	7,100	0	0
V-40B Working Machinery, Other	1,470	890	54	51	1,413	2,667	2,667	28	0
V-41 Metal Turning Equip.	0	0	-	0	0	228	228	0	0
V-41A Portable Metal Working Machines and Tools, Marine	543	381	61	40	480	2,817	2,813	4	0
V-41B Portable Metal Working Machines and Tools, Other	1,190	2,492	181	90	2,708	6,918	6,131	13	0
V-42 Metal Drilling Equip.	35,060	6,000	17	1,108	8,120	34,000	33,000	0	0
V-43 Drilling and Forging Tools	13	13	100	0	0	43	43	0	0
V-42 Drilling & Drives for Machine Tools	2,168	1,476	68	219	3,780	3,780	3,474	0	0
V-47 Tool Room Specialties	4	168	100	39	90	109	10	0	0
V-48 Agric. Mach. and Implements except Tractors	180	162	89	10	293	717	702	0	0
V-49 Mining and Quarrying Machinery	0	See V-4	-	143	868	1,704	1,139	0	0
V-50 Saw & Rock Boring & Drilling Machinery and Accessories	2,013	2,002	99	96	1,099	6,171	6,111	168	0
V-50B Drill and Rock Hole Drilling Machinery	2,013	798	3	2	1,011	6,780	6,277	0	0
V-50C Drilling and Drilling Machinery	18,046	21,256	117	596	37,096	30,510	29,767	364	1,000
V-51 Misc. Construction Equipment	0	0	-	0	0	1,013	961	0	0
V-52 Office Machines	0	0	-	0	0	0	0	0	0
V-53 Elec. Machinery	291	131	45	80	667	1,307	1,166	0	0
V-54B Telephone Apparatus	2,190	2,081	95	98	1,293	2,100	2,100	0	0
V-55B Field Telephones	2,000	1,776	89	236	1,139	29,309	18,403	1,766	26
V-56B Field Telephones (total)	(100,000)	(79,617)	80	(15,000)	(76,618)	(617,490)	(397,190)	(17,180)	(10)
V-57B Other Telephones and Telegraph Equip.	25,312	2,213	22	366	3,960	13,812	13,761	0	0
V-58B Sound Equipment	43	36	84	2	26	125	121	0	0
V-59B Acoustic Alarm Signal Equip.	2,809	4,490	173	3	8,763	10,086	10,870	0	0
V-59A Industrial Type Locomotives, Rail Cars and Parts	7,193	111	4	0	169	1,487	1,323	26	0
V-59B Mine Type Locomotives, Rail Cars and Parts	891	22	2	0	66	139	139	0	0
V-60 Passenger Trains and Parts	220	221	100	66	367	367	329	0	0
V-61 Air Conditioning and Refrigeration Equip.	1,200	213	18	48	289	751	711	0	0
V-62 Lighting Fixtures, Marine	866	767	88	66	866	866	866	0	0
V-62B Lighting Fixtures, Other	76	131	144	0	133	366	366	33	0
V-63 Photographic Equipment	36	75	207	19	40	1,876	1,868	79	0
V-64 Optical, Instrument, Recording and Control Instruments	2,030	2,148	106	161	6,703	5,993	5,629	52	0
V-65 Navigation Instruments	0	0	-	0	0	0	0	0	0
V-67 Professional & Scientific Instruments	108	382	35	62	419	1,170	1,291	36	0
V-68 Misc. Equipment	0	0	-	0	0	0	0	0	0
V-67 Hand Tools, Non-powered	897	999	111	103	863	2,878	2,763	17	0
V-68 Machine Tooling Equipment	3,032	1,000	33	310	1,177	3,626	3,180	1	0
V-69B Millers, Marine	81	81	100	0	0	0	0	0	0
V-69B Power Belts, Industrial	7,000	6,411	92	1,072	7,987	16,761	15,293	0	0
V-70 Agric. Tractors, except Tractor-Laying	0	0	-	138	6,386	2,586	2,586	0	0
V-71 Other Miscellaneous Equip.	0	0	-	0	0	0	0	0	0
Total Machinery and Equipment	276,844	291,086	78	30,878	36,718	1,057,436	1,014,218	14,523	1,784

Notes: * Estimated

- a Original U.S. Fourth Protocol offerings adjusted as indicated by U.S.S.R. to conform with shipping possibilities and reasonable stocks including quantities to be supplied to Amer. III.
- b Value available from production or by assignment after deduction of quantities represented or directed before export. Includes purchases for cash.
- c Quantities exported have arrived in the U.S.S.R. or Parties Gulf ports or are service except for quantities shown as lost or diverted.
- d Total guaranteed for delivery on or before June 30, 1948. An additional amount of \$28,763,000 may be placed in production before June 30, 1948 without guarantee of delivery within a specified period. In addition equipment valued at \$28,807,000 may be placed in production if purchased without the financial assistance of the Lend-Lease act.

SECRET
Sheet 6

Item	Fourth Protocol Program Performance			Exported		Total Aid - Four Protocols October 1, 1943 to Mar. 31, 1945		
	Adjusted Program a	Value Available to 3/31/45 b	Percent of Program Value Available c	During Mar. 1943 d	%/44 to 3/31/45 e	Value Available f	Exported g	Less Reverts h
VI. METALLIC AND POLYMERIC								
Steel (tons)								
VI-1-22 Aluminized	-	12,275	-	580	13,060	43,398	42,194	1,003
VI-1-23 Armor Plate	-	0	-	0	0	8,501	9,329	2,493
VI-1-24 Polished Drill Rods	-	108	-	26	293	423	368	2
VI-1-27 High Speed Tool Steel	-	4,751	-	702	4,042	11,779	13,757	55
VI-1-28 Tool Steel	-	12,554	-	1,890	12,061	22,199	23,322	1,620
VI-1-29 Cold Finished Bars	-	36,238	-	1,618	26,639	399,739	375,435	7,407
VI-1-30 S.P. Aircraft Steel	-	31,742	-	4,422	49,643	202,431	202,431	0
VI-1-31 Cr. Ni. Mn. Alloys	-	22,423	-	3,563	13,912	118,420	118,586	9,823
VI-1-32 Cold Rolled Sheet	-	16,750	-	808	12,176	207,363	95,833	29,862
VI-1-34 Cold Rolled Strip	-	9,801	-	1,699	13,604	85,512	86,143	17,077
VI-1-35 Stainless Steel	-	1,175	-	17	4,458	13,795	12,168	0
VI-1-36 Titanium	-	34,422	-	4,494	42,094	100,002	113,857	11,496
VI-1-37 Steel Pipe	-	21,002	-	1,179	17,108	111,074	128,394	6,321
VI-1-38 Wire Rope	-	7,716	-	813	8,111	25,614	31,798	302
VI-1-39 Steel Alloy Tubes	-	16,153	-	2,090	26,902	96,090	20,342	136
VI-1-40 Stainless Steel Wire	-	776	-	0	1-42	4,895	4,883	13
VI-1-41 Special Alloy Wire	-	109	-	0	721	4,474	1,819	127
VI-1-42 Barbed Wire and Staples	-	28	-	215	2,148	80,573	80,258	168
VI-1-43 Pipe and Tubing	-	96,709	-	14,801	87,438	234,430	203,779	1,661
VI-1-44 R.R. Shafts and Plates	-	134,051	-	22,470	143,477	578,361	341,191	29,079
VI-1-45 Wire Nails and Tacks	-	1,761	-	0	7,080	13,127	14,281	118
VI-1-46 R.R. Rails and Accessories	-	299,442	-	11,175	181,611	649,251	549,976	24,761
VI-1-47 R.R. Shafts and Plates	-	0	-	0	0	14,380	0	0
VI-1-48 Car Wheels	-	0	-	0	0	14,380	0	0
VI-1-49 Locomotive Car Wheel Tires	-	24,500	-	2,036	12,090	26,961	33,854	51
VI-1-50 Locomotive Car Wheel Tires	-	1,808	-	0	1,412	12,179	2,102	0
VI-1-51 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-52 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-53 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-54 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-55 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-56 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-57 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-58 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-59 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-60 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-61 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-62 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-63 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-64 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-65 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-66 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-67 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-68 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-69 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-70 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-71 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-72 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-73 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-74 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-75 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-76 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-77 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-78 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-79 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-80 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-81 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-82 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-83 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-84 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-85 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-86 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-87 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-88 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-89 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-90 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-91 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-92 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-93 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-94 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-95 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-96 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-97 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-98 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-99 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-100 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-101 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-102 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-103 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-104 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-105 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-106 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-107 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-108 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-109 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-110 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-111 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-112 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-113 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-114 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-115 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-116 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-117 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-118 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-119 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-120 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-121 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-122 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-123 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-124 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-125 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-126 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-127 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-128 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-129 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-130 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-131 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-132 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-133 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-134 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-135 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-136 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-137 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-138 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-139 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-140 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-141 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-142 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-143 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-144 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-145 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-146 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-147 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-148 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-149 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-150 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-151 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-152 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-153 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-154 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-155 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-156 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-157 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-158 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-159 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-160 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-161 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-162 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-163 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-164 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-165 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-166 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-167 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-168 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-169 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-170 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-171 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-172 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-173 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-174 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-175 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-176 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-177 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-178 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-179 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-180 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-181 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-182 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1-183 Locomotive Car Wheel Tires	-	0	-	0	0	233	232	0
VI-1								

[illegible]

Notes: The following quantities released from E.O.S.S. export stocks for redistribution have been included (Two amounts were available).

July 1, 1944- Mar. 15, 1945 (about 1000)	October 1, 1944- April 15, 1945 (about 1000)	July 1, 1944- Mar. 15, 1945 (about 1000)	July 1, 1944- Mar. 15, 1945 (about 1000)
--	--	--	--

Notes: All items are 2000 US, net weight.

Notes: All items are 2000 US, net weight.

4. Delivered F.O.B. Manufacturer's warehouse, excluding freight charges, and including reasonable profit and reasonable expenses including cartage to be supplied in item 11).

4 Quantities expected have arrived in the U.S.S.R. or Persian Gulf ports or are enroute except for quantities shown as "not yet determined."

4 additional quantities of panels are being retransferred from the United Kingdom.

SECRET
Sheet 9

	Foreign Protocol Program Performance			Exported		Total AID - Four Protocols October 1, 1961 to March 31, 1962		
	Adjusted Program \$	Value Available to U.S./A \$	Percent of Program Available	During March 1962	U.S./A to U.S./A \$	Value Available \$	Exported \$	Less Diverted \$
VI. MEDICAL AND PHARMACEUTICALS (cont.)								
Tentacles								
VI-11a Cotton Cloth (1000 yds.)	10,000	10,000	100	100	10,000	10,000	10,000	0
VI-11b Nylon Cloth (1000 yds.)	40,711	40,711	100	100	40,711	40,711	40,711	0
VI-11c Nylon (1000 yds.)	0	0	0	0	0	0	0	0
VI-11d Terylene (1000 yds.)	2,000	2,000	100	100	2,000	2,000	2,000	0
VI-11e Nylon Cloth (1000 yds.)	0	0	0	0	0	0	0	0
VI-11f Garbage and Tents (1000)	2,000	2,000	100	100	2,000	2,000	2,000	0
VI-11g Other Basic Tentacles (\$1000)	0	0	0	0	0	0	0	0
VI-11h Tentacles Products (\$1000)	0	0	0	0	0	0	0	0
Leather								
VI-12a Leather (1000)	11,963	11,963	100	100	11,963	11,963	11,963	0
VI-12b Leather Products (\$1000)	0	0	0	0	0	0	0	0
Rubber								
VI-13a Rubber (1000)	0	0	0	0	0	0	0	0
VI-13b Rubber Products (\$1000)	0	0	0	0	0	0	0	0
VI-13c Rubber (1000)	0	0	0	0	0	0	0	0
VI-13d Rubber Products (\$1000)	0	0	0	0	0	0	0	0
VI-13e Rubber (1000)	0	0	0	0	0	0	0	0
VI-13f Rubber Products (\$1000)	0	0	0	0	0	0	0	0
VI-13g Rubber (1000)	0	0	0	0	0	0	0	0
VI-13h Rubber Products (\$1000)	0	0	0	0	0	0	0	0
VI-13i Rubber (1000)	0	0	0	0	0	0	0	0
VI-13j Rubber Products (\$1000)	0	0	0	0	0	0	0	0
VI-13k Rubber (1000)	0	0	0	0	0	0	0	0
VI-13l Rubber Products (\$1000)	0	0	0	0	0	0	0	0
VI-13m Rubber (1000)	0	0	0	0	0	0	0	0
VI-13n Rubber Products (\$1000)	0	0	0	0	0	0	0	0
VI-13o Rubber (1000)	0	0	0	0	0	0	0	0
VI-13p Rubber Products (\$1000)	0	0	0	0	0	0	0	0
VI-13q Rubber (1000)	0	0	0	0	0	0	0	0
VI-13r Rubber Products (\$1000)	0	0	0	0	0	0	0	0
VI-13s Rubber (1000)	0	0	0	0	0	0	0	0
VI-13t Rubber Products (\$1000)	0	0	0	0	0	0	0	0
VI-13u Rubber (1000)	0	0	0	0	0	0	0	0
VI-13v Rubber Products (\$1000)	0	0	0	0	0	0	0	0
VI-13w Rubber (1000)	0	0	0	0	0	0	0	0
VI-13x Rubber Products (\$1000)	0	0	0	0	0	0	0	0
VI-13y Rubber (1000)	0	0	0	0	0	0	0	0
VI-13z Rubber Products (\$1000)	0	0	0	0	0	0	0	0
Textiles								
VI-14a Textiles (1000)	0	0	0	0	0	0	0	0
VI-14b Textiles Products (\$1000)	0	0	0	0	0	0	0	0
VI-14c Textiles (1000)	0	0	0	0	0	0	0	0
VI-14d Textiles Products (\$1000)	0	0	0	0	0	0	0	0
VI-14e Textiles (1000)	0	0	0	0	0	0	0	0
VI-14f Textiles Products (\$1000)	0	0	0	0	0	0	0	0
VI-14g Textiles (1000)	0	0	0	0	0	0	0	0
VI-14h Textiles Products (\$1000)	0	0	0	0	0	0	0	0
VI-14i Textiles (1000)	0	0	0	0	0	0	0	0
VI-14j Textiles Products (\$1000)	0	0	0	0	0	0	0	0
VI-14k Textiles (1000)	0	0	0	0	0	0	0	0
VI-14l Textiles Products (\$1000)	0	0	0	0	0	0	0	0
VI-14m Textiles (1000)	0	0	0	0	0	0	0	0
VI-14n Textiles Products (\$1000)	0	0	0	0	0	0	0	0
VI-14o Textiles (1000)	0	0	0	0	0	0	0	0
VI-14p Textiles Products (\$1000)	0	0	0	0	0	0	0	0
VI-14q Textiles (1000)	0	0	0	0	0	0	0	0
VI-14r Textiles Products (\$1000)	0	0	0	0	0	0	0	0
VI-14s Textiles (1000)	0	0	0	0	0	0	0	0
VI-14t Textiles Products (\$1000)	0	0	0	0	0	0	0	0
VI-14u Textiles (1000)	0	0	0	0	0	0	0	0
VI-14v Textiles Products (\$1000)	0	0	0	0	0	0	0	0
VI-14w Textiles (1000)	0	0	0	0	0	0	0	0
VI-14x Textiles Products (\$1000)	0	0	0	0	0	0	0	0
VI-14y Textiles (1000)	0	0	0	0	0	0	0	0
VI-14z Textiles Products (\$1000)	0	0	0	0	0	0	0	0
Pharmaceuticals								
VI-15a Pharmaceuticals (1000)	0	0	0	0	0	0	0	0
VI-15b Pharmaceuticals Products (\$1000)	0	0	0	0	0	0	0	0
VI-15c Pharmaceuticals (1000)	0	0	0	0	0	0	0	0
VI-15d Pharmaceuticals Products (\$1000)	0	0	0	0	0	0	0	0
VI-15e Pharmaceuticals (1000)	0	0	0	0	0	0	0	0
VI-15f Pharmaceuticals Products (\$1000)	0	0	0	0	0	0	0	0
VI-15g Pharmaceuticals (1000)	0	0	0	0	0	0	0	0
VI-15h Pharmaceuticals Products (\$1000)	0	0	0	0	0	0	0	0
VI-15i Pharmaceuticals (1000)	0	0	0	0	0	0	0	0
VI-15j Pharmaceuticals Products (\$1000)	0	0	0	0	0	0	0	0
VI-15k Pharmaceuticals (1000)	0	0	0	0	0	0	0	0
VI-15l Pharmaceuticals Products (\$1000)	0	0	0	0	0	0	0	0
VI-15m Pharmaceuticals (1000)	0	0	0	0	0	0	0	0
VI-15n Pharmaceuticals Products (\$1000)	0	0	0	0	0	0	0	0
VI-15o Pharmaceuticals (1000)	0	0	0	0	0	0	0	0
VI-15p Pharmaceuticals Products (\$1000)	0	0	0	0	0	0	0	0
VI-15q Pharmaceuticals (1000)	0	0	0	0	0	0	0	0
VI-15r Pharmaceuticals Products (\$1000)	0	0	0	0	0	0	0	0
VI-15s Pharmaceuticals (1000)	0	0	0	0	0	0	0	0
VI-15t Pharmaceuticals Products (\$1000)	0	0	0	0	0	0	0	0
VI-15u Pharmaceuticals (1000)	0	0	0	0	0	0	0	0
VI-15v Pharmaceuticals Products (\$1000)	0	0	0	0	0	0	0	0
VI-15w Pharmaceuticals (1000)	0	0	0	0	0	0	0	0
VI-15x Pharmaceuticals Products (\$1000)	0	0	0	0	0	0	0	0
VI-15y Pharmaceuticals (1000)	0	0	0	0	0	0	0	0
VI-15z Pharmaceuticals Products (\$1000)	0	0	0	0	0	0	0	0

In addition to the quantities of supplies shown where the U.S. Army has transferred to the S.S.A.P. from the equipment in the Persian Corridor the following items:

1. Truck Assembly Plant
2. 10 Ton Motor Cargo Trucks
3. Cranes, Class 5, 10, 15, 20 and 30 (100,000)
4. Short Type of S.S. Mails also accessories

Notes: All items are 2000 lbs. net weight.

- a. Data not available.
- b. Original U.S. Foreign Protocol offerings adjusted as indicated by S.S.A.P. to conform with shipping possibilities and reasonable amounts including quantities to be supplied in June 1962.
- c. Data available from production or by assignment after reduction of quantities requested or diverted before export. Includes purchases for cash.
- d. Quantities requested were received in the S.S.A.P. or Persian Gulf ports or are amounts except for quantities shown as lost or diverted.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE May 7, 1946

TO Mrs. Elotz
FROM Charles S. Bell

Handwritten: "Hartman" with a checkmark

The Secretary stated this morning that he wanted this reorganization recommendation prepared promptly before Beardaley Ruml, Senator George or the Director of the Bureau of Budget does it. He perhaps would be interested to know that on November 30, 1944, the Director of the Bureau of Budget had precisely this in mind, as will be evidenced from the attached screwball circular which went out from Donald Stone's office.

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Mr. Chas. Bell
Held!

SWB

This is not official and may be changed. In the meantime this is only to keep you informed.

Project No. AM-205
November 30, 1944

PROJECT ASSIGNMENT MEMORANDUM

TO: Mr. Levi

SUBJECT: Postwar organization of Treasury Department and banking functions

Consistent with the objectives of project No. AM-151, Demobilization and postwar reorganization, a project on postwar organization of Treasury Department and banking functions is hereby assigned to the Government Organization Section.

The purpose of the project is to arrive at recommendations with respect to the following:

- (1) what units now in the Treasury Department are inappropriate to its central purpose and might better be located elsewhere;
- (2) what activities and units in other agencies should be transferred to Treasury;
- (3) are there activities in Treasury which should be merged with related activities in another agency;
- (4) should the banking functions of the Comptroller of the Currency in the Treasury Department, the Federal Deposit Insurance Corporation, and the Board of Governors of the Federal Reserve System be integrated more closely, and if so, in what manner and location (it is believed that the issues in regard to banking functions can be resolved without going extensively into the intricacies of the Federal Reserve System);
- (5) what is the most appropriate location of credit union functions, now temporarily located in FDIC?

The solution of these questions will require consideration of the general scope and role of the Treasury Department in the future.

The project will be carried on by Harold Seibman (AM) as project supervisor. Raymond C. Atkinson (AM) will be responsible for coordinating this project and its results with other projects carried on as part of the general program encompassed in project No. AM-151. C.T. Cressler, Jr. (SS) should be kept informed of developments which bear on statistical problems. The project should be completed by December 31, 1944.

Authorized by: Donald C. Stens.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date
May 7, 1945

TO Secretary Morgenthau
FROM Mr. O'Connell

Referring to your note to Commissioner Munan with respect to the results of the survey of farmers in upstate New York, a similar project on a somewhat larger scale is already underway in the state of Connecticut. In accordance with your memorandum to Commissioner Munan, a similar project will be instituted in the other states and in the territories right away.

Joseph J. O'Connell

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May 7, 1945

Secretary Morgenthau

Mr. O'Connell

Referring to your note to Commissioner Nunan with respect to the results of the survey of farmers in upstate New York, a similar project on a somewhat larger scale is already underway in the state of Connecticut. In accordance with your memorandum to Commissioner Nunan, a similar project will be instituted in the other states and in the territories right away.

cc Comr. Nunan

(Signed Joseph J. O'Connell, Jr.)

TO: Secretary Morgenthau
FROM: Stanley W. Prenosil

May 7, 1945

The American Bankers Association has adopted a program, which lays chief emphasis on the sale of Seventh War Loan securities to individuals. The association has recommended acceptance of individual bank quotas, personal solicitation of depositors by bank officers and employees, reporting and recording of sales, inter-bank and bank staff competition in the sale of war bonds, and full advertising and publicity support for the Seventh War Loan. These recommendations are embodied in a special booklet, prepared and distributed by the association to its 15,000 member banks. An A.B.A. War Loan Chairman has been appointed in each state with instructions to cooperate with the State War Finance Committee, and regional A.B.A. War Loan Chairmen have been appointed to direct, supervise and coordinate the banking activities in groups of states. The A.B.A. program has been adopted, in whole or in part, by practically all states, with every indication that acceptance of individual bank quotas and personal solicitation of depositors by banks will reach a new high record during the Seventh War Loan. Hundreds of banks have developed original promotional material in support of the loan, and bank and lobby displays will be more generally used than ever before.

The National Association of Mutual Savings Banks has adopted a national quota of \$175,000,000 for sale of war savings bonds to individual investors, and this quota has been allocated among the 17 states in which the association operates, with individual quotas assigned to each savings bank in those states. A regular reporting system has been established. This association also has prepared a brochure for distribution to its members, and many individual banks, including the Bowery Savings Bank, have recommended for the first time the withdrawal of funds from savings accounts to purchase war bonds.

The United States Savings and Loan League has accepted a national quota of \$150,000,000 for the sale of Seventh War Loan securities to individuals by the savings and loan associations and cooperative banks of the country.

Quotas accepted by the National Association of Mutual Savings Banks and the United States Savings and Loan League are in addition to purchases of Seventh War Loan securities for their own account.

TO: A

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Mrs. Klotz

Mr. O'Connell has read and approved these letters and on account of the income tax angle I have read them by phone to Mr. Woolf who approves.

If there is any chance to get anything about the Gould case on the wires it will have to be before VE-Day proclamations come, so I ~~urge~~ ask the Secretary's immediate attention to these letters.

One point in this connection. It is supposed to be a breach of etiquette to give out a letter before the recipient has received it. I do not think this needs to prevent us from making the Biddle and Nunan letters available immediately to the press, provided we rush the letters over to Biddle and Nunan this afternoon. The papers won't use them in any event before tomorrow morning.

Signed Mr. Russell

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May 7, 1945

Dear Mr. Nunan:

Please convey to all Bureau of Internal Revenue personnel concerned in the Robert Gould case my thanks for a big job well done.

Of course we are still interested in the income tax angles of this case, and in all angles of the numerous other black market cases on which Treasury tax agents are working.

The results in this case so far indicate how effective cooperation can be when the various Treasury investigative agencies, the Office of Price Administration and the Department of Justice all work together. Credit is due everyone who took part in the preparation and prosecution of this case.

And please tell the Bureau people that the result in this case leads me to expect big things in the many other cases to come.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Joseph D. Nunan,
Commissioner of Internal Revenue,
Bureau of Internal Revenue,
Washington, D. C.

EBF:nmc

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May 7, 1945

Dear Mr. Biddle:

Please convey to Mr. Claude P. Stephens, United States Attorney for the Eastern Judicial District of Kentucky, my appreciation of his excellent work in presenting the case which ended last week in the sentencing of Robert Gould to six years in prison, and in fines of \$240,000 each against Gould and a distillery company convicted of widespread black market violations.

While the specific charges against the defendants concerned violations of the Price Control Act, you doubtless know that the Alcohol Tax Unit of the Bureau of Internal Revenue initiated this and other cases, and that the Treasury is still deeply interested in the income tax angles.

There are in this country, unfortunately, some people, relatively few in proportion to our total population, who see in the war only an opportunity to amass personal wealth, at the expense of everyone else. These racketeers do not care how they break down the economy of the country by black market operations. A considerable number of them attempt to evade income and other taxes. We in the Treasury are determined to do our utmost to identify these enemies of society and to perfect cases against them.

I am happy to take this opportunity to speak of the effective cooperation between the Treasury, Justice, and the Office of Price Administration which is indicated by the action taken, thus far, in this case.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Francis Biddle,
The Attorney General,
Department of Justice,
Washington, D. C.

EBF:nmc

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE May 7, 1945

TO: Secretary Morgenthau
 FROM: Mr. E. A. Tamm
 Subject: The Business Situation,
 Week ending May 5, 1945.

SUMMARY

Reconversion: Progress is being made in gradually easing industrial controls and facilitating reconversion preparations. Numerous limitation orders have been revoked by the WPB. However, most revocations thus far have been of relatively minor importance, and sweeping action probably will not be taken until after the actual proclamation of V-E Day. A WPB committee has recommended that immediately after V-E Day 217 orders restricting or banning civilian goods output should be lifted.

Steel operations: Despite cutbacks in some items, new orders and output in the steel industry have been maintained at high levels recently. Recovering from earlier production setbacks due to coal shortages, steel operations last week rose 2.6 points to 95.2 percent of capacity. The Steel Industry Advisory Committee has informed the WPB that there is now sufficient steel capacity to meet requirements for the war against Japan, plus an amount for civilian use well in excess of average pre-war civilian consumption.

National income: Income payments in March showed a less than seasonal gain and the annual rate of income payments declined slightly to \$164.5 billions from \$164.7 billions in February. Payments for Government salaries and wages, including military pay, reached a record high in March and accounted for more than 18 percent of total payments. On the other hand, salary and wage payments in the commodity-producing industries (chiefly manufacturing) declined moderately.

Retail trade: The pace of department store sales slackened in April after rising to the highest level on record in March on a seasonally-adjusted basis. As a result of heavy consumer buying and goods shortages, department store stocks at the end of March were 2 percent below year-earlier levels on a dollar basis.

Prices: Commodity prices continue to move gradually higher. The Dow-Jones futures index last week reached the highest level since January, while the BLS all-commodity index in the last week in April advanced 0.1 point to a new wartime high at 105.7.

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Reconversion program gradually evolving

Further progress is being made in gradually easing industrial controls and facilitating preparations for reconversion, but any action of a sweeping nature apparently awaits the actual proclamation of V-E Day. Numerous limitation orders have recently been revoked by the WPB, but most of the items covered have been of relatively minor importance, or the orders have been limited in scope. However, revocation of many major limitation orders is said to be impending. In this connection, a WPB committee recently recommended that 217 orders restricting or banning output of various civilian goods be lifted by the WPB immediately after V-E Day.

In addition to the steps being taken to ease restrictions on civilian goods output, WPB field offices have been instructed to assist, within certain limits, any manufacturer who needs machine tools, capital equipment or minor construction in his reconversion program. To this end, priority and preference ratings will be assigned to all projects which meet requirements, and manufacturers needing help have been asked to apply immediately.

However, a recent WPB study of 72 civilian goods industries which have reconverted substantially to war production revealed that plant clearance looms as a greater obstacle to reconversion than bottleneck machine tools or new construction. According to the study the average period for plant clearance is estimated at 75 days.

Materials shortages may retard automobile reconversion

In view of its outstanding importance, special interest focuses on the reconversion problems of the automobile industry. Estimates on resumption of civilian production by this industry continue to show considerable variation. Some of the recent optimism over reconversion prospects may have to be tempered somewhat as the industry comes closer to grips with actual problems.

In addition to long-recognized obstacles such as plant clearance, bottleneck machine tools, and the tying up of parts suppliers with war production, current shortages of certain materials are causing concern. Prominent among these is the current and prospective tight textile supply situation. In addition, a shortage of a synthetic resin due to naval requirements may necessitate burdensome changes in painting processes, while a shortage of lumber may retard plant clearance operations.

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Steel orders and operations at high levels despite outbacks

A return to the 40-hour week for most Ford Motor Company employees at Detroit, and the publicity attending the President's request for a heavy reduction in shipbuilding appropriations, were among the most recent developments centering attention on outbacks in war contracts. Although some trade sources expect that a rather chaotic order and scheduling situation will develop in the steel industry after V-E Day, reports from Pittsburgh last week indicated that pressure on mills continued to be heavy, with incoming orders showing only a slight decline from month-earlier levels. Moreover, no substantial evidence of weakness had yet appeared in the market for steel scrap.

Steel operations last week showed a further rise of 2.6 points to 95.6 percent of capacity as the industry continued to recover from the adverse effects of work stoppages in the bituminous coal mines early last month. (See Chart 1.) In this connection, the United States Steel Corporation reported near the end of April that in the first 18 days of the month the company lost production of 104,000 tons of steel ingots due to coal shortages.

The Steel Corporation further stated that a decline in the demand for steel plates was being offset by increased demand for other steel products, and that unfilled orders were equivalent to about 5 or 6 months output. However, the company expects an immediate drop in the demand for steel at the end of the war in Europe, but asserted that it had been unable to learn to what extent its operations will be affected. Near the end of last week the Steel Industry Advisory Committee informed the WPB that there is now sufficient steel capacity to take care of the requirements for the war against Japan, and still make available for civilian products an amount of steel well in excess of the average pre-war civilian consumption.

Steel costs to be increased by higher coal miners' wages

The recent wage controversy in the bituminous coal industry was finally settled last week, when the Director of Economic Stabilization approved the new wage contract negotiated by the United Mine Workers and the coal operators. The new contract is reported to grant average pay increases of about \$1.02 per day, and the Stabilization Director is permitting producers to charge an average of 16 cents per ton more for bituminous coal to offset a large part of the increased payroll costs. The increase in coal miners' wages doubtless

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will intensify the demands of steel producers for an upward revision in steel prices, as the president of the United States Steel Corporation recently claimed that the new coal wage contract will increase coal costs 30 cents per ton and steelmaking costs 45 cents per ton.

Bituminous coal output improves but labor troubles cut anthracite production

The unauthorized work stoppages while the soft coal wage negotiations were in progress last month cut into production substantially, with soft coal output in the first week in April dropping 26 percent below year-earlier levels. Since that time improvement has occurred, and output in the last week in April was only 3 percent below the corresponding week last year. (See Chart 2.)

Operations in the Pennsylvania anthracite coal mines came to a halt last week when about 72,000 miners walked out as operators and union officials failed to reach an agreement on a new wage contract. Subsequently, the Solid Fuels Administrator took possession of the mines and ordered the miners to report to work at the beginning of this week. Anthracite coal production from the beginning of the year through the week ended April 21 was about 2.7 million tons (13 percent) below last year's level. Moreover, the Solid Fuels Administration recently estimated that even if no interruptions occurred in production, the output of anthracite during the 1945-46 coal year would fall about 8.8 million tons short of requirements.

Annual rate of income payments slightly lower in March

Due in part to the usual February to March rise in interest and dividend disbursements, income payments increased in March. However, the rise in total payments was slightly less than seasonal and the annual rate of income payments declined to \$164.5 billions from \$164.7 billions in February. (See Chart 3.) Payments for Government salaries and wages, including military pay, rose to a new record high in March. Salary and wage payments in the distributive and service industries also increased but a moderate decline occurred in the commodity-producing (chiefly manufacturing) industries.

In reflection of the decline in factory employment during the past year, the last-mentioned group was the only major income component to fall below year-earlier levels in

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March. Total income payments were about 6 percent larger than in March 1944. However, two-fifths of the increase was accounted for by the continuing rise in payments for Government salaries and wages, including military pay. These disbursements now account for more than 18 percent of total income payments. (Refer to Chart 1.)

Heavy consumer buying cuts department store stocks

The sustained outpouring of income payments in March undoubtedly was an important factor in boosting seasonally-adjusted department store sales during the month to the highest level on record. (See Chart 4.) Although the sales pace slackened in April, department store sales in the last week of the month were 10 percent above year-earlier levels. Moreover, Dun and Bradstreet reports that during the past week retail sales in general continued above the corresponding period of 1944 despite unseasonal weather over wide areas.

The combination of heavy retail sales and goods shortages caused adjusted department store stocks (in dollar value) to decline somewhat in March, and at the end of the month they were about 2 percent lower than a year earlier. (Refer to Chart 4.) However, due to the shift towards higher-priced goods and the evasion of price ceilings by various devices, the decline in the physical volume of inventories was undoubtedly greater than the index would indicate.

Outstanding orders for merchandise of 296 department stores in the various Federal Reserve Districts declined somewhat in March, but totaled \$770 millions at the end of the month, as compared with only \$488 millions a year earlier. Indicative of the present difficulties in procuring merchandise, the manager of the Chicago Merchandise Mart last week asserted that production of home furnishings in the present quarter will be the lowest for any period during the war.

Commodity prices gradually rising

The trend of commodity prices apparently continues upward, but at a gradual rate. Most prices in the BLS basic commodity index are stopped at ceiling levels, and the index last week held unchanged within the narrow range of the past two months. Corn and steers were slightly lower, while wheat was up slightly, and cotton advanced for the 5th successive week.

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The chief indication of a rising price trend recently has been in the futures markets. Many futures (particularly the more distant months) have been substantially below ceiling levels, even when spot prices were at the ceilings. One reason for this may have been a reduced demand for future deliveries on the belief that the end of the war in Europe would be followed by a drop in agricultural prices. If so, this belief has been modified since the recent food shortages developed, and futures prices have been rising since the latter part of March. (See Chart 5.) The Dow-Jones futures index last week reached the highest level since late January.

The BLS all-commodity index in the week ended April 28 continued its recent advance, rising 0.1 percent to a new wartime high. The index is 1.9 percent higher than last year and 40.9 percent above the August 1939 level.

As in previous weeks, the advance in the all-commodity index in the last week of April was due to higher prices for farm products, chiefly fruits and vegetables. Increases of 13 to 26 percent were reported in prices for white potatoes in eastern markets, while a seasonal price increase for apples ranged from 11 percent at New York to nearly 23 percent at Portland, Oregon. The wholesale price index for farm products as a group has risen 2.5 percent since the end of March, and is 6 percent higher than last year.

Cotton prices above CIO buying level

Spot cotton prices continued to advance during the past week, and the 10-market average in the last week of April had already exceeded the Government's buying price, under the parity purchase program, for the first time this season. Three months earlier, the 10-market average had been a cent a pound below the purchase level. About 55,000 bales were bought in the week ended April 28 (the latest reported) bringing the total purchased under this program to nearly 2,200,000 bales so far this season.

An ample world supply of raw cotton, awaiting the rehabilitation of the textile industries in war-devastated countries, is one of the bright spots in the relief picture. The world supply of cotton this season, estimated at 51.3 million bales, is the highest on record. Consumption is expected to show a slight increase for the first time since 1936, but the total of only 24 million bales will be less

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than half the year's supply. The expected world carryover next August 1, estimated by the Department of Agriculture at 27.2 million bales, will be 25 percent higher than at the beginning of the war.

Farm prices at new high; parity unchanged

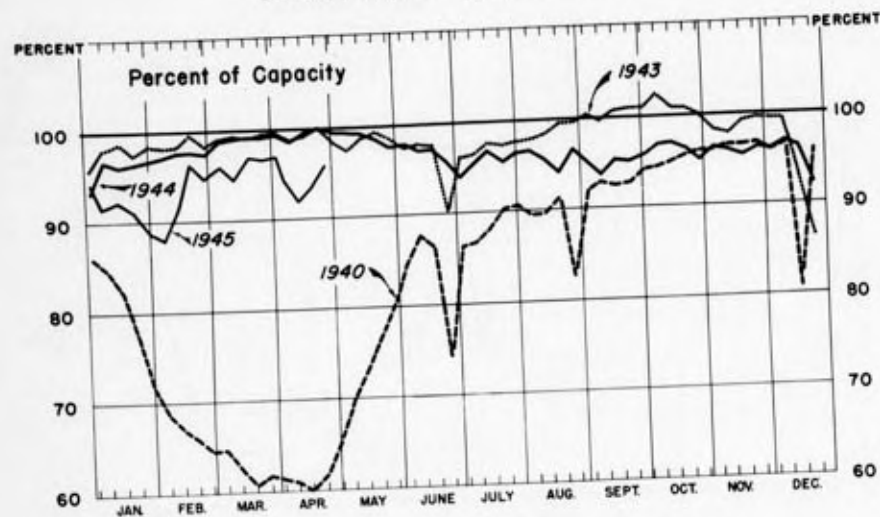
Prices received by farmers rose 5 points in April to a new wartime high at 203 percent of the 1910-14 average. (See Chart 6.) This is the highest farm price level since August 1920. The index shows a 3.6 percent increase in the past year, and an increase of 128.1 percent since the beginning of the war in 1939. The parity price index was unchanged from March, hence the parity ratio is up 3 points to 117, comparing with a ratio of 116 percent in April last year.

Sharp advances in prices of truck crops account for most of the April farm price increase. The truck crop price index at 259 was up 56 points. It averaged 17.7 percent higher than a year ago and, excepting 1943, was the highest April index in 21 years. Gains of 50 percent or more during the month were noted in prices of cabbage, celery, onions, and green peas.

Higher prices for fruits and meat animals also contributed to the gain in the general farm price level. The outstanding price increase in fruits was in lemons, with a gain of 52 percent. The average price reported for apples (\$2.53 a bushel) showed a decline of 1 cent a bushel from March, and was 64 cents lower than last year's April average.

Hog prices rose 0.7 percent and beef cattle 3.3 percent during the month, making the meat animal index the highest since May 1943. Heavy milk production caused the dairy products price index to fall off slightly. Wheat gained 1 cent a bushel, although stocks are above average and a large crop is in prospect.

STEEL INGOT PRODUCTION



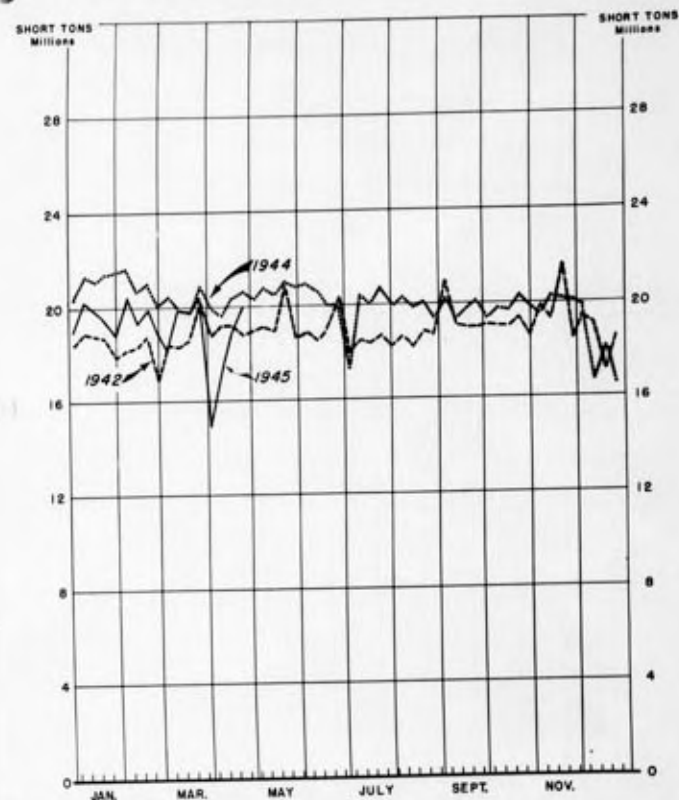
Source: American Iron and Steel Institute

Office of the Secretary of the Treasury
Division of Research and Statistics

G-532-A

Chart 1 157

BITUMINOUS COAL PRODUCTION



Source: Bureau of Mines

Office of the Secretary of the Treasury
Division of Research and Statistics

G-484-B

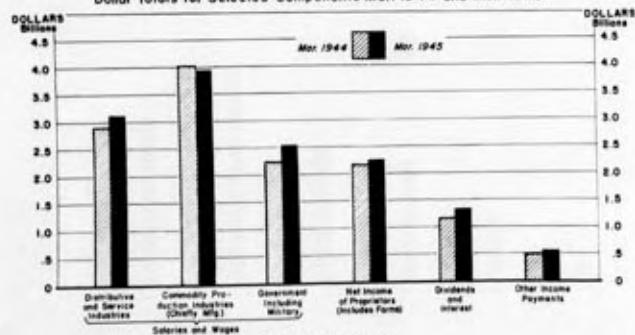
Chart 2 158

Chart 3

NATIONAL INCOME PAYMENTS AND COMPONENTS



Dollar Totals for Selected Components Mar. 1944 and Mar. 1945

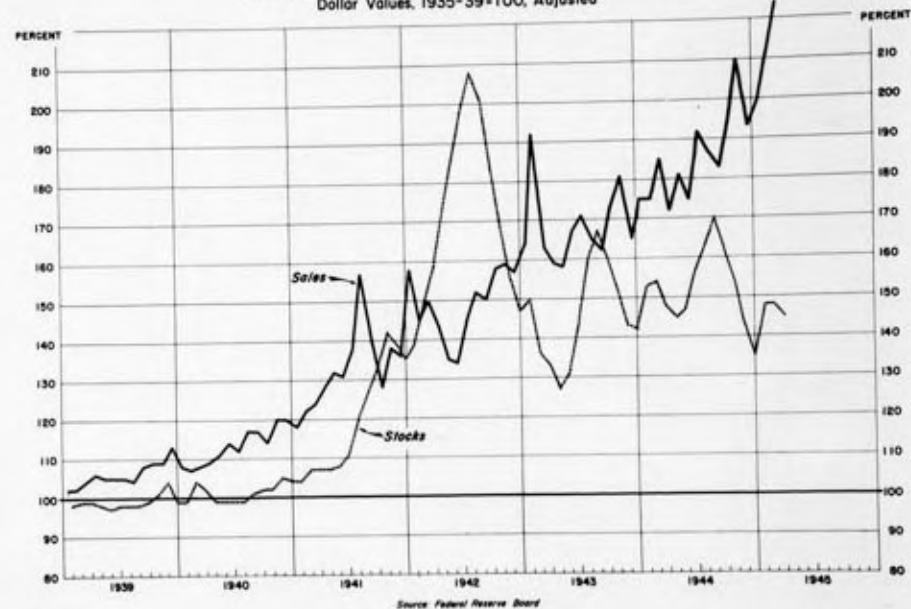


Office of the Secretary of the Treasury
Bureau of Economic Warfare

C-430-8

DEPARTMENT STORE SALES AND STOCKS

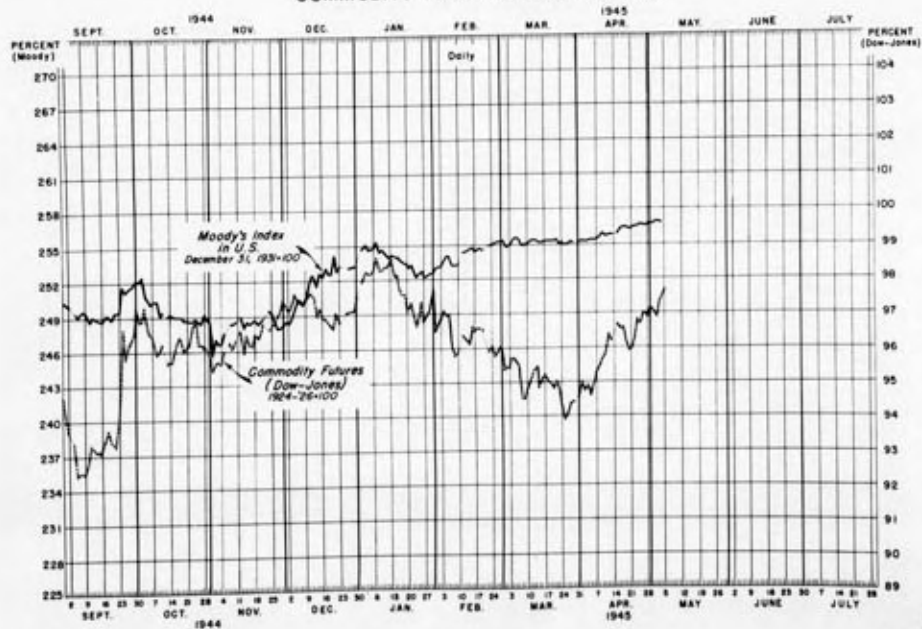
Dollar Values, 1935-39=100, Adjusted



Office of the Secretary of the Treasury
Bureau of Economic Warfare

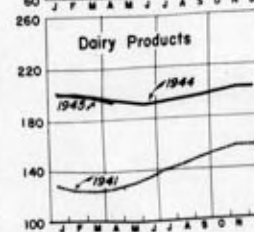
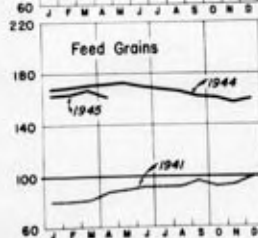
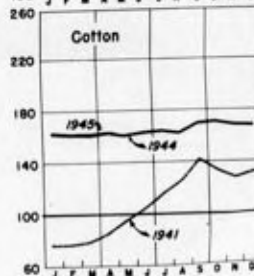
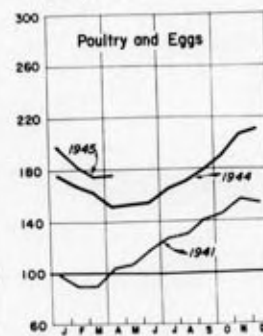
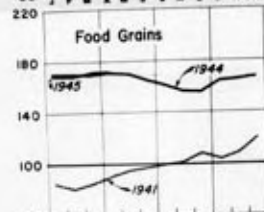
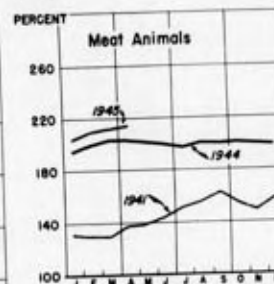
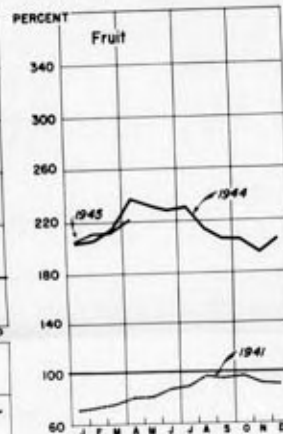
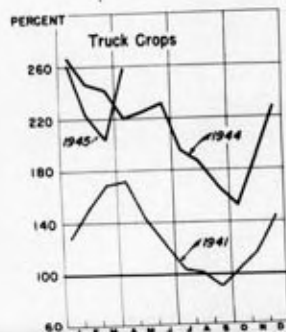
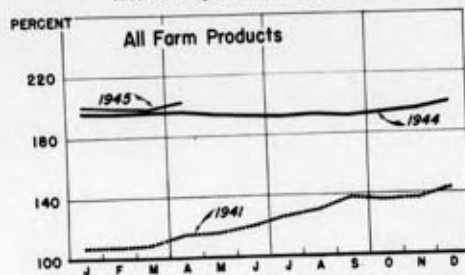
C-430-8

COMMODITY PRICE INDEXES IN U.S.



AVERAGE PRICES RECEIVED BY FARMERS

Indexes, August 1909 - July 1914=100



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To: Mr. Gaston
From: Secretary Morgenthau

May 7, 1945

Please get me up by noon tomorrow a telegram
congratulating the following Generals:

General Eisenhower
General Bradley
General Patton
General Spaatz
General Doolittle

Done

Report of the War Refugee Board
for the Period from May 7 to June 2, 1945

V-E DAY

With the surrender of the German armies, much of the Board's work in Europe has been automatically terminated, inasmuch as the Executive Order establishing the Board strictly limits its activities to the rescue and relief of victims of enemy oppression in enemy-occupied territory. Accordingly, Representatives Olsen and McClelland were advised that relief and assistance of refugees liberated from the Germans are not within the Board's jurisdiction and that requests received by them for such help should be referred to the United Nations Relief and Rehabilitation Administration, the appropriate military authorities, the Intergovernmental Committee on Refugees, private refugee organizations, or other national or international groups authorized to deal with matters of this nature.

Our representatives were requested to begin immediately to wind up all Board activities in Sweden and Switzerland and to prepare final reports. On the basis of their estimates of the time required for this purpose and the expected period necessary to accomplish the winding-up process here, appropriate recommendations have been submitted to the Bureau of the Budget with a view to concluding the Board's activities and accomplishing its final liquidation within approximately sixty days after the end of the current fiscal year on June 30, 1945.

OPERATIONS FROM SWITZERLAND

In view of the foregoing, Representative McClelland was advised that all shipments of Board parcels should cease and was requested to take stock of all Board parcels still in Switzerland and to report the numbers and location to us. He cabled in reply that there were approximately 28,792 undistributed Board parcels on hand in warehouses in Geneva and that shipments of 31,208 parcels out of the 60,000 originally sent to Switzerland have been made as follows:

March 16	To Theresienstadt	1,170
March 16	To Vienna area	4,902
March 19	To Theresienstadt	492
April 16	To Mauthausen	900

cc: Miss Chauncey (for the Sec'y), Cohn, DuBois, Gaston, Hodel, McCormack, O'Dwyer, Files

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April 17	To Theresienstadt	4,230
April 19	To Dachau and other camps in Wurttemberg and Bavaria	3,660
April 23	To Landsberg-am-Lech	8,550
May 1	To temporary Intercross deportee camp at Hoechst	1,500
May 4	To incoming convoys of rescued detainees from Mauthausen	804
May 11	To Bolzano area	5,000

Shortly after the cessation of hostilities, Representatives Katzki and McClelland advised us that reports of International Red Cross representatives who recently returned to Switzerland from Germany, Austria, and Northern Italy indicated that, while Allied military authorities were making every effort to assure adequate relief to liberated civil detainees, deportees, etc., an unavoidable delay in reaching many of the persons formerly aided by the Board through Intercross is being experienced because of the magnitude and complexity of the task and the difficulties of transportation and distribution which are involved. It was stated that emergency calls for aid for liberated detainees and deportees in temporary agglomerations and on the roads have been sent by Intercross field workers and that a large number of sick persons remaining in concentration camps were also reported to be in need. Apparently, this is a period of emergency need the duration of which is as yet undetermined, and it was reported that local Allied commanders having to deal with these displaced persons welcome such shipments as the International Red Cross has been able to get through to them. On the basis of this information, supplemented by reports from other sources, and in view of the fact that Intercross trunk convoys were still leaving Switzerland periodically, so that it is technically able to continue relief shipments to meet this situation, our representatives strongly recommended that the 28,792 undistributed Board parcels remaining in Switzerland again be made available to Intercross to enable it to fill this temporary urgent demand until the situation becomes clearer. The Board promptly cabled its approval of the shipment of these parcels out of Switzerland on condition that military authorities permit Intercross to continue relief shipments to concentration camp survivors.

Because of the great interest of the Board and its representatives for so many months in the problem of concentration camp relief, and in order that first-hand current information as to the needs in such camps might be obtained, we cabled

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Representative McClelland authorizing him to visit some of the liberated concentration camps, particularly Dachau, as soon as possible, and to make arrangements with appropriate military authorities for the necessary permission and travel facilities.

McClelland's most recent report describes the splendid work of the International Red Cross in continuing distribution of food relief, including Board parcels, to liberated detainees in southern Germany and Austria. Four trucks were sent to Linz on May 26 with forty tons of food, including 2,650 Board parcels, for the detainees liberated from Mauthausen. In view of reports that some 27,000 liberated detainees are leading a most precarious existence in the Linz area, with from 300 to 400 persons per day dying from disease and starvation, McClelland has requested InterCross to prepare a second truck convoy to leave for Linz about June 4, when he expects to be in that area himself visiting camps to determine where the remaining Board stocks can be most effectively used. On May 29, twenty-eight trucks left Switzerland for Pilsen, with Theresienstadt the final destination. The convoy carried 3,600 Board parcels with other relief goods and was accompanied by two Czech officials who will attempt to arrange Czech and Russian clearance so that the relief goods may proceed to Theresienstadt. Another InterCross convoy was scheduled to leave on June 1 with eighty tons of supplies, including 5,000 Board parcels, for distribution to released civilian detainees in the Salzburg area.

Reports from Representative McClelland disclose that it was possible for the International Red Cross to utilize for the relief of Luxembourg deportees and detainees in Germany only a small portion of the funds made available for this American Labor-sponsored project. The interested agencies are now negotiating to have these funds used for the relief of families of Luxemburgers who were deported and died in German concentration camps or were executed by the Nazis and to assist returning deportees in the reestablishment of their homes.

It is understood from a private source that the Swiss are prepared to accept for a temporary stay and to provide for the maintenance of some 2,000 children from German camps.

Theresienstadt

From a representative of a private organization we learned that an International Red Cross delegate who recently visited Theresienstadt reported that of the 30,000 Jews there now, some 17,000 are from the original group of internees

- 4 -

and 13,000 are recent arrivals from other camps. The largest national group consists of about 6,000 Czechoslovaks, and approximately 5,000 former Germans comprise the second largest group. The new arrivals brought typhus into the camp, which has resulted in conditions of great hardship, and medical supplies are urgently required. The United Nations Relief and Rehabilitation Administration was reported to have sent three planes of supplies from London, and it was indicated that, if the necessary official permission could be obtained for supplies to be flown in, the International Red Cross will send one plane from Switzerland with supplies chiefly from the United States. It was stated that in addition the Red Cross is sending several trucks of food, supplied in large part by the private agency represented by this informant, and that similar convoys with such supplies are being sent to Dachau, Landsberg, and other camps for the internees there.

More exact figures concerning the inmates at Theresienstadt were contained in a late cable from McClelland in which he quoted information given to him by an InterCross delegate who was at the camp in early May. It was stated that there were 17,556 Jewish deportees in Theresienstadt as of April 6 and that 12,863 new deportees were brought in from camps all over Germany, such as Bergen Belsen, Buchenwald, Dachau, and Mauthausen, between that date and May 5. Of the latter number, 88 persons were dead on arrival and 221 others died shortly thereafter, so that the total number of survivors there as of May 5 was 30,110. The camp is now reported to be under Czech control.

EVACUATIONS FROM SWITZERLAND

About the middle of May it was reported that the evacuation of the two groups of Bergen Belsen and Theresienstadt refugees probably would not be completed before the middle of June at the earliest. On May 24, Representative McClelland cabled us that the date for the movement from Switzerland of the first convoy of approximately 1,000 refugees, to go via Marseille to Taranto, thence to UNRRA camps in southern Italy, had been definitely fixed for June 4, the second convoy to follow two weeks later. However, a late cable from McClelland brought the information that, since the authorization on May 30 for seven hundred Palestine certificates to be delivered to Zionist refugees from Bergen Belsen and Theresienstadt now in Switzerland, some 1,100 persons among the two groups scheduled for evacuation have taken the position that they do not wish to leave Switzerland until they can proceed directly to Palestine. While the scheduled departure of the first convoy has been indefinitely postponed as a result of these developments, it was indicated that efforts will be made to

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arrange for the departure about the end of June of a convoy of these refugees who do not desire to go to Palestine.

OPERATIONS FROM SWEDEN

According to information which Representative McClelland received from the International Red Cross, the 140,000 Board parcels which were shipped from Goteborg on the SS MAGDALENA on April 16 arrived in Lübeck, and since the Inter-cross delegate at Lübeck had previously distributed an unknown number of parcels under his control from other sources to civil detainees in northern Germany, particularly in Ravensbrück, the stock of Board parcels has been diminished to the extent necessary to replace these advances. Representative Olsen's most recent information indicated that the Inter-cross delegate in Lübeck was distributing Board parcels to civilian internees in the immediate area and whenever possible was dispatching food packages by trucks to various concentration camps within reach. A cable from Representative Olsen advised us that, while more exact figures cannot be obtained until communications with Lübeck are reestablished, it was known that a fairly substantial shipment of parcels was forwarded to Ravensbrück quite recently, and that it was the opinion of an American Red Cross representative and the Inter-cross delegate in Goteborg that most of the Board packages in Lübeck have now been distributed.

On behalf of agencies interested in the American Labor-sponsored project for rescue and relief activities in Norway, which were conducted under the Board's supervision and which the Board helped to finance, Representative Olsen's views as to specific needs for a follow-up relief program in liberated Norway were requested. The Swedish group advanced a five-point program, for which all the necessary arrangements as to the procurement and shipment of supplies have been made, and its proposals have been transmitted by the Board to the interested groups here.

EMERGENCY REFUGEE SHELTER

A group of thirteen persons from the Emergency Refugee Shelter at Fort Ontario, Oswego, New York, left this country on board the GRIPSHOLM on May 31. All of them are nationals of Yugoslavia, and they are the first of the refugees brought here from Southern Italy to be repatriated.

REPORTS FROM LIBERATED AREAS

A report which reached us from a private source stated that since May 21 deportees have been returning to France at the

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average rate of one hundred per day. About 25% were said to arrive from the east through Odessa, the rest from Germany, and it appears that a large majority of those who have thus far returned are of non-French nationalities. Another report from the same source indicates that, as a result of negotiations on the part of military authorities and private agencies with French officials, the French Government has agreed to permit the temporary admission of a thousand children from German concentration camps.

A private organization representative who recently visited Northern Italy reported that 150 Italians and other nationals who had just come from mountain hideouts were found in Turin and that there were in Bologna 400 of the 1,200 Jews formerly there. Smaller numbers of the Jewish communities in other towns have returned, and others are believed to be still in hiding. It was stated that in many instances the clergy was particularly helpful in preventing deportations. A complete record of the persons interned at the concentration camp of Fossoli di Carpi and records of the camps at Monticelli and Salsomaggiore were obtained. Of the 400 Jews reported interned at Bolzano, over 100 have returned to Milan. The others have been urged to remain at Bolzano temporarily in order to relieve the overcrowded situation in Milan. Apparently there is some unorganized movement from camps in Germany to Italy which is creating an additional problem.

(Signed) William O'Dwyer

William O'Dwyer
Executive Director

170 ✓
May 8, 1945
10:15 a.m.

GOLD TO CHINA
MEETING WITH GUTT
MEETING WITH PLEVEN
GERMAN GOLD
FINANCES

Present: Mr. D. W. Bell
Mr. Coe
Mr. Adler
Mr. Friedman
Mrs. Klotz

H.M.JR: What comes first?

MR. COE: China, sir.

H.M.JR: All right.

MR. COE: There are first a couple of procedural questions. I think if Will Clayton doesn't want to, at least his people will urge him to, and he will expect to sit in beyond the two-fifteen and three o'clock meeting. Do you want that?

H.M.JR: Pardon?

MR. COE: Do you want that?

H.M.JR: I think it would be nice. I haven't got much time. The quicker we move on these things the better.

MR. COE: All right, then, the second point, is the matter to be handled orally or should he be handed something? If he is handed something, we thought that this was--

H.M.JR: Read it out loud, will you please?

MR. COE: Yes. I think that State feels since he handed them a memorandum, he ought to get something in writing. On the other hand, these things often come back to plague you. I think you can settle that at your two-fifteen meeting.

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This one--and by the way, I think we are in agreement with State on everything here.

MR. BELL: That's good.

MR. COE: This one is drafted as a memorandum for Dr. T. V. Soong from you.

"1. This memorandum does not deal with the questions of textiles and trucks which were included in the program which was presented to this Government. The urgency of China's need for these items and their bearing upon inflation are recognized. They are omitted because our supply authorities are in the process of making an over-all determination of requirements and supplies and are not yet in a position to make a decision respecting China's requests.

"2. We--" the United States Treasury and the other agencies which are concerned with inflationary conditions in China-- "are agreed that any program to stabilize the currency and to check inflation should comprise a broad series of measures in the following categories:

- "(a) Monetary and banking rehabilitation.
- "(b) Foreign exchange stabilization.
- "(c) Fiscal and administrative reforms.
- "(d) Increase of supplies and improvement in their distribution.

"3. We--" the United States Treasury and the other government agencies concerned-- "are anxious to give full support to an effective anti-inflationary program for China. It is therefore recommended that a Currency Stabilization Fund of \$500 million be constituted for this purpose from the remaining \$240 million of the United States loan to China and from China's existing dollar balances. Such an allocation of this remainder of the United States loan would be in strict accordance with the spirit and the letter of the 1942 financial agreement. The Fund would be set aside with firm mutual commitment on the part of China and the United States as to its purposes and availability.

"It is envisaged that the uses to which this Currency Stabilization Fund would be put would be part of a broad concerted program for combatting inflation and for currency stabilization and these uses would be subject to joint

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agreement. The time at which the Fund's operations would start would be discussed at a later date.

"The Treasury stands ready to advise and consult with the Chinese Government on the content and timing of such anti-inflationary and stabilization program."

H.M.JR: Let's just talk. I think that's good, and I don't. I think we should give them something in writing because he'll tell me six months from now he didn't understand what I said and I think the only way you can deal with the Chinese is to give them something in writing and then there's no argument about it.

MR. COE: We drafted this with the thought, too, that if it was put in writing and later shown at the White House or anywhere there couldn't be any question in turning them down on gold we were being indifferent to the inflationary thing, and Collado and the State Department people have grown quite excited about this proposal.

H.M.JR: The final proposal?

MR. COE: Yes. They think if Mr. Soong was to think he was getting disappointed on such a mission when such a nice proposal was made to him it would be a mistake on our part.

H.M.JR: It's his own money.

MR. COE: It's his own money but I think they have also had uncertainty as to whether they'd have a decent series of anti-inflationary measures to use it.

H.M.JR: Why should he get excited?

MR. ADLER: Chinese have more confidence in the United States Treasury than in the Chinese Ministry of Finance.

H.M.JR: That doesn't surprise me. You're telling a fellow to take a little bit from this pocket and a little from that pocket and put it in here.

MR. BELL: And reserve it for a special purpose. It has a little of the preaching tone.

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MR. COE: That's true.

MR. BELL: It seems to me--

MR. COE: We wanted to build this thing up. That's why. Well, shall I go on?

H.M.JR: I wouldn't use a preaching tone with him. America's whole interest is through the missionaries.

MR. COE: I think that they expect it, Mr. Secretary. For instance, the new head of the--

H.M.JR: The missionaries we send them go out and buy--

MR. ADLER: Alsop says I'm the only pure-minded guy in China, because I didn't buy any of their savings--that's the reason he said that.

H.M.JR: Does that mean that Joe did?

MR. FRIEDMAN: Just a few.

MR. COE: Well, I don't think just on this preaching level they'd appoint a Central Bank manager who wouldn't start worrying almost immediately as to whether he had United States Treasury support. That doesn't bother me.

MR. BELL: I just made a remark in passing.

H.M.JR: I think you're right, but it won't bother me.

MR. BELL: It doesn't bother me.

MR. COE: "We are strongly of the opinion that the initiation of a Currency Stabilization Fund would strengthen the financial position of the Chinese Government and would inspire confidence both at home and abroad in its future economic and financial stability. The existence of such a Fund would give the Chinese people a real sense of security with respect to their ability to cope with their grave problems of reconstruction."

"It should be noted that this proposal relates to only one portion of the foreign exchange assets presently available

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to China and that it would leave a relatively large amount of dollar exchange for helpful intermediate measures and for meeting China's current foreign exchange requirements."

The Treasury believes that at least a portion of China's existing assets should be used for these purposes and that the remainder of the Chinese-United States loan can best be utilized in this manner.

H.M.JR: In what manner?

MR. COE: I think that sentence goes out. It's not clear to me they mean for the--

MR. BELL: For the fund.

MR. COE: For the fund, but we've already said that. Let's cut out that sentence.

"4. We suggest that the Chinese Government consider the desirability of terminating the program of forward sales of gold. As you know, the United States Treasury was not consulted--"

H.M.JR: That isn't strong enough.

MR. COE: We believe that should be--"As you know, the United States Treasury was not consulted when this program was initiated. In view of the difficulties of shipping gold, the limited effects of sales upon price rises in China, the public criticism of such sales and the desirability of using foreign exchange resources to achieve maximum effects, this program is ill-advised."

"5. The Treasury will endeavor, as in the past, to make available limited quantities of gold for shipment to China during the next few months, having due regard to the need for restricting gold shipments where these endanger lives or use scarce transport facilities. However, in consideration of points 2 and 3 above, it is believed that further shipments should be financed out of foreign exchange assets other than those proposed to be earmarked for currency stabilization."

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H.M.JR: What would those be?

MR. COE: Their own dollars which they have, seven hundred million. They have two hundred fifty million.

H.M.JR: Is that clear?

MR. COE: I think so, yes. I think the only thing here--

H.M.JR: It's their--I'd read that again, I don't get it.

MR. COE: "However, in consideration of points 2 and 3 above, it is believed that further shipments should be financed out of foreign exchange assets other than those proposed to be earmarked for currency stabilization."

H.M.JR: I'd say out of your own. Just put in your own.

MR. COE: All right.

H.M.JR: It can't do any harm. Out of your own.

MR. COE: It invites a little argument. Isn't the loan their own, too? It's theirs only we have--

H.M.JR: All right. I accept that.

MR. COE: "6. China should investigate and cancel sales to speculators and illicit purchasers and insure that only bona fide purchasers will receive such gold as is available. If gold arrivals are still not sufficient to meet past commitments, it is suggested that China may offer to place dollar credits (at about \$35 per ounce) for the time being from her existing assets to the accounts of purchasers of gold to whom she cannot temporarily make delivery."

H.M.JR: What I would put in here--it's a suggestion. Just write this out. Just put this down. We can argue about it. It is most unfortunate that the impression has arisen in the United States, and don't correct me, that the sale of certificates and the forward sale of gold have to a large extent gone into a few hands, largely for personal aggrandizement,

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and in this way has failed to be of assistance to the general Chinese economy.

Now, just think that over for a minute. Just read that back, huh?

MR. FRIEDMAN: "It is most unfortunate that the impression has arisen in the United States that the sale of certificates and the forward sale of gold have to a large extent gone into a few hands, largely for personal aggrandizement, and in this way has failed to be of assistance to the general Chinese economy."

H.M.JR: And to this extent has failed.

MR. COE: That's--

H.M.JR: And to this extent has failed. And don't tell me next week you're going to give me the list of the people that have these certificates. You're about two months past due--have you got it?

MR. COE: We handed it to you, Mr. Secretary, in that period when we pulled things back.

H.M.JR: That's all right.

MR. COE: Do you want it now?

H.M.JR: That's perfectly proper. Now I want it.

MR. COE: Now he wants it.

MR. ADLER: I would add bonds because the sale of those was even more concentrated.

H.M.JR: I meant--

MR. FRIEDMAN: We'll add certificates and bonds and--

H.M.JR: I thought the certificates were the bonds.

MR. FRIEDMAN: They have two types of issue.

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H.M.JR: Not to be technical--whatever the correct thing is--what I want to do at the end there, just at the end, is this, say "Listen, T. V., old boy, I'm not saying this is so, but that's the impression." And if he argues about it, well, take a look at this.

MR. COE: By the way, sir, the Peoples Political Council passed a resolution on this subject on April 8, much stronger than anything said here. They just said that the forward sale of gold had been a public scandal and cited the large amount of it which was sold in the one day right after--following the increase of the price and asked for an investigation, and I think for cancellation.

MR. FRIEDMAN: Cancellation of the purchases on that day.

H.M.JR: I just want to let him know. I'm very courteous.

MR. FRIEDMAN: But, Mr. Secretary, there's one aspect to that. If you show him any names, his organizations are going to be very prominent on the list and he might lose a lot of face in front of you.

H.M.JR: What?

MR. FRIEDMAN: He might feel a very great loss of face in front of you.

H.M.JR: In front of me?

MR. FRIEDMAN: To have this presented to you.

H.M.JR: It's just too darn bad. It just depends upon how ugly he gets. He may have to get a new face. Listen, it isn't only the Chinese who lose face. We have the same thing, but we don't talk about it all the time. I might say when Jimmy Byrnes announced the tax program without consulting the Secretary of the Treasury, I lost face, and so what? The Senior Senator and Senior Congressman on taxes sent me down a statement and said they were looking to the Treasury right after that, and I had my face back again.

MR. BELL: You had to work hard to get it back.

H.M.JR: Look, this fellow, I know this boy. It just depends on how rough he gets, and if he begins to pound

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my desk or anything else, they won't have any troops, either. Leave it to me, but I just want to throw a little fear into him, see. When he says this impression is wholly false, I'll say, I wouldn't go that far. If you don't mind the sentence, you leave it to me to let him know that I know without saying it. I'll be very oriental.

MR. COE: Yes, I think there's no question about that. It's about showing him the list, although they gave us the list in the first place, didn't they? But we identified the companies.

H.M.JR: My own impression is we should do that in writing.

Bell?

MR. BELL: You mean do what in writing?

MR. COE: This sentence.

MR. BELL: That's all right. That's good.

H.M.JR: That's a good document.

MR. COE: That's all on China.

H.M.JR: Aren't you going to loosen up a little if they do the five hundred million, and put that thing together--the exchange fund? You won't loosen up a little bit on the gold?

MR. COE: Yes.

H.M.JR: I think so.

MR. COE: The problem there is this--especially if they would investigate and cancel some of it--in May and June it doesn't amount to much. You get along into September and October, covering these recent sales, and it's--

H.M.JR: Well, I can't say, but if--how much are we letting them have each month?

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MR. FRIEDMAN: About two million per month.

MR. BELL: How far forward have they sold--September?

MR. FRIEDMAN: October now.

H.M.JR: Just leave it to me. If he puts the five hundred million stabilization fund together, we might make it three million. It's his own money. O.K., doc?

MR. COE: Sure.

MR. BELL: Has he the assets above five--

H.M.JR: He's got nine hundred million.

MR. BELL: Including the two--forty.

H.M.JR: Nine hundred million.

MR. FRIEDMAN: That's right.

MR. BELL: More, when he gets the settlement.

H.M.JR: Next thing, how about this other? Do I do business with Kung or with Soeng.

MR. COE: I think you do business with Kung on this.

H.M.JR: Let's bring that up.

MR. COE: Bring that up here.

H.M.JR: And if Mr. Bell has the physique and heart to do it, I wish he'd take that over for me if he won't mind. I mean, now that you're free of some of that stuff, supposedly.

MR. BELL: Yes, I can do it.

H.M.JR: Would do that, Dan? It would be a big help, because it means about five meetings of three hours each.

MR. BELL: That's with Kung?

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H.M.JR: Would you do that?

MR. BELL: Sure.

MR. COE: The Army hasn't given us next quarter's figures yet, so isn't it a waste of time to do it for one quarter?

H.M.JR: No. I would clean up the fourth quarter of last year.

MR. BELL: Well, they have the figures. I'd like to give them as much as possible before this fiscal year, before we get June 30.

MR. FRIEDMAN: You can have the first quarter in about three weeks.

H.M.JR: May I say this? If it weren't for the Army, I would start negotiations for the fourth quarter, and keep saying if it weren't for the Army you would have these figures. I don't want the Army to come back and say, "We asked you to do this thing." I think we ought to make a record that we tried to clean it up.

MR. BELL: Fourth quarter of the calendar year. I'm talking about the fiscal year.

H.M.JR: I agree with you, but if you state it here and waited another three months, the Army would say these figures were in about ten days or two weeks ago.

MR. BELL: We can go from one end to the other.

H.M.JR: And Mr. Bell will get some lovely tea and some flowers.

MR. BELL: I've got some that has never been opened. (Laughter) It's terrible to spoil a cup of tea.

H.M.JR: We're doing all right this morning.

MR. COE: That finishes up China. We can get to work on that.

H.M.JR: Is your wife trying to fatten you up? Does she work around here (to Mr. Adler)?

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MR. COE: For us.

H.M.JR: Bring her here and let me say how do you do to her. Have you enough authority to do that?

MR. ADLER: I think so.

MR. FRIEDMAN: He can clear with Mr. Coe right now.

H.M.JR: Clear. Let me know and I'll step outside so as not to embarrass her. Tell them outside.

MR. COE: I'm not sure she's in. I've told them to be generous and let her take a little time off.

H.M.JR: Now we're going to--

MR. COE: France.

H.M.JR: Let's do Gutt. All right, your way.

MR. COE: No, let's clear up Gutt because I think the Gutt thing is pretty simple in essence, Mr. Secretary.

H.M.JR: Which are we doing?

MR. COE: Gutt. The only thing left in dealing with Gutt is for you to say the final "no" on what he wants, to say the final "no". We have spent hours on this. Dan has been--

H.M.JR: May I say this because I know something about this, and I don't want Dan to lose face so I'm not going to change what Dan has done, but as I understand it--you can check me on my figures--I'm not bad this morning considering.

MRS. KLOTZ: Considering a headache like that.

H.M.JR: I couldn't sleep. When I give Bell something to do, and if I want to decide to change it, I want Bell to do it and not me, because he can't negotiate and have me do it. I think--and Bell--my figures aren't quite right. But from you I gather that we asked in advance for the Belgian Government to give us several billion dollars in francs, four or five billion.

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MR. BELL: About six million francs I think they took originally.

H.M.JR: And these fellows went down in their pocket and they didn't bother to say, do you need them or don't you, and from their standpoint that was good money. Is that right?

MR. BELL: It's on their bank statement.

H.M.JR: Yes. Then we come along with an estimate from the Army that we're going to spend this, and we don't, which was stupidity on the Army's part; but before we get through we'll spend how much?

MR. BELL: It's hard to say.

H.M.JR: Make a guess.

MR. BELL: The only figures they have in that are definite are the seven million dollars worth of francs that they have actually spent. Gutt says that he got information from Belgium that the soldiers have received thirty-six millions of dollars. Now what we have tried to do is get the Army to reconsider their figures and come some place between the seven and thirty-eight. They've got it up to thirteen.

MR. COE: Thirteen and one-half, and when Gutt started negotiating he had only one million dollars in his pocket. So they've raised the offer, it's admittedly over six weeks. They've raised to thirteen and one-half. Also they are in the process of--

(Secretary leaves conference temporarily.)

(Discussion off the record.)

MR. COE: I wrote off a little summary of this Gutt thing. Do you want to hear it?

H.M.JR: How long is it?

MR. COE: A page. (Reads memorandum for the Secretary from Mr. Coe dated May 7, 1946, on Information for your meeting with Gutt.)

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"Recently the Treasury and War Departments have held many meetings with Gutt on the subject of settlement for advances of Belgian francs to the U.S. Army for troop pay. In calculating the amount to be paid, the War Department deducts the amount of currency which experience has shown will be returned by our troops through military channels. Gutt does not think that we should make this deduction.

"The War Department told Gutt on May 4 that it was certifying to the Treasury a payment of \$13.5 million. This is \$12.5 million in excess of what had been certified when Gutt began his discussions and is \$84 million more than the War Department had agreed to pay several weeks ago. Gutt was also told that strong cables were dispatched to the Army in Belgium to reduce its outstanding advances.

"Gutt is still not satisfied. The War Department has indicated to him that no further steps can be taken before its regular certification to the Treasury about June 15.

"On May 4 you sent a letter to Gutt dealing in detail with the principles involved.

"Gutt will probably open this question with you again. I suggest that you state to Gutt that, since Belgium will receive all the dollars that are due regardless of the arrangements made and since the Treasury and War Departments' staffs are in agreement, he should not press the matter further. You could state also that you do not have the time available to consider this matter in detail."

H.M.JR: I would say Mr. Bell is handling it for me, period.

MR. BELL: You could tell him it looks to you as though a great deal of progress has been made. He started with one million dollars and got thirteen and one-half and got strong cables sent to the Army to return those excess francs. Of course, you've got these finance officers scattered all over Europe and it takes a little time to gather them up and move them. How rapidly will they pay thirteen and one-half?

MR. COE: Within the next few days, as soon as they get a letter to us.

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H.M.JR: The last I heard somebody said five, six, or seven million, but it's up now to thirteen and one-half.

MR. BELL: The thing that hurts is that the British have paid some eighty million dollars and the Canadians have paid--

MR. COE: I'll give you this.

H.M.JR: That's all right with me. I thought five or six or seven is too little, but thirteen and one-half is all right.

MR. BELL: That even is little compared to one hundred forty million. Maybe we can get that total they have down.

MR. COE: The next is a promise to be discussed with Pleven.

H.M.JR: May I compliment you on the orderly manner with which you handle these.

MR. COE: Mrs. Klotz kept saying, why don't you smile.

MRS. KLOTZ: He was so serious last night.

H.M.JR: You had this on your mind?

MR. COE: Not after the second martini. I began to feel better. Now this Pleven business is complicated. Among other things I thought that after your conversation with him you and he might issue a joint press release. But I think we'll see how it goes. Did you know Pleven was once Monnet's secretary?

H.M.JR: No.

MR. COE: He was once Monnet's secretary. Pleven is a leading figure on the Right in current dealings in France. He succeeded in ousting Mender France. He's close to General DeGaulle, and he will be interested in these negotiations we think, in trying to build himself up.

H.M.JR: When was he secretary to Monnet?

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MR. COE: I don't know the date, but he was.

MRS. KLOTZ: I heard that too.

H.M.JR: The reason I question that is--

MR. COE: He's an IT and T man.

H.M.JR: He was IT and T for France. He was here when I was doing--

MRS. KLOTZ: This was previous.

H.M.JR: It must have been an awfully long time ago.

MR. COE: I don't know of any previous government posts of his, but now I think that the one thing strongly on the negative side that we have in mind--and it's rather difficult to get over in these discussions--is that he has not cleaned house, in his bailiwick there, and that relates to one of the chief items of business with--

H.M.JR: You mean he hasn't gotten rid of collaborationists?

MR. COE: He has of a few spectacular ones and a few small fry, but if you take the Schneider-Cruset Group and the De Wendel Group--

H.M.JR: What?

MR. COE: The De Wendels. One brother is on one side of the line and one on the other. The whole group--we've got a memorandum here on some of these figures if you care to read it. If you take that whole group, they are still in power. In some cases, where a top man who is much in the public eye has been suspended, men of the same group, the equivalent of secretaries, have been put in. That's back of a lot of the politics in France. He is trying to bring these collaborators back in, start all over again without too much recriminations, and rocking the boat as little as possible.

H.M.JR: That's not so good.

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MR. COE: Now, the first subject that we think needs to be up is the troop pay--usual complaints of the troops about that. And essentially what is expected from Pleven when he comes to see you is that he will say that France is ready to enter on this long delayed program where we've talked with them in Paris. We've talked with them here at a subordinate level, and we've told them that when Pleven came in we certainly thought they ought to volunteer such a program.

H.M.JR: Did you tell--I wanted a memorandum of what he wanted to bring up--Did you tell that to Monnet?

MR. COE: I don't recall.

H.M.JR: Did you tell him I'm only going to be here that one day?

MR. COE: No. You asked me who was getting in touch with him and I thought the way this thing was arranged--I thought it was agreed that it was arranged between you and Monnet--that you had arranged it.

H.M.JR: I thought I had told you, but maybe I didn't. Tell Pleven to get up an agenda. You tell him I'm going to leave here Thursday afternoon because I'm going to see Mrs. Morgenthau, so they better move fast.

MR. COE: Yes.

MR. BELL: He's just going to be here this coming week.

MR. COE: He's just going to be here a few days I think. Well, we think that after discussing this and seeing what kind of program he brings in and emphasizing the importance of it to us, essentially the thing to do is to tell him to go see McCloy and Hillaring and work it out. I believe they're going to say that the negotiations have to be in Paris and that the man has to be nominated from there, and we think it should be an army man.

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MR. BELL: That's on the troop pay?

MR. COE: Yes.

H.M.JR: We don't want to do troop pay for the Army.

MR. BELL: This is inflation.

MR. COE: This involves setting up U.S.O. camps and that sort of thing and you can't settle the matter over here. They've got to work out the details.

MR. BELL: Do you think they will agree to do it?

MR. COE: I think they'll agree.

H.M.JR: When Gutt comes here tomorrow at three I want both of you.

What else?

MR. COE: The second one is this issue of defrosting the French assets.

H.M.JR: That's the darndest. It's all right--ice box language.

MR. COE: We're prepared. We don't think we can hold these assets without progressive relaxation and at a technical level Foreign Funds and the French have worked out a program for unfreezing. Under this program everything would be under French license.

MR. COE: The French would have the responsibility of seeing that certain assets here were non-enemy, but partly because of the way Pleven is running his show and not dealing with anything except obvious cases, we want to get in writing from them a number of assurances that--

H.M.JR: Why should they do any of this for us?

MR. COE: In this case it's we who are doing it for them.

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MR. BELL: We give France general license, no?

MR. COE: No. There are still considerable areas which are not generally licensed. We want them to agree, for instance, that American creditors are going to be taken care of on a reasonable basis. We want them to agree that some of our custodial rights in these assets which are German or later turn out to be German are still recognized. Nothing except assertion from them would ultimately excuse us.

H.M.JR: Did you boys have a good talk with Ambassador Braden about going down to Argentina?

MR. COE: He's still sold on it and he says as soon as he gets down there he's going to get in touch with us.

H.M.JR: All right.

MR. COE: Well, again, I think if these assurances are mentioned and you have the stuff in front of you at the time, the working out of such assurances can be turned over.

H.M.JR: It would be useful if I could have a document. You see, in this case if they give me one, maybe I would be prepared to give them something.

MR. COE: The third issue is the rate of exchange. The Army wants it changed. They've told us they are going to change it. I believe at the time they set it the United States--

MR. BELL: French gold.

MR. COE: I believe at the time they set it the United States Treasury told them they were setting it too high and wouldn't be able to maintain it. They recognize that now.

H.M.JR: They didn't set it too high. Wasn't it one and one-half.

MR. BELL: That was African rate. The French Committee set the French rate.

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

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MR. BELL: We told them at the time it was too high and they would not be able to maintain it, but we did accept the French committee rate.

H.M.JR: That's good, I'd forgotten that.

MR. BELL: The President had only set the one in there.

MR. COE: They'll probably raise the question of financial assistance, and I suppose you know the two answers there, (1) that we can't give any guarantees here on Lend-Lease on that 3-C program, because I think that's the State Department calling a meeting on that and I think it's going to be decided to cut that; (2) when Bretton Woods gets through, the Export-Import Bank is expanding. We just haven't any money.

MR. BELL: They're pretty well fixed, aren't they, for foreign exchange?

MR. COE: For a short time, but their problems are terrific. They'd like to get help. The next one they'll guess is to get a promise that we will give them all the French assets in this country. We don't want to do that.

(Discussion off the record.)

MR. COE: Well, we're a little inconsistent in not giving them this information, but until Bretton Woods gets through we'd just as soon rock along on what we're doing.

H.M.JR: What information?

MR. COE: The information about who owns French assets over here. If they come to us--the present arrangement is if they come to us and say that someone is violating their laws or they're going after him for previous collaboration, we'll furnish the information to them.

H.M.JR: Why don't you want to give it to them?

MR. COE: Because the bankers are likely to rise up

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and say that what we are doing in giving them this-- the F.R. three hundred--for is just symptomatic of the way the Fund and the Bank will be operated to invade the private field.

H.M.JR: I see.

MR. COE: And we are certainly giving them everything they need right now and they are not pushing vigorously on this front. You may want to talk about internal French financial policy. You may want to talk about Germany. I don't know. If we ask them for an agenda, we can leave it up to them.

H.M.JR: I think so.

MR. COE: That's all on France, and we'll try to have it--

H.M.JR: That's a very good meeting.

MR. COE: One more subject.

H.M.JR: My God, what is it?

MR. COE: German gold.

H.M.JR: Oh, that's easy.

MR. COE: No, it isn't going to be easy ultimately.

H.M.JR: Now, Dan, anytime you don't want what we're doing--

MR. BELL: This French thing is something new to me, and I'd like to get that memorandum.

MR. COE: I'll get copies of all this. The only immediate issues on the gold are, shall we send some men over there to weigh it, and the answer is unquestionably "yes".

MR. BELL: They're all ready to go..

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MR. COE: They're all ready to go. Second, shall we let the British go in and look at it?

H.M.JR: I've answered that.

MR. COE: You answered that?

H.M.JR: I answered it twice, and now I answer it the third time, "yes".

MR. COE: But we do want to take an opportunity, and this is it, to say that there are about four courses of action ultimately for this gold; (1) It can go into the reparations kitty; (2) it can be handled as United States war booty; (3) if there's a program of restitution, and the Treasury itself has made some statements that would sound as if there were to be one--for instance the gold declaration--then certain countries will have claims against the gold for restitution. If you start the restitution way, it balls up your reparations. If you go war booty way, you're going to have trouble on the reparations front. Now, we can't tell how the reparations program is going to turn out. We don't know whether we're willing to let it go for reparations.

H.M.JR: I'm not going to decide that.

MR. COE: Some of these courses of action tend to get decided.

H.M.JR: The only decision I'm going to make now is to let the British take a look at it.

MR. COE: Doesn't that prejudice your case in handling war booty--it's what some of the lawyers say.

H.M.JR: You tell the lawyers for me to go read a dime novel.

MR. BELL: It probably does raise the question, or subsequent questions will come to the front more quickly by this decision, but nevertheless you're going to have requests probably from the Yugoslavs and others, to go in

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there, also to the French. However, I think this thing has been put in the combined channels and I don't see how you can make any other decisions, do you really, Frank? They've put it in combined channels in SHAEF. Now, the British know all about it. They know there is a request to send people over there to--

H.M.JR: I'd be furious if they told me "No".

MR. BELL: I think the British would be furious.

H.M.JR: Do you know what you sound like today? You sound like Harold Glasser, on this. I bet this is Glasser's worry.

MR. COE: No. I think DuBois is the one in favor of the booty. Harold is in favor of reparations.

H.M.JR: I'm not deciding anything. I can't say to the British they can't go look at it. It doesn't decide anything.

MR. COE: We agree with you there, but there are going to be subsequent steps. Other countries are going to want to look at it, and we're recommending they go in and look at it.

H.M.JR: In charge of a mission.

MR. BELL: I really think that the decision has already been made. We shall have to put it into combined channels.

H.M.JR: I didn't know they did that.

MR. BELL: The cable came from SHAEF, and that's a combined organization.

H.M.JR: This is the third time I have answered that.

MR. COE: There's agreement in State and War that a lot of other decisions will be coming along and we want to flag them for your attention. There are three or four ways of handling it so that we consider each would be--

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H.M.JR: You put me on notice.

MR. COE: That's right.

H.M.JR: All right, anything else?

MR. COE: That's the lot.

H.M.JR: It's a good session. All right?

MR. COE: That's the last. Thank you.

H.M.JR: Thank you, Frank.

MR. COE: One more thing, Mr. Secretary, may I? I think if there is any question as to who's going to be at this afternoon's session with Soong, I favor it being yourself and Clayton, because I think Clayton is getting hurt feelings about the number of things in his bailiwick which he comes over here and handles. This is one in our bailiwick.

H.M.JR: A couple of things that come over here?

MR. COE: He made a comment in the hall the other day, he might as well open up an office here.

H.M.JR: He's right. Is that all he said?

MR. COE: He made a joke to one of his men on the thing, but--

H.M.JR: Well, he asked to come over here at two fifteen. I didn't suggest it. He said I better call them together. Did you know that?

MR. COE: Yes, I knew that, and that's certainly one of his men agitating with him. But enough on this thing. Soong came first to the State Department and left a general memorandum there.

H.M.JR: Well, you mean I should ask him to stay until three o'clock.

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MR. COE: Certainly, ask him if he wants to.

H.M.JR: Then he'll say he needs two offices over here. Don't let that worry you. Mr. Will Clayton needs me very much more than I need him, but that's all right, but--well, don't get me started on that.

(Mr. Coe leaves conference.)

MR. BELL: Fitzgerald asked me to take up with you the question of the Roosevelt dime; that O'Connor is leaving tomorrow and he wanted a decision. There's a recommendation that Mrs. Ross put up to me.

H.M.JR: I'm against it.

MR. BELL: You don't need legislation on it. The twenty-five year period has lapsed.

H.M.JR: What is this? What is it they want?

MR. BELL: They want to make the dime memorial to Roosevelt and put it out next January in connection with the "Mile of Dimes".

H.M.JR: Are you for it?

MR. BELL: I think it's a nice thing.

H.M.JR: Do we need any authority?

MR. BELL: It's at your discretion, because the twenty-five year period has lapsed.

H.M.JR: I'm not going to do the thing without speaking to Mrs. Roosevelt.

MR. BELL: It's really a part of the committee work in it. She wants you to announce it and let the Treasury get the credit, because we're getting a lot of letters. A bill has been introduced to Congress.

H.M.JR: You call Basil O'Connor, and call Mrs. Roosevelt for me and ask her what she thinks.

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I think it's all right, but I want to consult Mrs. Roosevelt.

MR. BELL: There's also the question of whether we should have a two hundred and fifty dollar denomination bond with Mr. Roosevelt's picture on it--one hundred and eighty-seven dollars. That should be in the Eighth War Loan. We ought to start engraving it if we want to do it. Ted and I are in favor of it.

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

MR. BELL: Yes.

H.M.JR: That I don't have to ask Mrs. Roosevelt about; that's all right.

MR. BELL: You don't have to announce it either, unless you want to tell the committee when we meet. We can start Hall engraving that. On June first there's four billion, seven hundred seventy million dollars of certificates maturing. And we've got a certificate in the drive which will mature on June 1, 1946. So we want to make this four billion, seven hundred seventy refunding into a ninety percent note--thirteen month note which will put the maturity on July 1, 1946. The drive certificate would mature June 1, 1946, and this one will come in July.

H.M.JR: All right.

MR. BELL: There's also maturing June first, seven hundred fifty-five million of the one and one-half percent Home Owners' Loan Bonds which we call for payment that date, about eighty some percent. George's memorandum to you says that these bonds are owned by banks, so we recommend that the holders of those securities be offered the opportunity of going into the ninety percent note, the Gay Nineties Note, and that has the unanimous recommendation of the Federal Reserve Board and Executive Committee.

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H.M.JR: Okay.

MR. BELL: On May fifteenth, not later than May fifteenth, we ought to call the two and three-quarters per cent bonds of '45-'47. They're outstanding in the amount of one billion two hundred fourteen million, and I have the papers here for you to sign and I thought you might suggest in the last paragraph that you give that out informally to your press conference Thursday.

H.M.JR: Will you remind me?

MR. BELL: And we'll announce it officially on the right dates.

(The Secretary signs attachment A and attachment B.)

MR. BELL: This press release will be given to the press Saturday the twelfth, for release Monday.

H.M.JR: I hope that's all.

MR. BELL: That's all.

H.M.JR: Good. I'm tired. Thank you very much.

ATTACHMENT A. 197

TWO AND THREE-QUARTERS PERCENT TREASURY BONDS OF 1945-47NOTICE OF CALL FOR REDEMPTION

To Holders of 2-3/4 percent Treasury Bonds of 1945-47, and Others Concerned:

1. Public notice is hereby given that all outstanding 2-3/4 percent Treasury Bonds of 1945-47, dated September 16, 1935, are hereby called for redemption on September 15, 1945, on which date interest on such bonds will cease.
2. Holders of these bonds may, in advance of the redemption date, be offered the privilege of exchanging all or any part of their called bonds for other interest-bearing obligations of the United States, in which event public notice will hereafter be given and an official circular governing the exchange offering will be issued.
3. Full information regarding the presentation and surrender of the bonds for cash redemption under this call will be found in Department Circular No. 666, dated July 21, 1941.

Henry Morgenthau, Jr.,
Secretary of the Treasury.

TREASURY DEPARTMENT,
Washington, May 14, 1945.

ATTACHMENT B

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The Commissioner of the Public Debt:

In giving public notice of the call for redemption on September 15, 1945, of all outstanding 2-3/4 percent Treasury Bonds of 1945-47, in accordance with the terms and conditions of the bonds, the following procedure is prescribed:

1. The Secretary will sign the formal notice of call, to be dated May 14, 1945. The notice of call and a press statement regarding the call will be given to the press on May 12, for release May 14, and the notice of call will be filed with the Division of the Federal Register on May 14.
2. A copy of the notice of call will be mailed with a confidential letter to the Presidents of the Federal Reserve Banks, with request that the notice be printed and mailed to all banks and others concerned in their respective Districts. Copies of the notice of call will be mailed by the Division of Loans and Currency to registered holders of record.
3. The Federal Reserve Banks will be requested to arrange for a single paid insertion of the notice on Monday, May 14, in newspapers, morning or evening, selected to give widest possible publicity within the usual expenditure for such notices.

Secretary of the Treasury.

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Monday, May 14, 1945.

Press Service

The Secretary of the Treasury announced today that all outstanding 2-3/4 percent Treasury Bonds of 1945-47 are called for redemption on September 15, 1945. There are now outstanding \$1,214,428,950 of these bonds.

The text of the formal notice of call is as follows:

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May 8, 1945

TO THE SECRETARY:

Outstanding certificates of indebtedness in the amount of \$4,770,000,000 mature on June 1, 1945. In view of the fact that the certificate offered in the Seventh War Loan Drive will be dated June 1, 1945 and mature June 1, 1946, it is recommended that the maturing certificate be refunded into a thirteen month .90% note which will mature July 1, 1946.

Also on June 1, 1945, there has been called for redemption the 1-1/2% bond of the Home Owners Loan Corporation in the amount of \$754,904,000. In view of the fact that the large percentage of these bonds is owned by the commercial banks, it is recommended that the holders thereof be offered the opportunity of exchanging them for the .90% note to be offered simultaneously for the maturing certificates of indebtedness.

The outstanding 2-3/4% bonds of 1945-47 in the amount of \$1,214,000,000, can be called for redemption on September 15, 1945 with four months' advance notice. That notice must be given not later than May 15. It is contemplated that the release of the call will be made for Monday morning next, May 14.

I suggest that you give these items informally to your press conference on Thursday morning of this week and state that the refunding offerings will be officially announced on Monday, May 21st, and the call of the 2-3/4% bonds will be officially announced on Monday, May 14th.

DWB:NLE

May 5, 1945
11:13 A. M.

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HMJr: Hello.

Operator: Mr. Adams is in charge. All right?

HMJr: All right.

Operator: Go ahead.

HMJr: Hello.

Mr. Charlie

Adams: Good morning, Mr. Secretary.

HMJr: Adams--

A: Yes, sir.

HMJr: Are you going to talk to Gamble today?

A: Yes, sir. I probably will, sir.

HMJr: Well, this is important and I want you to if you please.

A: All right, sir.

HMJr: In view of the fact that the President has pronounced the 13th of May, Sunday, a day of prayer...

A: Yes, sir.

HMJr: ...that radio program Sunday night cannot be a lot of Hollywood nitwits.

A: Sure, sure.

HMJr: And it's got to be a very solemn program.

A: Sure.

HMJr: And I don't want to hear it's too late and all the rest of that. It's got to be in tune with the President's proclamation.

A: All right, sir, all right.

HMJr: And I wish you would get that.

A: I'll pass that along right away.

HMJr: Will you please?

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A: I sure will.

HMJr: Where's Coyne?

A: He is in Boston today.

HMJr: I see. Well, anyway, get that to him. The program must be in tune with the President's proclamation--the day of prayer.

A: All right, sir. I'll pass that right along right away, sir.

HMJr: After all, you can still have it and go to church and have them pass the box after the sermon.

A: Sure, sure, sure.

HMJr: There's no reason why we can't do that, but it can't be a lot of flippancy.

A: Sure. I wonder, Mr. Secretary, if the radio networks are going to maybe take their commercial programs off that day.

HMJr: I don't know, but it's something somebody ought to get on awfully fast.

A: All right, sir. I'll do that right away, and would you like for me to report back to you?

HMJr: Yeah.

A: All right, sir, I'll do that. Thank you.

May 8, 1945
11:18 A. M. 203

HMJr:stand now on this thing for President Truman
I want to take over there tomorrow.

Mr. Charlie

Bell: Yes, sir, I'll be all ready this afternoon at around
three o'clock.

HMJr: Does that mean that you will have cleared it around
the office.

B: No, sir, I'm giving myself about an hour to clear it.
I've got an appointment with Bertelt at two o'clock,
and I know he is going to agree because we talked again
yesterday afternoon on it, and I don't anticipate much
difference with the others.

HMJr: Well, somewhere around four I'll tell them I can see
you. Could you have it ready for me then?

B: I'll have it ready for you at four o'clock?

HMJr: Yeah.

B: Yes, sir.

HMJr: All right. Thank you.

B: All right, sir.

May 8, 1945
12:50 P. M.

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General
Hilldring: Mr. Secretary, this is Hilldring.

HMJr: How do you do.

H: Just fine, sir. I want to apologize for the length of
time it has taken me to get to General Marshall. I
was to have seen him at 8:30 but ---

HMJr: Well, I understand - I know what happened this morning.

H: All right, sir. - But I did see the General and he
has to make a radio talk and for that reason he did
not have time to call you up, Mr. Secretary, with
regard to this IPCOG I.

HMJr: Call me?

H: Yes, sir, he was going to call you and then because
he had to get out and make this radio talk, he asked
me to call you.

HMJr: Yes.

H: He has looked over these papers which include the
changes in IPCOG I and the question of the cable that
has been withdrawn from IPCOG I.

HMJr: The cable?

H: Yes, sir - in the beginning the JCS asked that this
all be included in IPCOG I and then in the discussions
the question of permitting the utilization and tem-
porary repairs of this synthetic oil business was
withdrawn from the paper and handled separately and
I explained the problem to General Marshall and he
asked me to say to you that he felt very strongly that
we should at the moment let Eisenhower do this.

HMJr: That he feels what?

H: He feels that the authority to Eisenhower granted in
this draft of the cable should be given to Eisenhower
and that it is very important to him now in the morass
he's in both with respect to his own troops, to the
minimum requirements of Germany and to the liberated
areas.

HMJr: But General Eisenhower hasn't asked for it.

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H: Well, he hasn't officially asked for it but his representatives have made their importunities and those responsible to General Marshall in the supply services to the Joint Chiefs both in the Army and the Navy have pointed out to him the critical situation existing today as to oil and in the interim until the decision has been made, Mr. Secretary, as to what the situation is, this temporary stay of should be granted.

HMJr: Well, I don't see why they just pick on oil - why they don't pick on all the factories - let's just start rebuilding the whole of Germany.

H: I think by this procedure, Mr. Secretary, if I may see it now as just a simple soldier - there isn't any question now as to the policy itself - in other words what IPCOG wants is that these things are going to be abolished.

HMJr: Well, the thing isn't clear to me - the statement that you make that this part is a separate document from IPCOG I.

H: Well, sir....

HMJr: As I understood it, this was a paragraph that the Chiefs of Staff didn't agree with, we dealt with it and then it was to have been incorporated in IPCOG.

H: Well, Mr. Secretary, the joint Chiefs of Staff - if I may recite the -

HMJr: The joint.....?

H: The joint...

HMJr: That includes the English?

H: No, sir, that excludes them - this is the US chiefs of Staff.

HMJr: Yes.

H: The U. S. Chiefs of Staff first recommended, sir, when you sent the paper over for their comment, that the language of this cable that's now proposed be included in IPCOG I.

HMJr: Yes.

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H: There was objection to that on the part of the German Committee.

HMJr: Of the what committee?

H: The German Committee - that is the committee that devised this paper. They said well you are putting in a paragraph in the basic policy - that looks as though you were stating a policy in one paragraph and then apologizing for it or amending it in the next.

HMJr: Was that of the Committee at which I was present or the working committee?

H: This was the working committee, Mr. Secretary.

HMJr: Yeah.

H: To meet that then, the working committee said, "Well, let's take the language that is being proposed now by the JCS out of IPCOG I - let's leave the policy clean. Let's not challenge the policy.

HMJr: Yeah.

H: ...but let's put this JCS request for Eisenhower to keep his oil pumping until the government's made up its mind about it, in simply a cable to Eisenhower." That doesn't interfere - that doesn't fog up the basic U. S. policy, it is simply a stay of execution outside of the paper.

HMJr: Yeah. Is that the way.. but then I thought you brought in this sheet - remember? Hello.

H: Yes, sir.

HMJr: And I thought that the final decision was that that paragraph should be redrafted and should be in the body of IPCOG I. Wasn't that the final decision?

H: That was a proposal, sir, that -

HMJr: That you said you would take back and try to sell -

H: That's right.

HMJr: Isn't that right?

H: That's right, sir.

HMJr: You said you would make your effort to take it back and sell it to them.

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H: That's right, sir.

HMJr: And Mr. Lovett said he would do the same.

H: That's right, sir.

HMJr: Now I don't know where Mr. Stimson was in this picture - whether he is cognizant of this thing.

H: I haven't talked to Mr. Stimson - he is about the only fellow I haven't talked to.

HMJr: Well, I.....

H: All I have...

HMJr: I haven't seen any document from SHAEF asking that this oil thing be stayed.

H: There isn't any document, sir.

HMJr: Sure there isn't - this is just a thing that General Somervell has cooked up.

H: No, sir, it isn't Somervell alone - it's the petroleum people here, sir - they are all together on this.

HMJr: Well, there are a lot of other things.

H: That's the -- the whole document, Mr. Secretary now hinges on this one question. Everything else there is complete agreement, I understand, Mr. Secretary, including yourself - except on this one question.

HMJr: Well, I think they had better explain this thing to the President and Mr. Stimson and let the President decide it.

H: Yes, sir.

HMJr: Just a minute, if you please.

HMJr: That a whole document should be held up by the Chiefs of Staff since the 27th of April - since it has been in their hands - the 27th of April - with the war over and that was the day I believe it was delivered to them. I think it is outrageous and I don't care who knows it.

H: Yes, sir - well....

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HMJr: I think it is outrageous. And now at the last minute they come along and say to me that if we let this thing - oil pump - they can go ahead after Clayton told you yesterday that if this thing goes that he could guarantee that I would be reasonable about it - that is what he told me he told you.

H: Yes, sir. Well, I am just a messenger boy.

HMJr: I understand - if the Army wants to hold up these instructions to General Eisenhower indefinitely it's all right with me but the responsibility is the Army's.

H: Yes, sir. Well, I think the Army wants to get the paper resolved, Mr. Secretary, just as soon as anybody else.

HMJr: I realize you are a messenger but I..it.. well, I am frankly shocked - I am. I am really shocked.

H: Well, sir, I think....

HMJr: The Army can do anything that they want but in the meantime the President of the United States is waiting on this document and so is General Eisenhower.

H: He isn't waiting yet, sir. He couldn't use it if he had it.

HMJr: Why not?

H: Well, he still is a combined commander, sir, and he couldn't use this document until SHAEF breaks apart, except for .. well, he might use it for background, but he can't apply it as long as SHAEF...

HMJr: Well, let the Army bring down some of that oil from the canal project up there in Alaska which is such a great success - let them send that over.

H: Well, I don't know anything about that, sir.

HMJr: Well, I repeat, I am shocked and I just don't understand it.

H: Yes, sir - well, General Marshall would have called you himself, sir, if he hadn't had this radio talk to make and he just asked me to call you and tell you what he....

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HMJr: Well, you can repeat word for word what I have said.

H: Yes, sir. All right, sir.

HMJr: I am sorry but I don't understand it and the way I want to see the thing if I have anything to say with it, and I most likely won't, is to see the way we left it with you to be incorporated in this document.

H: Well....

HMJr: The minute the document is signed they can call the advisory committee together in 5 minutes and, as I say, Mr. Clayton talked to me and he said he told you that I would be reasonable about it.

H: Yes, sir, he did.

HMJr: Well, I will repeat - I'll be reasonable. Now, General Marshall and the rest of them have known me long enough that I don't think - it is as though they were questioning my good faith.

H: No, sir, they are not.

HMJr: Yes, they are.

H: No, sir, they are not.

HMJr: General Marshall is questioning my good faith that when this thing is signed that I won't be reasonable and I object.

H: No, sir, he isn't.

HMJr: Well, that is the way I interpret it.

H: That's too bad because he isn't.

HMJr: Well, you tell him that I say he is questioning my good faith.

H: Yes, sir, I will tell him what you say.

HMJr: If you please.

H: Yes, Mr. Secretary.

HMJr: O. K.

H: All right, sir.

HMJr: Thank you. Goodbye.

May 8, 1945
1:00 P. M.

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Operator: Here you are.

HMJr: Hello.

Congressman
Doughton: All right, Henry.

HMJr: Bob, I got a message about you.

D: About me?

HMJr: Just saying that you had called me.

D: Yes, yes, I was to have called you earlier, but I kept waiting to get that message from Senator George, you know, which I finally did.

HMJr: Yeah, what is that?

D: He said he would be here by tomorrow and I've called a meeting for 7:30 tomorrow evening.

HMJr: Well, wonderful.

D: Yeah, 7:30 tomorrow evening to get out our report.

HMJr: Wonderful.

D: The report's ready. The staffs have got it ready and we want to go over it, you know, and you give it out - So I got word that George would be here and they could see us anytime after today. So our committee meets in the morning, you know, and we couldn't very well meet - but we're meeting tomorrow evening at 7:30.

HMJr: Thank you, Bob.

D: You're welcome.

HMJr: Goodbye.

D: Goodbye.

May 8, 1945
2:20 p.m.

GOLD TO CHINA
1087 REVISED

Present: Mr. D. W. Bell
Mr. Adler
Mr. Friedman
Mr. Collado
Mr. Clayton
Mr. Coe
Gen. Somervell
Gen. Carter
Mr. Crowley
Mr. Scheuer
Mr. Willauer
Dr. T. V. Soong
Mr. T. Y. Pei
Mr. W. Y. Ling

(Mr. Coe reads through paragraph 5 of "Memorandum for Dr. T. V. Soong," copy attached.)

H.M.JR: Would you say in spite of the danger?

MR. COE: In spite of general policy. In other words, we are saying we are going to continue as we have done and make certain limited quantities of gold available.

H.M.JR: But not by endangering lives.

MR. COE: No, even though that is contrary to general Treasury policy of trying to restrict gold shipments where they endanger lives.

"However, in consideration of points 2 and 3 above, it is believed that further shipments should be financed out of foreign exchange assets other than those proposed to be earmarked for currency stabilization." That sounds rather complicated, but the effect of it is that they are told to use their own money for these limited gold sales rather than the loan.

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(Mr. Coe completes reading memo.)

MR. WILLAUER: You said that was unfortunate that that impression--

MR. COE: ...has grown up in the United States.

MR. WILLAUER: That was not a fact, the impression there.

H.M.JR: This happens to be my own language, "it is most unfortunate." If he questions me, I can pull out of my pocket a list of people who own it, but I didn't think I wanted to do that, you see. These boys who have been in China are always worried about saving faces, but if he should get a little high hat, why--

MR. CROWLEY: George has a list.

H.M.JR: We always have a list. It was the diplomatic way. We thought that would please Collado. We have the list of names, and unfortunately, the Soong family have a pretty high priority on the list. What do you gentlemen think of handing him a thing like this? The reason we did it in writing is there is always so much argument of what we said or didn't say, and what this really gets down to--this would reconstitute the five-hundred-million-dollar loan which they got from this country--it was put there for purely stabilization purposes, I mean, so as to make opposition on the Hill very much stronger, and then this other four hundred odd million dollars they have left over and above the five hundred million would be money they could use for other purposes such as shipment of gold, and we tell them we don't like the forward sales and we also tell them that all this monkey business that goes on--the impression in this country that it has been going on--we don't like. It is a pretty stiff memo. Do you think they would take any offense?

MR. COLLADO: We are entirely in accord with the general policy. I have discussed this with Mr. Clayton, and we have had several talks with your people, and I had one or two very small questions in regard to drafting. I think in

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answer to your general question--I think they would not take offense. That very last sentence of yours would be the thing they would take offense at if anything, and even that, I think, is skillfully drafted.

H.M.JR: I say, "It is most unfortunate that the impression has arisen."

MR. COLLADO: That is right. There were two other words that struck me. They are not very important, and yet--see if I can find it; it was in number 3. Oh, yes, it is the very bottom line of the first page, Mr. Secretary. You say, "...the initiation of a Currency Stabilization Fund would strengthen the financial position of the Chinese Government."

H.M.JR: I see.

MR. COLLADO: That worries me a little bit. It is undoubtedly a true statement, but it is the implication that the Government needs to be strengthened a little that troubles me.

H.M.JR: It would strengthen their financial position.

MR. COLLADO: We could say something of that sort.

H.M.JR: Get that changed. I think that is better, "...would strengthen the financial position of the Chinese Government."

MR. COLLADO: The only other one was over here in number 6, and this again is a question of language. I am not sure that I feel very strongly about it, anyway. It is this, "China should investigate and discriminate against speculators." I was wondering if a better verb couldn't be found than "discriminate."

MR. COE: We might say, "...single out speculators so as to insure only bona fide purchasers will receive such gold."

MR. COLLADO: I think it would sound a little better. I don't feel very strongly about it, but we don't ordinarily

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recommend that anybody discriminate against anybody else for anything.

H.M.JR: Do you want to say, "China should investigate and prosecute?"

MR. COLLADO: I think Frank's "...single out" may be better.

MR. COE: Segregated.

H.M.JR: What you want to do is prosecute, don't you?

MR. SCHEUER: Execute. That is what they want.

MR. COE: They might execute, Mr. Secretary, and say we told them to.

H.M.JR: Let's fix it up.

MR. COLLADO: If it is only a question of a word--

H.M.JR: "Eliminate" is a good word.

MR. FRIEDMAN: All right.

H.M.JR: Again that could be interpreted--

GEN. SOMERVELL: It could be interpreted as meaning execute. If it is all right with you, you could say you didn't mean that.

H.M.JR: So sorry. (Laughter)

MR. COE: We might say, "...should investigate and cancel sales made to speculators."

MR. ADLER: Why not just say "investigate?"

MR. WILLAUER: "Investigate" is all right.

GEN. SOMERVELL: Far be it from me, an American soldier, to say anything about English, but what are the words "so as" in there supposed to contribute to the thing?

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H.M.JR: Listen, Sol, take this out and fix it up and come back. I am sure they will be satisfied.

MR. CROWLEY: Mr. Secretary, let me suggest this: I think we all agree with what you want to do in principle and what you want to get at. Now, how your men fix up that particular sentence seems to me to be something you can work out with them. I don't think that in these various documents we can hope that we can go over every sentence and every word. That is what you have your men for. As long as we all agree with you on the principle--

H.M.JR: That is right. Do you agree that what we are approving as far as the Treasury is concerned, is in the right direction?

MR. CROWLEY: Yes, sir. We think that will be a good thing for us and we can work with the Treasury on the supply end of the thing, and everything else. We are for this.

H.M.JR: You are for this. How about the Army?

GEN. SOMERVELL: Yes.

H.M.JR: All right, we have that.

Now, I am sorry Mr. Clayton isn't here, but maybe Mr. Collado wants to discuss China's textile requirements. I gather from what Mr. Clayton said over the phone he wasn't satisfied to say no.

MR. CROWLEY: We have got a little report that I would like to have Mr. Willauer and Mr. Scheuer present for discussion.

MR. WILLAUER: This is the way it stands today on this textile thing: The significant figures are the ones underlined in the second column. The situation really is that short of six million two hundred thousand yards, which FEA is putting up out of some allocations that it had and twenty-five million six hundred yards which the Chinese already have had in stockpiles for a couple years in India, that

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there is nothing firm for a forwardization of the Chinese requirement. The Chinese requirement itself boils down to one hundred and sixty-eight million yards, which is the first underlying figure in the second column.

MR. SCHEUER: What is that based on?

MR. WILLAUER: That is based upon a requirement which they presented for twenty-two thousand tons of textiles for the calendar year 1945. That requirement, in turn, was screened very carefully by the United States Army authorities in China and by the FEA authorities there, and they determined that the twenty-two thousand tons was a direct military necessity. Part of it was to be used for clothing Chinese troops, the other part for clothing Chinese civilians, and all of it as an anti-inflationary measure. It has the highest sanction from our people in the field, both military and civilian, I believe. General Somervell, is that correct in your understanding?

GEN. SOMERVELL: Yes.

MR. WILLAUER: That figure of twenty-two thousand tons is the figure of one hundred and seventy-six million yards which appears as the second figure in the column of this memo.

Now, we can't meet the one hundred and seventy-six million yards with transportation across the hump. We are one thousand tons short on what we sent, so we boil that down to the next figure, which is one hundred and sixty-eight million, as underlined. And dropping down to meet that, we have got the six million two hundred thousand which FEA has now and the twenty-five million six hundred thousand that they are moving in, leaving a balance, which is the problem we have before us today, of one hundred thirty-six million two hundred thousand yards.

H.M.JR: In other words, we are really only supplying six million two.

MR. WILLAUER: That is right.

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MR. SCHEUER: There is a loss, the WPB claims, of a billion six from the peak production due to the loss of labor and due to high Army standards and the necessity for converting a higher percentage of machinery than would ordinarily be used for the same units of yardage. It would produce the same units of yardage if the standards were less high. It seems that in 1942, of course, the Army was an enormous purchaser of textiles, and at that time we were producing this larger quantity. Part of the loss is due to the standards, that is, the conversion of machinery, and although the Army today has only twenty-five percent of the total production, as a matter of fact, it is using a much higher percentage of the machinery of the industry for that twenty-five percent production.

It has been suggested that during this transition period and possibly V-E Day, I should say that we had a weather eye to the conversion of textiles to consume our needs, when, if, and as the Army can relieve any, and we would, therefore, have that much more yardage and not have to give that much high quality goods away at relatively low prices. Of course, the Army prices are very properly generous from the standpoint of the values. I mean, the values demand that the prices be generous; the quality demands that the prices be generous. Instead of giving fifty or sixty-cent pieces of goods for relief, we give them twenty or twenty-five-cent pieces of goods, which is adequate for China and the liberated areas. They are hungry for it. There is a little question that if the standards of the Army were slightly revised for this transition period that a very important increase in yardage produced could be attained in the next six to twelve months.

GEN. SOMERVELL: We can't have tents that leak, and there is no use making cloth that won't stand up. Our yardage requirements would be increased if we decreased the quality of our goods.

MR. SCHEUER: The tent program is complete; we are cutting back on the duck program.

GEN. SOMERVELL: No, we are not cutting back on the duck program; we are cutting back on the tent program, but

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we are way behind on duck and heavy qualities, and the duck business is only about ten percent of the industry, anyway. But the thing that worries us is the comb-goods field where we are having our biggest difficulty, shirts, trousers, and jackets, and things of that kind. The Army is not going to change its standards.

MR. CROWLEY: On this thirty-five million here--on our seventeen million five hundred thousand, how much of a reduction would that mean in civilian consumption if we were to take that out of our own consumption?

MR. WILLAUER: May I answer your question a little bit differently, sir? The hundred and thirty-six million, which is the whole business, would represent about seven and one half percent of the United States civilian production in the same class.

MR. CROWLEY: That is after you eliminated the Army?

MR. WILLAUER: It would be ten percent of the Army if we did it all on the Army, and thirty-three and one-third percent if you did it all on U. S. civilian exports. So there are your three figures, thirty-three and one-third percent, ten percent, and seven and one-half percent. The way you get those percentages is you make the assumption that these Chinese requirements must come out of a six months period in order to get there this year, and you match off a similar six months period.

GEN. SOMERVELL: I don't know whether this is the proper place to discuss it, but isn't the figure for exports something like two hundred and thirty-six million yards?

MR. WILLAUER: For a quarter. The last official figures we had from the WPB was eight hundred and four million yards for the year. That would be about it.

GEN. SOMERVELL: Yes, and then in that you had listed something like fifty-six or maybe forty-six million yards to go to miscellaneous countries. I don't see why these miscellaneous countries can't stand all of it. In other words, we have got an ally in China which is really contributing something to the war.

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MR. CROWLEY: The trouble with that is, gentlemen, this particular group is only talking about China, and tomorrow we have to sit down with another group that wants to talk about something else.

GEN. SOMERVELL: Well, I realize your embarrassment to that extent, but on the other hand, on a cold-blooded proposition you are giving away a billion yards of forty-cent material away and listing it to miscellaneous countries. It strikes me that that can't be very important.

MR. WILLAUER: I don't have those figures, Mr. Crowley.

GEN. SOMERVELL: Well, that is what it is, and it seems to me that those are the fields that ought to be thoroughly explored.

MR. SCHEUER: I think everybody will agree that the amount exportable to the world in textiles is inconsequential, eight hundred million yards, and cutting down on that total further is quite impossible. Now, I don't know about this '46 item, but I dare say that has been rescreened and rescreened and rescreened, and I will be delighted to give you the details on it.

GEN. SOMERVELL: I would like to see it, because you give away these dabs to Uruguay and whatever you happen to pick out. It seems to me we would be a lot better off if we collect those and give them out to China.

MR. CROWLEY: Let me say this, Sidney, some get the record straight. We work with General Somervell, but on this allocation thing the Army can't allocate to our civilians.

GEN. SOMERVELL: I don't know why. You allocate Army stuff.

MR. CROWLEY: Not very well. We never get anywhere.

GEN. SOMERVELL: It looks like I am not getting anywhere with it. It certainly should be discussed, I should think.

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MR. SCHEUER: I admit that the South American countries-- we have got certain minimum commitments there, and Canada-- we have got a rather generous commitment there. It seems to me if there was a point of attack, the vulnerable spot would be Canada.

GEN. SOMERVELL: I would just like to throw that one in the hopper.

MR. CROWLEY: All right.

MR. SCHEUER: Put it in the hopper.

MR. WILLAUER: Well, now, under our miscellaneous countries--well, General Somervell, here is a list of--

GEN. SOMERVELL: You have the whole miscellany there.

MR. WILLAUER: ...how the thing splits up on the whole production, if you want to see it.

H.M.JR: Who does trucks?

MR. WILLAUER: They are all set.

MR. CROWLEY: The truck man isn't here, but Mr. Willauer can talk about it.

MR. COLLADO: Before you leave the textile thing--I am sorry Mr. Clayton hasn't gotten here, because he has much more experience in such matters than I have, and he feels very strongly that the total amount of exportations of textiles as proposed even for China, plus these miscellaneous countries that the General mentioned, is an extremely small part of the production of the United States; that actually the export allocations for cotton textiles has been very small; that the world at large is screaming for textiles, and our allocations for textiles, generally, are on a smaller basis than for any single product that we allocate.

Now, the Chinese situation seems to be very much complicated by the fact that because no textiles have previously

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been made available for China in any quantity, we are jamming into what is essentially the third quarter of this year a seven or eight-months requirement. We are making it very hard for the Chinese. We are magnifying all these percentages, which if spread over a whole year or eight months, would be relatively small. What happens here is you have got no pipeline, and you are trying to start out and fill a pipeline and make deliveries at the same time. There is nothing we can do about that. It means we failed to get a pipeline going in the past. But over any length of time this is a small requirement, and he feels that we have gotten very strong reports from the Ambassador, from Hurley, some strong reports from the FEA Commission in China, and very strong reports from the military in China, and all of them feel that this is the one thing that you can do that will make some important contribution to this inflation problem. I gather that that is the view of Mr. Adler and other people who have been expert in these matters.

Now, if we just ignore this one--while I think our gold program is an excellent program, it has very little to do with the current situation, and this textile problem is the only thing that is going to do any real good in the immediate future. We have been impressed by the arguments of the military of the necessity for doing something in this limited area in China on the supply route in order to make possible the procurement of Army supplies in China. The purpose of this textile allocation would be, you might say, to barter for food and other necessities, but mainly for food which the Army wants. The Army's charts which have been shown to us of the percentage of their total procurement which would be from China, versus the amount they put over the hump, I think, are very impressive in this matter. We are really not going to get anywhere if we all say it has got to come from somebody else. There has got to be a general chipping in. It is easy for the State Department to say that. We don't have any to chip in.

MR. CROWLEY: And the Army to say they can't chip in.

GEN. SOMERVELL: That leaves the solution very plain.

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MR. CROWLEY: That is right; it gets right down--let me say this: We will have a meeting--

(The Secretary holds a telephone conversation with Secretary Stimson, as follows:)

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H.M.JR: I think you know about this.

GEN. SOMERVELL: Yes, sir. We don't see why we should take the oil away from the Americans to give it to the Germans.

H.M.JR: Well, that would go for the whole directive.

GEN. SOMERVELL: Not entirely. There is not a shortage on other things.

H.M.JR: But there is a shortage of everything. You might say the same about coal and synthetic rubber.

GEN. SOMERVELL: We certainly don't intend to stop mining coal in Germany.

H.M.JR: How about all the synthetic plants which remain?

GEN. SOMERVELL: I am not so much interested in the rubber business, but I would hate to have our Army over there without gasoline.

H.M.JR: Here Mr. Clayton, on my behalf, says--

GEN. SOMERVELL: There you have got me. I don't know anything about that.

H.M.JR: This is the word I got yesterday. He said that if I would go along with this exception, then the Army would see that the thing was immediately cleared. I don't like that.

GEN. SOMERVELL: I don't see what you don't like. It is a straightforward proposition, it seems to me.

H.M.JR: No. Well, the word I used--it is a holdup.

GEN. SOMERVELL: Well, as I say, I don't know anything about this, the thing that passed between you and Hildring. I know the position of the Army definitely is that we think

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it would be wrong to sacrifice that much oil production when the whole world is struggling for oil.

H.M.JR: The Army was given the assurance by Mr. Clayton, who is chairman of this committee, that if this directive was put in force--and the Army under that directive has a right to ask this committee to recommend postponement of the destruction of any plant--that a favorable hearing would be given promptly.

GEN. SOMERVELL: A favorable hearing?

H.M.JR: Yes.

GEN. SOMERVELL: I don't know anything about these negotiations between Hildring and you.

H.M.JR: Favorable--wasn't that the word?

GEN. SOMERVELL: I don't know anything about those negotiations. I do know our position is very definite. We believe that that production should be continued.

(Mr. Clayton enters the conference.)

H.M.JR: You have given my assurance on behalf of the part of yourself and myself that if this directive was passed, that it would be given a favorable hearing--wasn't it a favorable hearing?

MR. CLAYTON: Careful consideration would be given to the other matter.

H.M.JR: Immediately.

GEN. SOMERVELL: I think if you would call Mr. Stimson up and tell him your committee would give it favorable consideration, it might affect his attitude. Nobody over there has any such idea.

H.M.JR: You said the word--what was it?

MR. COE: I think it was reasonable.

H.M.JR: Reasonable.

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GEN. SOMERVELL: In that case I side with Hildring if that is what you told him. We have got to know definitely whether we have got the right to use that oil.

MR. CLAYTON: I thought, Mr. Secretary, there was every reasonable expectation that the matter would be favorably acted on promptly. I certainly couldn't bind the committee to that, but I thought that we could depend upon it that there would be prompt action. There was every reasonable expectation that that would be favorably acted upon. That was the language I used.

GEN. SOMERVELL: What is the argument?

H.M.JR: The argument is this, that the great U. S. Army says, "If you agree on this one item out of about five hundred items, why, we can find a way of getting this thing out, but if you don't agree to it, we won't come out."

GEN. SOMERVELL: I should think that that one little-- you wouldn't worry too much about that one out of five hundred.

H.M.JR: I don't like to do business that way.

GEN. SOMERVELL: As far as I can see, it is a pretty straightforward business; you believe one thing, and we believe another.

H.M.JR: It isn't a question of confidence. I put it on the question now of having confidence in me as to my reasonableness.

GEN. SOMERVELL: Well, I don't think there is any question about your reasonableness, but there may be some question as to what you think is reasonable and what we think is reasonable.

H.M.JR: There is no request from General Eisenhower for this?

GEN. SOMERVELL: There is a very definite feeling on the part of the people that have to supply the oil that we have got to have it.

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MR. CLAYTON: I didn't feel, General, that I was authorized to make any definite commitment in the matter because I am only just one member of the committee, but, really, what you want to do, I think, in substance is what we have already decided may be done, and it is just a little difference in language, and I really think that all we have to do is call the committee together and they will agree upon it, and there will be no delay, but--

GEN. SOMERVELL: I am just at sea, Will, as to what all the argument is about. Hildring called me up late this morning, and I told him I didn't know what you were arguing about. In other words, if I could find out--if your committee is willing to continue this oil production, I am sure we would have no special views with respect to the protocol which was used to accomplish that end. I am sure of that, Mr. Secretary. The only thing that I think we are looking for is an agreement that the oil will be continued. That is all. If you are willing, why, it seems to me the protocol business could very easily be arranged.

MR. CLAYTON: I think, Mr. Secretary, that we did decide that pending a determination and study here on the basis of the representations that would be made by the commander there that the oil could continue, and that is what we decided.

H.M.JR: That is right.

MR. CLAYTON: The telegram is couched in just a little different language, and I felt I wasn't authorized to speak for the committee. I am chairman of the committee, but I told General Hildring that I thought I understood it for myself, and I would vote for it and recommend that the committee give it favorable consideration. I didn't think there would be any trouble about it at all. I thought we would go ahead with this directive and the other thing-- it would be put on the track very directly.

GEN. SOMERVELL: I will be glad to go into it when I go back.

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H.M.JR: It looked like a holdup to me.

GEN. SOMERVELL: Well, I don't think it is anything like that at all. It is just a question of straightforward differences of opinion.

H.M.JR: There isn't any difference of opinion, just a difference that here is a very important document, and you said, "If you agree to this one item, we can find a way of getting the document out." That you agree to, that first.

GEN. SOMERVELL: The document has to be complete. You have got to agree to all of it or take the items you don't agree on.

H.M.JR: You can't single out oil when there are so many other important things, lots of other important things.

GEN. SOMERVELL: There are a number of others that we raised, but that is the most important.

H.M.JR: Mr. McCloy said the amount of oil left there is just a trickle.

GEN. SOMERVELL: I don't know how much it would turn out to be, but I think we would be very remiss if we failed to utilize any resources in oil that exist. I don't see how you can explain it to this country or any other country at all.

MR. CROWLEY: Are you through with him as far as you can go?

H.M.JR: Yes, I am through, but as I said to Mr. Stinson, it left a very bad taste in my mouth as far as dealing with the Army was concerned.

GEN. SOMERVELL: All of us regret that. I don't know how they feel over there, sir, but there is certainly no reason why there should be any hard feelings about it.

H.M.JR: Well, I haven't had anything like this come up before. Mr. Clayton, talking for me, said that if this

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would go through--this big document--we would immediately give this thing reasonable consideration.

GEN. SOMERVELL: That wouldn't mean a thing to me. I wouldn't sign it on the basis of reasonable consideration.

H.M.JR: They don't need me; they can get along very easily without me, but I am not going to be held up.

GEN. SOMERVELL: Well, you are talking about something now that is way above me.

H.M.JR: I don't think it is. I don't think--

GEN. SOMERVELL: If I am supposed to be the nigger in the woodpile, why, I will just have to plead not guilty, because I don't know a thing about what happened. I do know that my position with respect to the oil is a very definite one, and I think that under no circumstances could we excuse ourselves on the production of oil with the oil situation the way it is.

H.M.JR: This is only one thing, General Somervell. If under this document all of these things are going to be referred to this committee and decided as to whether or not production should be increased, you have got to have another look, or you may want to take out about twenty-five other items.

GEN. SOMERVELL: No, I think there are only five or six, maybe.

H.M.JR: That is what I suspect. If there is one, there are going to be a lot more, and to say I am not--

GEN. SOMERVELL: What you objected to is the position that the War Department through Hildring has taken to the effect that it must have a definite assurance from you on this point before it will give its consent to the rest of the document.

H.M.JR: Mr. Clayton, having gone as far as he could, I think that the War Department ought to have enough confidence

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in Mr. Clayton and myself to proceed. I think it is a matter of--I feel it is a lack of confidence in me.

GEN. SOMMERVELL: I will explain that to them when I go back.

MR. CLAYTON: Mr. Secretary, if the General would--if I could have a little talk with him--would you excuse us for a few minutes so I could go into some questions about this matter with him?

H.M.JR: Are you going to stay?

MR. CLAYTON: We will come back in a few minutes if you like, or we could do this later.

H.M.JR: No, because here is our position: I have a document putting forth the Treasury's strict fiscal position which seems to be agreeable to the people here. We have gotten nowhere on cotton. I don't know where we are on trucks.

MR. WILLAUER: We are all right on trucks.

GEN. SOMMERVELL: We are all right on trucks.

MR. WILLAUER: That appears in a memo which Mr. Crowley sent you that the Army, through General Carter, told us that they would give us four thousand trucks starting in August. When I say we are all right, I think that August is perhaps a little bit late in order to get them over there in time, but General Carter held out some hope that the cut-back was moving so fast in trucks we probably could get it approved officially before we approve it.

H.M.JR: Supposing we do this, if this is agreeable to you gentlemen? We can start with this financial matter. Mr. Clayton wants to talk with General Somervell. They can go into Mr. Bell's office. And are you--is somebody going to tell him about the trucks?

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MR. CROWLEY: Mr. Willauer will stay. Mr. Secretary, could I just say this on textiles? It would only take a minute. The latter part of this week we will have a meeting of our committee to bring forward the statement and we'll have Krug there and see what we can do about civilian supplies and try to meet some of these textile things. And Mr. Scheuer will stay, and you understand the truck thing, together with General Carter.

H.M.JR: Are you going to tell them about the truck thing today?

MR. WILLAUER: How about it?

GEN. CARTER: About the truck situation we may have to modify your statement and that is as to spare parts with these Chevrolet trucks.

MR. WILLAUER: It may be that the cutback may not produce the number of trucks as quickly as we thought because of the over-all demand on spare parts.

GEN. CARTER: The Army may be able to release some heavier trucks but we couldn't answer that, as I told you over the phone.

MR. COE: Is the Army or FEA ready to make a definite commitment on trucks today or is it an optimistic prospect?

GEN. SOMMERVELL: I think you're all right on the trucks. There's another ace in the hole on that and that is the Russian Protocol.

MR. CROWLEY: Could the Secretary, General Somervell, tell the Ambassador, Mr. Soong, that on the trucks we think we can meet it and on the textile thing we are going to have a meeting the latter part of the week to survey civilian requirements and see what we can do to meet it, and we will report to him as quickly as we can?

GEN. SOMMERVELL: Yes.

MR. CROWLEY: And you think we can meet the truck thing?

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GEN. SOMMERVELL: Yes.

MR. SCHEUER: Out of the Army program?

GEN. SOMMERVELL: The Army is getting the whole program now and we do the buying and then there is a certain number of trucks that we take for Army use. A certain number are allocated for other uses.

MR. SCHEUER: This won't be a deprivation from other uses?

MR. WILLAUER: How about any of your cutbacks on military lend-lease?

GEN. SOMMERVELL: Plus what we might get out of the Russian protocol, I forget how many--twenty-five thousand, I think, Studebakers, six that the Russians have in their protocol which may come out.

MR. CROWLEY: We will try, Mr. Secretary, just as far as we can with Krug to try to go along, to dovetail in with your fiscal program, because as I see it, yours wouldn't be successful without dovetailing trucks and textiles in with it. We will do that and report to you.

H.M.JR: They need trucks and textiles very badly.

MR. CROWLEY: That's right.

H.M.JR: Now you have got to go and you want to talk with General Somervell.

GEN. SOMMERVELL: Do you want to talk about scrap for a minute?

H.M.JR: Yes.

GEN. SOMMERVELL: We have this letter here in which we propose that an agreement be included whereby sales of Army salvage and surplus property be made directly by Army Disposal Officers to a designated agency of the Chinese Government with payment to be made in United States gold

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with negotiated prices with an agreement to sell direct if an agreement is reached. In other words, the proposition we raised here the other day, and I would like to leave this with you for--

MR. SCHEUER: Is that Army surpluses?

GEN. SOMMERVELL: ...with great confidence in your judgment and discretion.

H.M.JR: As far as scrap is concerned?

GEN. SOMMERVELL: As far as scrap is concerned.

GEN. CANER: On inflation.

GEN. SOMMERVELL: Do you want me to talk to Clayton now?

H.M.JR: If he wants to.

GEN. SOMMERVELL: Do you still want to talk, Will?

MR. CLAYTON: Yes. If we could excuse ourselves for a minute.

(Mr. Clayton, General Somervell, Mr. D. W. Bell, Mr. Adler, and Mr. Crowley leave the conference.)

(Mr. Soong, Mr. Ling, and Mr. Pei enter the conference.)

(Mr. Adler reenters the conference.)

H.M.JR: Doctor Soong, what we have been trying to do here to save you time, the State Department and the Army and Mr. Crowley's organization, and ourselves, each one has said his piece and we have been trying to put them together. You can see that Mr. Clayton and General Somervell aren't ready yet so they had to excuse themselves to go out and they will be back in a few minutes. We in the Treasury have a few suggestions. I'll give the original to Dr. Soong and you can read it aloud, you see, if you would (indicating attached memorandum).

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MR. COE: Do you want me to read it?

H.M.JR: Anyway, Dr. Soong would like him to read it.

MR. SOONG: Yes, if you would.

H.M.JR: And you stop him any place you want to. This is only one piece of the picture, but this is the piece the Treasury is responsible for.

(Mr. D. W. Bell reenters the conference.)

Mr. Clayton reenters the conference.)

(Mr. Coe reads "Memorandum for Dr. T.V. Soong, attached")

MR. SOONG: May I speak in Chinese to my colleagues?

(Discussion off the record.)

H.M.JR: Dr. Soong, might I make a suggestion? I am not expecting an answer on this today, and possibly you would like to hear the rest of the story, and that would give you more time to study this.

MR. SOONG: I can already make some sort of reply to you.

H.M.JR: Wouldn't you like to hear about the trucks and textiles?

MR. SOONG: Yes, I would, but I could give you some sort of reply.

H.M.JR: Whatever you say.

MR. SOONG: On the general attitude.

H.M.JR: If you please.

MR. SOONG: On this memo--your proposal we consider very constructive and in the tradition of your Government toward China, the proposal is very constructive. However,

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we want to know how you plan to combat inflation with five hundred million--you see, how you would use five hundred million to combat inflation.

H.M.JR: Well, those are the things we would have to sit down and talk with you about. We realize perfectly that the only way to combat inflation, really, is with goods and that anything short of goods is not very effective. But looking forward to the day from which we are not too far off, we hope, that some port in China is open and that goods can flow freely into China, and then we think that a five hundred million dollar stabilization fund to China is a more orthodox way, and more ordinary trade would be very useful just as it has been in this country. But under the present situation I would be less than frank if I told you I don't think it would, but looking forward to the day when goods will once more flow freely into China, we think it would be a useful instrument for you to have.

MR. SOONG: Mr. Secretary, I came from the San Francisco Conference where I have not been able to complete the job. Why did I come? Because we are faced with a situation in China, see, which would not allow me to wait, and therefore, I would rather break off the conference and come here, because I have always been telling my people if there is no apparent future, they must take care of the present, see? It is for this reason that I came down today breaking off my conference there. Now, I have said that we like the approach which is to mutually consult or mutually have a full and frank discussion. But on the gold thing I would want to point out some things. First of all, we have made commitments to sell gold, true. The United States Treasury was not consulted when the program was initiated. None the less there was a definite commitment, and that commitment was contained in a letter from Mr. Hsi to you, Mr. Secretary, of July 24, 1943, to which you replied in your letter of July 27th to the Chinese Ambassador.

May I read an excerpt from it?

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"Your Excellency: This is to acknowledge receipt of your letter of July 24, 1948, transmitting telegraphic message from Dr. H. H. Kung dated July 23, 1948.

"Please transmit the following reply to Dr. Kung:

"The Treasury agrees to the request of the Government of China transmitted to me by Ambassador Wei Tao-ming that two hundred million be made available from the credit on the books of the Treasury in the name of the Government of the Republic of China for the purchase of gold. In order to avoid unnecessary raising of funds by the United States Treasury, it is suggested that transfers from the Credit of the Chinese Government for the purchase of gold be made at such time and in such amounts as are allowed by existing facilities for the transportation to China of the equivalent amount of gold. Since it is intended that this gold will be sent to China for sale to the public, this procedure should not interfere with the program outlined in your message of July 23, 1948. On receipt of requests from the Government of China that a specific amount should be transferred from the credit of the Government of China on the books of the Treasury and be used for the purchase of gold, the necessary action will be taken to consummate these requests. The details of the arrangements will be discussed with Dr. P. W. Kuo and Mr. Hsi Te-mou."

There we have a definite commitment to supply gold to China and it was on that commitment that we made the sales. This is the point we wanted to point out.

H.M.JR: Dr. Soong, that was twenty million.

MR. SOONG: Two hundred million.

H.M.JR: Two hundred million?

MR. COE: I think he misread it.

MR. SOONG: Two hundred million.

H.M.JR: I misunderstood you. I believe you. But that didn't envisage or foresee future sales of gold. I mean it was never discussed as far as I know.

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MR. SOONG: As far as China is concerned, there was no commitment on our part that we would have to consult every time we make a sale of gold.

H.M.JR: No, but there was a sort of understanding, and my men can check me, which was volunteered by China that in the use of the five hundred million dollar loan that China would consult with the United States Treasury on the use of that money. I think that was it.

MR. F.W. BELL: That's in the agreement.

MR. COE: It was told to the Congress and it was my impression it was said earlier by the Chinese representative.

MR. SOONG: Five hundred million dollars. I had the honor to sign that agreement with you.

H.M.JR: Pardon me.

MR. SOONG: On the five hundred million dollars. I do not recall such an agreement on our part specifically because I was instructed that this must be clear-cut.

H.M.JR: I would have to go back.

MR. ADLER: It's quite correct, sir, it's not included in the agreement, but I think your previous agreement was correct that there was a sort of gentlemen's agreement to that effect between you and Dr. Kung.

H.M.JR: I understood that the Chinese Government offered that. They said, "Now, before we spend this money we will consult with you." That was made verbally.

MR. SOONG: Well, be that as it may, this was a commitment and this is water over the dam, and now as to the amount of sales of gold by China that have already been made we can't really give gold in exchange for that--give gold dollars. We can't because we would be forfeiting the confidence of the Government, as you know, and we are very desperate to rebuild the confidence of the Government--of the people in the Government.

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Now, as to future sales, having already made sales and suddenly stop, you know that is also very bad for our situation. Sitting in Washington you probably are informed day to day of the inflationary situation in China, but when I was there sitting in Chungking I felt I was sitting on top of a volcano which may erupt any moment. I wish you to please take that into account. Now, as to--

H.M.JR: May I interrupt you, please?

MR. SOONG: Yes.

H.M.JR: My people tell me that the gold is going forward in sufficient amount and with sufficient speed to meet all future commitments of the fifty million dollars forward sales that you have made.

MR. COE: I should like to amend that, sir. What it is is enough is going forward in May to meet the May situation. We think we are covered on the whole May situation.

MR. PEI: You mean, Mr. Coe, that one hundred thousand also recently shipped?

MR. COE: It hasn't arrived yet. I didn't say arrived.

MR. PEI: But at the same time the commitments--the forward sales are falling due every day and there is tremendous pressure on the Chinese Government over there.

MR. SOONG: Now, as far as the gold is concerned, as Mr. Adler would bear with me, the Chinese Government is not interested that it gets into the hands of speculators or rich people to make a speculative profit. I raised the price of gold and in addition I propose to tax those who have made forward purchases. The real black market price of stock gold is much higher than even our price. Now, is that money going to the fortunate few who bought? No, I propose to tax them, see? You are not in favor of even reaching the speculators or people who take advantage of their position to make money, nor am I, nor is the Chinese Government.

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Now, as to the effect of the United States dollar certificates ~~or~~ bonds, why don't we investigate on it and why don't we tax those people, too, to take away their unnatural profits? I am quite ready to do that. I want to assure you that there is no disposition on the part of my Government either in the present or in the future or going back into the past to allow whatever assets we have to go to even rich speculators. That I can give you--this statement, you see. I can commit myself on that.

H.M.JR: Well, now, would you like to hear about the trucks?

MR. SOONG: Yes, I would certainly be delighted to hear about the trucks.

H.M.JR: All right. Which of you gentlemen can speak on the trucks?

MR. CLAYTON: Mr. Willauer.

MR. WILLAUER: The trucks look all right, Dr. Soong. General Somervell, who has been here, has assured us that we will get the trucks. I am a little bit worried as to the time element on those but the Army cut-backs are coming along so nicely that I feel of the three points in your program that the most optimistic point is the one of trucks; and I don't think that anybody can tell you today that the trucks will be delivered, absolutely, one hundred percent, the whole four thousand, in such and such a month, but it looks good to me and I have had some experience, as you know, in evaluating these things, and I think you can feel pretty sure about that.

H.M.JR: Now, who would like to tell them about the textiles?

MR. CLAYTON: Mr. Willauer and Mr. Scheuer know more about that than any of us.

(Mr. Willauer hands Dr. Soong paper entitled "Chinese Import Textile Requirement Position as of May, 1945," attached.)

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MR. WILLAUER: There are a lot of figures there which need not concern you. To boil it down, your requirement comes to one hundred and sixty-eight million yards or twenty-one thousand tons, as you know. Now, the only thing you have got in sight are the six million two hundred thousand yards out of FEA, which you know about, and the thirty-two hundred tons in India which, translated, amounts to about twenty-five million, six hundred thousand yards at eight thousand yards per ton, which means that you have got a balance that you have got to get by various different kinds of activity of one hundred and thirty-six million two hundred thousand yards. That's that second underlined figure in the second column. Now, from there on in there is nothing firm. There are various sorts of hopes. There is an eight million dollar hope that we go down to the Brazilian market to buy from wholesalers. That's just a hope, a guess estimate. You will have to put up fancy prices to get that. There is ten million dollars that we are suggesting to the Army and FEA that they split sort of fifty-fifty to get you into business right away, so there will be continuity to the time that your one hundred and thirty-two tons get into market and the time we can do something else for it.

The next piece of the problem is this attempt to get allocation for the second half of the year out of WPB. That's that thirty-five million yards which you know about that we are bidding for. It's on the second page. But only seventeen million five hundred thousand could be of benefit to your 1945 program. And then finally the last figure in the second column, one hundred million seven hundred thousand yards is the figure on which no action today is being taken. Now, Mr. Crowley said before you came into the room that he proposed to convene his over-all, entire agency committee in two or three days and see what they can do about these one, two, three, four, and five problem children.

Now, that's where the matter stands today. General Somervell held out no hope to us in the meeting, but he is going to look at the thing again.

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MR. CLAYTON: I take it, though, Mr. Willauer, that they can't say the last word on it until Mr. Crowley has this meeting of the committee and looks over the whole picture.

MR. WILLAUER: And the difficulty of that meeting will be, as Mr. Scheuer who is an expert on textiles can tell you, there are a lot of over-all problems that are going to have to be met in this over-all textile picture. There are problems as to Army specifications as to the amounts that are required for civilians, and other big problems. There has been talk, which you have heard about, of there being a world balance sheet on textiles. Mr. Scheuer says whereas we hope that will be ready by the end of this week, we are not at all certain, and I think he would rather get it two weeks from now--wouldn't you?

MR. SCHEUER: I would think so. I think it is only fair to say as you well realize, that the textile supply is the most difficult problem we face internationally all over the world, and we are pressed from all-out commitments in that regard. We are trying to press as much as we can.

MR. SOONG: Well, you see, Prague was just taken yesterday or the day before yesterday. This country that first got beaten up by the aggressor will be the last to be rescued. China is in that position. V-E Day is over but China still has to bear the brunt, you see, and therefore, I know the difficulties in your cotton textile program, and all that, but there is still a war to be won in China, and on that account I must request on the part of my Government--request that utmost consideration be given to what we require which is, really, a modest percentage of your whole production. I know there is need for civilians in Europe, too, but the war is won there and it's not won in China, and to let off these things it might cause it to go very badly. It might prolong the war indefinitely.

MR. WILLAUER: In that connection General Somervell did state that there is no question as to the vital military need for these textiles for China. He agreed with us on that.

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MR. SOONG: I suppose I would have to wait until you formulated the picture?

H.M.JR: Well, when Mr. Crowley left-I think I can speak for everybody in the room--we appreciate the seriousness of the situation and we are going to do everything possible--

MR. SOONG: Thank you.

H.M.JR: ...to find the maximum of textiles even up to the point of cutting down additionally on our own civilian supply, because that's where it will have to come from. General Somervell explained that, you know, better than I could, as we prepare our troops for the far East, cotton becomes more and more important. They are not going to wear wool, and instead of needing less cotton, they need more cotton, and the demand of the Army is not being fulfilled. The Army itself is short of its cotton textile requirements, so when we begin to look around, it may end up that we may have to either take away from some other country or take away from ours, but the will is here to do something, and we realize that nothing would help as much as if we could get you an adequate supply of textiles. I think I am talking for everybody. Is that right, Mr. Clayton?

MR. CLAYTON: Yes, sir, it is. We have done a lot of work, all of us, on this since you were in San Francisco, Dr. Soong, and the matter has been thoroughly explored with the Army. They understand the situation fully, and as Mr. Willauer said, they agree with us as to the urgency and importance of this matter of getting these textiles for China if we possibly can, and we haven't despaired of it. We are just telling you that it is extremely difficult, but we are still working on it, and we are hopeful that we will be able to accomplish something by the end of the week.

MR. SOONG: In the event of gold, Mr. Secretary, I would request for my Government that first the gold that you have already sold that you ship to us, and second, that gold should be given in enough quantity so that we could go on a cash basis, and on this sale of gold I am perfectly

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willing on the part of my Government to--in fact I would request--that there would be a representative of the United States Treasury sitting with us from day to day knowing our problems, advising us, and facing the situation, because I do feel myself, and I say it with full knowledge of the circumstances, that if we were to stop sales of gold, we would instantly create a very ugly situation in China financially.

H.M.JR: Well, we didn't propose that you stop the spot sale of gold, but we did suggest that you stop sale against future delivery.

MR. COE: May I add something to that on this forward sale of gold? As you know, there has been an accelerating sale so that it is going up. Now, you are doing it without the knowledge that it is coming there, and it is bound to create just the situation which has been created. That is, suddenly a whole series of commitments fall due. There is no discussion as to amount, quantity, or whether it can come.

MR. SOONG: We understood that until we heard from you that the gold is not available, we could go ahead. That's my position. That was the one thing that the Secretary of the Treasury in his letter--only one remark, "existing facilities for the transportation"--see, that is the one thing, and I wish to suggest to you that the facilities for transportation are there and if they are not, I could arrange it personally. So that condition does not exist. On the other hand, we have a terrible situation in China. I wish more of you could visit it, because it was ugly, and when I was there I had no sleep. Of course, I was on top of a volcano. I'm only the second person responsible for this situation, and Mr. Pei just pointed out to me that we were selling--if you had given us what gold you would have sold us, and I think we would revert to the policy of selling spot, and it would blot out large amounts of currency. It has blotted out large amounts of currency.

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The United States Army and our army in preparation for war are not decreasing minimum expenditures today. They are increasing. We are cutting the Army to three million five hundred thousand effective in September. In order to give our troops back the fighting qualities, we are giving them more food, not less, and it will cost more, not less.

MR. COE: I am sure you have given consideration, as we have, to the recent publicity out there. I have in mind the resolution of the peoples' political council.

MR. SOONG: There Adler will bear witness with me it was I who requested investigation when I found the sale of gold was being practically doubled. I ordered the investigation.

MR. COE: We understand that.

MR. SOONG: And you can take it from me that on my part I want to throw all my cards on the table. You can be assured from now on you will have that situation.

H.M.JR: Dr. Soong, why don't you take this document and study it a little bit and we will study your comments. You wouldn't expect to settle anything here today.

MR. SOONG: Yes.

H.M.JR: That would be too businesslike. That would be just on this financial thing.

MR. SOONG: On this financial thing--unless we are ready to talk on cotton textiles.

MR. ADLER: Well--

H.M.JR: We will be very glad if you gentlemen would care to attend. We issue you a cordial invitation.

(Dr. Soong, Mr. Pei and Mr. Ling leave the conference.)

H.M.JR: Tomorrow I am going to stick to the memo. I learned from my father if you sit long enough, you get somewhere. I am a great little sitter. I can sit. I

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set with Dr. Kung for five months and finally got a bargain, and it took me five months to settle the pay for the army.

MR. ADLER: It started in Bretton Woods and finished in November.

MR. SCHEUER: What assurance do we have of equitable distribution of commodities?

MR. WILLAUER: The Army said they would take on that job.

MR. SCHEUER: Of course, the percentage of textiles this represents is small in the total supply. It's very large as against our export movement and what the WPE has been willing to make available.

MR. COLLADO: I don't see how you can do as the General suggested, take it out of the other countries, because they don't have it.

H.M.JR: That's something out of my field, but certainly, I am not going to recede unless President Truman wants me to, because I will have a chance to see him tomorrow. Among other things, I am going to explain to him this thing. But if the story was ever told about what they did with the two hundred million bonds and the fifty million dollars, why, they would never get anything out of us. I mean, we have the actual list. We have the names of the people that bought and how much they owned. Is that right?

MR. COE: Yes. For that portion, for one-fourth of the total where they told us they never presented the rest for redemption.

H.M.JR: So I think when I see them at four o'clock tomorrow we will start, as far as the Treasury is concerned, just where we ended.

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MR. CLAYTON: There is a great difference between gold and textiles, Mr. Secretary, which you will recognize at once. Certain individuals can get all the gold but they can't wear all the clothes, and these textiles are desperately needed in China. I think they must be more needed there than any part of the world. There is no question about it.

H.M.JR: Excuse me. There is another difficulty in this thing. They ~~have~~ to own this gold, too.

MR. CLAYTON: Yes, I know. I don't doubt it.

H.M.JR: When he says he has private means of getting it over, what does he mean? What's he talking about?

MR. WILLAUER: He's got the National Aviation Company that can fly this.

MR. CLAYTON: There is no transportation problem on this.

MR. WILLAUER: There really isn't any. We are up to sixty thousand tons a month across the hump. Fifty-eight was the last ATC and if we add CNAC it would be sixty thousand and they expect to go to one hundred thousand.

MR. COLLADO: You only have one psychological factor, that, unfortunately, the pilots don't seem to have it through their heads that gold is somewhat remarkable stuff, and protect it. It's a psychological concern.

MR. WILLAUER: They have Chinese pilots that could do this actually.

MR. COE: It would have been a lot better if you had hurried up on those textiles. We are all for you there.

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MR. WILLAUER: Mr. Crowley said, "You people don't want to give them gold, but you all want me to give them textiles."

MR. COLLADO: Textiles would do some good.

H.M.JR: We don't say we won't give them gold. If it is the combined opinion here, it is very easy to loosen up, but everybody seems to agree we should sit tight. If anybody changes it, we are Americans. They don't talk reason; they flash the 1943 document on us.

MR. SCHUEER: And history has rapidly changed since then.

THE SECRETARY OF THE TREASURY
WASHINGTON

May 8, 1945

MEMORANDUM FOR DR. T. V. SOONG

1. This memorandum does not deal with the questions of textiles and trucks which were included in the program which was presented to this Government. The urgency of China's need for these items and their bearing upon inflation are recognized. They are omitted because our supply authorities are in the process of making an over-all determination of requirements and supplies and are not yet in a position to make a decision respecting China's requests.

2. We are agreed that any program to stabilize the currency and to check inflation should comprise a broad series of measures in the following categories:

- (a) Monetary and banking rehabilitation.
- (b) Foreign exchange stabilization.
- (c) Fiscal and administrative reforms.
- (d) Increase of supplies and improvement in their distribution.

3. We are anxious to give full support to an effective anti-inflationary program for China. It is therefore recommended that a Currency Stabilization Fund of \$500 million be constituted for this purpose from the remaining \$240 million of the United States loan to China and from China's existing dollar balances. Such an allocation of this remainder of the United States loan would be in strict accordance with the spirit and the letter of the 1942 financial agreement. The Fund would be set aside with firm mutual commitment on the part of China and the United States as to its purposes and availability.

It is envisaged that the uses to which this Currency Stabilization Fund would be put would be part of a broad concerted program for combatting inflation and for currency stabilization and these uses would be subject to joint agreement. The time at which the Fund's operations would start would be discussed at a later date.

The Treasury stands ready to advise and consult with the Chinese Government on the content and timing of such anti-inflationary and stabilization program. We are strongly of the opinion that the initiation of a Currency Stabilization Fund would strengthen the financial position of the Chinese



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Government and would inspire confidence both at home and abroad in its future economic and financial stability. The existence of such a Fund would give the Chinese people a real sense of security with respect to their ability to cope with their grave problems of reconstruction.

It should be noted that this proposal relates to only one portion of the foreign exchange assets presently available to China and that it would leave a relatively large amount of dollar exchange for helpful intermediate measures and for meeting China's current foreign exchange requirements.

4. We believe that the Chinese Government should terminate the program of forward sales of gold. As you know, the U. S. Treasury was not consulted when this program was initiated. In view of the difficulties of shipping gold, the limited effects of sales upon price rises in China, the public criticism of such sales and the desirability of using foreign exchange resources to achieve maximum effects, this program is ill-advised.

5. The Treasury will endeavor, as in the past, to make available limited quantities of gold for shipment to China during the next few months, having due regard to the need for restricting gold shipments where these endanger lives or use scarce transport facilities. However, in consideration of points 2 and 3 above, it is believed that further shipments should be financed out of foreign exchange assets other than those proposed to be earmarked for currency stabilization.

6. China should investigate and cancel sales to speculators and illicit purchasers and insure that only bona fide purchasers will receive such gold as is available. If gold arrivals are still not sufficient to meet past commitments, it is suggested that China may offer to place dollar credits (at about \$55 per ounce) for the time being from her existing assets to the accounts of purchasers of gold to whom she cannot temporarily make delivery.

7. It is most unfortunate that the impression has arisen in the United States that the \$200 million of U. S. dollar certificates and bonds and the gold sold in China have gone into relatively few hands with resultant large individual profits and have failed to be of real assistance to the Chinese economy.

May 8, 1945
2:50 P. M.

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HMJr: Hello.

Secretary
Stimson: Yes, hello, Henry.

HMJr: How are you, Harry?

Harry, has either McCloy or Lovett brought to your attention the status of this so-called revised 1067? -this directive to General Eisenhower?

S: On reparations?

HMJr: No, not on reparations.. on the military government.

S: Well, they may have a long time ago. I haven't heard of anything of any excitement lately.

HMJr: Well, I tell you -- it was given - this committee of which McCloy was one, we walked it over to the President on the 27th of April. The committee was in agreement, and then it went to American Chiefs of Staff. The thing is hung up on one item - the question of whether or not they should continue production of oil in Germany with a few remaining plants. Hello?

S: Yes.

HMJr: Now yesterday the proposal was put up to me that if I would agree to the postponement of this thing, the thing would be released. Well, I didn't like having a pistol held to my head.

S: Agreed to the postponement of what?

HMJr: Of destruction of oil plants in Germany. I just felt that I would appreciate it if you would have a look at it yourself because Mr. Clayton gave the Army the assurance that if they would pass this thing - and it was referred to this civilian committee, we would immediately give consideration to a request from General Eisenhower to postpone destruction of oil plants pending an investigation. Now having given Clayton having given that assurance on my part, it looks as though the Army didn't have very much confidence in my word.

S: Henry, I haven't heard a thing about it.

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HMJr: I know -- I asked General Hilldring, who called me today on behalf of General Marshall, and I asked him if it had got to you and he said it hadn't. And I would appreciate it if you could give General Hilldring five minutes on this. He has the entire story, and so has Lovett.

S: All right.

HMJr: It sounds like a tempest in a tea-pot, but the whole directive is being held up on this one matter.

S: Well... 1067?

HMJr: It's the revised 1067.

S: Well, what will I have to do with it?

HMJr: You?

S: Yes.

HMJr: Well, as Secretary of War, I mean, you can- and Lovett --- McCloy is your subordinate - you can say you want it to go forward to the President or you don't. It's waiting - the President is waiting to hear from the Army.

S: All right. I'll see what is the matter.

HMJr: It's a question of Clayton and myself having given the Army the assurance that if this goes forward we will immediately give a request - consideration to the request. But they put it the other way around yesterday. The word was that if we would go along with this exception, then the Army could find ways to clear the thing. And it left a very bad taste in my mouth.

S: Well, I don't -- I never heard of anything like that.

HMJr: Well, that's the way it was....

S: Well, all right, I'll see what's the matter.

HMJr: I would appreciate it.

S: All right, old man.

HMJr: It's a question of the Army - I mean itself.

S: All right.

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H.M.Jr: Thank you.
S: All right.

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May 8, 1946
4:20 p.m.

MEMORANDUM FOR THE PRESIDENT
STRENGTHENING FEDERAL FISCAL CONTROLS

Present: Mr. Gaston
Mr. Bartelt
Mr. O'Connell
Mr. C. S. Bell
Mr. D. W. Bell
Mrs. Klotz

(Discussion off the record)

MR. C.S. BELL: This is precisely what you asked for yesterday, but I don't think these gentlemen are all in agreement. They all have some reservations.

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

MR. C.S. BELL: Okay, sir.

(Reads first paragraph of attached Memorandum for the President.)

H.M.JR: May I interrupt? Would you say "in ^{my} any case," or "in the case of the Secretary of the Treasury?"

MR. C.S. BELL: That's one of the questions Bartelt raises. He thinks this should be a formal document and throughout it reference should be made to the Secretary of the Treasury.

H.M.JR: That's what I would like.

MR. GASTON: I think that is probably right.

MR. D.W. BELL: I question the eighty-five million, but then, that's a minor thing.

H.M.JR: That's a detail. I would like you to read it in the third person.

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MR. C.S. BELL: I think that was your only objection.

MR. BARTELT: Yes.

H.M.JR: Are you with us then if you make that change?

MR. BARTELT: I think the general idea is very good, but you have some ideas with respect to the overall--

H.M.JR: All right.

MR. C.S. BELL: (Reads rest of first paragraph)

H.M.JR: You don't say anything about taxpayers.

MR. C.S. BELL: I said "fifty million taxpayers."

MR. GASTON: I would cut out that sentence "fifty million taxpayers," and that intermediate sentence. It is not necessary if you jump to this "status of bondholders in their Government." Cut out that clause.

H.M.JR: And call them "shareholders." Have you a copy there, Bartelt?

MR. BARTELT: No sir.

H.M.JR: Go ahead.

MR. C.S. BELL: Mr. Gaston's suggestion is this: A substantial majority of the citizens of the United States may properly call themselves bondholders.

H.M.JR: Shareholders.

MR. GASTON: I think that if you read the sentence preceding and the sentence that follows--

MR. C.S. BELL: "...shareholder status more and more of our citizens are looking to their Government."

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MR. GASTON: If you look at the sentence preceding and the sentence following, I think you will see that it all hangs together.

MR. C.S. BELL: All right, we'll take that out. What time tomorrow do you want this?

H.M.JR: Ten o'clock.

MR. C. S. BELL: "Since I am charged with the responsibility for raising funds and accounting for expenditures--"

H.M.JR: Not since "I"

MR. C.S. BELL: I'll change that throughout. I'll go over the whole thing carefully and eliminate the first person.

H.M.JR: Would you?

MR. C.S. BELL: (Continues reading first page to "Federal ledger.")

H.M.JR: I would bring in the Congress of the United States and the Chief Executive.

MR. C.S. BELL: Chief Executive, Congress, American people--

MR. BARTELT: I raised the question there whether reference should be made to the American people. It seems to me you are serving more than the President.

H.M.JR: I like that.

MR. C.S. BELL: He said we are selling eighty-five million people bonds.

MR. BARTELT: I was thinking of the psychological end.

H.M.JR: I like that.

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MR. C. S. BELL: (Continues reading through "organizational improvements" on page 2.)

H.M.JR: I suggested that. That's an apology. I won't apologize. I would cut it out. I won't apologize.

MR. C.S. BELL: Cut it out. All right. (Reading second page through "unknown magnitude.")

H.M.JR: Do you think we need all that stuff? I am trying to make it briefer so he can cut it.

MR. GASTON: I think it's a little bit involved. It can be simplified considerably.

H.M.JR: I think that page there is just too much.

MR. C.S. BELL: Yes sir. That and that. (Indicating)

MR. D.W. BELL: I questioned it, too, whether we ought to put the Treasury in that position at this time saying that we would use fiscal policies for these purposes.

H.M.JR: Well, I would cut out those two paragraphs.

MR. C.S. BELL: All right, sir.

H.M.JR: I would cut them out. I want him to read this thing. I think you can start in from "My experience in the Treasury Department is strongly--" Let me read this thing, can I?

(Secretary reads through page three, the first paragraph.)

H.M.JR: I think that's good.

MR. GASTON: That idea is the basic idea on which the whole thing rests.

(Secretary reads the second paragraph on page three.)

H.M.JR: I think that's all right.

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(Reading) "The Office of the Secretary of the Treasury should carry the responsibility for over-all policy direction of Federal fiscal affairs."

MR. GASTON: I have a little question there. Your language is pretty strong, that over-all direction of Federal fiscal affairs is a function of the whole administration. It's a function of the President and there should be some bow to the President in there that as the Officers of the Government who should--

MR. C.S. BELL: Don't we say, "Under the Chief Executive?"

MR. GASTON: Yes, yes.

MR. D.W. BELL: Say, "The Secretary of the Treasury as a Cabinet Officer is responsible."

MR. C.S. BELL: That was Mr. Gaston's principal objection, sir.

H.M.JR: That's all right.

MR. GASTON: "A Cabinet officer responsible to the President for the supervision of the Administration."

H.M.JR: "The Secretary of the Treasury as a Cabinet Officer responsible to the President for--"

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MR. GASTON: "...supervision of the entire Administration fiscal program."

(Secretary continues reading page three through "Chief Fiscal Officer of the Government.")

Do you want to change that again?

MR. GASTON: Well, he is the Chief Fiscal Officer.

H.M.JR: (Reading) "...and place him in a position to exercise that degree of influence which is imperative to a cohesive Federal fiscal program." And I would say, "and relieve the President."

MR. C.S. BELL: Yes, sir.

H.M.JR: "And relieve the President of this multitude of agencies which are directly responsible to him--multitude of financial agencies."

MR. GASTON: Yes.

H.M.JR: "...and relieve the President of this multitude of financial agencies which are responsible to him."

MR. GASTON: "...and relieve the President of a direct supervision of a multitude of fiscal agencies."

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H.M.JR: I thought if it was agreeable to you, Henry Murphy could just stay here and sit with you. He has got an awfully clear head.

MR. C. S. BELL: Well, I have had Mr. Shick help me on this in our own office.

H.M.JR: If it is agreeable to you, I would like Henry Murphy to go over this. He is awfully good.

MR. D. W. BELL: He is good on language, but this is a little out of his bailiwick.

H.M.JR: No. Do you mind?

MR. C. S. BELL: No, sir, I will do just as you say.

H.M.JR: Have you any better suggestion, Dan?

MR. D. W. BELL: Bartelt. You have got a lot of expressions in there that I don't think ought to stand.

H.M.JR: Let's say that--I don't want to ask others to stay tonight, but I think Bartelt and Henry Murphy should stay and go over this thing so you can lick it into shape.

"While not presenting at this time a detailed analysis of the ramifications of the realignments I should like to see accomplished, I am indicating generally the agencies which I feel should, from the purely fiscal point of view, be tied into the Treasury Department for purposes of policy coordination and control. It should be made clear that it is not my desire to disturb the basic corporate patterns, regulatory and insuring controls or operational practices of such agencies. However, I do feel, as indicated below, that considerable organizational and administrative improvement can be accomplished through a reduction"--not only reduction, but economy--bring in the word economy, see.

MR. O'CONNELL: I hadn't thought that this would necessarily involve a reduction in the number of operating agencies.

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H.M.JR: Well, we have got a couple.

MR. D. W. BELL: It is all right to put in the thought that it might eventually result in a combination of a lot of them and bring about a reduction in the number--

MR. O'CONNELL: Ultimately.

MR. D. W. BELL: Yes, that is what I got from that sentence.

H.M.JR: "My suggestions embrace the extension of the Treasury Department's influence into these areas:

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

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

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

"My recommendations for accomplishing the necessary degree of integration in this wide area of work, while holding to a minimum the disturbance of existing organizational lines, fall into two major programs:

"I. The establishment of a top policy committee chair-manned by the Secretary of the Treasury and composed of assistant chairmen who will head subcommittees for specific functional areas."

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MR. C. S. BELL: I added two more there.

H.M.JR: I want a chart.

MR. C. S. BELL: It is right on the end, I think.

H.M.JR: It is not.

MR. C. S. BELL: Here it is right here. You want it to go to the White House, too?

H.M.JR: Yes.

MR. C. S. BELL: I will have it drawn.

H.M.JR: I told George Haas to do something for me.

MR. D. W. BELL: Do you want the chart of expenditures?

H.M.JR: Yes.

MR. D. W. BELL: It is ready.

(Secretary holds a telephone conversation with Mr. Haas.)

H.M.JR: I thought that would give the President some idea of the size of the thing.

MR. C. S. BELL: Yes, sir.

H.M.JR: "II. The centering of certain outlying, but closely related functions, in the Treasury Department."

Instead of saying, "Generally, my plan," say, "My plan, generally."

MR. C. S. BELL: I will eliminate that throughout.

H.M.JR: "Generally, my plan under program (I) is to have established eight principal subcommittees as follows: (1) Committee on Industrial Finance. (2) Committee on Agricultural Finance. (3) Committee on Foreign Finance. (4) Committee on Maritime Finance. (5) Committee on Money

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and Credit. (6) Committee on Housing Finance. (7) Committee on Public Works Finance. (8) Committee on the Federal Budget."

This is to help the President. This is the thing which would take the worry off your shoulders. This is to make it--instead of ten agencies looking to you, there would be one agency. I think that should be instead of--count them up, you have supervision of ten or fifteen agencies--you could look to one person to run the thing for you, see?

MR. C. S. BELL: Yes, I understand this will be a document in case the new Secretary of the Treasury--

H.M.JR: I think it should be made clear to him that he has a multitude of details and he hasn't the time to supervise them. He should look to one person who would do that for him. That isn't clear enough.

MR. C. S. BELL: Yes, sir.

H.M.JR: "The membership in, and in some instances the existence of a committee would depend at any given time on the Federal fiscal programs then in process, but we would have established a framework into which the bulk of Federal financing functions would fall. "Illustrative of the operating practice I contemplate this is: "That isn't quite clear, but I am not going to bother with the words. "Each of the subcommittees would meet once a week. In the case of Agriculture the Assistant Chairman would be Secretary Wickard, who in turn would meet with the Secretary of the Treasury's top committee at two week intervals. The same pattern would be followed with each of the other subcommittees from which would come a representative to serve with the top fiscal policy group.

"The top policy body, chairmanned by the Secretary of the Treasury, would be empowered to draw the controlling framework within which the respective operations are carried on. This group's decisions on broad policy should be final, subject of course to specific legislative requirements or presidential direction."

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I wouldn't say, "This group's decisions." Instead of saying "final," say it would be in the form of recommendations to the President of the United States, see. Instead of saying this is final, say, "These decisions will be in the form of recommendations to the President of the United States."

MR. D. W. BELL: They might not have to be. He might find it necessary to make the policies, because probably ninety percent of the stuff will come to the committee, and he will just approve it and let it go.

H.M.JR: I want to bring in the idea that the Secretary of the Treasury acts as his servant. I want to get that through, see.

MR. D. W. BELL: General direction of the President.

H.M.JR: Under the direction, see? Eddie, I mean be sure and get over to him when he reads it that it doesn't mean Morgenthau is setting himself up as a financial czar. I would like to say a dozen times, "Under the guidance or direction"--say it about a dozen times.

MR. GASTON: Yes, yes.

MR. BARTELT: Yes.

H.M.JR: Under the guidance, direction, or subject to--all that kind of stuff. Say it a dozen times to impress the President that I am only trying to assist him, to make it easier, make it more official, to economize.

(Mr. Murphy enters the conference.)

H.M.JR: It will mean better service to the taxpayers.

Henry, I hope you are not too tired. I have got a thing going to the President; and after it leaves here, I would like you to go over it a little with Charlie Bell and Mr. Bartelt. To be helpful, if you need transportation, they will send you home later on.

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Will you see that he is sent home?

MR. C.S. BELL: Yes.

MR. MURPHY: Thank you.

H.M.JR: This is something that has to be finished today. I won't bother to explain to you; you will get it.

MR. MURPHY: That is all right.

(Secretary completes reading draft.)

H.M.JR: I think with the help of these boys this is good enough, and that by tomorrow morning you people can come in here around ten o'clock and give me something. See?

I'll say nine forty-five.

MR. C.S. BELL: In the event you overlooked it, this brings in Alien Property Custodian into Foreign Funds and it omits reference to the Bureau of the Budget.

MR. D.W. BELL: No. It sets up a budget committee which very forcefully brings it to the front.

MR. C.S. BELL: The budget committee is no different than the Department of Agriculture committee, and we are not going to bring the Department of Agriculture into the Treasury.

MR. D.W. BELL: But you are going to bring the Secretary in over Budget policy.

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MR. C.S. BELL: This is a pure fiscal policy committee, but that was in the Secretary's little memo that he wrote out himself--those six committees.

MR. D.W. BELL: That raises the question and brings it right to the forefront, I think, where you have the most trouble, too, I think.

H.M.JR: Well--we'll have trouble. It is just that I am not going to have any trouble. I'm going to explain to the President of the United States. I think it is all right. Leave this thing, bringing the Bureau of the Budget in without moving the Bureau of the Budget back into the Treasury, leaving it apart.

MR. O'CONNELL: Without spelling it out, I think all through the document you are really changing it--really changing the relationship of the Bureau of the Budget to the President. It seems to me in a major part the document contemplates changing the status of the Bureau of the Budget.

MR. C.S. BELL: You do agree with the Carter Glass statement, and you wanted that in. We might omit that.

H.M.JR: I'd leave it in.

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MR. O'CONNELL: You have two things in there that I really question a bit. I don't know how essential they are to the theory of the document, but one is in connection with bringing in examining of banks functions which is now spread between FDIC and the Federal Reserve Board and the Comptroller's office, and the other is the Alien Property Custodian. Those two things have been up and up and up over a period of years.

H.M.JR: Look! This thing is dynamite any way you look at it. If President Truman wants to have a streamlined, modern, fiscal department with me as Secretary of the Treasury, I want to give it to him. I don't want to leave the thing out or say to him that any one of these things is difficult. Just because Mr. Crowley is there doesn't bother me one bit. The whole thing--I handed exactly the same thing to Mr. Roosevelt and nothing ever happened. I don't know if anything will happen to this, but I tell you, it is just like I am designing a house, and you say--well, I can't compare it, but it is like trying to please the client in order to get your plan across.

Now, I want to give him an ideal. There will be plenty of chiselling and whittling down.

MR. O'CONNELL: I hadn't thought that the document was ideal, and I only thought that the two things which I thought were details which could, without sacrificing anything in the document, be eliminated, and those two things were the proposal about consolidation of the examining functions of the national banks into the Treasury, and FDIC.

MR. D.W.BELL: Can that be done?

MR. CHARLES BELL: That is a good point. Those two things could be eliminated without injuring the mechanism.

H.M.JR: Which two changes?

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MR. CHARLES BELL: Alien Property Custodian and FDIC, and you could do that later by the process of an Executive Order.

MR. O'CONNELL: They are minor things.

H.M.JR: Okay. I am too tired.

MR. GASTON: There's an idea.

H.M.JR: I might even send a telegram to the District Attorney that lost the Chase case.

MR. O'CONNELL: I withdraw my objection if you will. (Laughter)

MR. GASTON: I think it might--

H.M.JR: How is your sense of humor? Did he go to Fordham?

MR. O'CONNELL: I imagine so. His name is McGohey.

H.M.JR: Okay.

MR. O'CONNELL: His name is Francis X. McGohey. He is all right.

MR. GASTON: I think it would be rather a good idea to say in this that you were up on the Hill a couple of years ago and advocated a combined committee which would be able to cover all fiscal functions of the government and yet then and now there is more defusion of fiscal supervision on this end of the avenue than on the other end.

H.M.JR: Bring that in.

MR. D.W.BELL: Didn't you suggest that there might be a committee to study this document?

H.M.JR: No.

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MR. D.W. BELL: Didn't you?

H.M.JR: No. The committee is President Truman.

MR. C.S. BELL: I think you named this committee.

MR. D.W. BELL: No. I thought you asked--you were going to suggest to the President that he set up a committee--

MRS. KLOTZ: A secretariat or something.

MR. D.W. BELL: No. That is in there.

H.M.JR: No.

MR. O'CONNELL: Isn't this the Murray bill really, in part--the Murray bill which requires the President to set up a national budget and do at this end of the avenue some over-all planning?

MR. D.W. BELL: Part of this--

MR. O'CONNELL: It inches into this, and I am saying it's good, but I think it is a part and parcel of that.

H.M.JR: The Murray bill was to make sixty million jobs.

MR. O'CONNELL: I know, but it doesn't stop there.

MR. GASTON: This would be a mechanism which could be used in connection with the Murray bill.

MR. O'CONNELL: We were debating in your office who in the Executive branch would be responsible for the Executive end of the Murray bill, and the question was the Bureau of the Budget or somebody else.

H.M.JR: This doesn't mean that anybody who wants to help Charlie Bell is not at liberty to do so, but I definitely want Eddie Bartelt and Murphy to stay until it is finished. But look! This is a hurry-up

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job and can't be perfect. I have something--the thing I have in mind is I want to bring to the President in about a month--when did Roosevelt die?

MR. D.W.BELL: April twelfth.

H.M.JR: And I want him to know that after twelve years I know what is the matter with the fiscal end of the government, and I'd like to tell him before somebody else does.

I don't expect much, but at least I want to lay it on his desk. That is all.

MR. CHARLES BELL: We'll leave out the Alien Property Custodian at the moment and FDIC.

H.M.JR: Bring in this thing about the Hill which is very important that Herbert brought in.

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MEMORANDUM FOR THE PRESIDENT

Subject: STRENGTHENING FEDERAL FISCAL CONTROLS

With the close of the war in Europe our Government finds itself faced with unprecedented domestic and international tasks that place burdensome and extremely challenging responsibilities on our executive leadership. In my own case I am confronted with the job of managing the largest public debt in the nation's history, a debt which is shared by some 85 million purchasers of Government securities, and some 50 million taxpayers. Thus, a substantial majority of the citizens of the United States may properly call themselves "bondholders" in their Government. Because of this shareholder status more and more of our citizens are looking to their Government for a comprehensive control on the financial affairs of the nation.

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

No Secretary of the Treasury can properly serve the Chief Executive or the American people during the trying post-war period of international rehabilitation and domestic reconstruction without maintaining a balanced policy direction over both sides of the Federal ledger. It is for this

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reason that I am calling your attention to certain basic weaknesses in the management of the Federal Government's fiscal and monetary affairs, and recommending to you a re-organization program aimed at the unification and correlation of related functions in this vast and vitally important area of Government activity.

I should like to make it clear at the outset that I have no personal reason for desiring to undertake an expanded functional responsibility. The suggestions I am advancing are made in the interest of what I believe to be logical and necessary organizational improvements based on twelve years of experience as the Secretary of the Treasury, and are applicable to the post no matter who holds it.

BACKGROUND ELEMENTS

Throughout this administration we have held as a national policy the view that the Federal Government's monetary force should be a dynamic and useful instrument for improving the total national well-being. The use of Federal fiscal power through the early years of this administration represented a significant widening of this Government's responsibility toward the individual citizen and the industrial and commercial plant of the nation. During the formative period, when new programs were conceived and brought into being rapidly to meet the exigencies of the times, it was often necessary to build new organizations on an independent footing. There was no time to appraise the functional relationships of programs already in existence. The critical need for relief through immediate action took precedence over any long-term organizational or program planning.

We have learned much from the earlier experience in using this Government's fiscal resources as a flexible tool for maintaining a healthy economy, and we must shortly face a testing of this knowledge and experience by applying it to complex new problems in the post-war years. Not only must we meet with untiring vigor the job of keeping our domestic industrial machine running smoothly, and at top speed, but we must also unequivocally shoulder international responsibilities of an heretofore unknown magnitude. These things we must do if we are to reap the fruits of a bloody and costly struggle.

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

At present there is no integrating force between the President, the Secretary of the Treasury, and the many separate agency authorities whose activity may have a significant impact on Federal Treasury policy. In brief, I believe that the components of Federal fiscal power should be knit together through the policy direction of the top fiscal officer.

The Office of the Secretary of the Treasury should carry the responsibility for over-all policy direction of Federal fiscal affairs. The need for bringing together all of the segments of Federal fiscal activity is great today and will become still more pressing now that the war in Europe is finished. We are on the threshold of the difficult task of preserving an appropriate balance between taxation, borrowing, lending and spending in a post-war world economy that will look to us for stimulus and example. Today the Secretary of the Treasury is unable to exercise policy direction in a wide area which is an important part of the United States fiscal program, but which is connected to the Treasury Department in nothing stronger than a bookkeeping sense. It is this deficiency which suggests a redrawing of top policy lines so as to establish the Secretary of the Treasury in the true role of the Chief Fiscal Officer of the Government, and place him in a position to exercise that degree of influence which is imperative to a cohesive Federal fiscal program.

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RECOMMENDATION

While not presenting at this time a detailed analysis of the ramifications of the realignments I should like to see accomplished, I am indicating generally the agencies which I feel should, from the purely fiscal point of view, be tied into the Treasury Department for purposes of policy coordination and control. It should be made clear that it is not my desire to disturb the basic corporate patterns, regulatory and insuring controls or operational practices of such agencies. However, I do feel, as indicated below, that considerable organizational and administrative improvement can be accomplished through a reduction in the number of agencies involved and certain functional mergers.

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

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

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

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

My recommendations for accomplishing the necessary degree of integration in this wide area of work, while holding to a minimum the disturbance of existing organizational lines, fall into two major programs:

I. The establishment of a top policy committee chaired by the Secretary of the Treasury and composed of assistant chairmen who will head subcommittees for specific functional areas.

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II. The centering of certain outlying, but closely related functions, in the Treasury Department.

Generally, my plan under program (I) is to have established eight principal subcommittees as follows: (1) Committee on Industrial Finance. (2) Committee on Agricultural Finance. (3) Committee on Foreign Finance. (4) Committee on Maritime Finance. (5) Committee on Money and Credit. (6) Committee on Housing Finance. (7) Committee on Public Works Finance. (8) Committee on the Federal Budget.

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

The top policy body, chairmanned by the Secretary of the Treasury, would be empowered to draw the controlling framework within which the respective operations are carried on. This group's decisions on broad policy should be final, subject of course to specific legislative requirements or presidential direction. In addition, the approval of the Secretary of the Treasury should be required on all financing, capital or borrowing, of corporations owned by the United States or in which it has a direct or indirect controlling interest.

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

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Under program (II) I have in mind working toward consolidations that I believe will bring about far-reaching administrative improvement and make possible the rendering of better service to the public as well as provide the Chief Executive with a central point of responsibility for the functionally interwoven agencies affected.

For example, I should like to see all of the Federal Government's insurance business centered in the Treasury Department under a new office of "Federal Insurance". This function is now scattered through such principal agencies as: Federal Deposit Insurance Corporation; Treasury's Comptroller of the Currency; Farm Credit Administration; Federal Crop Insurance Corporation; Federal Home Loan Bank; United States Maritime Commission, and the War Shipping Administration. In terms of practical operation the total financial resources of the Federal Government stand behind these insurance programs. The business of insurance underwriting is fundamentally the same regardless of the commodity covered, and for that reason the insuring agencies have, I believe, more in common with each other than with their present parent bodies.

Further, it seems eminently desirable to center in the Treasury's Bureau of the Comptroller of the Currency all bank examining functions that are currently carried on by such agencies as the Federal Deposit Insurance Corporation and the Federal Reserve Board. This would unify and strengthen the Federal Government's position in relation to the nation's banking system.

With regard to dealing with international problems of foreign property ownership and financial intelligence, I am urging that the Alien Property Custodian be merged with the Treasury Department's Foreign Funds Control. This entire area of work could be more effectively carried out by a single authority, and preferably an old line organization since many of the associated problems will unquestionably call for several years of constructive work.

In presenting these tentative proposals for what amounts to a substantial rearrangement of the Federal Government's fiscal and monetary operations, I am not unmindful of the

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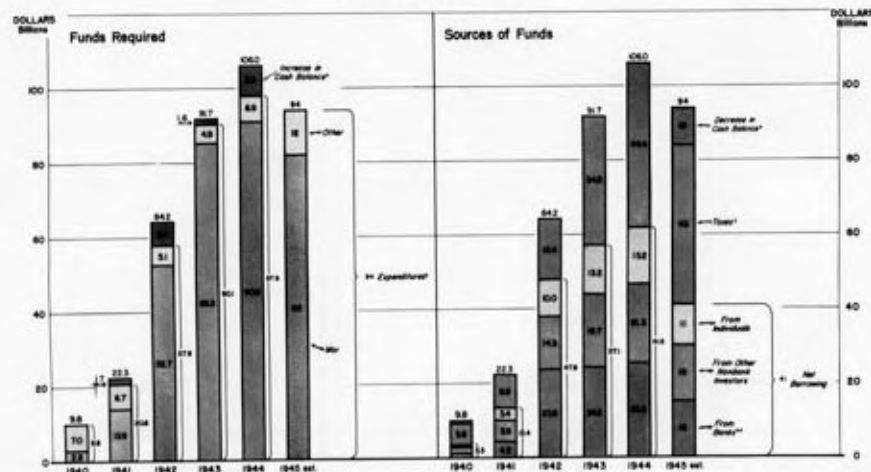
reasons behind the present organizational setup. Nevertheless, I think that you will agree that in a Government such as ours the job of perfecting our organization, and adapting it to the changing demands of growth and development is a never-ending undertaking. With respect to the position of the Secretary of the Treasury I am in full accord with Senator Glass when, as Secretary of the Treasury he said, "The responsibility for the preparation of the budget should be placed upon the President, and, in my judgment, he should meet this responsibility through the Secretary of the Treasury, the chief fiscal officer of the Government."

At this time I am not placing before you any executive orders or detailed organizational plans for the reason that I want first to secure your concurrence in the major policy changes. It is my belief that much of the program I have in mind can be accomplished without legislative action and, I hope, without engendering personal antagonisms. With your approval, I shall undertake to prepare the necessary executive orders and present to you in detail the make-up of the top fiscal committee and such related instruments aimed at coordinating and unifying our programs of finance as I feel are necessary.

Faithfully yours.

FEDERAL FISCAL SITUATION

Calendar Years 1940-1945



*Net change in General Fund adjusted for minor miscellaneous transactions
 **Includes net outlays for operations of Government corporations

Note: 1945 estimates are preliminary

*Comprises all net budget receipts
 **Commercial banks and Federal Reserve Banks

Office of the Secretary of the Treasury
 Bureau of Economic Warfare

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Memo. from Bell on call from
McConnell who would like
us to recommend an economic
adviser to Chief of Economic
Division under General Clay

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THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

May 8, 1945.

MEMORANDUM TO THE SECRETARY

Bob McConnell called this morning to advise us that he was looking for an economic adviser to the Chief of the Economic Division under General Clay. He said he had thought that the Treasury, State, F.E.A. and the Federal Reserve Board should be interested in the calibre of the individual who is appointed to this position. He would like for us to give it some consideration and let him have the name of anyone we would care to recommend.

sub

Copies to: Mr. Coe
Mr. Dubois



DEPARTMENT OF STATE
Washington

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In reply refer to
WRB 701.5864/4-1248

May 8, 1948

My dear General O'Dwyer:

I have received your letter of April 12, 1948, addressed to the Secretary of State with respect to the concern of the War Refugee Board in the fate of Raoul Wallenberg, Special Attache to the Swedish Legation in Budapest and advising of Secretary Morgenthau's personal interest in Mr. Wallenberg's welfare.

The War Refugee Board has received paraphrases of all the cables to and from Stockholm and Moscow which unfortunately have failed to produce any news of Mr. Wallenberg's whereabouts. As you may have already noted, a cable was dispatched on April 30, 1948, to our representative in Hungary requesting General Key to ask the Soviet military authorities for information concerning Mr. Wallenberg's whereabouts and expressing the concern of this Government in his welfare because of meritorious activities in protecting Jews from persecution by the German and Hungarian Nazis. I shall advise you immediately of the contents of the reply to this further inquiry as soon as it has been received.

Please assure Secretary Morgenthau that the Department will pursue the inquiry concerning Mr. Wallenberg as long as any possibilities of information remain to be explored.

Sincerely yours,

/s/ George L. Warren

George L. Warren
Adviser on Refugees and
Displaced Persons

Brigadier General William O'Dwyer
Executive Director
War Refugee Board
Treasury Department
Washington, D. C.

281

Ther. J. J. J. - 3400
Setting Morgenthau
may be interested in
this.

HL.

MRS. BIEL

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 8, 1945

TO Secretary Morgenthau (for information)

FROM Mr. Coe

Subject: Purchases of \$200 million of savings certificates and bonds.

1. Attached hereto is table giving names of principal purchasers of U. S. savings certificates. It is based upon analysis of \$43 million of savings certificates presented for payment out of total issue of \$100 million. The analysis reveals that 86 individuals or organizations or less than 2% of the total purchasers accounted for about \$28 million or about 70% of the total.
2. Names of purchasers of the \$100 million of ten year bonds are not available since the bonds have not yet matured. However, it is certain that the ownership of the bonds is even more concentrated than that of the certificates as \$90 million were sold in three days. Both Adler and Friedman were informed by Ambassador Gauss that he, Ambassador Gauss, has it from a reliable source that Madame Chiang Kai-shek and Madame Kung had between them purchased \$50 million of these bonds.

Principal Purchasers of U.S. Dollar Savings Certificates
(Thus far our investigation has covered only \$43 million of the total issue of \$100 million)

Purchasers

Amount
(thousand dollars)

T.V. Soong and affiliates

\$4,130

China Sugar Refining	154,518
Nanyang Bros. Tobacco	171,017
China Insurance Co.	349,911
Yu Foong Cotton Mill	126,785
Yu Hua Cotton Spinning	370,880
Bank of China, Burma Agency	107,081
Bank of Canton, San Francisco	1,289,841
Bank of China	642,053
Soong, T.A.	228,105
China Development	690,220

K.P. Chen and affiliates

\$4,000

Shanghai Commercial Bank	1,088,193
Lee Dong Chum	262,498
Foh Sing Flour Mill	109,296
Tsang, C.	983,890
Bang How	257,697
Dah Hwa Cotton Spinning	561,472
Sung Sing Cotton Mill	697,915

H.H. Kung and affiliates

\$1,600

Yangtze Trading Corp.	334,823
Yu Hwa Commercial	175,138
Bank of Communications	115,024
Central Bank of China	154,533
Central Trust Company India office	177,121
Kung, Rosamond	151,443
Chao, C.N.	451,411

Wei Tao-Ming

\$ 134

K.C. Li

\$ 189

284

- 2 -

285

PurchasersAmount
(Thousand dollars)

<u>Hsu Kan and affiliates</u>		\$ 124
C.L. Tung	123,627	
<u>Tu Yueh-seng and affiliates</u>		\$ 412
Shasi Cotton Spinning	103,022	
Commercial Bank of China	309,066	
<u>Lung Yung and affiliates</u>		\$ 368
Y.T. Miao	264,984	
Kunming Bank	103,022	
<u>K.P. Hu and affiliates</u>		\$ 207
Hwa Hsin Cement and Co.	103,022	
China Automotive Co.	104,258	
<u>T.L. Soong and affiliates</u>		\$ 280
China Products Trading Corp.	280,221	
<u>Chang Nai-chi and affiliates</u>		\$ 114
N.C. Chang	113,530	
<u>Li Ming and affiliates</u>		\$ 295
Chekiang Industrial Bank	295,427	
<u>Yu Ya Ching</u>		\$ 103
<u>Patrick Sun</u>		\$ 104
<u>Yang Brothers and affiliates</u>		\$ 149
Chu Hsin Chen Bank	149,371	

CHINESE EXPORT TEXTILE REQUIREMENT POSITION
AS OF MAY 1946.

Nothing built on
5-8-46

	Yards @ 8,000 yds per ton	Yards @ 8,000 yds per ton	Tons @ 8,000 yds per ton	Tons @ 10,000 yds per ton
1. Total Import Requirement as stated by Chinese through June 30, 1946		320,000,000	40,000	40,000
2. Requirement for delivery in China December 31, 1946		176,000,000	22,000	22,000
3. Deduction from requirement due to lack transportation space across Hump (Total transport available during 1946 is 21,000 tons)	8,000,000		1,000	1,000
4. Adjusted 1946 requirement		<u>168,000,000</u>	<u>21,000</u>	<u>21,000</u>
5. Amount presently in sight to meet requirement:				
a) Allocated in 3 FEA requisitions from U.S. first and second quarter production (M.B. Contracts have not yet been let)	6,800,000		775	620
b) 3,200 tons of Chinese textile stocks currently moving into China from India	25,600,000		3,200	3,200
6. Balance of 1946 requirement needing further action		<u>136,200,000</u>	<u>17,025</u>	<u>19,180</u>
7. Steps now being taken to meet the 136,000,000 yard balance:				
a) Attempt to purchase from current Brazilian wholesale and retail stocks (this is a mere "guess estimate")	8,000,000		1,000	800
b) Suggestion that U.S. ARMY & FEA furnish immediate stock of 10,000,000 yards on 80/80 basis. This needed to assure continuity of follow up of program already started by the 3,200 tons (25,600,000 yards) of India stock	10,000,000		1,250	1,000

- 2 -

	Yards @ 8,000 yds per ton	Yards @ 8,000 yds. per ton	Tons @ 8,000 yds per ton	Tons @ 10,000 yds per ton
7. a) FBA request for 35,000,000 yards allocation by WPS from third and fourth quarter. Only third quarter of 17,500,000 yards can be delivered against calendar 1945 requirement. Allocation will not be fixed until WPS meeting May 18 and probably will require directive of highest level.	17,500,000		2,187.5	1,780
d) Brazilian 40,000,000 yards and Mexican 25,000,000 yards CPFB recommendation for China ("allocation") cannot be counted on at all for China delivery in calendar 1945.				
8. Balance requirement on which no action has currently been taken. This requirement must be filled out of second and third quarter production in order to be delivered as part of 1945 program		100,700,000	12,587.5	15,650

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ASSISTANT SECRETARY OF STATE
WASHINGTON

May 8, 1945

PERSONAL

Dear Henry:

I have to be on the Hill at 1:30 for a very important meeting which ought not to take over thirty minutes, but it might take a little longer and I might be a little late at my 2:15 meeting in your office. I have asked Mr. Collado to attend and I will come in just as quickly as I can.

Meantime, I enclose a memorandum on the textiles which T. V. Soong sent me.

Sincerely yours,

will
W. L. Clayton

Enclosure

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

289

CHINA'S TEXTILE REQUIREMENTS FOR 1945

	<u>TONS</u>	<u>TONS</u>
Transportation capacity at an average of 3,000 tons a month for 7 months - May to December, 1945	<u>21,000</u>	<u>21,000</u>
<u>Quantity Available:</u>		
(1) Two F. E. A. Requisitions (Already Secured)	700	
(2) Stocks from India. (Shipments completed April / May)	<u>3,200</u>	3,900
<u>Balance Required:</u>		
(1) 5 million yards from U. S. Army to be matched by 5 million yards from F. E. A.	1,000	
(2) Allocations from F. E. A. portion of U. S. second half of 1945 production. (Hoped for, but far from being certain.)	3,500	
(3) Additional allocation from U. S. second and third quarters of 1945 production.	6,500	
(4) Loan from 1945 stocks for delivery in China in 1945 (which will be repaid by purchases in Brazil and Mexico) which can be expected to be delivered in U. S. in 1945, but cannot be delivered in China during 1945.	<u>6,100</u>	<u>17,100</u>
TOTAL:	<u>21,000</u>	<u>21,000</u>

290

CHINA'S TEXTILE REQUIREMENTS FOR 1945

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TOTAL:	<u>21,000</u>	<u>21,000</u>

291 ✓

May 8, 1945.

My dear Harry:

It is to your great glory that you have had a vital part in planning and organizing victory and in maintaining the public confidence and the national effort to make it possible.

I give you my most earnest congratulations on the wonderful result.

I have been proud to work with you and shall be proud to give you any further help I can in the remaining part of the big job.

Sincerely,

(Signed) Henry

The Honorable Henry L. Stimson
Secretary of War
Washington 25, D.C.

HEG/mah

292

May 8, 1945.

My dear General Arnold:

The words of the conquered are vindication for you and for the great President who so tragically left us a few days ago. You worked and fought together for more and more air power.

You and I can remember when Franklin Roosevelt's plea for 50,000 planes was ridiculed. I won't try to count the thousands more that he and you sought and got and had to have for victory in Europe.

I thank you and congratulate you on your great part in getting the machines and the men and training and directing our glorious army of the air.

Sincerely,

(Signed) H. Morgenthau, Jr.

General Henry H. Arnold
Commanding General, Army Air Force
War Department
Washington 25, D.C.

HEG/mah
WEG

293

May 8, 1945.

My dear Admiral King:

I offer you my congratulations on victory in Europe and also the thanks that every American owes you.

Many of us in taking just pride in the great accomplishments of our armies may forget momentarily that the Navy had to master the seas before we could begin to march toward victory.

You have a task even more stupendous in the struggle that lies ahead. I have a personal stake in that too and I wish you Godspeed.

It has been a pleasure and it will continue to be a pleasure to me to work with you.

Sincerely,

(Signed) H. Morgenthau, Jr.

Admiral Ernest J. King
Fleet Admiral
Navy Department
Washington 25, D.C.

HEG/mah
WEG

✓
294

May 8, 1945.

My dear General Marshall:

I congratulate you on the victory, but I feel it is more to the point to thank you as all Americans must be thanking you today.

None of us will soon be able to find words to describe the stupendous things that have been done or the meaning of our triumph. But we do know that you have planned and trained and directed a huge citizen army to reach with sure steps the first great objective of the greatest national effort we have ever made.

It has been a privilege and a pleasure for me to work with you so far. I want to be able to help you further to the point where we can all go back to normal living again.

I wish you for all our sakes good fortune in the work still ahead.

Sincerely,

(Signed) H. Morgenthau, Jr.

General George C. Marshall
Chief of Staff
War Department
Washington 25, D.C.

HEG/mah
W-9✓
295

May 8, 1945.

TELECOMMUNICATION TO:

General Omar N. Bradley
12th Army Group

I salute with gratitude a great military leader of a great citizen army in this hour of victory which all mankind shares.

Henry Morgenthau, Jr.

(Initialed) H. M. Jr.

296

May 8, 1945.

TELECOMMUNICATION TO:

General Dwight D. Eisenhower
Supreme Headquarters Allied Expeditionary Force
France

In this hour of victory I salute with gratitude
and with most sincere congratulations the great leader
of a great army of freedom which has won back liberty
for mankind.

Henry Morgenthau, Jr.

(Initialed) H. M. Jr.

297

May 8, 1945

TELECOMMUNICATION TO:

General George S. Patton, Jr.
Commanding General
3rd U. S. Army

I salute with gratitude a great military leader
of a great citizen army in this hour of victory which
all mankind shares.

Henry Morgenthau, Jr.

(Initialed) H. M. Jr.

298 ✓

May 8, 1945.

TELECOMMUNICATION TO:

General Carl Spaatz
Commanding General
U. S. Strategic Air Forces in Europe

With gratitude for your great leadership I
send my congratulations to our glorious soldiers of
the air without whom the victory we celebrate could
not have been won.

Henry Morgenthau, Jr.

(Initialed) HMP

299 ✓

May 8, 1945.

TELECOMMUNICATION TO:

Lieutenant General James H. Doolittle
Commanding General
Eighth Air Force

With gratitude for your great leadership I
send my congratulations to our glorious soldiers of
the air without whom the victory we celebrate could
not have been won.

Henry Morgenthau, Jr.

(Initialed) HMP

FROM:
TO:
DATED:
NUMBER:

PARAPHRASE OF TELEGRAM RECEIVED

*Copy to 300 ✓
D. Bell -*

American Embassy, Rome
Secretary of State, Washington
May 8, 1945
1203

SECRET

US URGENT

Attention of Morgenthau for TSCA.

In strictest confidence and without the authorization of his government, the Italian Minister of the Treasury has informed the Embassy that at La Fortezza in the province of Bolzano twenty-two (22) tons of Italian Gold have been located.

KIM

DC/L:MAS:RAS

5-8-45

*pp-
301-302*

*These pages, the memorandum to T.V. Soong,
have been moved next to the conference
with Dr. Soong - to pp. 249-250.*



LONG DISTANCE TELEPHONE NATIONAL 1-2-3-4
CABLE ADDRESS AFL.

AMERICAN FEDERATION OF LABOR

Executive Council

President, Walter Reuther

Secretary-Treasurer, George Meyer

A. F. of L. Building, Washington, D. C.

First Vice-President, Walter L. Brown

Executive Bldg., Indianapolis, Ind.

Second Vice-President, Bernard W. ...

400 Lexington Ave., New York, N. Y.

Third Vice-President, Joseph H. ...

400 Main St., Boston, Mass.

Fourth Vice-President, ...

1000 Broadway, New York, N. Y.

Fifth Vice-President, ...

1000 Broadway, New York, N. Y.

Sixth Vice-President, ...

1000 Broadway, New York, N. Y.

Seventh Vice-President, ...

1000 Broadway, New York, N. Y.

Eighth Vice-President, ...

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Ninth Vice-President, ...

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Tenth Vice-President, ...

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Eleventh Vice-President, ...

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Twelfth Vice-President, ...

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Thirteenth Vice-President, ...

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Fourteenth Vice-President, ...

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Fifteenth Vice-President, ...

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Sixteenth Vice-President, ...

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Seventeenth Vice-President, ...

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Eighteenth Vice-President, ...

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Nineteenth Vice-President, ...

1000 Broadway, New York, N. Y.

Twentieth Vice-President, ...

1000 Broadway, New York, N. Y.

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Thirty-seventh Vice-President, ...

1000 Broadway, New York, N. Y.

Thirty-eighth Vice-President, ...

1000 Broadway, New York, N. Y.

Thirty-ninth Vice-President, ...

1000 Broadway, New York, N. Y.

Washington 1, D. C.

May 8, 1945

To All Members of the American Federation of Labor:

V-E Day is cause for deep rejoicing, but the Workers of America cannot relax their effort yet. Half the job of winning the war — the most important half — is now over, but a great deal of hard fighting and hard work still lies ahead before Japan is conquered and world peace restored.

American soldiers of production cannot afford to pause or falter until the entire job is completed and final victory achieved. Nor can they afford to stop buying War Bonds.

I call upon all members of the American Federation of Labor to hold fast to the War Bonds they have already bought and to increase purchases to the limit of their ability during the coming Seventh War Loan drive so that we can cap victory in Europe with victory over Japan this year.

Fraternally yours,

William Green

William Green
President
American Federation of Labor

5/17 - original to Gambie

304 ✓
SAVE

HEADQUARTERS UNITED STATES ARMY FORCES, PACIFIC OCEAN AREAS
OFFICE OF THE COMMANDING GENERAL
APO 938

In reply refer to:
CGPOA 127/562

8 May 1945

The Honorable Henry Morgenthau, Jr.
Secretary of the Treasury

My dear Mr. Secretary:

Your letter of 4 May 1945, is hereby acknowledged with thanks.

The Seventh War Loan Drive in my command consists of a payroll savings campaign, which was begun 1 April 1945, and a drive for cash sale of war bonds, which was begun on 9 April 1945. Every effort is being made, both among military personnel and civilian employees of the War Department, to make the Seventh War Loan Drive the most successful yet by the United States Army Forces in the Pacific Ocean Areas.

In addition to the drive among personnel of my command, active support is being given by my command to the drive being conducted by the Treasury Department War Finance Committee among civilians in the Hawaiian Islands. Army personnel with distinguished combat experience as guests, WACs as ushers, WAC officers as war bond sales teams, Army bands for entertainment, and Army cameramen for news coverage are being made available to the War Finance Committee for its Seventh War Bond rally in Honolulu. It is hoped that this support will aid the people of the Hawaiian Islands in continuing their nationally recognized, excellent participation in the War Loan Program.

I assure you that you may count on my continued support in your most important task of raising funds with which the instruments of war may be obtained and placed in the hands of our armed forces for the final destruction of our enemies in Japan.

Sincerely yours,

ROBERT C. RICHARDSON, Jr.
Lieutenant General, U.S. Army
Commanding

Paul #3



Office of the Attorney General
Washington, D.C. 25

May 8, 1945

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

My dear Mr. Secretary:

I appreciate very much your letter of May seventh, asking me to convey to Mr. Stephens your appreciation for his work in the case which resulted in the conviction of Robert Gould. I know how pleased Mr. Stephens will be.

Sincerely yours,

Francis Biddle
Francis Biddle

305

Congress of Industrial Organizations



718 Jackson Place, N. W. Washington 6, D. C.

OFFICE OF
THE PRESIDENT

EXECUTIVE 8881

6
VE Day 1945

Victory in Europe has been won. V-E Day has come at last. The war into which Hitler plunged the world in order to take freedom away from everybody but Nazi Germans is over. There will still be much fighting against desperate guerrilla bands, and many of our fighting men in Europe must still lose their lives, but the world is at last saved from the Nazi menace.

Japan is not yet conquered and there is still a tremendous mop-up job to be done in Europe. The courage, patience and superb fighting qualities of our sons and brothers in the fighting forces must still be backed up on the home front. This is no time for us to quit buying War Bonds. For many months yet ahead of us, we must help to meet the payrolls and to pay the food and supply bills of those great fighters of whom we are so justly proud.

I therefore urge all loyal CIO members to maintain and increase their War Bond purchases. It is important that as the boys begin streaming back from Europe - as they will shortly - and later coming back from the Pacific, they find a maximum number of War Bonds piled up to await their return and to help the difficult change-over to a peacetime basis. Therefore, hold on to the War Bonds you have already bought, increase your payroll allotment and buy as many more as you can.

Philip Murray
Philip Murray,
President

FOREIGN ECONOMIC ADMINISTRATION

Washington, D. C.

May 8, 1945

MEMORANDUM

To: The Hon. Henry Morgenthau
From: Herbert Tillett
Director of Research and Reports
Office of General Counsel
Subject: Monthly Reports on Lend-Lease Operations

Transmitted herewith are copies of Executive Reports on lend-lease operations as of March 31, 1945.

CONFIDENTIAL

Lend-Lease Operations
Executive Report No. 1ALLOCATIONS, OBLIGATIONS AND EXPENDITURES
LEND-LEASE FUNDS APPROPRIATED TO THE PRESIDENTReport as of March 31, 1945
(Thousands of Dollars)

Appropriation Category	Adjusted Appropriations	Cumulative to March 31, 1945		
		Allocations	Obligations	Expenditures
Ordnance and Ordnance Stores	1,453,605	1,438,005	1,383,954	1,309,802
Aircraft and Aero. Material	2,447,463	2,437,292	2,356,415	2,207,272
Tanks and Other Vehicles	764,273	763,974	713,510	699,828
Watercraft	4,183,875	4,115,614	3,853,479	2,906,906
Misc. Military Equipment	292,979	287,979	268,291	264,908
Production Facilities	1,087,688	1,079,640	1,058,612	1,011,975
Agric. and Indust. Commodities	16,580,589	16,577,935	13,884,281	11,586,982
Servicing, Repair of Ships, etc.	790,818	755,007	663,095	475,774
Services and Expenses	475,000	421,712	340,969	299,662
Administrative Expenses	33,208	31,436	30,755	30,289
Total	28,209,498	27,909,194	26,553,761	20,353,398

Procuring Agency	Cumulative to March 31, 1945		
	Allocations	Obligations	Expenditures
War Department	5,432,620	5,213,666	4,912,499
Navy Department	4,306,566	3,496,162	3,183,222
Maritime Commission and War Shipping Admin.	4,141,437	3,845,461	2,380,249
Treasury Department	6,086,775	4,982,374	4,237,988
Department of Agriculture	7,858,006	6,951,765	5,617,482
Other	83,990	63,933	21,958
Total	27,909,194	26,553,761	20,353,398

Foreign Economic Administration
Office of General Counsel
Division of Research and Reports
May 1, 1945

0-5082 21 of 2 copies

CONFIDENTIAL

Lend-Lease Operations
Executive Report No. 2

STATEMENT OF LEND-LEASE AID

Report as of March 31, 1945
(Thousands of Dollars)

Type of Aid	Cumulative to		Month of	
	Mar. 31, 1945	Feb. 28, 1945	March 1945	Feb. 1945
Goods Transferred	34,807,191	33,813,426	993,665	1,406,192
Servicing, Repair of Ships, etc.	557,593	544,887	12,706	6,970
Rental of Ships, Ferrying of Aircraft, etc.	2,868,958	2,921,826	- 52,868	48,211
Production Facilities in U. S.	634,027	637,743	- 3,716	7,054
Miscellaneous Expenses	104,028	101,727	2,301	- 6,716
Total Services	4,164,606	4,206,183	- 41,577	55,519
Total Goods and Services	38,971,797	38,019,709	952,088	1,461,711

Data on Goods Transferred include value of goods procured from lend-lease appropriations to the President and to the War and Navy Departments.

Type of Aid	Cumulative to March 31, 1945				Total
	Br. Empire	China	U.S.S.R.	Other	
Goods Transferred	24,855,865	290,649	8,592,297	1,068,380	34,807,191
Servicing, Repair of Ships, etc.	381,157	1,896	125,004	- 49,536	557,593
Rental of Ships Ferrying of Aircraft, etc.	2,193,095	15,778	406,990	253,095	2,868,958
Production Facilities in U. S.	-	-	-	-	634,027
Miscellaneous Expenses	52,925	1,223	7,495	42,385	104,028
Total Goods and Services	-	-	-	-	38,971,797

Foreign Economic Administration
Office of General Counsel
Division of Research and Reports
May 1, 1945

0-5082 22 of 2 copies

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CONFIDENTIALLend-Lease Operations
Executive Report No. 3

LEND-LEASE GOODS TRANSFERRED

Report as of March 31, 1945
(Thousands of Dollars)

	Cumulative to March 31, 1945				
	Br. Empire	China	U.S.S.R.	Other	Total
Ordinance (Excl. Ammunition)	898,608	16,692	299,732	40,748	1,255,780
Ammunition and Components	1,977,281	26,131	469,859	94,378	2,567,649
Aircraft	3,347,451	93,409	1,054,119	185,892	4,680,871
Aircraft Engines, Parts, etc.	1,889,565	34,686	333,528	63,107	2,320,886
Tanks and Parts	2,756,456	3,668	602,263	53,835	3,416,222
Motor Vehicles and Parts	832,310	28,503	976,758	29,796	1,867,367
Warcraft and Parts	2,836,261	447	340,637	260,720	3,438,065
Foods	3,108,674	3,279	1,499,274	59,960	4,671,187
Other Agric. Products	728,835	543	24,836	418	754,632
Machinery	773,663	13,042	1,167,277	19,617	1,973,599
Metals	1,210,953	13,776	714,495	62,988	2,002,212
Petroleum Products	1,790,539	2,872	83,543	13,421	1,890,375
Miscellaneous Materials and Manufactures	2,705,269	53,601	1,025,976	183,500	3,968,346
Total	24,855,865	290,649	8,592,297	1,068,380	34,807,191

Foreign Economic Administration
Office of General Counsel
Division of Research and Reports
May 1, 1945

3:30 p.m.
May 8, 1945

3:30 p.m.
May 8, 1945

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CABLE TO AMERICAN EMBASSY, LONDON, FOR NAME, FROM THE WAR REFUGEE BOARD

Please deliver the following message to Harold P. Linder, 112 Regent Street, London, S.W.1., England, from Paul Haerwald of American Jewish Joint Distribution Committee:

QUOTE FOLLOWING IS THINKING OF COMMITTEE RESPONSE YOUR MEMORANDUM APRIL TENTH YOUR CABLE ZIFT WE EXPECT REPATRIANT HERE \$200,000 ANY DAY AND WILL INFORM YOU WHEN RECEIVED STOP FULLY AGREE YOUR STATEMENT TO COMMITTEE THAT TOTAL \$400,000 MUST BE RETURNED NEW YORK FOR DISPOSITION BUDGET COMMITTEE STOP WE APPRECIATE YOUR LONG CONTINUED EFFORTS TO HAVE THESE FUNDS RETURNED AND TAKE FOR QUANTIE THERE MUST BE VALID REASONS FOR YOUR PRACTICAL PROMISE STOP YOU REALIZE OUR APPROPRIATIONS ARE NOT GENERALLY ON BASIS NATIONALITY OUR BENEFICIARIES AND WE HAVE DOUBTS WISDOM MAKING THESE DISTINCTIONS OR CREATING PREPOTENTIAL POSSIBILITIES FOR ONE GROUP AGAINST ACTUAL NEEDS OTHER NATIONALS STOP ALTHOUGH NOT CLEAR WHO WOULD HANDLE DISTRIBUTION WE ANTICIPATE ADMINISTRATION THESE FUNDS WOULD CREATE MANY DIFFICULTIES AND THEREFORE SUGGEST YOU DISCUSS MATTER WITH SCHWARTZ REGARDING PRACTICAL ASPECTS. UNQUOTE

THIS IS WEB LONDON CABLE NO. 72

3:30 p.m.
May 8, 1945

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May 9, 1945
9:30 a.m.

GOLD TO CHINA

Present: Mr. D. W. Bell
Mr. Coe
Mr. Adler
Mr. Friedman
Mrs. Klotz

H.M.JR: Look, you people, I think should be severely criticized for letting me go into court and try my case before T. V. Soong, and the letter of July 27, 1943 where I gave the Chinese Government a firm commitment on two hundred million dollars worth of gold--I think it's inexcusable. After all, you were so worried about saving face, what about my face? I have given, in writing, the Chinese Government a firm commitment that they can have two hundred million dollars worth of gold and you--I don't remember it, I can't remember it. I do ten things a day. Hell comes in here and in three minutes we settle ten billion dollars worth of financing, and it's impossible for me to remember, and you put me in an absolutely dishonorable position, and I think it's inexcusable. I think it's absolutely inexcusable to have me bargaining and chattering around when right here in writing is this thing.

MR. COE: Mr. Secretary, in this proposal to the Chinese we did not say that we would not give them the gold.

H.M.JR: That has nothing to do with it. I am facing the Acting President of China, and here I am put in the position that I am bargaining with him about something that I gave my commitment he could have. Now, in this world, and certainly Government to Government, a person's word, and particularly his written word, means something. One of you three should have said, "Now remember, Mr. Secretary, on July 27th, 1943, you told them they could have it. Now, do you want to bargain with them about it?" You are so worried about his face. What about my face? What about the honor of this Government? I think it's inexcusable.

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MR. BELL: Can't they still get the two hundred million dollars over and above the five hundred million dollars?

H.M.JR: That isn't the point.

MR. BELL: They could still get it under the memo, couldn't they?

MR. COE: Yes.

H.M.JR: Oh, yes! That isn't the point. Now I was worried last night wholly independent of this, and anything else, and I figured these people were being kicked around from pillar to post and I was worried. Will Clayton called me twenty minutes to nine and asked if he could see me. I told him yes and he dashed over to the Navy Department to sit there waiting to see me and he brought this stuff here to show me, and I promised to give it back to him. He was very nice about it as a friend, but in talking this morning with Forrestal and King I wanted figures so I could talk about the Seventh War Loan. I got nothing, so I got them on China, and Admiral King tells me that the Chinese are doing much better. He couldn't talk about it, but General Wedemeyer has to do just what they wouldn't let General Stilwell do, and they are really getting somewhere, and they are really fighting and moving. This is all confidential, this stuff out of Burma, and they are going to have eleven or twelve Chinese Divisions fighting against the total number of British Divisions of six, and they are good Divisions. The Chinese are really doing it, and here I am acting like a huckster over something which has been settled on the 27th, whatever the month is, 1943. I don't like it.

MR. COE: I think there are two parts to this.

H.M.JR: Why, in God's name, didn't you bring this letter to my attention, Sol? You knew this existed!

MR. ADLER: I wasn't aware of it explicitly. I had seen it in the file but--

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H.M.JR: You didn't know about it?

MR. ADLER: I knew--

H.M.JR: You should have--what about you?

MR. FRIEDMAN: Well, Mr. Secretary, if I may say, on this specific thing, you will recall that at the time of the 1943 letter, when you signed the letter, you and Mr. White discussed it with F. W. Quao and Mr. Hsi Temou and the Chinese at the time the question of two hundred million dollars of gold came up. You expressed to them that you were considerably doubtful as to this whole idea, and they said to you that the President said to Madame Chiang that they could buy the gold, and you told them and Mr. White told them that you could make the commitment to buy the gold for anti-inflation and for anti-hoarding purposes. Then they very deliberately at the time put into that document all this reference to anti-inflation and anti-hoarding purposes, because you were afraid at the time that they might use the gold for other purposes, and you didn't feel that that would be a justifiable use of the two hundred million dollars. And we have all along in conversations after that with Mr. Quao and Mr. Chi, who were designated by Dr. Kung, stressed it that the gold was being sent for anti-inflationary and anti-hoarding purposes.

H.M.JR: That's all very nice, but in cold print there it's, "You can have two hundred million dollars of this money for gold."

MR. COE: And, Mr. Secretary, your proposal as given to Mr. Soong yesterday does not at any rate in cold print dishonor your letter in 1943. What you said to him in that proposal was (1) we would like the Chinese Government to segregate one sum of money and another sum of money. Obviously, if they decide to segregate for a stabilization fund the remainder of this sum, you cannot give them the same sum over again for gold.

H.M.JR: Did you know about the letter of July 27th?

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MR. COE: Yes, sir.

H.M.JR: Well, I certainly think somebody should have said before I went in to this conference, "Here's this letter. Here's what you said, Mr. Morgenthau."

MR. COE: The whole basis, as I understood it, of the Treasury giving them limited sums of gold over a longer period had been the original statement that we would, and month by month they were told there is so much transport available.

H.M.JR: But White told me we are running out of excuses.

MR. COE: The only excuse I ever heard--I have picked this stuff up--the only excuse I have ever heard of has been transportation, and we all think that transportation is a thin excuse.

H.M.JR: Well, I made my statement. I think, before I went into that meeting yesterday morning I should have been shown this document so that I knew that there was a written commitment that they could have two hundred million dollars worth of gold. I told you how I feel. Let's get on and see what we can do about it. What Clayton wants is this: He suggested that we--you fellows immediately get in touch with his people and work out some kind of condition, see?

MR. BELL: Clayton's people?

H.M.JR: Yes, work out some kind of condition, and I personally think--I mean as to how the gold will be used--I personally think that if we say to these people--you set up this file in the first place--I am going to say, "Now, look, I can recognize a letter. The gold is yours, but for future relationship can we work out something?" See? "and I think it would be good for China if you would set up this five hundred million dollar stabilization fund, and I think it would also be good for future relationship if you would tell use how you propose to use this gold and stop forward sales." How much did they sell, fifty million?

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MR. COE: Sixty million.

H.M.JR: And as I remember it, roughly they have used twenty-seven million dollars worth of gold. Is that right?

MR. ADLER: That's right.

MR. FRIEDMAN: Out of two hundred million they bought twenty and shipped about eight or nine.

H.M.JR: They borrowed?

MR. FRIEDMAN: Out of that two hundred million credit they purchased about twenty and they would, under that commitment, be able to buy an additional one hundred and eighty million dollars worth of gold. You see, they had gold on their ~~market~~ which they exported before on the two hundred million dollar credit.

H.M.JR: Of the two hundred million dollar commitment I have given, they have used how much?

MR. ADLER: Twenty.

H.M.JR: And of that twenty how much has left the country?

MR. FRIEDMAN: About eight.

H.M.JR: About eight? Well, I think we should promptly begin to move this gold. I think I heard you say something about one hundred million dollars. How much is that?

MR. ADLER: Two hundred million dollars. It runs about five million ounces.

H.M.JR: How much of that has left the country? Eight?

MR. FRIEDMAN: Eight.

MR. BELL: The balance is about one hundred and eighty.

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H.M.JR: How much are they asking for?

MR. FRIEDMAN: They ask for one hundred and eighty million dollars worth of gold of which they want ~~fifteen~~ or ~~thirteen~~ million shipped immediately to cover past commitments and sufficient additional amounts to have a spot sale program.

MR. BELL: They want to get on a cash basis.

H.M.JR: All right. I think we should meet that. Now, provided, if we can get it out of there--their setup is five hundred million stabilization fund.

MR. COE: If they could do that, sir, if they set up the stabilization fund, then they haven't the money. I mean, they haven't any loan money for the gold. They will have to use their own money. That's the purpose of the stabilization fund vis-a-vis the gold.

H.M.JR: I understand.

MR. COE: So that it would seem to me the first thing is for T. V. Soong to tell you definitely that they don't intend out of the loan to segregate it as you suggest.

(Mrs. Klotz leaves the conference.)

MR. COE: They don't like that proposal. They would rather have the gold--take it in gold. Then you are up against the proposition of your original commitment.

H.M.JR: I don't follow you.

MR. COE: Well, they have left two hundred and forty million dollars out of the loan of which, getting back to your letter, you can say one hundred and eighty million dollars you told them in 1943 is available for gold shipment.

H.M.JR: That comes out of the two hundred and forty.

MR. COE: Yes. The rest of the loan has gone on other purposes. Now, then, it's up to them following what you gave them yesterday for T. V. Soong to say, "We don't want to segregate the two hundred and forty that way. We want to hold you to your original commitment on the gold."

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H.M.JR: I have asked them to have lunch with me. Get me up a little one-page memo on what has happened to the five hundred million.

MR. COE: We have that here.

H.M.JR: And what happened to the rest. Did you know about the letter of July 29th?

MR. BELL: No.

H.M.JR: Don't you think it puts me in an impossible position?

MR. BELL: Well, I thought that after the letter was read yesterday that you could still comply with the letter under the memo. That's what I thought.

MR. COE: That's what we thought.

MR. BELL: You probably intended to change the situation around a little but I thought you could still comply with the letter and still go through with the memo. Is that right?

MR. COE: No, we thought that the Chinese, if they agreed to segregate the fund would thereby not want gold. They would decide they would draw gold out of their own fund rather than out of the loan, and they would take the two hundred and forty that is left and put it aside.

MR. BELL: If they have nine hundred million dollars to their credit, they could still take the gold and still set up the five hundred million dollar stabilization fund. That did not preclude them from taking the gold, as I remember the memo.

H.M.JR: But they did not have the letter in mind when they wrote the memo.

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MR. COE: I may say I don't--even if I didn't have the specific letter in mind, I was operating entirely on the fact that we are as a general rule and through that letter committed to give them gold. We had been saving transportation facilities, and so what we wanted since the gold is now smelly is to have the stuff put aside in a stabilization fund.

H.M.JR: Smelly?

MR. COE: I mean, since the gold transactions are under attack, we want to put it aside in a stabilization fund.

H.M.JR: It's under attack on their side. I'll tell you what you fellows do. Now, suppose you get together with the State Department and be in here at one o'clock to give me something which comes within the spirit of this letter. Suppose he said, "No, I don't want to set this aside. We'll use our own money for gold." That's what he will say, isn't it?

MR. BELL: Probably, and I would say, "All right, you can have the gold, but will you set up a five hundred million dollar stabilization fund out of your other resources?"

MR. COE: And also, "Will you please--" and I think he is willing to do that, "Will you please, if not, terminate the forward sales of gold?"

H.M.JR: All right. I have given you fellows hell! He has got a proposal to tell me. I am going to listen to his proposal. I am not going to change my attitude from yesterday. I am just going to listen and then say, "Well, Dr. Soong, I will listen and give you an answer at four o'clock. See?"

MR. COE: Mr. Secretary, I want to make one thing clear. You say the memo is different from the letter. There is nothing in the proposal you handed him yesterday which contradicts the letter, maybe the spirit of it, but there is no--Collado rang me this morning and Clayton had

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talked to him, and I said the same thing to him.

MR. ADLER: Collado said that to me at the meeting. He said it after Dr. Soong read the letter.

MR. COE: Here is some of the stuff from China.

H.M.JR: I am going to have to stop now because I have to get ready for the President. I'll have to stop on this thing. You fellows come back in here at one o'clock.

MR. COE: You don't want this for the President, the ribbon copy of the memo?

H.M.JR: On China? No, not in view of what has happened. But you people be back here at one o'clock, just before I see Soong.

May 9, 1945
11:25 A. M.

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(Rebus)

Operator: The Speaker is out on the steps of the Capitol.
at the ceremony.

HMJr: Well, let me speak to somebody in his office.

Operator: All right. Miss Wade, in his office.

HMJr: Hello. Miss Wade?

Miss
Wade: Yes.

HMJr: This is Mr. Morgenthau.

W: Yes, Mr. Secretary.

HMJr: I got up to the Capitol at 10 minutes past 11
the way I told the Speaker I would and everybody
was leaving. The flag was up and I looked for
the Speaker and I couldn't find him.

W: Oh, dear.

HMJr: And I told the Speaker that I would be with the
President from 10:10 until 11.

W: Yes.

HMJr: ...and the earliest I could be was 11:10. And he
said, "I'll wait for you until 11:15."

W: Oh, dear. Well, I'm sure he just forgot it,
Mr. Secretary.

HMJr: I got up there and everything was over. I looked
for him - I couldn't find him. General Vandergriff
was coming down the steps and Forrestal was coming
down - the flag was up, the band had gone and there
was I.

W: Oh, well, that's terrible! I'm awfully sorry. Well,
I'll certainly....

HMJr: I just want to let him know that I was there. I
kept my end of the bargain.

W: Well, I'm awfully sorry and I certainly will tell
him, Mr. Secretary.

HMJr: Please do.

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W: I certainly will.

HMJr: Thank you.

W: Yes, indeed.

May 9, 1945
11:41 A. M.

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HMJr: Hello.

Mr. Dan
Bell: Hello.

HMJr: Dan, in order to save me time, those people
that have been working with us on this financial
fiscal thing...

B: Yeah.

HMJr: ...you tell them that I spoke to the President
about it, and he said, "This is just what I want.
I've been looking for it, and we need it very
badly. Please give it to me, I want to take it
and study it."

B: Oh, I see.

HMJr: He told them that this was a rough draft.

B: He ate it up, huh?

HMJr: Ate it up. He said, "Of course, I haven't had
time to prepare something, but," he said, "I
realize that Mr. Roosevelt used to like to deal
with each of these agencies separately." He
said, "I don't." He said, "I like to pin the
responsibility."

B: Good.

HMJr: "I like to pin the responsibility on one person."

B: Good. Well, that's a good start then.

HMJr: Yeah. He very, very much wanted it.

B: Well, you talked to him first about it then.

HMJr: I just spoke and then he said,
"Of course, I may not agree." So I said, "Well,
if we agree as to the method completely the first
time, it would be the world's wonder, but," I said,
"this is an approach. It may not be the approach
that you wanted 'cause it may not..." And he said,
"Let me study it and then we will discuss it further."

B: Good. Well, I'm glad you did it that way.

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HMJr: See. Now you tell the other boys what happened,
see?

B: All right, I'll do that.

HMJr: Thank you.

B: Fine, thank you.

May 9, 1945
2:15 p.m.

GOLD TO CHINA

Present: Mr. D. W. Bell
Mr. Adler
Mr. Friedman
Mrs. Klotz

H.M.JR: I had lunch with T. V. Soong, and he told me that he shouldn't be held responsible for things which were done while he was not in charge, that this matter of gold is a matter of vital importance to him, and that, after all, the Treasury--I had promised it to them back in 1943. He didn't particularly stress that; he just kind of brushed over it.

(Mr. D. W. Bell, Mr. Adler, and Mr. Friedman enter the conference.)

He said it was all here in a memo, really. What he said was that he didn't think they wanted a stabilization fund because it would have been bilateral and they should wait for Bretton Woods. So I suggested, "Well, why not have it called a reconstruction fund? Call it any name you want."

He said, "You know what I want."

Well, he stressed that they were going to tax these people. They were even willing to cancel the gold sales if we said so, not the gold sales, but recall some of the certificates, but he thought they could do it better through taxes, and he said how he wanted the signatures of the men he discharged, twelve thousand Treasury employees. He was the boss, and he maintained to do this thing, and, after all, the things that went wrong during his absence he shouldn't be blamed for.

Well, now, here in this memo, which I will give you, is practically everything he said, (indicating memorandum for the Secretary of the Treasury, dated May 9, 1945, from T. V. Soong.)

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I asked him two things, one was to think over again this five hundred million for reconstruction. I said, "After all, you have got five hundred million dollars free."

He said he only got one hundred and fifty-nine million. So there is a discrepancy.

Then I asked him how much gold they would actually need from now until the end of the year, and he said he would have to figure it out, but he would rather tell me for the next three months.

I didn't want to give up the five hundred million fund too easily and say, "Well, if you won't do that, and we ship gold, how much of it would be your own gold?" That would be giving in too easily.

He then threw in the fact that he had gotten along so well with the Russians, and Molotov is insisting that he go to Russia, and that you had been talking with him, and if I would strengthen his hand at this time it would make possible the success of his mission to Russia. Someone else was going to Russia, and it was up to me to more or less--the success or failure of his trip depended on what I did, and this was an opportunity to bring two great nations together, putting it more or less on me.

He handles himself very well. He was at no time overbearing. He said that he and the Generalissimo had a terrific fight over Stilwell, and he talked to the Generalissimo the way nobody had ever talked to him before. He didn't have anything against him, but you can't keep changing your mind all the time. The Generalissimo wanted to keep Stilwell, and Kwan said, "You know, I have got a bad temper," which I didn't answer. The whole thing was on a very courteous plane. He didn't rub it in that I had signed this thing. He said, "This was signed here," and I just didn't answer him.

MR. ADLER: You gave him an opportunity yesterday to think it over and give a reply, you know, after he had had time for some deliberation.

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H.M.JR: So he gave me his reply, which isn't too bad.

MR. BELL: I understood you to say Kung.

H.M.JR: I mean Soong, T. V. Then I asked if he was ready to discuss troop pay or whom we should discuss it with, and he said, "Whowould you like to discuss it with?"

I said it wasn't up to me to say.

He said, "As Acting President of China, I think it would be better to discuss it with me. After all, I am the boss," or words to that effect.

MR. ADLER: He is Acting Premier. The Generalissimo is the full President. He is the Acting President of Yung, which is one of the five ~~Provinces~~ *Yung*.

H.M.JR: He said Kung is finished. "He never can go back to China."

I asked him why, and he said, "You know, you can't keep all these things hidden forever, and he was very angry that I put in my own Minister of Finance."

I said, "Why should we keep this a family matter?" I said, "Well, Mr. Bell is ready at any time to discuss troop pay with you. It took about five months last time, which I can't devote to it."

He said, "As between nations, we will not bargain." He said it as a matter of fact.

I said, "If that is the case, I can do that. I don't need Mr. Bell." But where that leads us opposite Kung, I don't know. He flashed a letter.

MR. ADLER: He showed me that letter on the plane.

H.M.JR: He said he is the boss.

Tell Mrs. Adler I want to get this back. (Hands Mr. Adler memorandum for the Secretary of the Treasury, dated May 9, 1945, from T. V. Soong.) I have confidence in Mrs. Adler. Just make a note.

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MRS. KLOTZ: Well, what do you want to give it to him for?

MR. BELL: Let him read it.

MRS. KLOTZ: We will give him a photostat. They won't read it, he said. They won't get to it, anyway.

H.M.JR: Yes, they will.

So we will see what they say, and so forth, and so on. I haven't gotten any mail in two days. I am going to call up Clayton and say that I am going to handle this one myself. We will see. We can't all be negotiating with him.

MR. BELL: What is to be done at four o'clock?

H.M.JR: At four o'clock he will come back. I have asked him a couple of questions, whether he can think of some other five hundred million dollar fund and how much gold they will need for the next three months, you see.

MR. BELL: That is what he is going to tell you?

MR. ADLER: The figure he will give you will be rather negative. It will reveal how much gold they expect to get for the next three months.

H.M.JR: Yes.

May 9, 1945
4:00 p.m.

GOLD TO CHINA

Present: Mr. D. W. Bell
Mr. Friedman
Mr. Coe
Mr. Adler
Mr. Soong
Mr. Pei
Mr. Ling
Mr. Clayton
Mr. Collado

H.M.JR: You didn't show up at one o'clock. Wasn't it made available for you?

MR. BELL: No. I didn't get a copy of it.

H.M.JR: You were invited to come at one. That's the only one there is unless these boys made copies of it (indicating Memorandum for the Secretary of the Treasury dated May 8, 1945 from T. V. Soong). What did he say, Frank?

MR. COE: We still think that of the various courses of action if you can get them to see that it's for their own good to agree to segregate this and for all these funny businesses that they want to do they ought to use their own money. That's the sensible thing.

H.M.JR: Well?

MR. COE: Well, I think they may continue to press, but I think we ought not to yield in a day.

H.M.JR: No. That would be most accidental.

MR. COE: Mr. Secretary, just by the by we've had a tip from our man in Switzerland of an account in New York that they think is Walter Lichtenstein's money, in the name of a guy named Smith. Foreign Funds has just checked

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up. So far they have found out that Smith allegedly is a friend of Lichtenstein.

H.M.JR: It wouldn't mean the Chase Bank money by any chance.

MR. COE: Guaranty.

H.M.JR: Is it a big account?

MR. COE: It's a half million. They found a half million in Guaranty to his name.

MR. ADLER: There's one point on which Mr. Soong is on weak ground in that memorandum and that's when he says we have never taken any exception on the way they've been selling gold before.

H.M.JR: He also said he has some memorandum which you agreed to.

MR. ADLER: That was a pretty weasel-worded thing.

H.M.JR: Have we taken exception to that?

MR. COE: As I got it, Clayton is only insisting on the obvious, that you don't dishonor a commitment. He hadn't really read the memorandum which doesn't dishonor the commitment. Therefore, such pressure as we can bring to get them to do something else with the money is entirely up to us.

MR. BELL: They could have had this gold without the letter. Is that good?

(Off the record discussion.)

(Dr. Soong, Mr. Pei and Mr. Ling enter the conference.)

H.M.JR: I hope you had no ill effects from my very poor lunch.

DR. SOONG: Why it brightened me up.

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H.M.JR: I wondered if since seeing you, you probably had time to maybe think about a few of the things we were talking about.

DR. SOONG: Yes, I have discussed them with my people.

(Secretary leaves conference temporarily.)

(Mr. Clayton and Mr. Collado enter the conference.)

H.M.JR: Please, I'm sorry.

DR. SOONG: There are two things that you wanted me to give you some information on. One is gold and the other is about some fund. Now, may I start on the gold first? We have sold already one million, seven hundred eighty-one thousand, two hundred and forty-four ounces up to May 5th, and the total sum was that. I think Mr. Adler has the figures.

MR. ADLER: I had the figures up until the time I left.

DR. SOONG: These are the figures. Mr. Pei sent them to Mr. Coe. That is equivalent to about one million, seven hundred seventy-four thousand, twenty nine American dollars. I was talking of Chinese dollars, which is slightly less. Now, on the basis of that in the last three months we have a record, February, March, and April, we sold in all one million, one hundred thirty one thousand ounces. Therefore, our estimate for the immediate future--

H.M.JR: Pardon me. This last figure--is that Chinese ounces or United States.

R. SOONG: Chinese ounces, which is really very little difference. Very little difference. On the basis of that for the last few months one million, one hundred thirty-one thousand ounces, we would estimate for the future for any three months period we would require at least one million. That is our estimate.

H.M.JR: Well, now, let me just get that. You will need say a million ounces for three months, let's say starting from today or--

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DR. SOONG: Make it starting from up to the 5th of May.

H.M.JR: Up to the 5th of May?

DR. SOONG: Yes.

MR. PEI: Our sales.

DR. SOONG: I have already learned outstanding sales are equivalent to one million, seven hundred eighty-one thousand, two hundred forty-four ounces--that was already sold.

H.M.JR: Maybe one of your assistants would stay behind afterwards and make sure that we understand. Could they stay afterwards?

DR. SOONG: Yes. May I give you some copies?

H.M.JR: Yes.

(Dr. Soong hands the Secretary a tabulation of "Outstanding Gold Obligations of the Chinese Government" and "Estimate of Monthly Sales in the Immediate Future.")

H.M.JR: Just so that we understand each other. They wouldn't earn their salary if they agreed right away. There will have to be some disagreement to show how smart they are, but anyway the figures I can understand irrespective of what went on in the past. You estimate you need one million ounces for the next three months.

DR. SOONG: Yes, for three months.

H.M.JR: And that would take care of it and you could catch up with your future sales and enable you to go on a spot basis. Is that right?

DR. SOONG: Yes.

H.M.JR: I can understand that and I'll let my gentlemen plus Mr. Collado, if he would, stay afterwards and go over these figures so we understand them. Is that agreeable?

MR. CLAYTON: Yes.

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H.M.JR: What else, Dr. Soong?

DR. SOONG: Second, in your memorandum which you gave me yesterday you suggested a stabilization fund. In my talk with you this morning you said that we might consider it a reconstruction fund.

H.M.JR: Well, you didn't like stabilization fund, so I said call it reconstruction fund.

DR. SOONG: Yes. Now as to reconstruction fund, I have some ideas about it. May I present it to you or read it to you?

H.M.JR: Either way is all right. Would you read it?

(Dr. Soong reads attachment A.)

H.M.JR: Of course we are always glad to sit down and discuss anything that would be to our mutual interest, but I don't think that any of us here have had time really to do much planning beyond the winning of the war in the Pacific which you know is a very big undertaking. What I would like to do, with my associates in the State Department, is to give this thing careful consideration.

DR. SOONG: Thank you.

H.M.JR: But I just want to reiterate what I said in my earlier memorandum and what I explained to you at lunch, and that is that our figures show--and you said you checked them--that you have five hundred million dollars, which is not the amount in this country, and when we settle the troop pay you will have still more, and that out of that five hundred million dollars plus the balance of five hundred million credit, which is two hundred forty, you could very easily reconstruct a fund of five hundred million dollars, whether it's a stabilization fund or reconstruction fund or any fund which is to be used for the good and the interest of China, and that fund intact would, as I told you, assist me in furthering China's interest and overcoming certain things which were done while you were not in control, and for whatever it is

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worth I could then appear before Congress or whatever is necessary for any new undertaking that China might have in mind or we might have in mind together. And I would like to again courteously ask you if you would reconsider the possibility of constituting some kind of a fund or whatever you want to call it, whether it's for stabilization purposes or reconstruction purposes or development of industry, whatever it is. It would put me in the position that any possible criticism of the use of the fund--whether certificates or purchase of gold and all that--it would enable me to be in a position that I wouldn't have to apologize or explain. This is just a matter of bookkeeping. And so I rather would like to ask Dr. Soong whether he would think this over, you see. Call it by any name you want.

DR. SOONG: Mr. Secretary, I said I would gladly welcome your suggestions about the stabilization fund. However, if I just blot out the fund and tie it up, I would have to explain it at home. I have to explain it to my people, because after all what I'm asking from you now is not any new undertaking, you see. I'm asking you to kindly implement what you have already agreed to. It would come much easier for me if when this fund is established I could say, "Now, we need much more than that." We need much more than that, therefore, the American Government will be ready to help us in such and such amount and we would take out five hundred million dollars or whatever it is. You will help me there, but for me to go back to my government and say I agreed to tie up this fund, and when there is no planning at all. I say, divorced from actual planning they would not understand it.

H.M.JR: Supposing ways were found to assist you in the shipping of this gold, and I helped you to find ways, and then you find ways to help me to help you? See, that's all I'm asking. It's not coming out of your pocket or my pocket. But in the room here as amongst friends, we know that certain things happened that never would have happened if you had been in charge. Now, there has been no publicity about the thing, but you tell me, and I know it, and it's pretty generally known in circles in China what is going on, and here we have been able to

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keep it within a very restricted Treasury circle and State Department circle. We've been very careful. Now, you never know when some of our newspaper correspondents will come back and write some story like Atkinson wrote when he came back.

DR. SOONG: Which was disowned by his own editorials.

H.M.JR: I know, but they're quoted, and when this time they are sending Senator Tydings to the Philippines, how do I know they won't send Senator Tydings to China, and I just am looking ahead a little bit so that for whatever it's worth we can be on your side and be in the position to explain anything. Now, frankly, talking purely from this side of the war, while I want to do everything possible, I can't do it as enthusiastically as I would like to. Now, what is it worth to you to have the United States Treasury enthusiastically back of this new regime which you're heading for its very fine performance so that you have the full support which you deserve? And these aren't mistakes that you made but mistakes that were made during your absence, and I'm not going into details but you and I know what I'm talking about. No matter how strict taxation reforms you put in, the very fact that you haven't put in very strict taxation shows that the money is there, otherwise you wouldn't be recommending these high taxes, and just at the time the impression I received and the impression I gave to Congress--and I could give you my testimony--was that we would be consulted as to the spending of the money. That was the impression that I got. That's what I said, and certainly if we had been consulted as to this method of the use of the five hundred million dollars we never would have given our consent, and--but I don't want you to answer me today. I would like you to think about it some more, and I think that if this fund, for whatever good purposes you feel necessary, could be constituted, why, we certainly would bend every effort to make this gold available out of the shipping available to you just as rapidly as possible. There's no question of making the gold available, but it's a question of the speed with which it can be done. I think that I've also tried to be helpful, and as I said before, if you help me to help you, why I'd like to. I think that I could say, Mr. Clayton, that we are talking this way for the administration, I believe.

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MR. CLAYTON: Yes, I think so.

DR. SOONG: Mr. Secretary, I just want to make a few observations, may I?

H.M.JR: Please do.

DR. SOONG: I understand your position and I am grateful to you for the considerate way in which you have outlined my position. There had been faulty handling before. I'm as responsible as anybody else and I don't mind its getting to the public. If they should criticize it, after all the Chinese Government is responsible. I don't want necessarily that we shield that. Do you understand me?

H.M.JR: No. But still you don't want to shake the confidence that the Generalissimo has and what he's done, and it isn't just you, it's the administration that we want to uphold.

DR. SOONG: Mr. Secretary, I told the Generalissimo of the whole affair--I went into the room on the second morning I got a report they were double what they were previously--I went to the Generalissimo and said there was something fishy about it. I said we ought not to be ashamed as a government to order immediate investigation. It is not weakness if we find any faults and rectify them immediately concerning the past; if there had been any mismanagement, we owe it as a government to do it ourselves. Why should we be ashamed? Are we to protect anybody? I'm not going to. I'm not interested, nor is the Generalissimo. So you can take it from me, if there is any public criticism in this country, I'm ready to stand forward. I don't want to put you in difficulty.

H.M.JR: That doesn't help. Of the five hundred million dollars there's two hundred sixty million dollars which the Chinese Government have used for purposes which, frankly, I hope I will not be called before Congress to have to explain.

DR. SOONG: On this matter, may I make one observation? At a time when the bonds and savings certificates were sold

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I was not against it for the reason that it did represent at the time the market value. Of course, the native currency took a dip and continued dipping, see? I did not protest then when the first allotment was made but I think it was faulty that the rates were not kept with the movement of the market. If we had succeeded in keeping the rates along with the market it would have been good, but for some reason, good, bad, or indifferent, the Minister of Finance held on to the so-called twenty-two hundred rate. I think this was stupid, but they stuck to their policy.

H.M.JR: But you take, for instance, the very last days those certificates were offered, fifty million dollars wasn't it?

MR. ADLER: In the case of the certificates over fifty million dollars were sold in the last month, but in the case of the bonds about ninety million dollars were sold in three weeks, and in the first eighteen months of the bond issue only about ten million were sold in the last three weeks. I think it was about three weeks.

H.M.JR: And if you--

DR. SOONG: I was not--Dr. Ling do you have the facts?

MR. ADLER: In October, 1943,--

H.M.JR: If you had foreign exchange, you could buy them at how many cents on the dollar?

MR. ADLER: You could make several hundred percent profit on the bonds in October, 1943.

DR. SOONG: On this matter I say to you, yes. And I say it again, we can rectify it by tax certificates on excess profits, and I emphasize again I'm quite ready to do it.

H.M.JR: I appreciate that. I'm not going to say more than I have. All of us here want to be helpful. How helpful we can be rests in your hands. You think it over and you decide, see?

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DR. SOONG: Right. I understand perfectly.

H.M.JR: It's up to you and if you should decide not to take these suggestions, and then at some future date we get unfavorable publicity and we're not able to be as helpful as we'd like to, then we'll all regret it, and I have had a little success in the twelve years I've been here in trying to foresee what might happen, and I've tried to explain to you how I feel. While I hold this position I can continue to be helpful.

DR. SOONG: Yes.

H.M.JR: And this is a matter of rearranging your bookkeeping, that's all. It's just a matter of rearranging your bookkeeping.

DR. SOONG: Yes, but it's not myself. If it were my own opinion, I'd do it in a minute. I have my government to consider. I have to report it home.

H.M.JR: Don't tell me you have to consult Moscow?

DR. SOONG: Not Moscow.

H.M.JR: Like Molotov, I mean, when they get something. You know, unfortunately, I'm only fifty yards from the White House, so I can't say I've got to consult the President. But we know you're in charge, Acting President, Foreign Minister, Finance Minister.

DR. SOONG: Not Finance Minister.

H.M.JR: Well, you're almost everything.

DR. SOONG: I'm Acting President. But I have to consult the Generalissimo and my colleagues. But I have my difficulties, you understand that, and therefore to suggest that I go back and say, well, the American Government is not taking any position on a prior commitment, but there's a new thing coming up--we want to get American sympathy and support and American confidence most of all because--

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H.M.JR: There is no question of any prior commitment. We're ready to meet it within the arrangements. We stand ready to fulfill any commitment which was made, but that's one question. The other question is that you have to decide after I, in the most friendly manner, explain to you how I think I could be helpful to you. Now you decide what my friendship is worth. Will you? And there are no hard feelings. That has nothing to do with it. We've made a commitment. We've honored a commitment, and on the other hand, if by rearranging your books here in America, it makes it easier for me--you think that over.

DR. SOONG: Right.

H.M.JR: If you decide not to do that, I will obviously be disappointed and I hope I won't have to say six months or a year from now, "I told you so," but anyway--this money will steadily grow that you have here and I think we understand each other. So you sleep on it and--

MR. PEI: Mr. Secretary, do I understand that in this case--the gold question--the United States Treasury will carry on this shipment?

H.M.JR: We will immediately study the gold question as to how we can accelerate the shipment of gold. We recognize we have a commitment and we will study that and find ways of accelerating the gold shipment. That's one question. The other question is the one which I put to Dr. Soong to make things easier for me in the future vis-a-vis China. There are two things.

DR. SOONG: Thank you, Mr. Secretary, for your consideration.

(Dr. Soong and Mr. Pei and Mr. Ling leave the conference.)

H.M.JR: We will see what happens and if he protests too much--what is a million ounces, thirty-five million dollars, over three months?

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MR. ADLER: In addition to one point. They really want one hundred million dollars in three months.

H.M.JR: How is that, in addition?

MR. COLLADO: He needs one million seven in order to make arrears and then he wants a million.

H.M.JR: What he told me--his English is faulty--I want one million ounces starting with May 5th.

MR. ADLER: In addition to this.

H.M.JR: But he didn't say that.

MR. COLLADO: He wants a total of two million nine, which is about one hundred million.

H.M.JR: I understood him to say one million ounces starting with the 5th of May.

MR. COLLADO: He needs one million eight to make up his arrears which come due up through October, and then he says that if he gets this additional thirty-three million every three months that that will permit him to go on a spot sale basis and give up the forward sales, but he still intends to sell a million ounces every three months, so that's only the beginning--one hundred million dollars now and thirty-three million every three months thereafter.

H.M.JR: The views I got listening to everybody was to sit tight, and I'm not so sure that that's right, but I think we will just let this soak and let's leave him alone and see what he comes back with. He comes back with something good every time from the standpoint of China, but let that--

MR. COLLADO: It's good.

H.M.JR: But let's see, I haven't gotten anywhere today.

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MR. BELL: You've got to change the name of this fund from Reconstruction to Post-War Reserve Fund.

H.M.JR: Red Cross.

MR. COE: I think we better say monetary fund.

H.M.JR: How about babes in China, "Oil for the lamps of China." All right. We'll see, but if it's agreeable, we'll let it soak.

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Attachment A.

I gladly welcome your suggestion about setting up a reconstruction fund as a joint enterprise of the United States and Chinese Governments. The war is coming to a close and planning for the recovery and reconstruction of China is an urgent necessity. The reconstruction of China is of course an integral part of the Sino-American policy to make China a strong power and to enable China to fulfil her role in helping to insure stability in Asia and the Pacific. It seems to me that such a fund is one of a number of aspects of the problem that should be worked on by us jointly. The fund alone, divorced from actual planning, will have little meaning and will not be well received.

I would suggest that we decide to prepare jointly a general program. Some tentative plans are already available, both on the American and Chinese side, such as the Yangtze Gorge Project, the Taub industrialization scheme, the plans of the National Resources Commission, the Ministry of National Economy, and others.

The essence of any plans finally adopted will consist in obtaining from the United States the capital goods, machine tools, transport facilities of various types, as well as facilities offered both by the United States and Chinese Governments to encourage American investment in China.

It is obvious that more than 500 million dollars will be necessary to carry out this plan. Furthermore, it will need both Chinese and American capital for this purpose. Only by joint collaboration in planning and financing can we carry out a relatively rapid Chinese reconstruction. Only from the United States can we secure the necessary machines from the vast production facilities created by your war effort.

Consequently, it seems to me that we should proceed immediately to joint discussion of this whole problem not confined to any one part of it, and seek to arrive at a comprehensive mutual agreement as to our future policy, plans, and financing. I am here to do it if you are ready.

CHINESE EXPORT T. ILE REQUIREMENT POSITION
AS OF MAY 1946.

	Yards = 2,000 yds per ton	Yards = 2,000 yds per ton	Tons = 2,000 yds per ton	Tons = 20,000 yds per ton
1. Total Export Requirement as stated by Chinese through June 30, 1946		280,000,000	40,000	40,000
2. Requirement for delivery in China December 31, 1946		176,000,000	22,000	22,000
3. Deduction from requirement due to lack transportation space across Hump (total transport available during 1946 is 21,000 tons)	2,000,000		1,000	1,000
4. Adjusted 1946 requirement		<u>184,000,000</u>	<u>21,000</u>	<u>21,000</u>
5. Amount presently in sight to meet requirement:				
a) Allocated in 2 FEA requisitions from U.S. first and second quarter production (N.S. Contracts have not yet been let)	6,800,000		775	880
b) 2,800 tons of Chinese textile stocks currently moving into China from India	28,000,000		2,800	2,800
6. Balance of 1946 requirement needing further action		<u>156,800,000</u>	<u>17,025</u>	<u>17,120</u>
7. Steps now being taken to meet the 156,000,000 yard balance:				
a) Attempt to purchase from current Brazilian wholesale and retail stocks (this is a mere "guess estimate")	2,000,000		1,000	800
b) Suggestion that U.S. Army & FEA furnish immediate stock of 10,000,000 yards on 50/50 basis. This needed to secure continuity of follow up of program already started by the 2,800 tons (28,000,000 yards) of India stock	10,000,000		1,250	1,000

Whiting Williams
5-1-46

	Yards ± 5,000 yds per ton	Yards ± 5,000 yds. per ton	Tons ± 5,000 yds per ton	Tons ± 10,000 yds per ton
7. a) FSA request for 35,000,000 yards allocation by WPS from third and fourth quarter. Only third quarter of 17,500,000 yards can be delivered against calendar 1945 requirement. Allocation will not be fixed until WPS meeting May 15 and probably will require directive of highest level.	17,500,000		2,187.5	1,750
4) Brazilian 40,000,000 yards and Mexican 25,000,000 yards QPS recommendation for China ("allocation") cannot be counted on at all for China delivery in calendar 1945.				
6. Balance requirement on which no action has currently been taken. This requirement must be filled out of second and third quarter production in order to be delivered as part of 1945 program		100,700,000	12,587.5	12,680

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 6, 1945

TO Secretary Morgenthau

FROM Mr. Coe

Subject: Gold for China

The factors which dominate this problem are (a) the unsatisfactory record of use of the loan to China, including the public scandal concerning forward sales of gold, (b) the desire of the Chinese Government to use up the loan and further to transfer it from the Chinese Government to private sources, (c) our gold policy, (d) the wide latitude given the Chinese under the original loan agreement, and (e) the responsibility of the President and the Secretary of the Treasury, as indicated in statements to Congress, and the form of the resolution authorizing the loan.

With respect to the present Chinese pressure, there are three general courses of action possible: (1) to allow the Chinese to do what they wish with the loan, and to wash our hands of the business, defending ourselves by saying that Congress understood that we were offering a bribe, (2) to restrain the Chinese by screening the foreign exchange and supervising the individual projects for using up the loan, and (3) in view of the impossibility of checking the Chinese inflation by the use of foreign exchange, to set aside the remainder of the loan for use at such a time as it can fulfill its stated purposes.

The Treasury memorandum for T. V. Soong is based upon the third course of action. We attempt to get the Chinese to scrutinize the remainder of the loan until such a time as it can be effectively used, and we ask them to undertake with other resources the dubious programs upon which they have embarked. It is recommended that we should pursue a different course of action over a period of time and that we should only assist when Dr. Soong has checked with his Government and finally refused. At such a time we should consider whether it would be better to take responsibility for the particular measures used in China or wash our hands of the whole business. With respect to this latter problem, it is suggested that the record of those who have attended, in an advisory capacity, to supervise actions of the Chinese Government has not been good.

Status of \$500 million loan

<u>Transfers</u>	(millions)
1. Backing for Chinese-issued bonds and savings certificates. Transferred to the account of China on April 15, 1942....	\$200
2. earmarked for purchase of gold. Transferred on February 1, 1943	20
3. earmarked for purchase of bank notes and other relevant supplies. Transferred on March 2, 1943	20
4. earmarked for purchase of gold. Transferred October 13, 1944	20
Total	\$260
Balance still on Treasury books	240

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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. Reserve Bank	\$158.0	
Earmarked 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

240
 240
 240.00
 240.00

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 9, 1945

TO Secretary Morgenthau

FROM Mr. Goe

Subject: Agenda for Second Discussion with Dr. Soong

1. Is Dr. Soong agreeable to the proposal to set up a \$500 million stabilization fund, using the remainder of the loan for that purpose?
 - a. If he is, then China, herself, will be choosing to use the remainder of the loan for this purpose.
 - b. If he is not agreeable to taking this step now, we should stress the fact that on the United States side it is regarded as a very constructive measure.
2. Soong may say that this proposal contravenes your 1943 commitment to furnish gold.
 - a. Actually it is essentially an alternative proposal for the use of the loan entirely in accord with the 1942 loan agreement, the Secretary's statements before Congress on the loan, and Dr. Kung's cable of April 20, 1942.
 - b. It would be agreeable to the United States to convert the remaining \$240 million of the loan into gold and place it in the proposed stabilization fund.
3. Soong may say that the remainder of the loan should not be held for a stabilization fund but that \$180 million of gold from it should be moved rapidly to China for sale there.
 - a. With regard to gold shipments for the settlement of arrears on the present program of forward sales of gold.
 - (i) The program is a public scandal in China and may soon become so here.
 - (ii) In view of the Secretary's statement to Congress and the Joint Resolution authorizing the loan, the Secretary would be most embarrassed to have the loan used for a program such as forward sales.
 - (iii) We therefore advise that the arrears on this program be cleared up by the Chinese with other funds and in such ways as they deem best. We will endeavor to facilitate the shipment of gold from other funds over the next months for this purpose.

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- b. As stated in yesterday's memorandum, the Treasury believes that the Chinese should terminate the program of forward sales of gold. The Treasury does not believe that these sales are making an effective contribution in the fight against inflation and believes that it will continue to be difficult to arrange shipments against varying and unpredictable forward sales.
- c. With regard to further spot sales of gold in China, the Treasury has repeatedly indicated to representatives of the Chinese Government that the sale of gold is not an effective anti-inflationary measure, and both the past record and the existing situation in China strengthen the Treasury's conviction. The Treasury, however, will be glad to review the situation with Dr. Soong in the light of any fresh data and of the considerations the Treasury has placed before him.

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May 9, 1945
4:45 p.m.

1087-REVISED
LETTER FROM STIMSON

Present: Mr. D. W. Bell
Mr. Coe
Mr. Glasser
Mr. Friedman
Mr. Despres
Mr. DuBois
Mr. Clayton

H.M.JR: Do you suppose it would be any good to try to get Hildring over here?

MR. BELL: It would take him twenty or twenty-five minutes.

H.M.JR: I have seen McCloy come over here in ten minutes. We can get him on the phone.

(Mr. Coe enters the conference.)

H.M.JR: Who else is in on this 1087 beside Glasser?

MR. COE: Glasser and Joe Friedman has been closely associated. I have asked him.

H.M.JR: Was DuBois in on this thing?

MR. COE: No, sir.

MR. BELL: He was in on reparations only.

H.M.JR: This is Mr. Stimson's letter. (Reading letter from Mr. Stimson to the Secretary, dated May 9, 1945.)

"I have investigated the matter you talked to me about on the telephone yesterday afternoon and it is my feeling that the proposal made by the Joint Working Committee of the German Committee and the Joint Chiefs of Staff is eminently fair."

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May 12*

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There is no disagreement as to the necessity for the destruction or removal of the synthetic oil industry as an integral part of the program for the elimination of Germany's war potential. The only question involved is one of timing and relates to General Eisenhower's requirements of considerable quantities of oil to meet his minimum occupation needs in Germany.

"The Army supply agencies assert that in view of the existing world shortages of oil and tankers, such requirements cannot be met without impairing the prosecution of the war against Japan, unless full use is made of German synthetic oil production during the continuance of such supply shortages.

"The civilian agencies are not prepared to agree to such a program without further study and investigation. The question at issue is how to grant General Eisenhower permission to make necessary repairs and produce synthetic oil in Germany pending such study and investigation."

I don't know who the civilian agencies are.

MR. BELL: Interior.

MR. CLAYTON: Interior, probably.

MR. BELL: And that Will Davis.

H.M.JR: (Reading) "The proposed basic directive forbids all synthetic oil production in Germany immediately on seizure. The Army supply agencies at first recommended an amendment of the directive giving full permission for continued production and repairs during the continuation of existing supply shortages, but later agreed to accept an amendment granting temporary permission pending investigation and determination by this Government of the extent to which and the period for which oil production in Germany should be permitted."

It's this and the next paragraph I am not clear on.

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"I am advised that a representative of your Department objected to the inclusion of such an administrative determination in a basic policy directive and suggested that such permission should be granted by a separate cable. This was accepted by the Army, but I understand that you now object to the German Committee making any advance commitment as to the approval of such a cable until after the basic directive has been approved by the Joint Chiefs and dispatched to General Eisenhower."

Now, the thing I question is, "I am advised that a representative of your department objected to that basic policy and suggested that a separate cable-- Did we make that?"

MR. COE: I think that the case is that the Joint Committee met following a meeting here and the working committee met with JCS. In that committee they came out with language which was acceptable to every one, as I understood it. Now, undoubtedly in the course of that committee our man and State's men and others objected to various counter-proposals and they got a satisfactory compromise on the thing. It may very well be, there; and it's consistent with the position we have taken that there we said, "Let's get this language, agreed language, compromise language in the directive and then if we want to we can do it by a separate cable, which has been considered in this committee which has been the point which is up recently." The Army has said, "We won't agree to the directive until we get a separate cable okayed by all you folks."

MR. BELL: That was in cable form. That came to you the other day.

H.M.JR: Let me refresh my memory. We wash our linen in public. You said to me that the cable the Army wants to send is just blackmail.

MR. COE: Yes, sir. That's all right.

H.M.JR: Is that right? And that was the first I heard about it?

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MR. COE: Yes, but that is subsequent to what you are referring to in that letter. Administrative is what they are talking about.

H.M.JR: That was the way the cable was introduced to me.

MR. COE: Yes, sir, but you also understand there is a history which preceded it, and you may not have been in the committee, but in the committee this thing came up.

H.M.JR: The cable never came up in any meeting in which Mr. Clayton and I were present.

MR. COE: No, not the cable, but General Hilldring said that he thought it was stymied because of synthetic oil, and the committee had the words it was stymied. General Hilldring said he thought if he could get the working committee together with the Joint Chiefs of Staff, people who had advised the Joint Chiefs of Staff against IPOOG 1, that a satisfactory compromise could be worked out. In that working committee there undoubtedly was discussion of various ways of effectuating this compromise. One would be to change the language of IPOOG 1.

H.M.JR: Who was there? It wasn't you. Was it Glasser?

The point here--the thing I have been objecting to so strenuously was the cable because I thought it was blackmail, and Mr. Stimson comes along and says it was a representative of the Treasury who suggested that.

MR. COE: I think that blackmail element comes in in the question of whether a widespread directive covering everything for Germany is held up until all the members of the committee give their okay on it.

H.M.JR: No. Look, Frank, we are waiting. I got excited because the thing was put up to me, this cable--you have the cable--that this was a form of blackmail

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in order that if I agreed to this, then they would get this directive out right away, and I didn't like to be blackmailed. Mr. Stimson comes along and says the cable was a suggestion of the Treasury.

MR. COE: But there is nothing, sir, inconsistent here. It says, "...and suggested that such permission should be granted by a separate cable." Now, as I understood the recent question, it has been, "Shall we give acquiescence in advance to a cable as a condition for the Army granting its permission for IPOOG 1?"

H.M.JR: Frank, you're evading the thing. Was it the suggestion of somebody in the Treasury, or wasn't it?

MR. COE: I have to avoid that. I have to wait.

H.M.JR: The only person that could have done that was Glasser, wasn't it?

MR. COE: Glasser was our representative, yes.

MR. BELL: What he is trying to avoid certainly is an amendment to the basic document for this particular item.

(Mr. DuBois enters the conference.)

H.M.JR: Sit in, DuBois. Look, Joe, I want to go back on the other one. I'll read the other one out loud, the other paragraph. "The proposed basic directive forbids all synthetic oil--"

(Mr. Glasser and Mr. Friedman enter the conference.)

H.M.JR: Glasser, this is a letter from Mr. Stimson in which he says, "The proposed basic directive forbids all synthetic oil production in Germany immediately on seizure. The Army supply agencies at first recommended an amendment of the directive giving full permission for continued production and repairs during the continuation of existing

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supply shortages, but later agreed to accept an amendment granting temporary permission pending investigation and determination by this Government of the extent to which and the period for which oil production in Germany should be permitted."

Now, "I am advised that a representative of your Department objected to the inclusion of such an administrative determination in a basic policy directive and suggested that such permission should be granted by a separate cable." Was that your suggestion?

MR. GLASSER: No. We agreed to the provision that pending action by JCS they should continue production. Remember that was agreed to in the committee?

MR. COE: In the big committee or the working committee?

MR. GLASSER: In the big committee, and it was added to paragraph 30. Now, after that when Somervell and JCS, or really Somervell's organization said that wasn't enough, we held a meeting on the working level and they submitted a proposal which was fully discussed by the members of the JCS who were present, and that seemed to be that which was later added to paragraph 30 and was accepted.

That was the only meeting that I attended where I made any suggestion. Now, that evidently didn't satisfy them, and they wanted specific permission in the form of the cable, and it was to that, and when I was speaking with Mr. Despres when I said that the cable was not necessary--

(Mr. Despres enters the conference.)

H.M.JK: Mr. Despres, let me just read this to you and see if this makes sense. This is a letter from Mr. Stimson. I'll read it again if you don't mind.

"The proposed basic directive forbids all synthetic oil production in Germany immediately on seizure. The Army supply agencies at first recommended an amendment

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of the directive giving full permission for continued production and repairs during the continuation of existing supply shortages, but later agreed to accept an amendment granting temporary permission pending investigation and determination by this Government of the extent to which and the period for which oil production in Germany should be permitted.

"I am advised that a representative of your Department objected to the inclusion of such an administrative determination in a basic policy directive and suggested that such permission should be granted by a separate cable."

Do you have any recollection of a Treasury representative suggesting that this cable be sent?

MR. DESPRES: No.

H.M.JK: Well, my boys--Glasser says no. Do you know who did suggest a cable?

MR. DESPRES: I think that was the Army's idea to try to arrive at a basis of accommodation, that the matter be left out of the directive itself, and be handled under the terms of the directive by a separate cable.

H.M.JK: Well, I think Mr. Stimson has been misinformed. What Mr. Clayton suggested was--to me-- of course, it's too bad he has to formalize this thing, and we'll be writing letters for the rest of our lifetime. If I read this thing correctly and in view of the fact that Mr. Stimson said, "There is no disagreement as to the necessity for the destruction or removal of the synthetic oil industry as an integral part of the program--" and so forth, that's the key, as long as he agrees to that, see?

Now, subject to suggestions from somebody, I am willing to go back to what he says here in his own letter, namely, "The proposed basic directive forbids all synthetic oil production in Germany immediately on seizure. The Army

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supply agencies at first recommended an amendment of the directive giving full permission for continued production and repairs during the continuation of existing supply shortages, but later agreed to accept an amendment granting temporary permission pending investigation and determination by this Government of the extent to which and the period for which oil production in Germany should be permitted."

Now, if Mr. Stimson will go back to what he said, "The Army later agreed to accept an amendment granting temporary permission pending investigation and determination by this Government of the extent to which and the period for which oil production in Germany should be permitted"--

MR. BELL: That's now in the directive.

MR. GLASSER: That was incorporated in IPCOG 1.

H.M.JR: Right from his letter I'll take that unless somebody here says otherwise. I would like your advice and Mr. Depres' advice.

MR. CLAYTON: That's right, Mr. Secretary.

MR. BELL: Are we going all the way through on that? We have accepted that, haven't we?

MR. GLASSER: Yes.

MR. BELL: And the Army has accepted that, but what they want is to give Eisenhower immediate authority to manufacture some synthetic oil, is that right, and repair the plants?

MR. DESPRES: The directive, as it now stands, gives him the power to continue the production of synthetic oil provided that he asks for authorization to do so. All it requires is a telegram asking authorization while he is awaiting an answer. However, the basic--the problem that was worrying the people at the working level over at the War Department was that the power to continue production wasn't enough in view of the fact that all

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these facilities are out of production and are badly damaged and there isn't any authorization to repair in the directive as it now stands, so I think that the Secretary's letter doesn't entirely reflect the thing that's bothering the War Department.

H.M.JR: Look--

MR. CLAYTON: I think he's right.

H.M.JR: I think Despres is entirely right, but I am willing to take Mr. Stimson's own words. Now, it's a question of does Mr. Stimson reflect the War Department or somebody else? But I'll take just what Mr. Stimson says.

MR. COE: We have some other language for that.

H.M.JR: I'll take his own language for that, just as it is, the language right out of his letter. Wouldn't you be satisfied with that?

MR. DESPRES: We would be entirely satisfied.

H.M.JR: What?

MR. DESPRES: I would be, entirely.

H.M.JR: I agree with you, but somebody has given him a bum steer, and that last thing there what he has, so as not to argue with him--just this thing Mr. Clayton, right there--I'll just take that. (Indicating)

MR. CLAYTON: Yes, but I think Emil is correct in saying that they perhaps on second thought decided that that was not quite enough, that there has been such great damage to these plants that in order to make any products at all it might be necessary to repair and cannibalize some of them in order to make any of them run. I think that's the thing that is bothering them and that's what they say in the telegram, of course.

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H.M.JR: Supposing I wrote a letter here with your help and just said to Mr. Stimson, "There seems to be a misunderstanding, because I have checked with my own people--" If I may say--were you in on that committee, Mr. Despres?

MR. DESPRES: I don't know which one you mean, but I have been on most of them.

MR. COE: Yes.

H.M.JR: "I am reliably informed by our representative and State that the suggestion of the cable was not from us, but was from the Army. But irrespective of whose suggestion it was, I will be very glad to accept the last sentence in your letter on page 1 in which you say--" and just quote it, see?

MR. CLAYTON: I think what happens when you do that, Mr. Secretary, is what you said a moment ago that you get another letter and--

H.M.JR: I am willing to say it to you, Will. Now--

MR. BELL: I think the rest of the letter is important.

H.M.JR: Just a minute. "Mr. Secretary, now you say that this is what the Army wants. May we ask--Mr. Stimson went into it, and he never writes a letter like this without going into it very thoroughly--if this represents what he wants, and if he thinks that that is fair, and I say to Mr. Clayton--I say we go back to that original position, and I'll just take that one sentence right out of Mr. Stimson's letter. Now, Mr. Stimson, after all, could overrule those people, too. The thing that was bothering me was this is an opening wedge against destruction of plants. Mr. Stimson, in the early part of the letter, said all the plants should be destroyed, but pending the war with Japan, and so forth. They need one thing--he doesn't ask for anything else, just this. Now, here it is in writing, and that's the thing that's worrying me, see? That is what was worrying me.

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MR. CLAYTON: In this last paragraph on the first page you will notice that he does say that "The Army supply agencies at first recommended an amendment of the directive giving full permission for continued production and repairs--" Now, the cable perhaps goes a little further than that, and still I don't believe that it goes any further in spirit of the understanding--it just uses a little more language and puts in the word "cannibalization" as a part of the repair process.

MR. COE: Which means cut up and put together.

MR. CLAYTON: That's right. It means to take from some plants certain parts that are necessary and add them to other plants in order to make the latter plant run. And that is the only thing I believe, in which the telegram perhaps enlarges a little bit upon the understanding reached with respect to the amendment to the directive, and the language which is given in his letter, so that I don't think that that's a very vital point that is involved. The question of cannibalization--if it's necessary to cannibalize in order to repair, it doesn't make much difference, Mr. Secretary, whether you use new repair parts that were shipped there or that they make there in some way, or take out of stock, or whether you take them off of a plant. As a matter of fact, it's better to do the latter because you put definitely out of commission the plants from which you take those parts.

H.M.JR: According to McCloy, there are practically no plants left anyway.

MR. CLAYTON: That's right.

H.M.JR: If there are no plants left anyway, and inasmuch as Mr. Stimson puts down there in the very first paragraph the policy that they want to stop the production--isn't that what he says there, right in the beginning?

MR. CLAYTON: Yes, he says that. "The Army supply agencies at first recommended an amendment of the directive giving

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full permission for continued production and repairs during the continuation of existing supply shortages, but later agreed to accept an amendment granting temporary permission pending investigation and determination by this Government of the extent to which and the period for which oil production in Germany should be permitted." And that's all, as I understand it, that the telegram says except that it enlarges a little upon it and speaks of cannibalization. I believe we did agree at our last meeting on the reparations question when a one-page document was placed before us as something that General Hilldring and Mr. Lovett thought they could get the Joint Chiefs of Staff to accept-- I think we all agreed that that would be all right with the committee, and the committee approved it and then they were to get it accepted, and apparently they did get it accepted. But they didn't -- they held up saying so until they could get this telegram agreed to.

H.M.JR: I don't think they got it accepted.

MR. BELL: Well, I understood they said they would approve it if that telegram were approved.

MR. CLAYTON: That's what I understood.

H.M.JR: Well, there was one thing which was gone in to on this thing which we are arguing about, and that was, does the thing go into the General Directive irrespective of the telegram? Does it go into the directive pending investigation, do you remember that?

MR. CLAYTON: That's in there, Mr. Secretary.

H.M.JR: As part of the thing?

MR. GLASSER: Yes, it's part of paragraph 30, that pending the action by the JCS on their recommendation to continue production of any of the items in paragraph 30, they may continue to produce.

MR. CLAYTON: Was that in there originally?

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MR. GLASSER: No, that was added as a consequence of the discussion that Mr. Stimson refers to in his last paragraph.

MR. CLAYTON: But they haven't finally released the document and approved the whole document with that in there.

MR. GLASSER: He says they agree to it, but on the second page they say they really weren't satisfied, but they want a cable to go along with it.

MR. CLAYTON: They are still holding the document?

MR. GLASSER: They are waiting for the cable. The first paragraph on page 2 has errors of fact in it. However, their position has been that they want the cable to go out simultaneously with approval of the document.

H.M.JR: Well, Mr. Stimson has been misinformed, but from his standpoint having been told that there is no reason for Morgenthau to take offense, because one of his men suggested it-- I told him it was a lack of confidence in me--he said, "your own man suggested it."

MR. CLAYTON: Yes.

H.M.JR: That, according to our people, isn't so and as far as you know, Mr. Despres, it's not correct.

MR. DESPRES: As far as I know, that was not correct. All of this was by telephone. This wasn't at the meeting anyway, so I really am not able to serve as a sworn witness on this thing, but it doesn't make sense that according to my understanding that--

H.M.JR: Let me ask my people in view of Mr. Stimson's sentence up there saying he believes in the destruction of German plants, is this a thing that's worth bothering the President with? I personally don't think so.

MR. BELL: I don't think so.

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MR. DuBOIS: I don't think so. I think the language in the directive itself would satisfy them.

MR. BELL: It doesn't.

MR. CLAYTON: The directive is pretty well agreed to. It's a question of the telegram.

H.M.JR: According to Glasser, that thing that came in which they brought up, and I said, "Well, I'm satisfied"--that has gone in as part of the language.

MR. GLASSER: That's right.

H.M.JR: That's in.

MR. DuBOIS: That wouldn't satisfy them.

H.M.JR: In addition to that they want to send some kind of cable.

MR. BELL: They want to in effect anticipate a request from Eisenhower by giving him authority to go ahead.

MR. CLAYTON: That's about all that is involved. If we agree cannibalization has no significance here, the only question involved is that instead of waiting until he gets this and makes the request, they want to anticipate and give him the authority in advance.

H.M.JR: Well, if we wait much longer, they will talk about taking parts of plants here and shipping them over. I know what cannibalization is. If you have three trucks broken down and you get enough parts from two to make the third one run, you make the third one run.

MR. BELL: And that's better than shipping new parts from here, certainly.

MR. CLAYTON: Yes, or much better than taking new parts they might have over there.

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H.M.JR: May I have a copy of this thing?

MR. COE: A copy of this letter?

H.M.JR: Yes.

MR. COE: Mr. Clayton, do you have a copy of this cable they want to send out?

MR. CLAYTON: No. I only heard about it on the telephone.

MR. GLASSER: I have it on my desk.

H.M.JR: This is the part--this is something which we have never had in writing before. "There is no disagreement as to the necessity for the destruction or removal of the synthetic oil industry as an integral part of the program for the elimination of Germany's war potential."

MR. CLAYTON: That's right.

H.M.JR: With that in writing from the Secretary of War, I am willing to go ahead.

MR. CLAYTON: Fine. I think that--

H.M.JR: And I am willing to go ahead, and if they want a cable, all right, but I don't think that--if I start answering this, I'll be here all night getting everybody satisfied.

MR. CLAYTON: That's right.

H.M.JR: And I think it's more important--I am more than willing to take your offer and leave it in your hands.

MR. CLAYTON: All right, sir.

H.M.JR: Does anybody protest? Don't hesitate. Harold?

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MR. GLASSER: No, sir. I agree completely.

H.M.JR: Don't tell me afterwards--

MR. BELL: Harold recommended it the other day. As I recall, everybody was against him. He was the one who said he thought you ought to go along.

H.M.JR: That's right. That's correct. He sent me a little note saying I should accept the cable. I had forgotten even it, and I was angry.

MR. GLASSER: Yes.

H.M.JR: Now, you can settle that?

MR. CLAYTON: All right, sir.

MR. DuBOIS: Do you think it's best to have it by separate cable? I would like to ask Mr. Despres' advice.

MR. DESPRES: I would also recommend separating the cable. I would add the recommendation that since the cable says that the question is now under study in Washington, I think after sending the cable we ought to put it under study at once and get the Army Service Forces people, and make this case on supply grounds for the operation of these plants. I am bound to say I don't think it's a very easy case to make stick, and unless I prove to be wrong on that--I think they ought to have to make a case in order to have an exception.

H.M.JR: I was so unpleasant as to suggest they might use some of the oil from the canal project in Alaska.
(Laughter)

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MR. COE: Mr. Secretary, I would like to make one more suggestion to Mr. Despres with the full knowledge that it may be quite beyond the possibility of carrying out. If you could get in the cable that goes out to the field that very good sentence that Secretary Stimson says about it being a firm policy on the part of an integral program, it would help, and ~~they're~~ his own words.

H.M.JR: That's a very good suggestion.

MR. CLAYTON: I'll undertake that.

H.M.JR: That would make me completely happy. Then I would feel all the fussing was worthwhile if that could be included in the cable.

MR. CLAYTON: I think we can get that in the cable.

MR. BELL: You don't want to answer this letter at all, acknowledge it? We could just acknowledge it and say, "In view of this definite statement of policy on the part of the War Department, the Secretary has advised Mr. Clayton he would have no objection to it, in the form of a cable which he agreed upon."

H.M.JR: He said, "I believe this question of such importance should be presented to the President for settlement and decision." If Mr. Clayton gets the thing settled, there is no need for my going to the President. I have had worse letters than this.

MR. CLAYTON: That's right. (Laughter)

H.M.JR: It's my suggestion that Mr. Stimson's own sentence --

MR. CLAYTON: Yes, I'll let you know just as soon as I get it fixed.

H.M.JR: I am being fed by Jean Monnet tonight.

MR. CLAYTON: Then you don't want to come on Friday.

(Discussion off the record.)

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(Mr. Clayton and Mr. Despres leave the conference.)

H.M.JR: You see, he put this thing on a basis that got a little mixed up, but I don't think--the thing is to get Stimson on the line on these things. That's very important.

MR. COE: It's a firm policy as far as War is concerned now.

MR. BELL: I am surprised he signed that letter.

MR. DuBOIS: That sentence, if we get it in the cable or whether we don't--

H.M.JR: I hear it was you who said it was blackmail when we told him about the cable.

MR. DuBOIS: The cable was blackmail, but that's neither here nor there. I think the letter Stimson--

H.M.JR: My wife says, "Never tell me anything you want me to keep as a secret," because I can't keep any secrets, but anyway I don't feel too badly about it. Do you boys feel--how do you feel?

MR. FRIEDMAN: I feel the same way.

H.M.JR: I must say I find that Clayton has been awfully square with me.

MR. BELL: He's pretty good.

H.M.JR: Gentlemen, when I think in terms of some of the other people in this town--I have never yet caught him off base as far as I'm concerned.

MR. COE: And he's very able.

MR. GLASSER: Despres has been very good.

MR. DuBOIS: I don't share that view at all.

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MR. FRIEDMAN: I haven't seen him as much as Joe.

MR. DuBOIS: I don't share that view at all, Mr. Secretary.

MR. COE: About being square?

H.M.JR: He has been with me.

MR. DuBOIS: That one reparations meeting we attended he was terrible, and the only thing that knocked him off his feet, he didn't like some of the adverse publicity he was getting.

MR. COE: I said to win him over--

H.M.JR: In his dealings with me he has been completely square.

MR. BELL: Despres is capable.

MR. COE: The next thing is revisional lend-lease. They are having a big row with the State now.

Can we save this?

H.M.JR: Save that for next week after the Seventh War Loan starts.

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PRECISION

TRADE MARK

MICROSTAT

REG. U. S. PAT. OFF.

MICROFILM

ROLL NO.

COPIES TO:

Mr. O'Connell
Mr. Luxford
Mr. Bernstein

FOR ACTION

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May 9, 1945
5:45 p.m.

Congressman
Spence:

Hello, Mr. Secretary, I didn't want to bother you tonight.

HMJr:

Well, you never bother me.

S:

How is your good wife?

HMJr:

She is making steady progress, thank you.

S:

Is she? That's fine.

HMJr:

Yeah.

S:

What I want to talk to you about is that I thought we'd - we're just about through with the hearings.

HMJr:

Yes, sir.

S:

And I thought we'd get some little amendments that would mean nothing that we might give to the other side to get them in line - they are looking for an out.

HMJr:

Yeah.

S:

And I thought you might talk to O'Connell, Luxford and Bernstein and see if you couldn't get them some amendments that - for instance, the amendment that enlarge the powers of the bank and makes stabilization loans - long term stabilization loans - and public Advisory Council and some of that kind. I don't think it would make any difference.

HMJr:

I see.

S:

I just thought we'd have something to hand them and trade with them - don't you think it's a good idea?

HMJr:

Well, we'll get the boys together. I tell you Mr. Spence, I am going down tomorrow afternoon to see my wife.

S:

Are you?

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HMJr:

So would you mind if some of the boys came to see you instead of my coming?

S:

No indeed, no - I don't want to bother you, Mr. Secretary - No, I didn't want to do that, I just wanted to tell you.

HMJr:

Fine.

S:

No, my - I'm glad to talk with Luxford, O'Connell and Bernstein and see if we can't work something out.

HMJr:

Well, I'll talk with them in the morning but I've got several things otherwise I'd come myself.

S:

You know they may say they want either you or White to come back but that is - I think the Committee wanted you to come back. Now I am going to try to say to the Committee that they don't want anybody to come back to close the hearings.

HMJr:

Good.

S:

I think we will conclude the hearings tomorrow or Friday and then go into the Executive session probably Monday or Tuesday.

HMJr:

I don't see why they need White or me.

S:

I don't think so either. They don't need anybody. Nobody would want them but Dr. Smith.

HMJr:

Well.

S:

There are only four people who are active there - Dr. Smith and Jessie Summers and Duffett who doesn't know anything about and Crawford who got out on a limb and can't get back.

HMJr:

My people who have been up there have reported that you handled this thing beautifully.

S:

Well, I don't know - it has been mighty tiresome and I think if we hadn't handled it the way we have - at one time we couldn't have got it out to Committee but we can get it out now, I know.

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HMJr: Yeah.

S: Perry came back today and he asked some questions that indicated that he was intensely interested in the whole thing.

HMJr: Fine. Well, I think we never would have gotten as far as we have if it hadn't been for you.

S: Thank you. Well, we are going to try to put it through and I think it will go through.

HMJr: Well, that's wonderful.

S: All right, Mr. Secretary.

HMJr: I'll have the boys get in touch with you tomorrow.

S: All right, Mr. Secretary.

MAY 9 1945

MEMORANDUM FOR THE PRESIDENT

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

FINANCING THE WAR

Our expenditures for the current fiscal year are estimated at \$96 billion, \$88 billion of which are for war activities. Our prospective receipts, exclusive of borrowing, are estimated at \$46 billion for this year, or about 48% of the total expenditures.

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

My bond-selling organization is geared to a goal of 14 billion dollars during the Seventh War Loan Drive which opens May 14. Seven billion dollars of this amount will be raised from non-bank investors. The selling of Government securities during the war has been aimed at the objectives of placing as many securities as possible with individuals, thus removing excess purchasing power and its threat of inflation, providing security for small investors (85 million individuals have purchased Series E Bonds), and maintaining the liquidity of our banking system with short-term offerings.

TAX LEGISLATION

My tax staff is working on Federal tax revisions for the transition and postwar period. This work is progressing

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

LAW ENFORCEMENT

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

FOREIGN FISCAL AND MONETARY MATTERS

China

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

Great Britain

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

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

France

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

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Mexico

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

Cuba

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

India

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

Enemy Assets in United States

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

German Assets in Other Countries

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

Peace Plans

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

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Future of Lend-Lease

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

(Signed) H. Morgenthau, Jr.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date May 9, 1945

TO Secretary Morgenthau
FROM Randolph Feltus

Mr. Dierkes, of my staff, has spent his full time for the past several weeks, calling on trade association officials at their national offices here and in New York.

His approach is direct, but he states that we want to be helpful to them in their understanding of Bretton Woods which has such important implications insofar as we are concerned. He states that we merely want them to be aware of the importance of the proposals to their industry and in the light of awareness to study the matter. We are not asking for their support, although we believe they will approve Bretton Woods if they go into the subject with any thoroughness.

With one or two exceptions, this approach has won a friendly response. They express gratitude for our interest in their businesses and promise to study. They have all been woefully ignorant on the subject when first approached.

The result has been a number of favorable resolutions, general added interest, and, in some cases, neutralization of organizations which, through ignorance, were prepared to back the ABA position.

Following is a list of the organizations:

Aeronautical Chamber of Commerce of America, Inc.
American Association Economic Freedom
American Association of Small Loan Companies
American Business Congress
American Iron and Steel Institute
American Retail Federation
American Ship Owners Association
American Trade Association Executives
American Trucking Associations, Inc.
American Washer & Ironer Manufacturers' Association
Assn. of Bulk Prepared Flour Mix Manufacturers, Inc.
Association of Buying Offices, Inc.
Automobile Manufacturers Association

Can Manufacturers Institute, Inc.
China Committee on Industry and Commerce
Coal Exporters Association of U. S.
Commercial Steel and Chemical Corporation

Dairy Industry Committee
Dairy Industry Supply Association
Douglas Fir Plywood Association

Glass Container Association
Grace Lines

Institute of Scrap Iron and Steel, Inc.
Iron and Steel Institute

Machinery and Allied Products Institute
Matson Lines

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National Aeronautic Association of the U.S.A.
National Association of Alcoholic Beverage
Importers, Inc.
National Association of Margarine Manufacturers
National Cannery Association
National Council of American Importers
National Council of Social Studies
National Education Association
National Federation of American Shipping
National Lumber Manufacturers Association

Oregon War Industries, Inc.

Plastics Materials Manufacturers Association
Progressive Businessmen, Inc.

Radio Manufacturers Association
Rotary Clubs, Inc.

San Diego Chamber of Commerce
Seattle Chamber of Commerce
Shipbuilders Council of America
Ship Owners Association
Shipowner's Association of the Pacific Coast

U. S. Beet Sugar Association

West Coast Lumbermen's Association
Wire Rope and Strand Association

R.T.

PRECISION

TRADE MARK

MICROSTAT

REG. U. S. PAT. OFF.

MICROFILM

ROLL NO.

Original to Mr. Gaston 5/10

388

12"

DEPARTMENT OF STATE
WASHINGTONIn reply refer to
AV 811.796 Committee/5-445

May 9, 1945

My dear Mr. Secretary:

I have received your letter of May 4, 1945 stating that you consider it appropriate for the Treasury Department to be represented on the inter-departmental Air Coordinating Committee and asking that steps be taken to that end.

As this is a question which must be decided by the full Committee, I am submitting your request for inclusion on the agenda and consideration at its next meeting.

Sincerely yours,

For the Acting Secretary of State:

William L. Clayton
Assistant Secretary

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.



390 ✓
May 9, 1945.

Dear Jim:

The final fighting having been mostly on the land the Navy may not get the credit for VE-day that is its due.

I don't forget that the men and supplies had to be moved over the water and the U-boats fought to the very last day.

The Navy has done a great job on Hitler as well as being in process of doing an even more spectacular job on the other, and you have been at the heart of it from the start. The building, the recruitment, the training and the fighting have been a wonderful performance.

I congratulate you and wish you all power for the rest of the way.

Sincerely,

(Signed) Henry

The Honorable James Forrestal
Secretary of the Navy

REC-66

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date May 9, 1945

TO Secretary Morgenthau
FROM Randolph Feltus

These two letters are about all that should be sent in connection with your recent broadcast.

It was not a Bretton Woods program, but dealt with world security in the broader sense. We don't want any letters floating around which Taft could use to corroborate his charges against us.

RF

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MAY 9 1945

Dear Mr. Smith:

This is just a note to thank you for inviting me to participate in the program - "The Crew of the Model T" - on April 30th. I thought the program was an excellent one. Please extend my felicitations to the writers, actors and technical people who produced the show.

With warm good wishes, I am,

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Adrian Smith,
Program Director,
The Blue Network,
630 Fifth Avenue,
New York, N. Y.

HF:Dr1 -5/8/45

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MAY 9 1945

Dear Mr. Peppers:

This is just a note to thank you for inviting me to participate in the program - "The Crew of the Model T" - on April 30th. I thought the program was an excellent one. Please extend my felicitations to the writers, actors and technical people who produced the show.

With warm good wishes, I am,

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. George Peppers,
1585 Grossroads of the World,
Hollywood, California.

HF:Dr1 -5/8/45

394

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MAY 9 1945

My dear Mr. Ministers:

I was very pleased to read your letter of March 30, in which you expressed your satisfaction over Henry Tasso's return to Italy as my representative.

I trust that with your cooperation his presence in Italy will be of mutual advantage to our respective countries.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable Marcello Soleri,
Minister of the Treasury,
Rome, Italy.

SPias 5-3-45

183H-C.13
ROYAL ITALIAN EMBASSY
WASHINGTON

April 24, 1945

Dear Mr. Glasser:

Our Minister of the Treasury,
Mr. Soleri, has sent this Embassy a
letter to be forwarded to Mr. Morgenthau.

Would you be so kind as to see that
this letter reaches its destination?

I hope to see you sometime soon,
and with many thanks for this courtesy,
I remain

Yours sincerely,

Egidio Ortona
Egidio Ortona

Encl.

Mr. Harold Glasser,
U.S. Treasury Department,
Washington, D. C.



Ministero del Cuiore
IL MINISTRO

Roma, March, 30 1945

My dear Secretary of State,

It is with great pleasure that I am informed of the return of Dr. Henry J. Tesca. He is a good friend of Italy, and understands full well her difficulties and her future possibilities.

Therefore I am pleased of your decision to appoint him as your personal representative in Rome, and I assure you that I will be very glad to work with him, on the purpose of giving again to our Countries their old character of true and fecund friendship.

Yours sincerely

Mr. HENRY MORGENTHAU Jr.
Secretary of the Treasury
WASHINGTON, D.C.

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May 9, 1945

MEMORANDUM FOR THE PRESIDENT

Subject: STRENGTHENING FEDERAL FISCAL CONTROLS

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

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

No Secretary of the Treasury can properly serve the Chief Executive, the Congress and the American people during the trying post-war period of international rehabilitation and domestic reconstruction without maintaining a balanced policy over both sides of the Federal ledger. It is for this

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reason that I am calling your attention to certain basic weaknesses in the management of the Federal Government's fiscal and monetary affairs, and recommending to you a reorganization program aimed at the unification and correlation of related functions in this vast and vitally important area of Government activity.

BACKGROUND ELEMENTS

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

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

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

- 3 -

RECOMMENDATION

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

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

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

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

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

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

The establishment of a top policy committee chairmanned by the Secretary of the Treasury and composed of assistant chairmen who will head subcommittees for specific functional areas.

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- 4 -

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Generally, the plan is to have established eight principal subcommittees as follows: (1) Committee on Industrial Finance. (2) Committee on Agricultural Finance. (3) Committee on Foreign Finance. (4) Committee on Maritime Finance. (5) Committee on Money and Credit. (6) Committee on Housing Finance. (7) Committee on Public Works Finance. (8) Committee on the Federal Budget.

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

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

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

In presenting this tentative proposal for what amounts to a substantial rearrangement of the Federal Government's fiscal and monetary operations, I am not unmindful of the

- 5 -

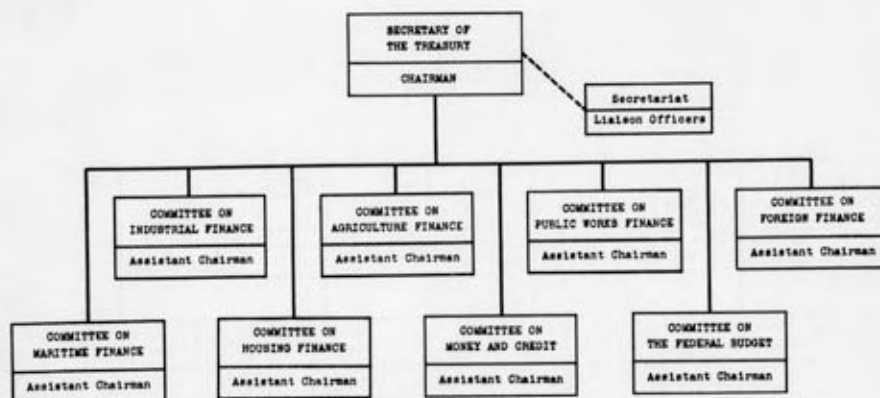
401

reasons behind the present organizational setup. Nevertheless, I think that you will agree that in a Government such as ours the job of perfecting our organization, and adapting it to the changing demands of growth and development is a never-ending undertaking. While we have often heard the term "Watchdog" of the Treasury applied to various public officials, including the Secretary of the Treasury, it is an unfortunate fact that today the President has no single subordinate serving him in that capacity. If the President would like to have one responsible guardian of the nation's Treasury, it is the aim of this recommendation to give it to him, in the person of the Secretary of the Treasury.

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

Faithfully yours,

National Committee for Fiscal Affairs



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Treasury Department 403
Division of Monetary Research
Date May 7 1945
To: Secretary Morgenthau

Our digest of the Rosenman
Report is not yet completed,
therefore, this simple acknowledg-
ment.

FL
MR. COE
Room 3430 - Branch 305 and 306

404
✓

MAY 9 1945

Dear Sam:

Thank you very much for your letter of April 30, transmitting a copy of your report to the President on your recent mission to the liberated areas of North-west Europe to study the question of civilian supplies. Both the detailed factual survey and your commendably concrete recommendations should be very helpful in the formulation of policies and procedures to meet the problems posed by these liberated areas.

I am glad that you found Mr. William H. Taylor's services helpful to you.

Very truly yours,

(Signed) Henry

Judge Samuel I. Rosenman,
The White House.

LHG:ah 5/5/45

THE WHITE HOUSE
WASHINGTON

April 30, 1948

Dear Mr. Secretary:

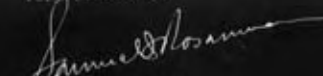
At the direction of the President, I am enclosing herewith a copy of a report dated April twenty-sixth, which I have submitted to him. The report covers my mission to the liberated areas of Northwest Europe to study the question of civilian supplies, as per letter of President Franklin D. Roosevelt, dated January 20, 1948.

You will note that the report and all of the tabs connected with it have been classified as "Secret". I am enclosing a copy of the press release for tomorrow morning's papers -- which is the only publicity authorized.

I desire to take this opportunity to thank you for making available to me the services of William H. Taylor. He was always most efficient, cooperative and helpful to me; and brought to this work his extensive experience and knowledge of the subject.

With kindest regards,

Very sincerely,



SAMUEL I. ROSEMAN

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

Samuel I. Rosenman has submitted his report to President Truman on the matter of civilian supplies for the liberated areas of Northwest Europe. The report is the result of a mission to these countries, on which he was recently sent by the late President.

Pursuant to the direction of the President - who is very sympathetic with the needs of the liberated countries - Judge Rosenman has discussed, and is now discussing the question with the government agencies concerned in the matter, with the view of seeing to what extent, if any, these needs can be met.

The President has authorized the release of the following summary of the highlights of the report:

Summary of Report of Samuel I. Rosenman

1. The immediate and long-range economic situations of these liberated countries are extremely serious. The needs vary from country to country.

Seven million displaced persons brought into Germany from overrun countries as slave labor will increase its seriousness. These people have no source of food of their own, and will place a critical burden upon an already severely limited food supply.

Except in the rural, food-raising areas, a dangerously low level of nutrition generally exists; coal production meets not even minimum requirements; ports have suffered great damage by bombing and demolition.

Railroads, canals and highways have been wholly or partially destroyed; and what remains of the usable means of internal transportation have been largely devoted to Allied military use. The resultant lack of adequate transport carries serious consequences.

Physical destruction is greater than in the last war. Manufacturing is paralyzed by destruction or damage, lack of raw materials and inadequate plant maintenance.

2. The needs of Northwest Europe's liberated areas are grave, not only from a humanitarian aspect, but because they

-2-

involve internal and international political considerations. The future permanent peace of Europe depends largely upon restoration of the economy of these countries, including a reasonable standard of living and employment. United States economy, too, will be deeply affected unless Northwest Europe again resumes its place in the international exchange of goods and services. Furthermore, a chaotic and hungry Europe is not fertile ground in which stable, democratic and friendly governments can be reared.

3. A realistic appraisal of the situation would indicate that the responsibility for providing a substantial share of most civilian supplies will rest on the United States. United States policy should dictate acceptance of this responsibility as far as possible.

4. To be effective, the acceptance of this responsibility as a government policy should be enunciated by the President himself. The policy should be framed so as to assure that the supplies necessary to meet the minimum requirements of all liberated areas will be met as fully as the successful prosecution of military operations and the maintenance of our essential domestic economy will permit.

5. Once this policy is enunciated, a high level inter-

-3-

departmental committee should be maintained to advocate and support the claims presented by the liberated countries, in order to ensure that the policy is in fact continuously carried out.

6. The most immediate and urgent needs common to all Northwest European countries are certain types of food, coal, coal mining equipment and the means of internal transportation.

7. The available supply of many kinds of food is insufficient for minimum requirements. To meet the United States share of these needs, a reexamination of total requirements against our supplies should be made. Certain appropriate steps should be taken to assure maximum production of food in the liberated areas. We should examine the situation of those countries liberated by the U.S.S.R. in Eastern Europe in order to ascertain what food surpluses may be available there for the deficit areas of Western Europe.

8. Coal is one of the most important keys to economic recovery in Northwest Europe. Meeting even minimum coal requirements for a year or more after V-E Day will be impossible. Any material alleviation of this situation would require maximum coal production in Germany. This, however, entails certain serious political decisions, because it would mean:

immediate shipment of coal mining supplies to Germany; rehabilitation of battle-damaged or demolished German mines; restoration of German transport facilities for miners and mining purposes; supply of adequate food, clothing and footwear for German miners; provision of electric power to produce coal even if it entails rehabilitation of some part of local utilities; and the use of forced German labor where necessary. These political questions are not within the province of the mission to answer. Failure to take the steps outlined, however, would place insurmountable limitations on the extraction of German coal for liberated countries. The United States should examine the extent to which it can supply coal to Europe, especially during any period of easier shipping which may develop after V-E Day; for the lack of coal is of gravest political and economic concern.

9. There can be little economic rehabilitation until the internal transportation situation is improved. The liberated areas should be given prompt and high priorities for rolling stock, locomotives, maintenance and repair shop supplies, and raw materials for local production of railroad equipment. A survey to determine the availability of Army trucks after V-E Day, for transfer to these countries, should be made; also

-5-

the possibility of reconditioning used trucks here and abroad should be explored.

10. Port capacity and clearances are now sufficient so that they should not be regarded as restrictions upon procurement by the National Governments or upon the allocation of ships to them. The limiting factor in the immediate future is the shortage of supplies. Should shipping develop to a choke-point, the shipping position should be reexamined at the highest level to ensure maximum allocation to the liberated areas, consistent, of course, with the successful prosecution of the war and the needs of our other Allies. Full advantage should be taken of present allocations and any temporary ease of shipping shortly after V-E Day.

11. To supplement the electric power in liberated areas, thus saving coal and transportation, we should seek increased exports of electricity from Germany.

12. Petroleum is essential for economic rehabilitation, particularly for its use in transportation. SHAEF now handles petroleum imports; but the responsibility will ultimately revert to the governments of these areas. Planning for the transition should be undertaken now.

13. Highest level decisions must be made immediately re-

-6-

garding the use of German productive capacity, and the extent, if at all, to which it should be restored and operated for the benefit of liberated countries of Northwest Europe.

14. Interim reparations machinery should be established at once to handle the growing problem of removal for needed use in liberated countries the movable goods uncovered in Germany by Allied armies, which SHAEF does not need. It should be integrated with the work of the Reparations Commission.

15. Repatriation of displaced persons should be undertaken as speedily as possible.

16. As the land of France and Belgium, and the adjacent seas are filled with German mines, a complete restoration of agriculture, shipping and fishing is severely restricted. As part of the peace terms, Germany should be compelled to furnish the personnel to remove these mines.

17. The military has met the responsibility placed on it for providing sufficient civilian supplies in Northwest European liberated countries to prevent disease and unrest. It has done this job well, despite the limitations of shipping, harbors, supply and inland transportation. Military Commanders in the field are keenly aware of the necessity of maintaining at least a minimum economy in the path of their communications. These

-7-

countries will also serve as redeployment bases after V-E Day. The immediate requirements of these areas, however, go beyond the bare necessities called for by the military in the performance of its responsibility for civilian supplies. This responsibility should be terminated as soon as practicable.

18. It is a new concept that responsibility for the care of civilian populations and temporary governmental administration is a necessary part of our Army's military mission. Modern total war has brought the military into direct contact with the political and economic lives of the countries through which it passes and has demonstrated the soundness of this concept.

19. To discharge successfully our responsibility in economic relations with the liberated countries, our Embassies should have the necessary personnel, adequately experienced and trained. In this period of emergency, it will be necessary to supplement the trained manpower of the Foreign Service.

20. The largest responsibility in dealing with economic problems in the field falls upon the State Department and FEA. In all cases, the senior economic officer in each Embassy should be the joint designee of these agencies, as in Paris and Brussels, where it has proved to be a sound arrangement.

21. The present Liberated Areas Committee should be

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designated as the advocate of the claimant countries, referred to in 5. above. At present, it is under the chairmanship of an Assistant Secretary of State, with comparable membership of FEA, Treasury, War and Navy Departments. It is essential that the level of original membership be maintained. It should have an outstandingly able Secretariat, adequately staffed, capable of exercising general coordinating responsibility for the members, and do the day-to-day work of the Committee.

22. The Washington machinery for allocating supplies to liberated areas should be simplified and streamlined. The President should designate someone to examine this machinery and to recommend changes designed to eliminate the complexities which now exist.

23. UNRRA's supply activities in Northwest Europe are comparatively unimportant. In the problem of displaced persons, however, UNRRA should be encouraged to greater participation compatible with military necessities and the liberated countries' own decisions. UNRRA's needs will increase. It is essential, therefore, that it be given appropriate consideration for supplies, transport and ocean shipping.

24. The European Economic Committee, European Central Inland Transport Organization, European Coal Organization and

-9-

United Maritime Authority, if created and thereafter supported, can perform helpful roles. The State Department, fully aware of their possible contribution, is following their development closely with the purpose of expediting their establishment on a basis acceptable to the countries most directly concerned.

25. Discussions with the Governments of the liberated countries relating to financial assistance for rehabilitation and reconstruction should be undertaken several months hence. These countries are not yet ready for such discussions. In the meantime data is being assembled on the extent of destruction, cost of reconstruction and available foreign assets. Substantial benefit will come from the passage of Bretton Woods legislation, repeal of the Johnson Act and the amendments relating to the Export-Import Bank. Facilities for credits to the liberated countries should be established at the earliest possible date.

26. Since allocation of civilian supplies to liberated countries, in all probability, will cut into the ration of the American consumer, a widespread official and public campaign should be undertaken to inform the American people of the gravity of the needs of our Allies in liberated Europe.

Conversely, there is no adequate understanding by the ordinary civilians in these liberated areas of what the

-10-

Americans and British have done for the civilian population of these countries. Nor do they realize that in the United States, too, there are grave shortages. We should improve the transmission abroad of the story of the American war effort and of American sacrifices to improve the lot of our Allies.

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May 9, 1945

Dear Mr. Secretary:

I desire to acknowledge with thanks receipt of your letter of May 5, with which was transmitted a copy of the expression of the Cabinet of the Commonwealth of the Philippines upon the death of President Roosevelt, which was addressed among others to the members of the Cabinet of the President of the United States.

Sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable

The Secretary of State

HET:AM
7/10/45

ADDRESS OFFICIAL CORRESPONDENCE TO
THE SECRETARY OF STATE
WASHINGTON, D. C.



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
PR

May 5, 1945

My dear Mr. Secretary:

I am enclosing herewith a copy of a telegram dated April 14, 1945 from General MacArthur at Manila, received by reference from the White House, transmitting at the instance of the Cabinet of the Commonwealth of the Philippines a message addressed to Mrs. Roosevelt, the members of the Cabinet, the President pro tempore of the Senate, and the Speaker of the House of Representatives, expressing condolences on the death of President Roosevelt.

Copies of this telegram have also been forwarded to the other persons for whom it is intended.

Sincerely yours,

For the Acting Secretary of State:

J. H. [Signature]
Assistant Secretary

Enclosure:

Copy of telegram from
General MacArthur,
April 14, 1945.

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.



419
Department of State



PR

ENCLOSURE
TO

Letter drafted 4-30-45

ADDRESSED TO

The Honorable
Henry Morgenthau, Jr.

WAR NEWS Manila, April 14, 1945

MRS. ROOSEVELT
MEMBERS OF THE CABINET
PRESIDENT PRO TEM OF SENATE
SPEAKER OF HOUSE

Cabinet of Commonwealth Government requests following be delivered:

"The Cabinet of the Commonwealth of the Philippines joins the world at large and the American people in particular in mourning the demise of Franklin D. Roosevelt. In his death the United Nations have lost a great leader and the Filipino people a true friend. Through this resolution, the Cabinet joins President Osmena in expressing the grief of the Filipino people over the sudden and untimely passing away of the late President Roosevelt, one of the greatest statesmen the world has produced."

GENERAL MACARTHUR

Rec'd. 4/14/45
12:05 am

-420

MAY 9 1945

MEMORANDUM FOR THE PRESIDENT

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

FINANCING THE WAR

Our expenditures for the current fiscal year are estimated at \$96 billion, \$86 billion of which are for war activities. Our prospective receipts, exclusive of borrowing, are estimated at \$46 billion for this year, or about 48% of the total expenditures.

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

My bond-selling organization is geared to a goal of 14 billion dollars during the Seventh War Loan Drive which opens May 14. Seven billion dollars of this amount will be raised from non-bank investors. The selling of Government securities during the war has been aimed at the objectives of placing as many securities as possible with individuals, thus removing excess purchasing power and its threat of inflation, providing security for small investors (85 million individuals have purchased Series E Bonds), and maintaining the liquidity of our banking system with short-term offerings.

TAX LEGISLATION

My tax staff is working on Federal tax revisions for the transition and postwar period. This work is progressing

- 2 -

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

LAW ENFORCEMENT

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

FOREIGN FISCAL AND MONETARY MATTERSChina

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

Great Britain

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

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

France

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

- 3 -

Mexico

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

Cuba

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

India

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

Enemy Assets in United States

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

German Assets in Other Countries

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

Peace Plans

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

- 4 -

Future of Lend-Lease

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

(Signed) H. Starnes, JR.

PRECISION

TRADE MARK

MICROSTAT

REG. U. S. PAT. OFF.

MICROFILM

ROLL NO.

425

HM JR took to conference at White House

May 9, 1945

✓ 426

Taxation1. Joint Committee

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

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

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

2. Capital gains tax

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

May 9, 1945

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DEMOCRATIC NATIONAL COMMITTEE

MAYFLOWER HOTEL

WASHINGTON

ROOM 6

ROBERT E. HANNEGAN
CHAIRMAN

May 9, 1945

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

Dear Henry:

It was certainly kind of you to write me such a nice congratulatory letter; I genuinely appreciate it.

With kind personal regards,

Very sincerely yours,

Bob Hannegan

DAVID L. BAUMANN, COLONY

COMMITTEE ON MILITARY AFFAIRS

Subcommittee on War Mobilization

May 9, 1945

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

My dear Secretary Morgenthau:

The Subcommittee on War Mobilization is scheduling a series of hearings on "The Economic Base for German Aggression and National Security," beginning on June 3. These hearings are a continuation of earlier investigations of "Cartels and National Security," which showed that German aggressive forces began to conspire immediately after the last World War for renewed world conquest. The earlier investigations indicated that Germany did not resort to military aggression until after extensive economic penetration of prospective victims, through international cartel agreements and other economic devices. There is already evidence on hand that the German conspirators for aggression, who have in the past included, in addition to the Nazi political hierarchy, military, industrial and financial groups, have prepared for defeat in the present war as well as for victory and are trying to create economic reserves, inside and outside of Germany, for another attempt at world conquest.

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

These hearings will not be especially concerned with a detailed description of instances where Germans have been able to accomplish their purposes by exploiting commercial relations with Americans and other foreigners. They are concerned, however, with the role played by specific economic mechanisms such as cartels, as well as with the role of neutral or previously neutral countries.

The Subcommittee would be pleased if you would appear before it on June 7 to present information gathered by your Department on these subjects and to testify on the Department's current and projected activities to eliminate the German economic base for further aggression.

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

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

I am enclosing a schedule of the other witnesses.

With all good wishes, I am,

Sincerely yours

E. M. Kilgore
Chairman

Enclosure

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SUBCOMMITTEE ON WAR MOBILIZATION
SENATE MILITARY AFFAIRS COMMITTEE

Harley M. Kilgore, West Virginia, Chairman

Elbert D. Thomas, Utah
Edwin C. Johnson, Colorado
James E. Murray, Montana

Chapman Revercomb, West Virginia
George A. Wilson, Iowa

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

Schedule of Witnesses Appearing Beginning
June 5, 1945

Honorable Francis Biddle -
The Attorney General
and

Mr. Wendell Berge
Assistant Attorney General

Mr. Leo T. Crowley, Administrator
Foreign Economic Administration

Honorable Henry Morgenthau
Secretary of the Treasury

Mr. William L. Clayton
Assistant Secretary of State

Mr. James E. Markham
Alien Property Custodian

Major General William J. Donovan
Director, Strategic Services

Major General John H. Hilldring
Director of Civil Affairs Division
War Department

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SUBCOMMITTEE ON WAR MOBILIZATION
SENATE MILITARY AFFAIRS COMMITTEE

Harley M. Kilgore, West Virginia, Chairman

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

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

Schedule of Witnesses Appearing Beginning
June 8, 1945

Honorable Francis Biddle -
The Attorney General
and
Mr. Wendell Berge
Assistant Attorney General

Mr. Lee T. Crowley, Administrator
Foreign Economic Administration

Honorable Henry Morgenthau
Secretary of the Treasury

Mr. William L. Clayton
Assistant Secretary of State

Mr. James E. Markham
Alien Property Custodian

Major General William J. Donovan
Director, Strategic Services

Major General John H. Hildring
Director of Civil Affairs Division
War Department

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COMMITTEE ON MILITARY AFFAIRS

Subcommittee on War Mobilization

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

My dear Secretary Morgenthau:

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

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white skin

- 2 -

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I am enclosing a schedule of the other witnesses.

With all good wishes, I am,

Sincerely yours,

H. M. Kilgore
H. M. Kilgore
Chairman

Enclosure

SUBCOMMITTEE ON WAR MOBILIZATION
SENATE MILITARY AFFAIRS COMMITTEE

Harley M. Kilgore, West Virginia, Chairman

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Edwin C. Johnson, Colorado

George A. Wilson, Iowa

James E. Murray, Montana

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

Schedule of Witnesses Appearing Beginning
June 6, 1945

Honorable Francis Biddle -
The Attorney General
and

Mr. Wendell Borge
Assistant Attorney General

Mr. Leo T. Crowley, Administrator
Foreign Economic Administration

Honorable Henry Morgenthau
Secretary of the Treasury

Mr. William L. Clayton
Assistant Secretary of State

Mr. James E. Markham
Alien Property Custodian

Major General William J. Donovan
Director, Strategic Services

Major General John H. Hilldring
Director of Civil Affairs Division
War Department



THE SECRETARY OF THE TREASURY
WASHINGTON 25

434
*decided
not to
send*

My dear Senator Kilgore:

With reference to your letter of 9 May 1945 concerning hearings of the Subcommittee on War Mobilization "The Economic Base for German Aggression and National Security," I understand that you desire the Treasury Department to present testimony relating to information in its possession concerning German methods of economic penetration and current activities of this Department designed to eliminate the German economic basis for further aggression.

In view of the nature of the information which you desire, I have asked Mr. Michael L. Hoffman, Acting Director of Foreign Funds Control, to testify for the Treasury Department.

Sincerely yours,

Honorable H. M. Kilgore
Chairman, Subcommittee on War
Mobilization
United States Senate
Washington, D. C.

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MAY 9 1945

Dear Sir Girdja:

I am writing with reference to the request of the Government of India for the lend-lease of 45 million ounces of silver for coinage purposes, dealt with in your letter of March 23, 1945 enclosing message from Sir Jeremy Raisman.

I am glad to inform you that we have been advised by the Foreign Economic Administration that at the recommendation of the State and Treasury Departments, it has agreed to the request of the Government of India for 45 million ounces of silver. It is understood that the Government of India has already filed a lend-lease requisition for this amount.

I would appreciate very much if you would inform Sir Jeremy Raisman of our action on this matter and also convey to him my warmest regards.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable Sir Girdja B. Bajpai,
Agent General for India,
2633 16th Street, N. W.
Washington 9, D. C.

ISB/sls 5/4/45

P.45/45

2431 16th Street, N.W.
Washington 9, D.C.

23rd March, 1945

My dear Mr. Morgenthau,

Since we are not able to meet before you leave Washington, I am enclosing the message which Sir Jeremy Beames, the Finance Minister, of the Government of India, asks me to deliver to you. In accordance with your kind suggestion I will go and see Dr. Frank Cox tomorrow morning at 11:00 o'clock.

Yours very sincerely
K. S. Bajpai

The Honorable
Harry Morgenthau, Jr.,
Secretary of the Treasury,
United States Treasury Department,
Washington, D.C.

Enc.

STC.

MESSAGE FROM SIR JIMMY SAIGON, FINANCE MINISTER
OF THE GOVERNMENT OF INDIA.

At Bretton Woods I received an assurance from you of a favourable consideration to our request for coinage silver. Sir Cecil Kluck represented our case to the United States Treasury and was assured that though owing to the Presidential elections and other uncertainties sanction would be given in quarterly installments, our requirements would be met in full. We had therefore hoped that our anxieties regarding supplies were ended. In actual fact even the first installment of 20 out of 65 million ounces required by us was not sanctioned until the end of December. We were again assured that similar delays need not be anticipated in future, but sanction to our further application for a second 20 million ounces has again been delayed and now we are informed that our application will not be considered until a whole set of fresh statistics are supplied. These detailed statistics which are not readily available and are taking time to compile, have but little relevance to the general picture of our coinage requirements. Owing to the delay in the supply of coinage silver we have been forced to draw for coinage upon 100 million ounces of anti inflationary silver and will have used by the end of March 36.5 million ounces for this purpose in addition to 37 used for market sales, leaving a balance of 26.5 only. Unless the balance of 45 million ounces for coinage is sanctioned immediately, we must discontinue sales which in the present market conditions will have a disastrous effect on silver prices and anti-inflationary arrangements generally, and we may even have to reduce the present limited coinage programme which we have been anxious to increase. The India Supply Mission will explain the position more fully. I would be most grateful for your personal assistance in expediting the supply of that to us is

a vital element in our anti inflationary campaign. The statistical uncertainties will be resolved as early as practicable.

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5/9/45

Mr. Ted Gamble
The Secretary

What about Senator Mead in Buffalo? Please let me
know tomorrow. *Done*

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May 9, 1945

Mr. Gamble
Secretary Morgenthau

Please thank Hildegard for me but tell her that
appearing on her broadcast does not fit into my program. *Done*



THE SECRETARY OF COMMERCE
WASHINGTON 25

May 9, 1948

Honorable Louis Morrenhan, Jr.
Secretary of the Treasury
Washington, D. C.

My dear Mr. Secretary:

This will acknowledge your letter of May 2nd, in which you very kindly agree to a continuance of the services which your Department is now rendering to the Office of Surplus Property. I am passing it on to the proper officials with the instruction to use every available means to expedite the development of these services within our own organization.

Your cooperation is very much appreciated.

Sincerely yours,

J. A. Wallace



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MAY 9 1945

Dear Eleanor:

It has been suggested that, in view of the fact that the dime has been tied in each year with the "Mile of Dimes" campaign marking President Roosevelt's birthday, the design of this coin be changed to bear his portrait. If this suggestion is approved, the first release of the coins with the new design could be made early in 1946.

The Treasury is prepared to proceed with the preparation of the new design, but before going ahead I would like to know whether it has your approval.

Cordially yours,

(Signed) Henry

Mrs. Franklin D. Roosevelt
Hyde Park
New York

DWB:ew
May 8, 1945

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 30, 1945

TO The Secretary of the Treasury

FROM The Director of the Mint

The 25-year period fixed by the Congress, during which the design of a coin may not be changed, has expired in reference to the dime. I recommend that the design of that coin be changed to bear the portrait of President Franklin Delano Roosevelt.

The dime is, in a special sense, identified with him by reason of the "Mile of Dimes" campaign for infantile paralysis marking his birthday each year. The first release of the coin with the new design could be made coincident with that money-raising effort in January, 1946.

I further recommend that, in the event you approve this idea, immediate announcement be made to the press in order that the Treasury may receive recognition for initiating the action. Already letters are pouring in, advocating that President Roosevelt's portrait be placed on a coin.

I bring to your attention that the design of the 50-cent piece and that of the 1-cent piece, are also eligible for change.

Nellie Taylor Ross
NELLE TAYLOR ROSS

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE May 9, 1945.

TO: Mrs. Klots
FROM: Lt. (Jg) Levy *W. H. Levy*

Mr. Gamble and I have gone over the enclosed script.

We think it is excellent. We agree that the second paragraph on page two should be cut. This will make more effective the final paragraph in the script as well as keep us within our required time.

(For reading copy)
546 p. 192)

HMJr
Opening 7th War Loan 5/13/45 444

The greatest challenge to American democracy still lies before us. That challenge is to our self-restraint, our self-discipline, our self-control. These are the qualities upon which a democratic society must depend for its strength. We have shown that we possessed them in the attainment of one great victory. We have proved in Europe that the free devotion of a free people is mightier than any that can be dragooned by an all-powerful state.

Now that devotion faces its supreme test. "Our Victory", as President Truman put it, "is but half-won. The West is free, but the East is still in bondage." And in addition to this, the vast responsibility of reconstruction in Europe is upon us. We cannot shirk it without endangering all that we have already won in combat. We cannot fail and we cannot falter.

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What is demanded of us is this -- that we accept triumph without relaxation. The fruits of peace are not yet ripe for us to pluck. For a while longer -- for whatever length of time may be required -- we must continue to do without things we want but do not need. That kind of self-restraint is the only way to keep our economy on an even keel -- to keep America a land of opportunity for the men who have fought to keep it free.

In the Seventh War Loan drive, which is to begin tomorrow, your Government is calling upon you to take a larger part in the financing of the war than it has ever asked of you before. This is because the need is now greater than it has ever been. It is because your participation is now more vital than at any period in the past.

There is no truce in this war for the men on Okinawa. The war is not over for the men who are already beginning to move from Europe to the Pacific. They look to all of

- 3 -

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us at home for the same unstinting support that helped them to victory over Hitler's Germany.

Tomorrow millions of your fellow-Americans -- volunteer workers -- will begin the tremendous task of enrolling you in the Seventh War Loan drive. They will appeal to you to do your share -- voluntarily, as free people -- in finishing the greatest war in the history of the world. Let us demonstrate to the world again that free men -- of their own volition -- possess the self-discipline to shoulder their responsibilities. The buying of bonds is an act of simple faith -- faith in ourselves, faith in the men who fight for us, faith in the future of democracy.

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

DATE: 5/9/45

TO : Mr. Gamble
FROM : Lt. (jg) Levy, USNR
SUBJECT:

As of 3:00 P.M., May 9, here is the lineup of the four network broadcast of Sunday, May 13:

- (1) NBC: They still plan to broadcast with Bob Hope and his troupe from Uline Arena. NBC advises that Hope would undoubtedly make some kind of appropriate reference to the day.
- (2) Elmer: They still plan a dramatic program but have made no decision as to what it will be. They will produce it from Hollywood.
- (3) Natual: They will do a dramatization of Arch Oboler's "Strange Morning" starring Claudette Colbert. This is the story of a nurse visiting five casualties, each of whom tells her what he is thinking of after VE Day ... what his hopes are, etc.
- (4) CRS: At the moment they are planning to do a documentary from the Coast on the costs of war, casualties and money, etc.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 5/9/45

TO Secretary Morgenthau
FROM Ed Fussell

You may be asked about this story from the U.P. ticker.

Mr. Avis says some sugar is entering into illicit channels but not a great deal. At first, sugar rationing virtually cut out all supplies for bootleg liquor. Beginning a little more than a year ago some sugar began drifting into hands of bootleggers as a result of:

1. Use of counterfeit sugar stamps
2. Discovery by sugar retailers and wholesalers that stamp returns were not being thoroughly checked as turned in.

Since January 1, the Treasury and OPA have been carrying on a joint campaign in the Atlanta district, which covers the states of Florida, Georgia, Alabama and South Carolina, checking all sugar stamp transactions through a verification center.

This has resulted in abating use of counterfeit stamps and cutting down the volume of violations generally. The largest single violation was in one Florida case where a wholesaler is charged with forging the names of 300 grocers in getting additional sugar which entered bootleg channels.

In general, the amount of mash being seized by Alcohol Tax agents, while above the extreme low of a year or 14 months ago, is far below pre-war levels and good progress is being made in stopping large scale leaks.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM J. W. Peale

MAY 9 1944

I believe you will be interested in the attached book which was recently prepared for our staff.

It presents an outline of the work we are doing with an analysis and copies of important cables and gives an overall picture of the programs we have initiated and developed.

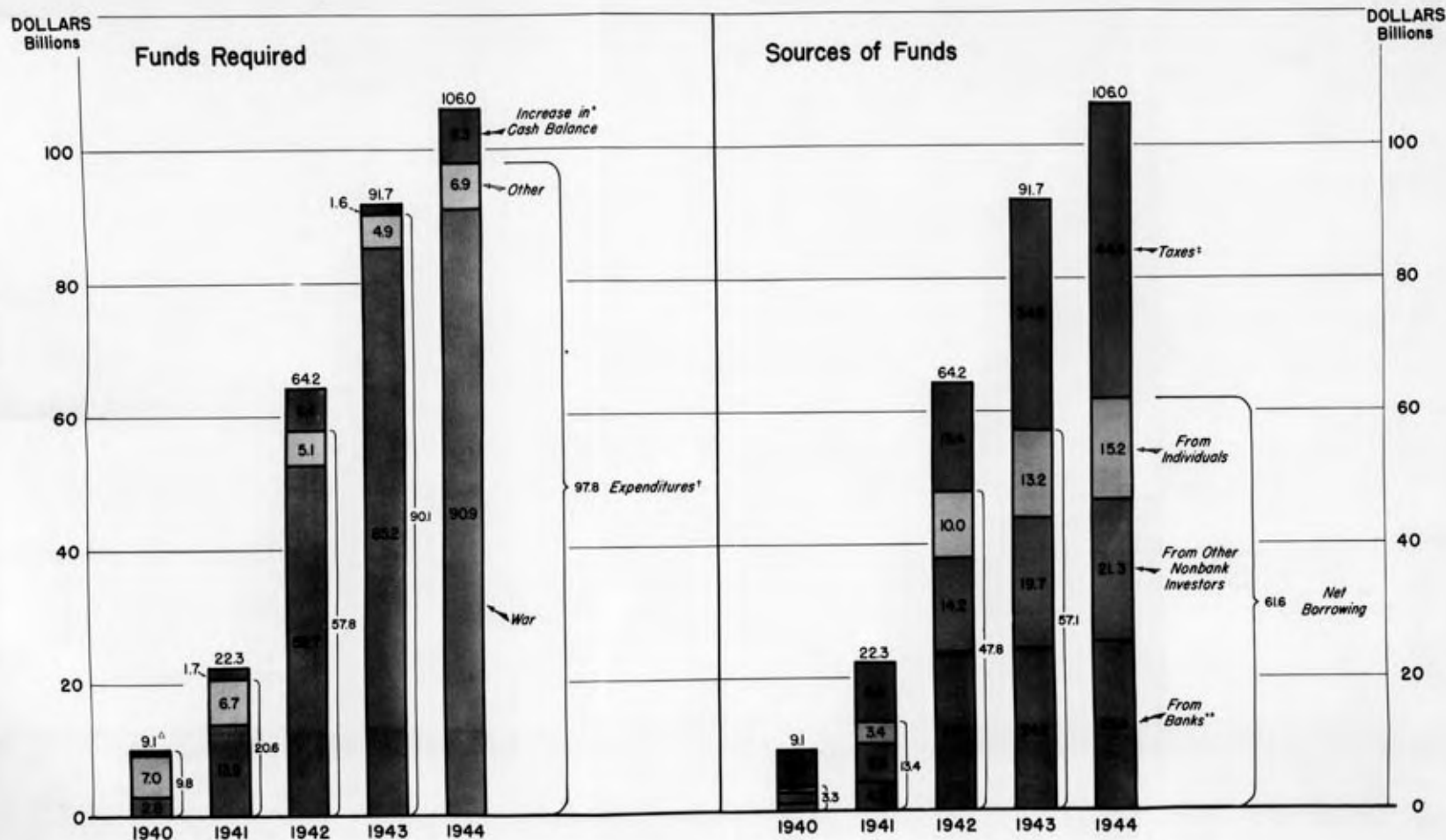


Attachment.

5-9-45

FEDERAL FISCAL SITUATION

Calendar Years 1940-1944



¹Net change in General Fund adjusted for minor miscellaneous transactions.

²Includes net outlays for operations of Government corporations.

³Cash balance decreased by \$.7 billions.

¹Comprises all net budget receipts.

²Commercial banks and Federal Reserve Banks.

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CABLE TO AMERICAN LEGATION, BERLIN, FOR LONDON, FROM WAR REFUGEE BOARD

Please deliver the following message to Gerhard Wagner, 37 Quai Wilson, Geneva, from Kurt Grossman of World Jewish Congress:

QUOTE TRY INFORMING EVELIN COHN BORN DECEMBER 25, 1911 AND AUGUST COHN MAY 10, 1910 POLDA WHO HAVE BEEN RESCUED RUCHENWALD OF SISTER'S ADDRESS HANNAH JACOB-COHN 118-18 METROPOLITAN AVENUE KEN GARDENS NEWYORK AND UNCLE MAX GOLDSCHMIDT 1430 OCEAN AVENUE BROOKLYN NEWYORK CONTACT DORA BRESLAUER 28 SPEICHER STREET STALLER ABOUT EDITH HERRMAN CHILDREN VACHLERITA, MASSIMO, AND ANNA HURDSFIELD LAUT ADDRESS MILAND VIA COMPAGNON 37. DR. JOSEPH HERRMAN 752 WESTEND AVE NEWYORK MOST ANXIOUS. UNQUOTE

THIS IS WEB REIN CABLE NO. 520

3:30 p.m.
May 9, 1945

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CABLE TO STEINHARDT, ANKARA, FOR PACKER FROM WAR REFUGEE BOARD

Stockholm has received \$98,500 transferred from Ankara.

Have you mailed envelope containing WEB papers addressed to Mrs. Henderson.

THIS IS WEB ANKARA NO. 149

10:10 a.m.
May 9, 1945