

DIARY

Book 846

May 10-14, 1945

INDEX TO BOOK 846

Book Page

- A -

Anderson, Sir John
United Kingdom

846 235 f.

Appointments

Janet Cordell to be sent to Switzerland as Administrative
Assistant - C.S. Bell at group meeting 5/14/45 ...

224

- B -

Business Conditions

Haas report, week ending May 12 - 5/14/45

279 ff.

- C -

China

Gold

Letter to Soong

a) Soong-HMJr conversation: HMJr promises answer to
Soong's letter - 5/10/45

27 f.

b) Treasury staff meeting 5/10/45 drafts letter to
Soong

32-35

c) Carbon of letter sent 5/10/45

37

d) Soong's letter of 5/9/45 to HMJr

38

e) Covering letters to Clayton, Patterson and
Crowley for Soong letter and HMJr reply 5/10/45

65 ff.

Treasury cable to Chungking Embassy requesting
information on gold scandal - 5/12/45

153 f.

Wholesale commodity index at Chungking for 1944 -
March 1945 sent by Hurley 5/12/45

184

H.H. Kung writes 4/28/45 re banknotes for China;
HMJr replies this is covered in talks with Soong

237 f.

Remittances for U.S. Army expenses in China

HMJr letter to Stimson 5/14/45

231 f.

Stimson-HMJr letter 5/5/45

232

Textiles

Inter-Agency Committee report on textiles 5/14/45
Cotton world balance sheet

241 ff.

Hurley cables - miscellaneous, re:

Remittances to U.S. motion picture companies 5/14/45

293

Wong's proposals (Minister of Economic Affairs) not
cleared with Soong - 5/14/45

294

Enforcement of trade regulations between free and
occupied China - 5/14/45 (Briggs).....

295

- C - (continued)

Book Page

Correspondence
Mrs. Forbush's report 5/11/45 846 129 ff.

Czechoslovakia
HMJR letter to Secretary Stimson re currency arrange-
ments with Czechoslovakia - 5/10/45 77 f.
a) Stimson to HMJR - 4/30/45 80
b) HMJR letter sent to Stettinius 5/10/45

- E -

Exchange rate for U.S. troops in France
France 25

- F -

Financing Government
7th War Loan Drive
Gamble-HMJr conversation 5/10/45: War Bond redem-
ptions lighter since V-E Day; Gamble to release
in HMJR's name 39 f.

HMJR opening broadcast, Sunday 5/13/45
a) Drafts of speech 178 ff.
b) Reading copy 192 ff.
c) HMJR thanks Bell for good arrangements 5/13/45 202
d) Release 5/14/45 259 ff.

Buffalo speech 5/14/45
a) First draft 5/11/45 116 ff.
b) 2nd draft 170
c) 3rd draft - 5/12/45 174
d) Reading copy 267
Itinerary for trip and names of people at head
table 5/14/45 264 f.
Press conference - list of people attending ... 275

Payroll Quotas for 7th War Loan - by states 5/12/45
a) Railroad War Bond Quotas - by railroads 5/12 162 f.
164 ff.

Publicity
a) Discussed by Treasury group 5/14/45 206
b) Sulzberger sends New York Times for 5/13/45
5/14/45 256 f.
c) General release 5/14/45 261 ff.

Chet Laroche congratulates HMJR on "sound and
brilliant" job of war financing - telegram 5/14/45 274

- F -

Financing, Government (cont.)
7th War Loan Drive (cont.)
Redemption
a) Bell and Bartelt memos on liberal-
izing power of attorney - 5/11/45 ... 127 f
b) Regulations for redemption agencies
being revised - group meeting 5/14/45 222 f

France

Pleven-HMJr. meeting 5/10/45
a) French request we consult their exchange
control before unblocking French assets
here 24-26
b) Exchange rate for U.S. troops in France:
Treasury requests French meet with U.S.
Army representatives in Paris. Pleven
to issue statement jointly with U.S. War
Department and Treasury 228 ff
c) Dollar payments for French francs used
for troop pay: Pleven requests more
speed
d) Pleven wishes to discuss Germany with
HMJR.
HMJR. asks Coe to see him about collabora-
tionists in France, to discuss Pleven - memo
5/10/45 94
Pleven invites HMJR. to France to tell methods
of selling War Bonds - group meeting
5/14/45 218 f

- H -

Henderson, Leon
Writes HMJR. that Truman shows interest in
election work of National Independent
Committee (Norris-La Guardia Committee)
5/10/45 95

- I -

India
Lend-Lease 82
Gold shipped to
General Carter's letter to HMJR. with
directions for 6th shipment - 5/14/45 ... 253 f

- L -

Lend-Lease		
France		
Requisitions for Metropolitan France		
5/4 to 5/11/45	123 ff	
India		
Bejpal thanks HMTr. for 45 million ounces		
of silver - 5/10/45	82	
United Kingdom		
FR of NY - disbursements week ended May 2		
5/12/45	157 ff	
USSR		
Work on Soviet contracts stopped at direction		
of General Weston of FEA - C.S. Bell		
to HMTr. 5/11/45	106	

BOOK
846

PAGE

Book Page
- L - (continued)

Lend-Lease (continued)	
USSR (continued)	
Work on contracts stopped (continued)	
a) Reason: high political decision by President and	
State Department - Crowley to D.W. Bell 5/11/45	846 109
b) State Department memo to Truman 5/11/45 and	
Truman answer, sent by Clayton 5/11/45: re-	
duced aid to USSR due to end of European	
hostilities - Cee memo 5/12/45	144 ff.
To be re-examined after V-E Day - re-examination	
initiated by State Department - group meeting 5/14/45	217
C. S. Bell report on lend-lease purchasing for week of	
May 7-14 - 5/14/45	277 f.

- N -

Navy Department	
a) Appropriation for 1946 - discussed by D.W. Bell in	
group meeting 5/14/45	221 f.
b) HMTr letter requesting release or loan of Lieut.	
Edgar H. Clark, Jr., for assignment by Treasury to	
post as Treasury representative in Europe - 5/14/45	255

- O -

Odegard, Peter	
Does good job making payroll deduction work in Hawaii -	
group meeting 5/14/45	220 f.
Office of War Mobilization and Reconversion	
Report: "The War -- Phase Two" - 5/10/45	71

- P -

Philippines	
HMTr-Stimson letters re entry of Foreign Funds Control	
officials - 5/14/45	248 f.
Pleven, Rene	
France	24 ff., 94, 218 f.

Book Page

- P - (continued)

Post-War Planning

Bretton Woods

Famphlet issued by League of Women Voters - sent
by Feltus 5/10/45 846 84
Luxford memo on meeting at HMFJr's home to discuss
compromise proposals 233 f.

Communications

Clayton writes HMFJr that Treasury may appoint
delegate to Special Committee on Communications
5/11/45 110
Gaston appointed: HMFJr letter to Clayton 5/14/45.. 250

Germany

1067 Revised
Clayton-HMFJr conversation 5/10/45: Cable per-
mitting synthetic oil repairs to be sent.
HMFJr to go with Clayton to present directive
to Truman 44 ff.
a) Copy of cable sent 60
Truman signs 1067 directive, HMFJr tells staff
5/10/45, and also reparations paper 18
a) Bell summary of meeting with President
5/10/45 49 f.
Clayton letter 5/11/45, enclosing 111
a) Memo to President of 5/4/45 transmitting
directive 113
b) HMFJr acknowledgement 5/14/45 244
Directive not to be publicized; Early doesn't
like it - group meeting 5/14/45 210

Financial men to Germany

HMFJr asks General Donovan to release 5 men from
OSS to go to Germany - letter 5/10/45 54
Economic Advisers for General Clay: Richard
Gilbert, A.G. Silverman, Laughlin Currie
recommended 5/14/45 230

Kilgore invitation to testify on Germany: HMFJr
wants to refuse before he sees Truman on 5/16/45
- group meeting 5/14/45 211
See Book 842, p. 428.

Book Page

- P - (continued)

Post-War Planning (continued)

Reparations

Truman signs reparations paper, HMFJr tells staff
5/10/45 846 18
Memo to President 5/4/45 transmitting reparations
document sent by Clayton 5/11/45 112
Pauley, Lubin and a few men will go to Germany
before Moscow meeting; DuBois and others to
meet them in Moscow - DuBois tells HMFJr 5/14/45. 212
Jackson objects to labor provision in reparations
document - group meeting 5/14/45 214

Surplus Property

Stimson acknowledges HMFJr letter re Surplus Property
See Book 842, p. 2. 90

Procurement Division

Bartelt memo on steps to bring Procurement accounting
up to date, approved by HMFJr 5/10/45 56 ff.

Publicity

Fussell memo 5/10/45 re press conference subjects 5/10/45:
7th War Loan; Black market drive; Foreign Funds Con-
trol; withholding receipts; sugar-moonshine situation 98

- R -

Ross, Charles G.

Thanks HMFJr for congratulatory note of 4/21/45 93
See Book 822, p. 130.

Revenue Revision

Senator George issues press statement calling for tax
reduction. HMFJr to disagree in press conference
5/10/45. At Truman's suggestion, HMFJr to meet
Doughton and George and iron out differences, p.m.
of 5/10/45. 1 ff.
a) Doughton-HMFJr conversation 5/10/45 7-17
b) Treasury group meeting discussion 5/10/45 11 f., 16, 29
c) Doughton-HMFJr conversations
HMFJr and Doughton meet with George, get him to retract;
George, Doughton and O'Connell meet with press and
issue Joint Committee statement, which George says
he agrees with. Told in group meeting 5/10/45 19-22
a) HMFJr reports to Truman through Connelly 41 f.
b) O'Connell memo on Doughton-George-HMFJr conference 61 f.
c) Release issued to press 63 f.
d) Draft of HMFJr press statement - not used 85 ff.
Blough memo on meeting of Joint Committee 5/9/45 -
5/10/45 88 ff.

Book Page

- R - (continued)

Revenue Revision (continued)

- Bell tells HMJr in Florida 5/11/45 that Doughton and George are seeing President Truman - but about another matter; that the publicity was good 846 105 ff.
- Report of Joint Committee: Recommendations on Post-War Taxation, May 11, 1945 115 ff.
- New York Times editorial 5/12/45 opposing reductions in tax rates but approving adjustments in excess profits exemption, etc. 173

Roosevelt, Franklin D.

- Mrs. Roosevelt writes approval of memorial dime - group meeting 5/14/45 209

- S -

Speeches by HMJr

- Buffalo speech 5/14/45 116 ff.
- a) First draft 5/11/45 170
- b) 2nd draft 174
- c) 3rd draft 5/12/45 267 ff.
- d) Reading copy 267 ff.

7th War Loan Drive - opening broadcast, Sunday 5/13/45

- a) Drafts of speech 178 ff.
- b) Reading copy 192 ff.

- T -

Tax Enforcement

- U.S. Attorney in Gould case thanks HMJr for commendation 5/11/45 121
- See Book 845, p. 149.
- Possible investigation of meat industry discussed in group meeting - 5/14/45 203 f.
- Reporting on large denomination bills by banks objected to by bankers - discussed at group meeting 5/14/45 . 205

Taxation

- Fussell memo re working of withholding receipts used as income tax returns - 5/10/45 97 f.
- Bureau of Internal Revenue to make about 24 million tax refund payments between June 1 and October 15 - group meeting 5/14/45 217

Textiles

- China 241 ff.

Book Page

- U -

United Kingdom

- Sir John Anderson's budget speech - excerpts; sent by Brand 5/8/45 and summarized by Coe 5/14/45 846 235 f.

- V -

V-E Day

- Thanks to HMJr for congratulatory messages (See Book 845, pp. 291-299.)
- General Patton - 5/10/45 51
- General Clark 5/9/45 73
- Secretary Forrestal 5/10/45 74
- General Eisenhower 5/10/45 75
- General Marshall 5/12/45 155
- Admiral King 156

- W -

War Refugee Board

Closing of WRB work in Europe following V-E Day:

- a) WRB directs McClelland to wind up activities in Switzerland since Board was established to relieve victims in enemy-occupied territory - 5/10/45 .. 102
- b) Same message sent to Stockholm 139
- c) Miss Hodel asks Gaston to approve schedule of expenditures to liquidate WRB - 5/12/45 206
- 1) Treasury meeting called for 5/15/45 to discuss

Cables

- WRB cable to Ankara re non-Turkish refugees from SS Drottingholm - 5/10/45 99
- Leavitt to Schwartz, Paris, re individual refugees 5/10/45 100
- Magnes from Teheran re Polish vs. Russian relief - 5/10/45 101
- McClelland re information requested by Sternbach for Vaad Hatzala on freed concentration camp inmates in Germany 5/11/45 137
- McClelland re moving 2,000 deportees to UNRRA centers in Italy 5/11/45 138
- Leavitt to American Embassy in London requesting funds - 5/11/45 140
- Leavitt asks re individual internees in Theresienstadt 5/11/45 141

Book Page

- W - (continued)

War Refugee Board (continued)		
Cables (continued)		
Leavitt re funds - 5/11/45	846	142
Trobe re funds - 5/11/45		143
Schwartz 5/12/45 re evacuation of 1000 children to France from German concentration camps; requests admittance to U.S. of some children		186
Schwartz (London) re budget and program of Inter- governmental Committee - 5/12/45		185
Schwartz re May budget for various countries 5/12/45		187
WRB to Stockholm re American Relief for Norway and JDC funds - 5/14/45		296
WRB to Mann (London) re funds - 5/14/45		297

May 10, 1945 ✓
9:07 A. M.

HMJr: Hello.

Mr. Robert Doughton: All right, Henry.

HMJr: How are you?

D: Well, just fair, thank you, Henry. How are you?

HMJr: O. K.

D: We met last night - went over our report that the Staffs had prepared with a few changes and modifications we wanted to make, and the Press Release - we didn't just like that, and we wanted to make some changes in that. We agreed on what that would be - so it had to be retyped and all that. So we thought it best not to give out anything until we got it straight.

HMJr: Yeah.

D: But we'll do it - as I told you - right away, it will be today...

HMJr: Today?

D: Senator George and I are going to get it to you when they get the reprint. According to what we agreed on last night, we'll go over it today and then release it when we think is the most opportune time.

HMJr: Did you see the statement George gave out?

D: Yeah. I'm sick over it. What do you think of it?

HMJr: Well, I frankly don't like it because I don't think the Government can afford any tax reduction for this year.

D: Well, that's been my position - none at all for this year. I thought that had been agreed on and we've been giving that out. That we couldn't expect for 1945 any tax reduction to amount to anything at all. That what changes would be made would begin with '46 taxes - liabilities. Seemed like he kind of jumped on Vincent's statement - the best I could see.

HMJr: Well, it looked to me as though he certainly jumped the gun on this joint committee - on your committee.

- 2 -

2

D: Well, of course....

HMJr: Now, this is for you - I saw President Truman yesterday.

D: Yeah.

HMJr: And I told him about the fine work that you were doing, and President Truman was very emphatic that he would be opposed to any reduction in taxes for this year.

D: Yes.

HMJr: Now, of course, that's the way I feel, and I know that is the way you feel. Hello?

D: I hear you, I hear you.

HMJr: And the other day I was talking to the Speaker and I think he is very reluctant to see any reduction in taxes, or any changes - any changes. Now I just wondered you whether you - in the very important position you are in - whether you don't want to be sure whether the country gets the impression that that is what the Congress wants, and the Administration, no reduction in taxes for this year.

D: Well, now, this report that the Staff's got up for us, you know, Blough and Sten, and all that crowd. I didn't like the word, but I it last night and nobody seemed to see it as I did, that I didn't like the word "immediate" - so much of it.

HMJr: Yeah.

D: It's what they said earlier - but they kept saying immediate changes, immediate changes - you know. Well, if we get out that report - I think they are going to want some legislation right now, and that report would indicate that.

HMJr: Yeah, but that wouldn't necessarily mean any reduction in revenue to the Treasury.

D: No, no, I don't think it would.

HMJr: The way the report was - that confidential report that you had last night. Hello?

- 3 -

3

D: I hear you.

HMJr: which I had a copy of, and I took the liberty of giving a copy to President Truman, you see, because he wanted to know what was going on.

D: Yeah.

HMJr: Now, I thought that that was very good. If I may be so bold to make a suggestion, I think it is important that the country get the feeling that while the war is on with Japan that we've got to have as much revenue as we have had before. Now we can do the things in that report - mentioned - but this thing of George's that was going to right away cut everybody's taxes, I think is terrible.

D: Well, it didn't strike me - just - very emphatic there last night. He just burst right out in front of everything, you know, giving this interview.

HMJr: Did you know he had given it out?

D: I didn't know it until I read it this morning, no. I didn't hear him say anything it last nite - having given an interview on it - so that....

HMJr: Well, Bob, let me just say this. If you decide to come out straight, you know - that we've got to have as much revenue, you'll know that you've got the President and myself back of you.

D: Well, he'll say they were in the corporation - you know on me and every tax-payer too.

HMJr: Yeah.

D: I don't know why he -- I just don't understand Senator George at all. seems like he always wants to use up all the -- get credit for everything that's done - go ahead with his committee, the joint committee, and the way and means committee and everything else.

HMJr: Well, if you want me to join you in a statement, I'll be glad to join you in a statement.

D: Well, I was wondering - I hate - I regret to get into a controversy before the country with Senator George about it. I always shun those things as much as I

- 4 -

4

D:(cont.)

can. I was wondering if it might be helpful if you or the President would request a conference with the Senator and myself, if we might not get the thing kind of smoothed out that way. I don't know what's the best to do. I hate to get into a newspaper argument with him here, and yet at the same time I've felt very resentful of what he -- came out in the paper this morning.

HMJr: Yeah.

D: I felt

HMJr: Like what?

D: It was a foul blow.

HMJr: I thought you said it was sol blue (Laughs).

D: Blow - b- l-o-w.

HMJr: Well, I think so.

D: we expect someone to raise a question in the controversy that can't any good come of - at the same time trying to take credit for being the leader, you know. He's the spokesman for the tax-pressed people, and he's taking the lead in their behalf. It worried me.

HMJr: I don't know whether I can reach the President or not, but I'll see what I can do. See?

D: You see what you can do and call me again today.

HMJr: I'll let you know within the hour.

D: We're going to give out this report, you know. We agreed on that. He and I are going to get together and proof-read it, and see that it carries out what we agreed on last night, today just as soon as they, Stam and Blough got it back from the printer. Sign also the press release - see there would be two - there'd be the report and the press release.

HMJr: But since then, of course, he gave out that statement and you didn't know about it.

D: How's that?

- 5 -

D: How's that?

HMJr: Since then he gave out that statement and you didn't know about it.

D: No, I didn't know anything at all about that. He'd already given it I think before he came over here, and didn't say a damn thing to us about it. He'd given out a statement ahead of the report. Either he wanted to take credit for the report, or he wanted to be in conflict with it one. I reckon he wanted to get credit. I don't know why he made - did that, knowing we would have had that report out two weeks ago, if he had been here.

HMJr: Yeah.

D: We held back, you know, because of his absence. Barkley and Vandenberg - there weren't enough members of the Senate - the Joint Committee - here so we could hold the meeting so we could make the report.

HMJr: Yeah. Well, I'll see what I can do.

D: All right, you call me back.

HMJr: I'll call you back.

D: Thank you, Henry.

HMJr: Thank you.

May 10, 1945
9:50 a.m.

TAXES

Present: Mr. D. W. Bell
Mr. Gaston
Mr. O'Connell
Mr. Fussell
Mr. Shaeffer
Mr. Wales
Mrs. Klotz

H.M.JR: I haven't heard from across the Street. Supposing I try them once more?

Step out and see if they have any paper with George's statement.

(Mr. Wales leaves the conference temporarily.)

MR. O'CONNELL: The Post has it.

MR. BELL: The press clippings are outside.

MR. O'CONNELL: It is the front page of the Post in the second half.

H.M.JR: Have you people got any suggestions ready for me?

MR. O'CONNELL: Fussell has a short one.

MR. FUSSELL: This is very roughly drafted, Mr. Secretary. The paragraphs that I have marked in pencil I think should go out.

Secretary's telephone conversation with Mr. Connally and President Truman to be inserted on page two. 6

Secretary's telephone conversation with Mr. Dougherty to be inserted on page four.

Secretary's telephone conversation with Mr. Dougherty to be inserted on page six.

- 2 -

H.M.JR: Where did what's-his-name go?

MR. O'CONNELL: He didn't return, so I think he must have made it.

H.M.JR: Blough.

MR. BELL: He got a car and left; I don't know whether he made the plane or not, he only had twelve minutes.

(Secretary holds a telephone conversation with Mr. Connally and President Truman, as follows:)

- 3 -

MR. GASTON: I don't think there is much you can do, but at any rate you have got approval.

MR. O'CONNELL: It gives you complete protection as far as your statement along those lines as far as your press conference is concerned.

MR. BELL: What happened to the Joint Committee Statement.

MR. O'CONNELL: It is being revised.

MR. WALES: Gelles went over it last night with some changes, and also the press release.

H.M.JR: You get the book you have which we considered last night, just a little four-page leaflet.

MR. O'CONNELL: The little short one.

MR. WALES: I can get you one from upstairs.

H.M.JR: Send for one and then come right back.

(Mr. Wales leaves the conference temporarily.)

MR. O'CONNELL: What they have done--George and Doughton are supposed to approve of for the Committee a revised report and revised press release, and that is going to be issued today or tomorrow. What they have done is taken out practically all reference to no tax reduction--taken out the repeal of the excess profits tax--taken that out of both the report and the press release so that Mr. George's statement just puts an entirely different phase on it and gives much more encouragement, for example, to tax reductions.

H.M.JR: But this thing--this is all right for the, as we say, war-time taxes must continue as long as war conditions require, but I would like to say something where we have agreed in this committee on certain of these things which we are willing to go along on.

10

- 4 -

MR. GASTON: It seems to me that your statement should be something like this. They will ask you, "What about George's statement?" "I don't agree with him, and I don't think people of the U. S. will agree." I think the people want to go ahead fighting on all fronts, and taxation is one of them. We have been discussing this thing.

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

May 10, 1945
10:15 A. M.

all

✓

HMJr: Hello.

Operator: Doughton.

HMJr: Hello.

Congressman Doughton: All right, Henry.

HMJr: Bob...

D: Yeah.

HMJr: I just got through to President Truman and told him what had happened, see?

D: Yes.

HMJr: And he said he was amazed that George had done what he did.

D: Yes.

HMJr: He asked me whether I couldn't get together with you...

D: How's that?

HMJr: He asked me, on his behalf, to try to get.. sit down with Walter George and you..

D: Ahuh.

HMJr: ...and see if we couldn't iron these differences out.

D: Well.

HMJr: Now I'll make myself available. What do you suggest?

D: Well, I suggest that Senator George is to know that that comes from the President.

HMJr: Yes.

D: Well, suppose I call Senator George then and see when he can meet you and me and where.

HMJr: That's right.

D: As early as he can. He and I have got to meet directly..

- 2 -

12

D:(cont.) .to go this report anyhow proof-read it, as we agreed on last night. If he could meet us over at the Ways and Means Committee room in the Capitol...I see just how soon he can...wouldn't it be a good idea for you and I to talk together just a few minutes before we go into conference with him?

HMJr: I think so.

D: Yes.

HMJr: Now, I have a regular press conference at 10:30.

D: At 10:30.

HMJr: And I read to the President what I was going to say.

D: Yeah.

HMJr: And I was going to quote from my Annual Report, in which I said "wartime taxes must continue as long as our war conditions require them."

D: Yeah.

HMJr: And he said "Fine," and that's where he stood.

D: Well. Now, as quick as I can find out I'll tell him the message you've conveyed to me and that you'd like to have a conference with him and me...

HMJr: Yeah.

D: On the basis of the President's request.

HMJr: That's right.

D: And when I find out when he can meet me and where, I'll let you know, but not before when now? Not earlier than when?

HMJr: Well, I could be there anytime from 11 o'clock on.

D: From eleven o'clock on?

HMJr: Yep.

D: Well, I'll call you back just as soon as I can get in touch with him.

- 3 -

13

D: Thank you very kindly.

HMJr: Thank you.

D: Goodbye.

14

- 5 -

MR. BELL: He said he had a twelve-thirty appointment with him.

H.M.JR: They will have to change it. After all, domestic problems come first.

MR. BELL: That isn't a very strong statement.

H.M.JR: No, that is wholly unsatisfactory.

MR. GASTON: The rest of what I was going to say is, we have been discussing this matter with the staff and members of the Joint Committee for many months, and everything that has come up in these discussions has confirmed me in this belief we ought to not reduce taxes until after the whole war is over.

H.M.JR: But that doesn't mean--where is that statement?

MR. WALES: I don't know.

H.M.JR: You come down unprepared. I want the thing you had last night.

I think it is the most ridiculous thing that what's-his-name, Brough, doesn't stay here--it makes me sore. And when you want a man, there is nobody here.

(Mr. Wales re-enters conference and hands Secretary "Special Memorandum on Suggested Tax Changes to be Effective After the End of the War in Europe.")

H.M.JR: Can't I say that while we don't want any reduction in revenue, we are willing to consider the speeding up of refunds, carrybacks, recomputation of reductions, and amortization?

MR. GASTON: That is a minor point you might consider. The vital thing is what I indicated first, that you don't agree with George. You don't think the American people will agree with him because they want to go on with the war on

15

- 6 -

all fronts, that we have been discussing it for months with the staff and members of the Joint Committee, and that has encouraged us in that belief, but we do think there can be some adjustments made.

MR. O'CONNELL: I think that the fact that George has jumped the gun doesn't necessitate our jumping the gun on the Joint Committee, because what you are now suggesting is that--

MR. GASTON: Oh, that isn't public yet; you are right.

MR. O'CONNELL: No. We will still make that statement following the Joint Committee report.

H.M.JR: Suppose I slap down George hard in ten minutes and go and meet him in thirty minutes. How is he going to feel?

MR. O'CONNELL: I don't see any alternative to saying you don't agree with Senator George on tax reductions.

H.M.JR: Yes, mention him.

MR. O'CONNELL: I assume it will be in answer to a question addressed to you.

H.M.JR: Why not say the position of the Treasury is to get every dollar of revenue we can get, and, frankly, we are in the midst of working with this committee, we are waiting a report, and I am going to be part and parcel of this job?

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

May 10, 1945 16¹⁶
10:20 A. M.

Operator: Go ahead.
 HMJr: Hello.
 Congressman Doughton: Hello, Henry.
 HMJr: Yes, Bob.
 D: I've just talked with Walter - Senator George.
 HMJr: Yeah.
 D: He said that he had some kind of meeting, that he couldn't meet this morning. But anytime 1:30, 2:00, or 2:30, anywhere along there. He said he would come to the committee room in the Capitol - the Ways and Means Committee room in the Capitol there for the meeting. Now when do you - I told him I would call him back. I thought perhaps 1 o'clock would interfere with your lunch, but anytime now from one to two-thirty or three will suit me.
 HMJr: Let me just think a minute. Two-thirty will be perfect.
 D: Well, I'm satisfied that would suit him. And if it is not, I'll call you back.
 HMJr: Yeah. Now where will that be?
 D: Two-thirty. At the Ways and Means Committee room there in the Capitol, you know?
 HMJr: I know where it is.
 D: In the Capitol, you know.
 HMJr: Yeah.
 D: Now, don't you think it would be a good idea for you and I to meet there about 10 minutes ahead?
 HMJr: I'll be there at 2:15.
 D: That'll be fine, and I'll be there, unless I call you back and I'm sure that will suit Senator. If you don't hear from me now I'll meet you there at 2:15, with the understanding of meeting Senator George at 2:30.
 HMJr: Yes, sir.
 D: Fine, thank you.

17

- 7 -

MR. GASTON: Now, before he interrupted, you were saying that you were right in the midst of working with this Committee.

H.M.JR: I think the thing to do is this: After all, I am supposed to do a job of conciliation. I think everybody knows this thing was printed.

(Discussion off the record.)

18

May 10, 1945
5:30 p.m.

GROUP

Present: Mr. D.W. Bell
Mr. O'Connell
Mr. Luxford
Mr. DuBois
Mr. Charles Bell
Mr. White
Mr. Fussell
Mr. Coe

H.M.JR: Is this all of the staff that is left?

What happened at the White House is worthy of a staff meeting. President Truman signed the directive to General Eisenhower, and he also signed the one on reparations, but he said he would like to read it over the week end. If I hadn't been there, I don't think he would have signed it, so I think this is a big day for Treasury, and it is to be out in the press Monday.

Fussell, if somebody doesn't recognize it as the Morgenthau Plan, just rub his nose.

MR. LUXFORD: The Herald-Tribune recognized it this morning as the Morgenthau Plan.

MR. COE: A portion of it is also in the Wall Street Journal.

MR. LUXFORD: You won't have to label it.

MR. WHITE: Who else was there besides Grew?

H.M.JR: Once it is out, if they don't recognize it, put--

19

- 2 -

MR. WHITE: Not the Army.

MR. DuBOIS: Who is giving out the press release?

H.M.JR: The State Department, although they said they would take it up with the White House press.

MR. DuBOIS: They are going to release it?

H.M.JR: Monday morning.

MR. COE: Who proposed that, you?

H.M.JR: Grew. The reason Clayton wanted it released is he said he is sick and tired of getting these letters about being--

MR. COE: Are they going to release the whole thing-- all of it?

MRS. KLOTZ: These private congratulations--I don't know what it is all about.

MR. LUXFORD: They are all for you.

H.M.JR: "De boys" are having a little fun. Harry, what went on while you were gone is nobody's business, but I just thought I'd tell you.

Now, take two minutes and tell the boys what happened on the Hill, because as I walked in, Truman said, "Congratulations!" Didn't he, Dan?

MR. D.W.BELL: He knew about it.

H.M.JR: I called his secretary, Danny, see?

MR. O'CONNELL: The Secretary and I went down at two-thirty--

H.M.JR: What is good about me take three minutes on.

MR. O'CONNELL: You see how I am doing. We went

20

- 3 -

down at two-thirty and met with Doughton and George at the Secretary's request to discuss taxes with particular reference to the statement which George made yesterday with respect to reduction in taxes in 1946 and possibly some in 1945.

The Secretary indicated that he was quite disturbed by the reports and he was anxious to put the cards on the table with these people and see if we couldn't get the train back on the track if it was off. Mr. Doughton was rough with George, and quite properly so. He took quite a strong position that his committee and the Joint Committee couldn't expect to cooperate with the Senate Finance Committee or any other member of the committee where they go off and jump the gun and make statements in advance on conclusions with respect to matters not taken up in the committee.

George squirmed and never repeated the same thing twice as to what he actually had said yesterday, but kept changing his position a little, and finally he said, "well, it was a matter of my personal conviction, and I didn't mean that we would necessarily make some tax changes, but we ought to consider them," which, of course, was not what he said. Doughton kept bringing him back to the point. I thought he probably mentioned it almost too many times, because a few minutes before the press conference which the Secretary suggested they have with the newspapermen--

H.M.JR: Six times--

MR. O'CONNELL: And Doughton was very much against it, and I didn't have an opportunity to oppose it, but it was just as well. It couldn't have worked out better. I was afraid that since George and Doughton never could get to a meeting of minds as to what was right and what wasn't, I was afraid if they read the statement, which was essentially a repudiation of what George said yesterday, that the questions which followed would obviously be addressed to George, and George would come back to his statement of yesterday. That happened except that George

21

- 4 -

stood by the committee statement, and without saying it in so many words he left the impression that he would stand on that. He was entirely in favor of the statement which was issued by Doughton this afternoon as representing the unanimous view of the Joint Committee, and which was concurred in by the Treasury Department, and it did everything but say there would be no reduction in taxes until the end of the war. At least there was nothing in it which would give any support to the things that George said yesterday, and there was a great deal on the other side.

When George was asked about tax reduction I didn't hear the answer, but I gathered that.

H.M.JR: He evaded the thing about either before or after the Japanese war.

MR. O'CONNELL: I did get the impression from what I did hear him say that he was essentially saying that it is a matter for consideration by the committee and would be taken up in due course, which is pretty much what Doughton was insisting on. George spent the most uncomfortable two hours I think he ever spent.

H.M.JR: What happened to the press?

MR. O'CONNELL: I gave them copies of the press conference and told them you had gone down there at two-thirty and that you had suggested the meeting and that it had worked out quite well. The upshot of it was that this release which I gave them copies of was issued this afternoon and would be followed by a report tomorrow, and many of them wanted to know if this release did not represent a repudiation of what Senator George said yesterday, and I more or less said if they had difficulty in reconciling the two statements, they could draw their own conclusions, and I tried to make it clear first of all that you had made the suggestion that the conference be held, and secondly, that from our point of view the result in terms of actual release by the Joint Committee was one that was entirely satisfactory to us.

22

- 5 -

I did tell them, too, that Mr. Doughton was a little rough on George.

H.M.JR: Good.

On this other matter, all I can say is, to you, Frank Coe, and the boys down the line who worked on this thing recently; Harry White, who worked on it originally; Dan Bell, everybody who worked on it, that it is a big day.

MR. COE: Congratulations to you, and also as soon as we get out, Mr. Morgenthau, we are also going to spread the word around to the German committee that it is out and will be published.

H.M.JR: Well, anyway, Harry, if you go back to your office, I'll see you in a little while, and you can ride down, if you ask me that one question.

MR. D.W. BELL: Can I get a couple signatures?

H.M.JR: Oh, wait a minute. Feltus wants a luncheon. You fellows decide it. If you want me next Wednesday, you can have me next Wednesday.

MRS. KLOTZ: Is that here?

H.M.JR: Yes.

(Mr. O'Connell, Mr. Luxford, Mr. DuBois, Mr. White, Mr. Fussell, and Mr. Coe leave the conference.)

MR. D.W. BELL: This is an annual report on the Board of Trustees of the Old Age Insurance Fund. (Secretary signed.)

H.M.JR: Okay.

MR. D.W. BELL: We had quite a time getting some paragraphs corrected, but we finally got them.

H.M.JR: All right.

23

- 6 -

MR. D.W. BELL: Thank you.

(Mr. D. W. Bell leaves conference.)

MR. CHARLES BELL: Mr. Donovan asked me for those fellows for White.

H.M.JR: Okay. (Secretary signs letter to Major General Donovan dated May 10, 1945.)

May 10, 1945

MEMORANDUM FOR THE FILES

Meeting in Secretary's Office,
May 10, 1945, 10:00 A.M.

Present: Secretary Morgenthau
Rene Fleven, Minister of National Economy and Finance
of the Provisional Government of France
French - Messrs. Monnet, Guimard, Yalanski
Treasury - Under Secretary Bell, Messrs. Coe and Hoffman

The Secretary asked M. Fleven to open the discussion. M. Fleven said that he wanted to take this opportunity to discuss a number of financial problems of mutual interest.

- (1) M. Fleven referred to the lend-lease agreement of February 28, 1945 and the Treasury's request that in connection with the operation of this agreement the French provide us with information on their holdings of gold and foreign exchange assets. He asked whether the information which had been furnished was satisfactory and whether there was anything further they could do.

Mr. Coe replied that we were quite satisfied with the data received to date and that we were discussing with M. Guinday the form in which we would like to receive such data regularly.

- (2) M. Fleven referred to his agreement with the Chancellor of the Exchequer concerning the exchange of information on private assets of British and French nationals in France and Great Britain respectively. M. Fleven said that he understood that it would not be possible for the U.S. Treasury to furnish such information on a general basis. He said, however, that he understood that we would be willing to agree not to unlock French private assets in the United States without the approval of the French exchange control.

At the Secretary's request I explained the certification process which we contemplated in connection with the drafting of the general license. The Secretary asked if this was satisfactory to the French and whether the drafting process was being held up by us or by the French. M. Fleven indicated that he was satisfied with the type of procedure which I had outlined. I

25

- 2 -

said that we were now at a stage at which we would like to give the French drafts of a general license and of a letter which we would like Fleven to send to Secretary Morgenthau in connection with this license. I explained that it was necessary to go into some detail on the significance and conditions of the certification provided for in the general license and that this was largely the subject matter of the proposed letter. Mr. Coe handed the draft license and letter to Fleven. It was explained that these documents would be subject to further consideration both on our side and theirs.

- (3) M. Fleven referred to the discussions on the matter of complaints by U.S. troops of high prices in France. He said that he proposed to start a program immediately upon his return to Paris which would alleviate the situation. He said that the French were not willing to make a special rate of exchange but that anything which did not involve double exchange rates would be agreeable to them.

Secretary Morgenthau said that anything the French can do to alleviate the conditions of the soldiers would certainly improve relations between our two governments. He said that he did not think the soldiers had much to worry about except the prices of "wine, women and song" which he thought did not have very much to do with the rate of exchange. Mr. Coe said that he thought Fleven should talk with Mr. McCloy and General Hildring on this matter. He asked if the French were prepared to work in Paris with the American Army on a specific program in the immediate future. Fleven said that this was what he proposed to do. M. Monnet suggested that in view of the importance of this matter there should be a formal meeting with General Hildring, Mr. McCloy and the Minister with the Treasury present, since the Treasury had taken up this matter with the French in the first instance. Secretary Morgenthau went on to suggest that it would be a good idea if the French issued some kind of statement before Fleven leaves the United States. The meeting approved this idea and Fleven suggested that it might be a joint statement by himself, War Department and the U.S. Treasury.

In the course of this discussion M. Fleven asked whether the Secretary had any view on the rate of exchange, the Secretary said that he had always felt that this was the responsibility of the French and that he did not think we should initiate any moves to change the rate of exchange.

- (4) M. Fleven said that the French were concerned about the fact that dollar payments for the francs used for the pay of U.S. troops were being made with such a long time lag. He referred to frequent discussions with me in Paris on this matter and to the fact that it

26

- 3 -

made difficulties for him to try to keep down the size of the advances of the Bank of France to the State. The Secretary said he thought that this is something they should talk to the Army about also. He suggested that it be done at the afternoon meeting previously discussed but Monnet thought it would be better to have a separate meeting because General Garter is the principal one involved in this point, which is quite separate from the other matter.

- (5) M. Fleven asked the Secretary whether he had any idea about the chances of the Bretton Woods legislation.

The Secretary said that he thought that the legislation would pass the House shortly, unchanged except for minor details, and that it would not be necessary to go back to the other governments as a result of any changes made in the House. He explained that the bill then goes to the Senate but that we do not yet know what the Senate will do with it. He said, however, that he anticipated favorable action by the Senate and when asked whether he had any guess as to date such legislation might finally clear Congress, he thought it might be through by July 4.

M. Fleven then asked whether after passing by the U.S. Congress the Secretary proposed to call another international conference. The Secretary said that he did not want another conference and that there was no reason why other countries should await passage by the U.S. Congress before ratifying the Bretton Woods agreement. He thought it would be a good thing if other countries went ahead and that it would strengthen his position in the United States where he is sometimes accused of being the only finance minister in the world who is in a hurry to get the legislation ratified.

- (6) M. Fleven said that he was starting a nation-wide savings campaign in France. He said that he would like very much to get the co-operation of the U.S. Treasury of gathering ideas and material for an exhibition to be held in Paris stressing the important role savings had played in the war. He said that he had gone so far as to hope that Secretary Morgenthau might be present to open the exhibition. The Secretary said that he would like very much to visit Paris for this purpose.

- (7) M. Fleven said that he would also like to talk to the Secretary about German questions. At this point it was time for Fleven to go to the White House and it was agreed that a subsequent meeting would be held at 12:30 today for discussion on German problems.

Michael I. Hofman
Michael I. Hofman

May 10, 1945
10:03 A. M.

27

HMJr: Hello.

Operator: Dr. Soong.

HMJr: Hello.

Dr. T.V. Soong: Hello.

HMJr: Good morning.

S: Good morning.

HMJr: Dr. Soong, Morgenthau speaking.

S: Yes, sir.

HMJr: I just got your letter and Mr. Coe will be available to meet with Mr. Fei and Dr. Ling any time.

S: Mr. Coe?

HMJr: Mr. Coe, Frank Coe.

S: Yes.

HMJr: So anytime that they want to come down he will be...

S: Good. Fine.

HMJr: So if they will call him.

S: Yeah.

HMJr: He's available anytime.

S: Yeah. Mr. Morgenthau, about my letter, will you please acknowledge to me so that I could inform my people.

HMJr: Oh, you want an answer?

S: Yes. I'm going to San Francisco, see?

HMJr: Oh, I see.

S: As soon as I can get an acknowledgement from you.

HMJr: I see. Well, we'll draft an answer and we'll try to get it up to you early this afternoon.

- 2 -

28

S: Thank you very much, Mr. Morgenthau.
HMJr: Right.
S: Goodbye.
HMJr: I'll see you when you get back.
S: When will you get back, Mr. Secretary?
HMJr: I'll be back here - well, I'll be in Washington Sunday, but I'm speaking Sunday night here and I'm speaking in Buffalo Monday.
S: I see.
HMJr: I'll be in Washington Sunday afternoon, and then I'll be away Monday and I'll be back here Tuesday.
S: I see, I see.
HMJr: I'll be back here Tuesday.
S: Thank you.
HMJr: Thank you.
S: Thank you for all your kindness. Goodbye.
HMJr: Goodbye.

May 10, 1945 29
12:26 P. M.

HMJr: Hello.
Operator: Mr. Doughton calling.
HMJr: Yes.
Operator: Here you are.
Congressman Doughton: Hello.
HMJr: Yes, Bob.
D: Is that you, Henry?
HMJr: Yes.
D: The meeting at 2:30 is all right, but Senator George and Starn want us to go over that report at 1:30, and so he thought it would take us about an hour so he'd be here - so I don't see as we could do much in conference. He wouldn't go back, and you wouldn't want to come here and wait an hour. So it looks like it's best for you just to come down and let's take our chances at 2:30.
HMJr: Oh.
D: I would like to talk a little before, but then as we have to be here and go over that report that we discussed last night...
HMJr: Yeah.
D: ..and the press reports, I think it is best for you just to come at 2:30.
HMJr: Yeah. Well, I....
D: If you wanted to come down -- you wouldn't want to wait around here, you know.
HMJr: Well, my trouble is this. Hello?
D: Yes.
HMJr: The Minister of Finance of France, Mr. Pleven, was coming here at 12:30 today.
D: Yeah.

- 2 -

30

HMJr: And he's just back and is on his way home, and he was going to have lunch with me at one o'clock, see?

D: Yeah.

HMJr: And I promised him a week ago that I would see him today. I didn't see very well how I could call him up and tell him no, you see.

D: No, you couldn't do that. You can be here at 2:30, can't you?

HMJr: Oh, yes.

D: Well, just leave off the 2:15 part then.

HMJr: Yeah, because when you said earlier I didn't go into explanations.

D: Yeah.

HMJr: But this fellow - he came from San Francisco, got here, asked whether he could see me today, and I said yes. Then he is going on back to France.

D: Well, you and I will have about the same view about this tax matter anyhow, that's what I think. We'll talk to Senator George about it - in light of what this - you've got to say and the President's message and all that.

HMJr: Well, the whole thing boils down to this. That all of our estimates show that the expenditures for the next five or six months are going to be just as high as they were for the last five or six months.

D: Well, and for '36 - our expenditures will be way above our receipts.

HMJr: That's right.

D: While we are running a big deficit and people are making money, and a lot of them on account of the war, it's not much time to have lower taxes.

HMJr: And we've got a bloody war on our hands in the Pacific.

D: Why, of course.

HMJr: Our boys are dying there every minute. To let up on the people's taxes now - the American public is

- 3 -

31

HMJr:(cont.) not going to stand for it.

D: I don't think so. Well, we'll just take that up very plain with the Senator when he comes down, and if he wants to go along his way, why I'm going to make my position plain.

HMJr: Well, I know you would, you're a fighting man.

D: (Laughs) Well, I don't like to fight, but I'll fight rather than be run over.

HMJr: (Laughs)

D: Well, all right, see you at 2:30 then.

HMJr: All right, thank you.

D: Thank you.

32

May 10, 1945
2:00 p.m.

GOLD TO CHINA

Present: Mr. D. W. Bell
Mr. Coe
Mr. Friedman
Mr. Adler
Mr. White
Mrs. Klotz

MR. WHITE: Do you want to discuss this or not?

H.M.JR: Since you left we don't discuss things, we just work.

(Secretary reading letter to Dr. Soong, dated May 10, 1945.)

"I am replying to your letter of May 9, 1945, regarding our discussions on gold and the establishment of a \$500 million fund. I shall be glad to have your reply on the fund suggestion as soon as you have heard from the Generalissimo.

"As I informed you yesterday, the Treasury will consider steps to accelerate gold shipments to China.

"I am looking forward to seeing you again at which time we will be able to refer the gold question and the establishment of a \$500 million fund."

Now, the one seems to contradict the other. You say the Treasury will consider steps to accelerate the gold shipments--

MR. COE: There's a question of money still left open there and we thought we would give it to them out of their money if we could. They have twenty million dollars of earmarked gold.

H.M.JR: Oh.

33

- 2 -

MR. BELL: That's going to worry him.

H.M.JR: I don't like that "accelerate gold." I don't like that. Is that White? (Laughter)

MR. WHITE: No, that can be taken out because basically it--

H.M.JR: I'll tell you the question now of good faith, here, Harry. I don't know if they have had a chance to explain this to you. I am in a kind of embarrassing position. I think--

MR. BELL: The whole financial question is what you are discussing.

MR. WHITE: You can leave that phrase out if it troubles you. It doesn't add much.

H.M.JR: I don't see why it can't be rewritten, leaving out the third paragraph. As I informed you yesterday, the Treasury will consider extensions to accelerate gold shipments to China. He doesn't say anything about hoping to see me.

MR. WHITE: It doesn't matter because the position we are in is the same position we have been in for a long time.

H.M.JR: That still leaves it open to argument. Just take a look at that.

MR. BELL: I think it's all right.

H.M.JR: Let it go.

MR. COE: Harry cut out one paragraph. You cut out another--

MR. WHITE: It's all right.

34

- 3 -

H.M.JR: I could send a letter, "Dear Mr. Soong, Yours truly."

MR. COE: I'm glad it's not going up to the President.

(Mrs. Klotz leaves conference.)

H.M.JR: I'll sign it before I go.

MR. BELL: He formerly thought he wanted fifteen minutes with you.

H.M.JR: The trouble was Senator George's meeting at one-thirty was called off but he told him he would be there at two-thirty.

MR. WHITE: I understand you were troubled about the letter of the two hundred million. Mr. Secretary, we have always taken the position we had absolutely no legal grounds for withholding the gold; that what we were doing was skating on thin ice and offering excuses and we were getting away with it as long as we could, and remember because I said we are getting away with it that you better get the President's backing when they begin putting on the heat. It's because I said we have no basis for it. We have been successful over two years in keeping them down to twenty-seven million and we never understood why the Chinese didn't take it in there and do what they are now doing. The whole history is we had no basis for it.

H.M.JR: I can't remember things that happened, and when he flashed that letter on me it caught me sort of off guard and I didn't remember it.

MR. WHITE: That letter grew out of what you thought the President promised Madame Chiang-kai-shek.

H.M.JR: They refreshed my memory, but the trouble is that, Harry, I think that the Army and State Department have advised me very badly on this thing last week and suddenly Will Clayton woke up to that fact himself,

35

- 4 -

entirely on his own, and all the indications are that the Chinese are really going to fight. This man comes here now and he gets a cold shoulder, gets bounced around, he gets nothing. He may get four thousand trucks and this is the money which we have committed ourselves to, and I have sort of come to the decision that I don't know how far I'll go, but I certainly want to loosen up, and I think this is a psychological time for the Treasury to demonstrate we can be a friend to China, when they really need it, with their own money.

MR. WHITE: That isn't the same way I'd do it. I'll drop that. I do think you need to have now for your own record--and this is wholly for your own record--you need now an exchange of letters from you to the President indicating that this money is being badly used. It will not help inflation and cannot be justified on economic grounds, and that the only basis, for it must be that they feel it is militarily necessary to satisfy his demands. Because, Mr. Secretary, this record--we have advised them against the use of this. It has been badly used and all the rest.

H.M.JR: I'd just do this, because I am pressed so, but over the week end prepare such a letter, and when I come back--there was a letter originally written on that to Mr. Roosevelt which I never took over.

MR. WHITE: It was a memo, but the history of your negotiations with China are clear enough on that point.

H.M.JR: This will give you a chance to get back into working habits again, to do this over the week end. It will be a nice way to break your way in, Harry. Glad to see you back.

MR. WHITE: When are you coming back, because I want to tell you what was in the letters that apparently you didn't get. (Laughter) They are not on your desk.

MRS. KLOTZ: It could be I haven't cleared all my mail today.

H.M.JR: Well--

36

- 5 -

MR. WHITE: What do you mean, today?

(The Secretary signs letter to T. V. Soong, dated May 10, 1945.)

H.M.JR: I go up either Sunday night or Monday to Buffalo, and I'll be back Tuesday.

MR. WHITE: Will you have ten or fifteen minutes between now and tonight?

H.M.JR: I will try. It depends on how long I am on the Hill. We have quite a fight on our hands. I'll try to. I won't make any guarantee.

MR. WHITE: I'll be here in case you have, or if you want, I'll ride down to the airport.

37

May 10, 1945

Dear Dr. Soong:

I am replying to your letter of May 9, 1945, regarding our discussions on gold and the establishment of a \$500 million fund. I shall be glad to have your reply on the fund suggestion as soon as you have heard from the Generalissimo.

As I informed you yesterday, the Treasury will consider steps to accelerate gold shipments to China.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Dr. T. V. Soong,
Minister for Foreign Affairs,
Republic of China,
2871 Woodland Drive,
Washington, D.C.

MINISTER FOR FOREIGN AFFAIRS
REPUBLIC OF CHINA

May 9, 1945

My dear Mr. Secretary:

May I express my appreciation of the frank talk we had at luncheon, and the helpful attitude you showed at the conference this afternoon.

I have cabled to the Generalissimo your suggestion of setting up a \$500 million Reconstruction Fund, and will let you know as soon as I have his reply. I added that you recognized that the above suggestion and the question of gold delivery are two separate matters; that there is no question of the validity of your prior commitment; that you are ready to meet it; and that gold will be made available.

In view of the urgency of the situation, I shall appreciate it if you will kindly designate some member of your Department to discuss the details with my assistants, Mr. Tsu-yei Pei and Dr. W. Y. Lin, so that the necessary shipments could be made at once.

As Mr. Clayton said this afternoon, I have to return to San Francisco to meet my engagements there, accordingly I shall be grateful for your prompt reply.

Faithfully yours,

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



May 10, 1945 39
4:28 P. M.

HMJr: Hello.

Mr. Ted Gamble: Hello, Mr. Secretary.

HMJr: I think you had better go on your own. (Laughs)

G: All right, sir.

HMJr: I just got back off the Hill. I was 100% successful.

G: Oh, that's wonderful.

HMJr: We had a joint press conference.

G: That's wonderful.

HMJr: But I just -- when are you going to leave?

G: I, probably -- there are two planes I can take. I can go at 4:55 or 6:55, and I think I'll take the 6:55 because I have a little work to do myself.

HMJr: Well, I'd love to have you but I've got to work here and I just don't know when I'll get off.

G: Well, I think it is best that I go the other way.

HMJr: Well, we'll do it some other time.

G: Right. Now I have a good story.

HMJr: Yes.

G: And I think -- I want to put it - on your name, and I wanted to get your O. K.

HMJr: Please.

G: We checked today thirteen large industrial cities and twelve cities in the Middle West.

HMJr: Yeah.

G: Twenty-five cities, and we spot-checked the banks. We find that in the days immediately following V-E Day, War Bond redemptions are lighter than they were in preceding days.

- 2 -

40

HMJr: Wonderful.

G: And I thought that was a hell of a good story right now.

HMJr: Supposing you do that.

G: And I thought I would put it out in your name.

HMJr: Yeah.

G: I checked with Herbert, but he left at three o'clock, so if you will leave it in our hands we'll take care of it.

HMJr: I'll leave it in your.... I'm sorry to miss the trip, but I'm just back.--but to get those fellows together, and to see Bob Doughton give it to this fellow for an hour and a half was something.

G: Well, that's wonderful.

HMJr: O. K.

G: All right, sir.

HMJr: Thank you.

G: You bet.

May 10, 1945
4:32 P. M.

4122
✓

Operator: The President is not available. Mr. Connelly is available if you would like to speak to him.

HMJr: O. K.

Operator: Right. Mr. Connelly.

HMJr: Hello.

Mr. Matthew Connelly: Hello.

HMJr: Morgenthau speaking.

C: Hello, Mr. Secretary.

HMJr: Is it a question of minutes or is the President not available at all?

C: Well, for your personal information, he is in the swimming pool.

HMJr: (Laughs) Well, I don't think I'll bother him then. I think he will be pleased at this information. You know this thing I called him about - the trouble with George and Doughton.

C: Yes, sir.

HMJr: And he asked me if I wouldn't try to iron it out.

C: Yes.

HMJr: Well, I've been up there for a little over two hours, and for an hour and a half Bob Doughton gave Walter George hell in the way that I hope I'll never get it myself.

C: Is that right?

HMJr: He just let him have it for having jumped the Committee on this statement. (Laughs) George kept trying to call it off, but Bob Doughton wasn't satisfied.

C: He wasn't been stopped, eh?

HMJr: He couldn't be stopped. He put the knife in and turned it.

C: (Laughs)

- 2 -

42

HMJr: And I kept pleading with them, "Why not let's call the President, and all three of us give out a statement showing unity between the Executive and the Congress," and they finally agreed. We had a press conference, all three of us, gave out a statement "No reduction of taxes for the time being." George kept quiet and I think it is going to read all right.

C: That is swell.

HMJr: The only remark I made is for the good for the demonstration of unity between the Executive and the Congress.

C: That is swell.

HMJr: I thought the President would be pleased.

C: Congratulations.

HMJr: Thank you.

C: I'll pass it along to him.

HMJr: I'm exhausted, (Laughs), from seeing George get hell.

C: I bet you are. (Laughs)

HMJr: (Laughs)

C: O. K. I'll pass that along to him. I know he will be very pleased.

HMJr: Thank you.

C: Right.

HMJr: Bye.

May 10, 1945 43
4:34 P. M.

Mr. Frank
Coe:

.....in that he had heard from State that Clayton expected to take it to the President within the hour.

HMJr:

Yeah.

C:

And they expect to get word from the White House of his approval this afternoon so they can get it out.

HMJr:

Well, I don't think I'll call Clayton.

C:

Well, I'm going to ring Dupres.

HMJr:

Why not call Dupres and find out about the cable?

C:

Yes, I'm going to.

HMJr:

Do you think I should call Clayton?

C:

Just a minute, Joe's with me. (Aside) Do you think he should call Clayton?

Well, he's avoided calling you. I doubt it.

HMJr:

It would be perfectly natural for me to call him up and asked him what's happened.

C:

It would? Well, I think you are certainly terribly interested -- then I would. We would all like to know more officially than this one from the Colonel.

HMJr:

I'll call him up and I'll ask him.

C:

All right. Fine.

HMJr:

Thank you.

May 10, 1945
4:36 P. M.

44

HMJr:

Hello.

Operator:

Mr. Clayton.

HMJr:

Hello.

Mr. Will
Clayton:

Hello.

HMJr:

Will?

C:

Yes, Henry.

HMJr:

I was leaving town and before I left I wondered what my ambassador extraordinary had done.

C:

(Laughs) Well, he can report complete success.

HMJr:

Wonderful!

C:

Just finished though - just a few minutes ago. I thought I was going to have it buttoned up in time to call you this morning and ask you if you didn't want to go with me to see the President at 9:30. Joe Grew had an appointment for some other matters at that time, but it just couldn't be done. But we've got it now. It's all in order, and we are going over in about - well, Matt Connelly said he would call us as soon as the President got back. We are going over probably in fifteen or twenty minutes - maybe a half an hour.

HMJr:

Good.

C:

Would you won't to go?

HMJr:

I don't think it is necessary.

C:

All right. It is a little uncertain when we will get there.

HMJr:

I tell you - I've - I'm about to leave and I think -- no, I don't think it is necessary.

C:

I see.

HMJr:

I just -- I wouldn't raise the question to the President about my going or not, I mean after you are over there.

C:

Yes.

- 2 -

45

HMJr: What did the cable say?

C: Just hold the wire, I'll read it. (Pause)

C: Hello.

HMJr: Hello.

C: Here's the cable:

There is agreement here on 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 potentials. However, referring to your question of permitting production and necessary repairs, including cannibalization, to permit production of synthetic oil in Germany as a temporary measure is now under consideration on a Government level. Pending determination of that question and receipt of further instructions, you are authorized pursuant to paragraph 30 and 34 of JCS 1057-8 to produce synthetic oil in Germany, and to make necessary repairs including cannibalization to permit such production.

HMJr: Well, they got in that first part, did they?

C: Yeah. That first part is in there.

HMJr: Well, I tell you, Will, I'm thinking -- I'm so intensely interested -- as long as you are kind enough to offer to let me go over, I think I'll wait.

C: Fine. Then I will -- just the minute we get the word, I will phone you so you can meet us in the President's outer office.

HMJr: You say Connelly's said....

C: Connelly is going to phone us as soon as the President can see us.

HMJr: Yeah.

C: The President was out, he said, and would probably be out.... - that was 15 minutes ago - he said he would probably be out for half an hour.

HMJr: Yeah. Well, I just talked to him, I know what he is doing

C: Yeah.

- 3 -

46

HMJr: And it won't be much longer than that.

C: It will be longer?

HMJr: No.

C: Oh, it won't?

HMJr: No.

C: All right. Then as soon as we get the flash, why we'll phone your office and you can meet us there.

HMJr: Well, you are a good ambassador, I'll appoint you again.

C: (Laughs) Thanks very much. Goodbye.

HMJr: Congratulations.

C: Thanks

HMJr: Goodbye.

May 10, 1945
4:50 P. M.

47

HMJr: Hello.

Mr. Will
Clayton: Hello.

HMJr: Yes.

C: Oh, Henry. We are leaving in five minutes to
go over to the White House.

HMJr: All right.

C: Can you meet us then.

HMJr: And I think what I'm going to do, if you don't mind,
bring Dan Bell. I want to introduce him to the
President.

C: Beg pardon?

HMJr: I want to bring Dan Bell.

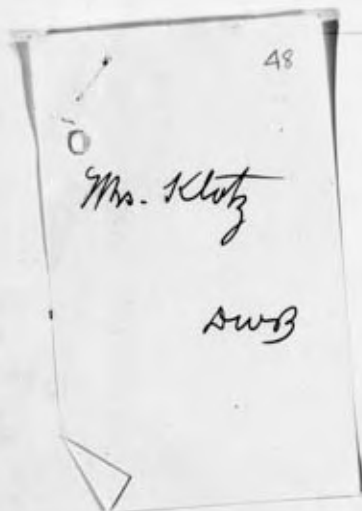
C: Oh, yes, fine.

HMJr: Is that all right?

C: We'll be there in about five minutes.

HMJr: I'll be there.

C: Thank you.



THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

May 10, 1945.

CONFERENCE WITH THE PRESIDENT AT 5 P.M. MAY 10, 1945.

Those present, beside the President, were

Secretary Morgenthau
Acting Secretary of State Clegg
Assistant Secretary of State Clayton
D. W. Bell

Ambassador Phillips was also present but
he was waiting for another conference

Mr. Clayton recalled to the President's mind that this group had left with him several days ago a copy of the directive to General Eisenhower on the control of Germany. He said "You will remember that we told you at that time that it had not yet had the approval of the Joint Chiefs of Staff;" that the Joint Chiefs of Staff had now gone over it and approved the document with the exception of a minor point on which they asked for a modification; that modification had now been incorporated in the document and everyone, including the informal committee which originally drafted it, had agreed. It is now in proper form for his approval.

The President said he had talked to Admiral Leahy about the document and knew of the suggestions made by the Chiefs of Staff. He had also talked to Secretary Morgenthau about it and was quite conversant with the whole problem. He said that if everyone now agreed, he would be glad to approve it. He turned to the Secretary and asked if he were satisfied and the Secretary said Yes, he was, and it had the approval of everyone in this Government concerned.

Mr. Clayton then said they had the question of publicity. He hoped the President would approve making public whatever parts of the document could be properly made public. He said there were certain paragraphs in it that referred to agreements with our Allies and they were of the opinion that those parts would have to be eliminated.

The President said he thought it should be made public and looked at the Secretary, who nodded approval. He asked them to explain it fully to Mr. Daniels and Steve Early, whose judgment



50

- 2 -

he values very highly on matters of this kind, and he suggested that it be made public for next Monday morning's papers.

Mr. Clayton then explained the reparations document, which he said was in the form of this Government's instructions to Mr. Pauley. He showed to the President that this document had also been approved by the members of the informal committee and it had also been gone over very carefully and approved by Mr. Pauley and Mr. Rubin. The President then approved the document, requesting that he be furnished with copies of both documents before Saturday so he could read them over the weekend and further that he wanted to talk to Pauley about the reparations document before he left.

Clayton said he would furnish him copies immediately and explained that the directive to General Eisenhower would be sent forthwith to him.

SWB

HEADQUARTERS
THIRD UNITED STATES ARMY
OFFICE OF THE COMMANDING GENERAL
APO 403

10 May, 1945

My dear Mr. Minister:

Please accept from myself and from the officers and men of the Third Army our very sincere thanks and appreciation for your most generous telegram of congratulations.

Truly yours,

G. S. Patton, Jr.
G. S. PATTON, JR.,
General, U. S. Army,
Commanding.

Minister Henry Morgenthau, Jr.
c/o SHAEF (Forward)
APO 757
U. S. Army

5/18/45 52
Phoned Feltus he should talk to HM Jr about
this.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date May 10,
1945

TO Secretary Morgenthau
FROM Randolph Feltus

Your office advises me that memoranda of an informational nature cannot be sent to you but must be brought in personally for discussion. Does this mean that you do not want to be kept informed by memo from time to time on the Bretton Woods public relations program?

Please let me know your wishes.

R.F.

MAY 10 1945

Dear General Donovan:

The War Department, at the request of General Eisenhower, has asked the Treasury Department, as a matter of urgency, to make immediately available to the Finance Division of SHAEF personnel qualified for financial work of the highest importance. In view of the urgency of the request, I am arranging to send a group of financial people immediately to work with them in Germany.

I am writing to ask for help from you on personnel, since we are having difficulty finding qualified people outside the armed service. There are a number of men in the Office of Strategic Services who, I am told, are eminently qualified for this work. The names which have been given me are Harold Starr, Paul Sweezy, William Salant, Arthur Stewart and Just Lunning. If you could make these people available to the Treasury Department for the next three or four months, they would be of great assistance in carrying out this important work.

Will you be good enough to look into this and let me know whether you can help. If you want one of your people to discuss this matter in greater detail, I suggest that he get in touch with Mr. Orvis A. Schmidt, Director of Foreign Funds Control, who is handling this matter for the Treasury Department.

Sincerely yours,

[Signed] H. Morgenthau, Jr.

Secretary of the Treasury

Major General William J. Donovan
Director, Office of Strategic
Services
Washington 25, D. C.

OASchmidt:FCoe:mbw 5/4/45

MAY 10 1945

Dear General Donovan:

The War Department, at the request of General Eisenhower, has asked the Treasury Department, as a matter of urgency, to make immediately available to the Finance Division of SHAEF personnel qualified for financial work of the highest importance. In view of the urgency of the request, I am arranging to send a group of financial people immediately to work with them in Germany.

I am writing to ask for help from you on personnel, since we are having difficulty finding qualified people outside the armed service. There are a number of men in the Office of Strategic Services who, I am told, are eminently qualified for this work. The names which have been given me are Harold Starr, Paul Sweezy, William Salant, Arthur Stewart and Just Lunning. If you could make these people available to the Treasury Department for the next three or four months, they would be of great assistance in carrying out this important work.

Will you be good enough to look into this and let me know whether you can help. If you want one of your people to discuss this matter in greater detail, I suggest that he get in touch with Mr. Orvis A. Schmidt, Director of Foreign Funds Control, who is handling this matter for the Treasury Department.

Sincerely yours,

[Signed] H. Morgenthau, Jr.

Secretary of the Treasury

Major General William J. Donovan
Director, Office of Strategic
Services
Washington 25, D. C.

OASchmidt:FCoe:mbw 5/4/45



FISCAL ASSISTANT SECRETARY

TREASURY DEPARTMENT
FISCAL SERVICE
Washington

May 10, 1946

TO THE SECRETARY:

This is in response to your memorandum of May 9, 1946, reading:

"PLEASE GIVE ME A REPORT ON WHAT YOU PROPOSE TO DO WITH ACCOUNTING OVER AT PROCUREMENT TO BRING IT UP TO DATE PROMPTLY."

Promptly upon the receipt of notice on April 30 that you wanted the Bureau of Accounts to work on Procurement accounting, two steps were taken (1) a meeting was held in my office to consider the over-all problem, and (2) top personnel was assigned to direct the various phases of the job.

On May 4, Harold R. Gearhart, Acting Chief Accountant of the Bureau of Accounts, was assigned to take charge, assisted by an initial staff of five expert accountants from the Bureau and one from Mr. Charles Bell's office. In addition, the work will receive the personal attention of the Commissioner and Assistant Commissioner of Accounts.

Inasmuch as we have only a small staff of accountants available in the Fiscal Service, the rapidity with which the accounting at Procurement will be brought up to date will depend much upon the staff which the Procurement Division will assign to the work. This has been called to the attention of the Procurement Division.

A preliminary survey indicates the need for three things: (1) more adequate staffing of personnel, (2) streamlining of procedure, and (3) an agreement between Treasury Procurement and the Foreign Economic Administration as to just what the latter agency will need in the way of accounting information. Also, it would seem desirable, if there are any officials in the Treasury who will be concerned with the status of the Lend-lease accounts of foreign countries, they should make their wants known at the earliest possible date. Moreover, they should keep us informed currently of any changes in the picture.

There are three big problems in Procurement accounting which may be listed as (1) their regular procurement work for the several executive departments and independent establishments, (2) Lend-lease, and (3) UNRRA.

- 2 -

One of our first tasks will be to take an "inventory" of the back-log in the different departments and to chart a course against which we can compare production data at periodic intervals. As soon as the inventory has been taken, I will advise you further, and I will also give you progress reports from time to time showing the status of work.

In a meeting held on Friday, May 4, 1945, with the Director of Procurement, Mr. Clifton Mack, attended by Mr. Charles Bell's representative, Mr. Shick, it was agreed that there should be concentration upon the Lend-lease and UNRRA activities since these involve the most pressing and serious problems, but that consideration also would be given to improving, simplifying, and strengthening other accounting of the Procurement Division. Certain general understandings were reached which, in substance, were:

- (1) The Bureau of Accounts will provide a staff to do the necessary constructive accounting work, but it is not intended that this staff should have operating duties or responsibilities.
- (2) The man heading up the Bureau of Accounts staff will have complete local responsibility and authority for planning the work program, recommending key personnel, developing improved accounting procedures, and seeing that the program is carried to completion by the earliest possible date.
- (3) The Director of Procurement will be kept fully informed of the progress of the work of the Bureau of Accounts staff, and any procedural or other changes will be accomplished through the Director or such members of his organization as he may designate.
- (4) The organization of the Procurement Division, particularly the supervisory staff, will be strengthened to keep pace with the results of the constructive accounting work. This comprehends not only obtaining appropriate classified positions and grades, but also adequate staffing by recruitment of personnel.
- (5) The accounting work of the Bureau of Accounts will consist of:
 - (a) Ascertain the problems, evaluate the present system, and lay the groundwork for necessary action.

- 3 -

- (b) Define the accounting responsibilities and requirements of the Procurement Division.
- (c) Determine the best accounting methods for the future, particularly for Lend-lease and UNRRA activities.
- (d) Devise most practicable method to
 - (1) clean up back-logs, and
 - (2) verify accuracy of records.
- (e) Develop whatever basic written procedures are necessary for accounting purposes.
- (f) Furnish technical assistance and advice to operating personnel in installing new procedures and in making transitional or other accounting changes as are approved.

A meeting was held in my office yesterday with the accounting staff of the Bureau of Accounts, fiscal representatives of the Foreign Economic Administration, and Mr. Shick of Mr. Charles Bell's office. The purpose of this meeting was twofold: (1) to review the general plans, and (2) to obtain the views of the Foreign Economic Administration concerning their needs for financial information. At this meeting it was agreed that FEA would assign an expert accountant to work full-time with the Bureau of Accounts staff in order that the accounting information to be produced from the records will serve the needs of all concerned. It is proposed to make similar arrangements with UNRRA.

It would be helpful in completing this job at the earliest practicable date if written instructions were issued that adequate personnel, space, and equipment must be assigned by the Procurement Division to its accounting work and that appropriate job classifications are to be established in order to provide proper accounting direction from the top and in the various subdivisions of the organization. In assigning supervisory personnel, the policy should be adopted of not promoting from within unless it is known that the person has both the necessary accounting and administrative ability. Mr. Shick has indicated that Mr. Bell's office would give close attention to these matters.

If the program which I have briefly outlined herein meets with your approval, I would greatly appreciate your so indicating.

- 4 -

In accordance with Reorganization Plan III, the Fiscal Assistant Secretary will perform this work through the Commissioner of Accounts. The Under Secretary of the Treasury, the Administrative Assistant to the Secretary, and the Director of Procurement will be kept fully informed.



Fiscal Assistant Secretary

APPROVED:


Secretary of the Treasury

Cable sent to Gen. Eisenhower

5/10/45

60

Bearing in mind the fact that it is firm United States policy that our security interests demand that all synthetic oil plants be removed from Germany and that delay in such removal can be justified only by the urgent needs of the occupying forces, you may permit the repair and cannibilization of such synthetic oil plants as you deem to be essential to meet such needs pending the receipt of further instructions from your government.

May 10, 1945

MEMORANDUM FOR THE SECRETARY'S FILES:

Subject: Taxes

This afternoon at 2:30, Secretary Morgenthau and the writer met with Congressman Doughton and Senator George at the Capitol. The Secretary had requested such a meeting to discuss the statements attributed to Senator George in this morning's papers respecting possible tax reductions during 1946, and its relationship to the work of the Joint Committee and the Treasury staff which has been, for some time, working together concerning transition and post-war tax problems.

The meeting followed an earlier talk with President Truman on the same subject and a statement by the Secretary at his press conference to the effect that the position of the Administration with respect to the desirability of keeping tax rates high until the end of the war has not changed one iota.

At the meeting with Senator George and Congressman Doughton the Secretary expressed his disquietude at what Senator George is reported to have said in the newspapers with respect to tax reductions, and indicated his great interest in keeping unity in the ranks of those whose responsibility is the determination of tax policy.

Congressman Doughton was particularly strong in his criticism of Senator George, indicating that his Committee members were very much upset over what he considered as a "jumping of the gun" by Senator George in making public such a statement on the eve of the consideration by the Joint Committee of its interim report, and before the Committee had come to any decision with respect to any possible reduction in the general level of tax rates during the war. Congressman Doughton indicated that if he and his Committee could not rely on Senator George and the members of the Senate Finance Committee to respect the Committee's functions in the field and not to make statements of personal views before the Committee has considered

- 2 -

the matter, the present method of procedure would lose its utility and Ways and Means would not be able to continue to cooperate with Senate Finance.

Senator George, extremely on the defensive, indicated that his remarks must have been misunderstood, and that, in any event, he was for cooperation.

After about an hour and a half of this, and at the Secretary's insistence, Congressman Doughton called in the newspaper men and issued a statement to the press (a copy of which is attached). Senator George and the Secretary both stated to the press that they were unequivocally in favor of the statement issued by Chairman Doughton in behalf of the Joint Committee. Sensing an inconsistency between this statement and Senator George's earlier statement about tax reductions, the newspaper men again asked the Senator about tax reductions, to which he replied, in effect, that such matters were for the consideration of the Committee and that no decision has as yet been made. Although not so treated by the press generally, what Senator George said represented a great retreat from, if not a repudiation of, his statement of the day before.

The meeting broke up at 4:15.

Joseph J. O'Neill

Attachment

PRESS RELEASE

The Joint Committee on Internal Revenue Taxation for Postwar Taxation will tomorrow make a report to the House Ways and Means Committee and Senate Finance Committee covering the period between the defeat of Germany and the defeat of Japan. The report recommends specific changes in the tax laws to improve the cash position of business and to relieve small corporations from the excess-profits tax. It is pointed out that these are recommendations for immediate legislative action and further studies are in progress. It is not recommended that existing tax rates be reduced at this time.

The Committee's report contains five specific recommendations:

1. Increase the excess-profits-tax specific exemption from \$10,000 to \$25,000, effective beginning with the tax year 1946.
2. Provide that the postwar credit of 10 percent of the excess-profits tax be taken currently with respect to tax liabilities of 1944 and subsequent years.
3. Advance to January 1, 1946, the maturity date of outstanding excess-profits-tax postwar refund bonds.
4. Provide for speed-up of refunds resulting from carry-backs of net operating losses and of unused excess profits credits.
5. Provide for speed-up of refunds resulting from the recomputation of deductions for amortization of emergency facilities.

The proposed changes would improve the cash position of business during the period of reconversion to peacetime production. Only the increase in the specific exemption would reduce ultimate tax liabilities. The increase in the specific exemption, in addition to improving the cash position of corporations during the reconversion period,

- 2 -

would relieve small corporations from the burden of the excess-profits tax.

The Committee finds that Federal expenditures can be expected to remain at a high level at least until after the defeat of Japan and that the need for revenue will not be lessened during this period.

The Committee stated that the recommendations in its report are based on its present appraisal of the future situation.

The report is the first of a series on postwar tax problems to be issued by the Committee. Subsequent reports covering later periods will deal with the excess profits tax (which the Committee recognizes as a war tax) and with other phases of the corporate tax structure (including such matters as depreciation and treatment of corporate dividends); and with the individual income tax, excise taxes, and the estate and gift taxes.

65

MAY 10 1945

My dear Mr. Clayton:

For your information I am sending you
herewith, copy of a letter which I received
from Mr. T. V. Soong together with my reply.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable William L. Clayton,
Assistant Secretary of State.

66

MAY 10 1945

My dear Mr. Clayton:

For your information I am sending you
herewith, copy of a letter which I received
from Mr. T. V. Soong together with my reply.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable William L. Clayton,
Assistant Secretary of State.

67
✓

MAY 10 1945

My dear Mr. Patterson:

For your information I am sending you
herewith, copy of a letter which I received
from Mr. T. V. Soong together with my reply.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable Robert P. Patterson,
Under Secretary of War.

Enclosures.

68

MAY 10 1945

My dear Mr. Patterson:

For your information I am sending you
herewith, copy of a letter which I received
from Mr. T. V. Soong together with my reply.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable Robert P. Patterson,
Under Secretary of War.

Enclosures.

70

MAY 10 1945

My dear Mr. Crowley:

For your information I am sending you herewith, copy of a letter which I received from Mr. T. V. Soong together with my reply.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable Leo T. Crowley,
Administrator,
Foreign Economic Administration,
Washington, D. C.

Enclosures

69

MAY 10 1945

My dear Mr. Crowley:

For your information I am sending you herewith, copy of a letter which I received from Mr. T. V. Soong together with my reply.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable Leo T. Crowley,
Administrator,
Foreign Economic Administration,
Washington, D. C.

Enclosures

PRECISION

TRADE MARK

MICROSTAT

REG. U. S. PAT. OFF.

MICROFILM

ROLL NO.

12"

1

71 ✓

5-10-41-

THE WAR — PHASE TWO

OFFICE OF WAR MOBILIZATION AND RECONVERSION
WASHINGTON, D. C.

CONTENTS

	Page
TEN BASIC POINTS.....	1
THE JOE OF CHANGING JAPAN.....	3
Japan's Strength.....	3
Allied Accomplishments.....	4
Allied Requirements.....	5
DEMORILIZATION—DRAFT—RECRUITMENT.....	6
How Demobilization Works.....	6
Service Manpower Needs.....	7
Other Uniformed Services.....	8
PRODUCTION AND JOBS.....	9
Changes in Production.....	9
Relaxing Controls.....	10
Readying for Reconversion.....	11
The Manpower Situation.....	12
Help Between Jobs.....	13
CIVILIAN LIFE.....	13
Our Food Supply.....	14
Goods for Civilians.....	15
New Automobiles.....	16
New Homes.....	17
Barren on Transportation.....	17
Hoarding Down Inflation.....	18
Other Civilian Responsibilities.....	18

Washington, D. C.

10 May 1945

THE PRESIDENT,
The White House, Washington, D. C.

DEAR MR. PRESIDENT: I submit herewith a report entitled "The War: Phase Two." This report has been prepared at my request by the Office of War Information in collaboration with other government departments and agencies. It is designed to answer specific questions which will be uppermost in the mind of the public after the defeat of Germany.

The report attempts to outline in simple terms, the military and industrial effort which will be required to defeat Japan; the amount and rate of reconversion; our foreign commitments for relief and rehabilitation; the Army's plans for re-deployment of troops and partial demobilization. In sum, it attempts to give a picture of the conditions under which the American people will live during the second phase of the war against the forces of evil.

Any report which undertakes to forecast events is subject to error, and this report is no exception. Nevertheless, it is based on the best judgment in government of the demands upon the Nation for the war against Japan.

Sincerely yours,

etna g. minor

Director

THE WAR: PHASE TWO

Just how big is the job of crushing Japan! What changes and adjustments must be made in America to accomplish that defeat! How many men must remain in our Army and Navy! How many men will be drafted! What will civilian life be like in this second phase of the world's greatest war! How many jobs will there be! What quantity of consumer goods! How soon can men be released from the armed forces! How many! On what basis!

These are questions which must be answered if the people are to know the size of their task. To the extent that such questions can be answered without giving the enemy valuable information, and always stressing that changes in military and other conditions may abruptly modify any forecast, this statement outlines the situation for America.

TEN BASIC POINTS

Governing the answers to all these questions are these ten controlling statements of principles and facts:

1. War against Japan probably will grow in severity over a prolonged period. Unconditional surrender of Japan, as of Germany, is our goal, and it is hardly likely that Japan will yield her home islands to occupation by our forces short of successful and complete invasion. Experience has shown that any effort to predict definitely the duration of war usually fails. All our effort toward war, and toward production, will be needed up to the last instant.

2. Demobilization of such men as the Army can spare will begin promptly. Because of shipping limitations, it will take about a year to complete the release of men eligible for discharge. The Navy does not plan to demobilize until Japan has been defeated.

3. As a result of lessening pressure on the European war front, cuts in war production began some time ago. During the next six months, war production cuts will be of the order of 10 to 15 percent of the current rate.

The Navy's small production cuts have been already scheduled. Greater cuts may be expected during the first six months of 1946, after the long pipelines to supply the war in the Far East have been filled. Even then, munitions production in the first six months of 1946 will

2

maintain a level not far from two-thirds of that previously required by the two-front war. In addition to our own needs, we must continue to send lend-lease war essentials to our allies who are fighting with us against Japan.

4. High production still required for the Japanese war will require that a great part of those now employed in war production stay on the job. The total number of persons unemployed, many of whom will be only temporarily out of work between jobs, probably should not exceed more than 2 to 2½ million persons at the end of the next 12 months, as compared with a present total of about one million. There will be severe local unemployment problems, side by side with actual manpower shortages in areas where war production remains at a high peak. Strict manpower controls will continue to be necessary, especially in such areas. Nationally the situation should not be acute.

5. Subject to the over-riding priority of war production, some reconversion will take place immediately. The pace will be accelerated as the requirements of war permit. Reconversion planning must proceed vigorously, but we cannot have complete reconversion until final victory.

6. Military requirements for food will not decrease, and relief needs will be greater. Domestic demand for food will continue at high levels. As a result, no early general improvement in the civilian food supply situation can be expected. Food production must be continued at record levels.

7. The structure of many government controls over industry must be maintained to insure war and essential civilian production. Within this structure, restrictions will be relaxed gradually wherever it is possible to do this without damage to the war effort. Transportation restrictions, for example, must continue in full force, but generally speaking, materials and manpower no longer pre-empted for war will be freed for civilian production.

8. One major home-front battle that will continue to demand strongest public support is that against inflation and rising prices. Restraint in buying, observance of price control and rationing regulations remain near the top of the list of civilian responsibilities. A wage stabilization policy must be maintained during the reconversion period to prevent inflationary price increases and to avoid a post-war deflationary trend which might destroy wage standards.

9. The necessity for raising vast sums of money through the sale of War Bonds and by taxation for financing the war with Japan will remain undiminished for a considerable time. Taxes and War Bonds also are essential factors in price control.

10. The paramount command is: Win the war! Victory over Japan comes ahead of every other consideration. The war will be shortened

3

and peace speeded, lives will be saved, our men will come home sooner, if everyone dedicates himself to this main objective.

THE JOB OF CRUSHING JAPAN

Q. Can Japan be expected to surrender unconditionally?

A. Unconditional surrender and occupation of Japan are primary war aims. But the Japanese "will fight to the bitter end," says Under-Secretary of State Joseph Grew, for 10 years U. S. Ambassador to Japan. Two-Jima's toll of 80,000 American casualties for 23,000 Japanese dead is an example of the to-the-death tenacity which may be expected in key positions.

It is difficult to estimate how long it will take the Allies to defeat Japan. No prediction can possibly take into account the accidents and fortunes of war. The only certain forecast is that the harder we and our allies hit Japan, the more quickly we apply our maximum pressure, the sooner the war will end and the smaller the cost will be in American and Allied lives.

Japan has two great strengths: (1) The willingness of her soldiers to die to the last man, rather than to surrender; (2) her geographical positions: She is hard to get at. Our nearest large harbor is in the Philippine Islands, 1700 miles from Tokyo. (Okinawa, only 325 miles south of Kyushu, has anchorages but no harbor facilities of importance.) Tokyo is 1500 miles from Guam and Saipan, which are 5000 miles from Hawaii, and Hawaii is as far from San Francisco as London is from New York.

Japan's Strength

Q. What is Japan's armed strength?

A. Japan has an army of 4,000,000 men, less than a fourth of them south of Formosa and China. She has several million men fit for military service and not yet called up. So far, we have not come up against the main strength of the Japanese army.

Although the Japanese fleet has been crippled, it can still strike damaging blows in waters protected by land-based aviation. Her air force is still a powerful defensive factor. Until our recent bombings of Japan became frequent, Japan was producing planes faster than we could destroy them. In one recent raid over Tokyo the Japanese were able to put 650 fighter planes in the air against our Superfortresses.

Q. How strong is Japan's industrial position?

A. Government experts have estimated that Japan is capable of maintaining a large production in almost every category of war equipment and military supplies. Although Japan has suffered spectacular military reverses, a large portion of the war machine with which Japan

began the war remains intact. The reduction of Japan's industrial potential will require a great intensification of our heavy air attacks.

Japan has many critical war materials on the home islands. In Korea and especially in Manchuria, an important and integral part of Japan's inner zone, Japan has a large industrial plant and important raw materials. She also has stock-piled large quantities of key materials, enough for at least a year of full-scale war.

Allied Accomplishments

Q. How has Allied warfare weakened Japan?

A. We have crippled her Navy, reduced the size of her air force, and destroyed the perimeter defenses of the empire. Our present positions in the Philippines and Okinawa blockade her supplies from the south. Our bombers are increasing the force of their assault on her heavy industry. Since Pearl Harbor, we have sunk or damaged more than two-thirds of Japan's merchant fleet, and have severed her outer lines of communication. However, as we get closer to the homeland, the remaining merchant fleet may be adequate for the shorter lines of communication.

Even blockading Japan from the mainland, a difficult task, would not starve out the Japanese. These people thrive on less and poorer food than Americans.

Allied Requirements

Q. What forces will the Allies require to compel Japan's unconditional surrender?

A. Our experience in Europe has clearly demonstrated the need for joint operations of land, air and sea power. Only such coordinated action can compass the defeat of a strong and determined enemy. Germany was subjected to years of the most intensive bombing ever known, but it was certainly necessary for our ground forces to battle it out with the enemy yard by yard and mile by mile to win our victory. This experience has been duplicated in the Pacific.

To mount the climactic phases of the war against Japan and to occupy conquered territories, the Army plans to maintain total forces of 6,968,000 men for a year after the European victory. This requirement, as well as that of the Navy, has been calculated by the Joint Chiefs of Staff, using the same precise methods that were used to calculate the requirement for our successful campaigns in Europe, Africa, and our advances in the Pacific. The Army's present strength is about 8,500,000 men.

The Navy will reach its currently authorized strength of 5,580,000 by June 30, 1945. The Marine Corps has reached its authorized strength of 478,000 and the Coast Guard is virtually up to its authorized total of 173,000. Almost our entire Navy will be sent to augment the forces already operating against Japan. The British have thrown forces into Burma and a portion of their fleet is fighting beside that

of the United States. Great Britain, France, the Netherlands and China, among others, have pledged their full assistance in combat and in all forms of cooperative effort in the war against Japan.

It will take time to bring our own maximum forces to bear. The task of transporting them will be tremendous. The maximum use of both ships and planes will be made to bring this force to bear against Japan with all possible speed.

Some of our forces will be started on the way almost at once, but re-grouping, re-equipping, re-training and re-deploying our armies will require many months, since men and material must be transported to the far Pacific.

Transportation is a key problem in the Pacific. It is doubtful whether much of the merchant shipping now operating in the Atlantic can be shifted to the Pacific because of the millions of men and large quantities of equipment which will have to be moved out of Europe. It is anticipated that the shipping situation will be tighter than ever for many months, because of military requirements in the Pacific, re-deployment of troops, return of men for demobilization, and shipment of supplies to liberated areas.

DEMobilization-DRAFT-RECRUITMENT

Q. What are the plans of the armed forces for demobilization?

A. Prosecution of the war against Japan must take precedence over all other considerations, but men and women who can be spared from the Army will be demobilized. The Navy does not plan to demobilize until Japan has been defeated. The Army expects to reduce its strength by 1,300,000 in the first year after the defeat of Germany, but this will have to be done slowly at first because first priority on shipping must be assigned to the men and material going to the Pacific.

The soldiers to be released through the cut in the size of the Army will be selected from among fathers and those who have had the most extended and arduous service. It is the Army's intention to release additional men by holding Selective Service calls at a level above that necessary to replace men lost through battle and normal attrition.

The Army will at the same time continue to release men because of sickness, wounds, age and other factors which prevent their effective use in service. It is expected that discharges of this kind, plus those made through the cut in the strength of the Army, and the excess of draft calls over replacement needs, will result in release from the Army during the next year of about two million officers and men.

4

began the war remains intact. The reduction of Japan's industrial potential will require a great intensification of our heavy air attacks.

Japan has many critical war materials on the home islands. In Korea and especially in Manchuria, an important and integral part of Japan's inner zone, Japan has a large industrial plant and important raw materials. She also has stock-piled large quantities of key materials, enough for at least a year of full-scale war.

Allied Accomplishments

Q. How has Allied warfare weakened Japan?

A. We have crippled her Navy, reduced the size of her air force, and destroyed the perimeter defenses of the empire. Our present positions in the Philippines and Okinawa blockade her supplies from the south. Our bombers are increasing the force of their assault on her heavy industry. Since Pearl Harbor, we have sunk or damaged more than two-thirds of Japan's merchant fleet, and have severed her outer lines of communication. However, as we get closer to the homeland, the remaining merchant fleet may be adequate for the shorter lines of communication.

Even blockading Japan from the mainland, a difficult task, would not starve out the Japanese. These people thrive on less and poorer food than Americans.

Allied Requirements

Q. What forces will the Allies require to compel Japan's unconditional surrender?

A. Our experience in Europe has clearly demonstrated the need for joint operations of land, air and sea power. Only such coordinated action can compass the defeat of a strong and determined enemy. Germany was subjected to years of the most intensive bombing ever known, but it was certainly necessary for our ground forces to battle it out with the enemy yard by yard and mile by mile to win our victory. This experience has been duplicated in the Pacific.

To mount the climactic phases of the war against Japan and to occupy conquered territories, the Army plans to maintain total forces of 6,958,000 men for a year after the European victory. This requirement, as well as that of the Navy, has been calculated by the Joint Chiefs of Staff, using the same precise methods that were used to calculate the requirement for our successful campaigns in Europe, Africa, and our advances in the Pacific. The Army's present strength is about 8,500,000 men.

The Navy will reach its currently authorized strength of 3,389,000 by June 30, 1945. The Marine Corps has reached its authorized strength of 478,000 and the Coast Guard is virtually up to its authorized total of 173,000. Almost our entire Navy will be sent to augment the forces already operating against Japan. The British have thrown forces into Burma and a portion of their fleet is fighting beside that

5

of the United States. Great Britain, France, the Netherlands and China, among others, have pledged their full assistance in combat and in all forms of cooperative effort in the war against Japan.

It will take time to bring our own maximum forces to bear. The task of transporting them will be tremendous. The maximum use of both ships and planes will be made to bring this force to bear against Japan with all possible speed.

Some of our forces will be started on the way almost at once, but re-grouping, re-equipping, re-training and re-deploying our armies will require many months, since men and material must be transported to the far Pacific.

Transportation is a key problem in the Pacific. It is doubtful whether much of the merchant shipping now operating in the Atlantic can be shifted to the Pacific because of the millions of men and large quantities of equipment which will have to be moved out of Europe. It is anticipated that the shipping situation will be tighter than ever for many months, because of military requirements in the Pacific, re-deployment of troops, return of men for demobilization, and shipment of supplies to liberated areas.

DEMOBILIZATION-DRAFT-RECRUITMENT

Q. What are the plans of the armed forces for demobilization?

A. Prosecution of the war against Japan must take precedence over all other considerations, but men and women who can be spared from the Army will be demobilized. The Navy does not plan to demobilize until Japan has been defeated. The Army expects to reduce its strength by 1,200,000 in the first year after the defeat of Germany, but this will have to be done slowly at first because first priority on shipping must be assigned to the men and material going to the Pacific.

The soldiers to be released through the cut in the size of the Army will be selected from among fathers and those who have had the most extended and arduous service. It is the Army's intention to release additional men by holding Selective Service calls at a level above that necessary to replace men lost through battle and normal attrition.

The Army will at the same time continue to release men because of sickness, wounds, age and other factors which prevent their effective use in service. It is expected that discharges of this kind, plus those made through the cut in the strength of the Army, and the excess of draft calls over replacement needs, will result in release from the Army during the next year of about two million officers and men.

643880-12-2

8

to meet a small monthly quota for replacement purposes. Veterans' Administration, which now has 4,150 nurses, needs 3,000 more before July 31, 1945.

Q. Has Victory in Europe decreased the need for merchant seamen and officers?

A. No. The need for seamen and officers will continue until at least six months after the end of the war in the Pacific. Repatriation of American troops, movements of supplies and equipment, and transport of rehabilitation supplies will continue to engage most of the United States Merchant Marine for perhaps as long as three years after the end of hostilities with Japan.

The United States will need 115,000 additional seamen and officers by January 1, 1946. These men are expected to be obtained as follows: Men to be recruited by War Shipping Administration, through seamen's unions, and ship lines—36,000; new men to be recruited and trained—79,400, almost all of whom are to come from WSA training schools.

PRODUCTION AND JOBS

Q. What effect does the end of the War in Europe have on production?

A. War production must continue at a very high rate. Even six months from now, war production will almost equal the rate of 1943. It is not simple to shift from a two-front to a one-front war. To date, our fighting in the Pacific has constituted only the preliminary battles to the main attack upon Japan. The main battles lie ahead. Warfare in the Pacific will accelerate and production must keep pace.

Actually, some categories of production will increase, some new items will be added, and the emphasis will be shifted in other programs. Some items will be cut back. VE-day production cutbacks have already largely been authorized or have been taken in anticipation of the final collapse of Germany. In the next three months, there will be a net total decline in war production which will run between 10 and 15 percent as compared with current levels. From that point, larger cuts cannot take place until the long pipelines to the Pacific have been filled. Thereafter, the needs for the Japanese war will continue so great as to necessitate the maintenance of production at not far from two-thirds of the schedules of the first half of 1945.

Q. How will production cutbacks be distributed?

A. Cutbacks will be spread as evenly as possible. However, the changed nature of the Pacific war will affect differently the output of different industries, different areas and different plants. In general, it is planned to cut back production first in tight labor areas, so that work opportunities may be equalized. This will not always be possible, because cutback placements may be decided for other than man-

power reasons, such as, when a particular plant is able to produce only a particular item, it might not be cut back no matter where located.

Q. How are plants and workers notified about cutbacks?

A. The procurement agency which issued the original contract will notify the Production Readjustment Committee of the War Production Board, which includes representatives of all interested government agencies, that cutbacks of a certain amount are necessary and will recommend the plants to be cut back.

All agencies concerned review the cutback plan, after which the local representative of the procurement agency, in cooperation with the local termination committee, gives notice to the manufacturer. Simultaneously labor is notified. The termination committee is made up of local WPB and WMC representatives and those of the procurement agencies.

Before notifying management and labor, the local termination committee determines whether there are other war requirements for the facilities and manpower being released by the cutback in production.

Changes in Production

Q. What additional civilian production will be permitted immediately?

A. Essential civilian items needed in larger quantities, including such items as oil drilling equipment, locomotives and freight cars, trucks, utilities and farm machinery. In addition, certain consumer items such as refrigerators, and washing machines, will be started immediately in moderate quantities. Many minor electrical appliances and other durable and semi-durable goods will start, or expand production.

Not all factories now producing for war will have to make extensive changes in machinery or methods to produce for civilian consumption. Actually, a very large majority of all so-called war production plants can continue to work with the same, or similar machines, and in similar ways. In some cases where specialized equipment is used, physical reconversion will be necessary.

Relaxing Controls

Q. How will production of civilian goods get started?

A. The WPB will release its controls as quickly as possible. Some can be removed entirely, others may be released on a local basis in the light of local needs for war production. Among the steps which WPB has already taken, or will take in the near future, are:

1. Restoration of the complete operation of the Spot Authorization Plan for approving civilian production through district and regional offices of WPB.

10

2. Revocation of a number of orders which at present restrict, or prohibit, the manufacture of certain minor durable and semi-durable consumer goods, or that limit the use in such articles of materials which now are no longer critical. Gradual revocation of these orders has already begun.

3. "Open-ending" the Controlled Materials Plan (CMP) so that copper, steel and aluminum, now channeled entirely by allotments to war production, may be released also to civilian manufacturers for purchase in the free market in such quantities as are no longer needed for war or essential civilian purposes.

4. Removing of "rating floors" from a number of items, now under WPB orders, to permit delivery or production of these items without a special WPB priority.

5. Positive priority assistance for smaller manufacturers and veterans in obtaining needed materials and components so that each will have a fair chance to get his share.

The wartime economy has closed many businesses. Wherever possible, small business will be given the first chance to reconvert.

It is expected that two to three million tons of steel will be released during the first quarter after VE-day, about 500,000,000 pounds of copper and brass, and around 150,000,000 pounds of aluminum probably will be available for civilian production during the same period.

Readying for Reconversion

Q. How quickly will it be possible to start civilian production in those plants where war orders have been cancelled and which must be reconverted?

A. The length of necessary time will vary with each individual plant according to the amount of changeover needed for its new products, and its ability to get delivery of materials and components. Government agencies already have in operation procedures for prompt settlement of cancelled contracts, and for clearing Government-owned equipment and surplus inventories out of facilities no longer needed for war production. Both are geared to give manufacturers full and rapid freedom of action in converting to civilian production, within the limitations of supplies of material and manpower.

In general, a war producer whose contracts have been cancelled will receive reimbursement for all costs incurred by him, which were necessary for the performance of the war contracts, plus a reasonable allowance for profit. Expenses of reconversion, however, may not be charged to the Government as part of the liquidation costs.

11

Basic plans for handling all such matters have been worked out and information on them is available to all war plants from their contracting agencies. Funds for settlement of all contracts have been set aside from the sums originally ear-marked for the whole contract.

Q. How much is reconversion expected to cost?

A. Total reconversion of all plants now producing for war is expected to cost not more than \$3,000,000,000. Manufacturers and other businesses of the nation are estimated to have reserves of more than \$20,000,000,000. Smaller manufacturers, who may not have their proportionate share of this big reserve, have access to special financing. The government is prepared to supply them from funds owed them under their contracts in anticipation of full settlement, and also has set up procedures to provide guaranteed interim financing loans on request.

The Manpower Situation

Q. What effect will shifts in war production have upon national manpower and employment?

A. The vast majority of the 52,000,000 civilian workers are in jobs which will continue during the first six months after VE-day regardless of cuts in war production. Of these, nearly 45,000,000 are in agriculture, trades and services, transportation, plants manufacturing civilian goods, in government service or in business for themselves. About 9,000,000 are in munitions plants, a large proportion of which must continue munitions production for the war against Japan.

During the next six months, probably about 1½ million workers will lose their jobs. A larger number than this will be out of war work, but they will continue in the same jobs, producing for civilian consumption—for example, steel workers now producing steel for tanks will continue producing steel for items such as refrigerators. Also, in the next year, about 2,000,000 men are expected to be demobilized from the Army. During the following six months, perhaps another three million workers will lose their jobs.

But reconversion, expansion and the needs of many industries, such as transportation, retail trades and services, textiles, agriculture, lumber and public utilities, which are now short of workers, should provide jobs for most of those who will lose them through cutbacks. The tremendous backlog of civilian needs and purchasing power will stimulate both old and new enterprises.

Unemployment, therefore, much of which will be temporary, is not expected to total more than 2.5 million at the end of the next 12 months, as compared with the present total of about one million. Shut-downs probably will cause some serious local unemployment, chiefly in one-industry towns where everybody works at the war

12

plant. Where necessary, the United States Employment Service of the WMC will supply information as to where workers are needed and will assist the worker in obtaining employment.

Women may be affected more seriously by cutbacks than men, especially in those plants which rely now largely on manpower. But reemployment records show that many women who are released when contracts are cancelled have not tried to get new jobs.

Help Between Jobs

Q. What help is available for displaced workers?

A. For one thing, unemployment compensation is available to released workers in all states. The maximum payments vary from \$15 to \$22 per week; the number of weekly payments, from about 10 to 20. Workers may obtain unemployment compensation by reporting to the local United States Employment Service immediately. If USES cannot refer them to new jobs, it will set the wheels in motion for the payment of unemployment compensation.

Q. What does a veteran do to get his old job back?

A. If he held a position other than temporary, usually he need only to apply to his old employer, who in accordance with the Selective Training and Service Act will reemploy him in his old job, or in a position of like seniority, status, and pay. If any questions arise, his local Selective Service Board will advise him of his rights and assist him in establishing them.

Up to the end of the war in Europe, more than 2,000,000 men had been discharged from the armed services. Of these, something over a third had asked for their old jobs back. Most of them found their own jobs. A veteran seeking a new job may go to the United States Employment Service local office and ask to see the veterans' employment representative.

If a veteran is out of work and the USES is unable to find him a job, he can obtain an unemployment allowance. Under certain conditions he may be eligible for a readjustment allowance of \$20 a week, for from four weeks to a total limit of 52 weeks, depending on his length of service.

If a veteran wishes to obtain specific detailed information about his government insurance, medical benefits, educational allowances, and other aids provided by veterans legislation, he should apply to the nearest field office of the Veterans Administration.

13

CIVILIAN LIFE

Q. Will the war time restrictions on civilians—rationing, lack of household appliances, price control and wage control—continue?

A. These are war measures, and they must be continued as long as the war-created needs exist. They will be relaxed just as soon as materials, facilities and manpower can be released from war production.

The income controls are designed not only to direct our resources to war, but to protect consumers against a rising cost of living and to make sure that everyone gets a fair share of scarce goods.

Q. Is it necessary to continue food rationing?

A. Yes. For three reasons: (1) Total food supplies available for civilians, the military, and other uses, this year are expected to be five to 10 percent less than last year. At the same time, total requirements are five to 10 percent greater, and will remain high. (2) We have just as many soldiers to feed as before VE-day. They must be fed, whether they remain in Europe, or return to the United States, or are transferred to the Pacific. Moreover, we are helping to feed millions of persons other than our own soldiers in Europe. (3) Supply lines to the Pacific are longer than to Europe. More food will have to go into these supply lines. We will be feeding more men in the Pacific.

Point values of rationed food, as in the past, will be raised or lowered according to the supplies of rationed foods available. The established system of making red and blue points good on the first of each month will continue, as will the plan of expiration dates for ration stamps.

Our Food Supply

Q. What foods will be scarce?

A. Meat is the most serious shortage; sugar is next. But butter and other fats and oils also will be scarce. Supplies of meat are expected to be 20 percent less than the estimated requirements for the third quarter. Supplies will provide military requirements plus quantities for home consumption at a level for the quarter equal to an annual rate of 115 pounds per capita. This is at an annual rate of about 35 pounds less than the average which Americans ate last year and 10 pounds less than was consumed in the average pre-war year. There will be a little more meat in the last quarter due to the seasonal increase in livestock marketings. But there will be a corresponding increase in requirements.

Sugar requirements are much greater than the available supply. There is no prospect that the victory won in Europe will reduce the sugar demand—rather the need of liberated countries will increase it—and there is no immediate way of increasing the supply significantly. The present sugar ration totals 17.1 pounds per person this year for home use—the rate now has been cut to 15 pounds per year—

excluding ration board allowances for home canning which are 70 percent of 1944 totals.

Butter production will be about 600,000,000 pounds short of requirements. This will be almost seven fewer pounds of butter this year than in pre-war years for every man, woman and child in the country.

There is a world wide shortage of other fats and oils. The smaller quantity available in this country is due largely to the decline in lard production. The quantity of all edible fats and oils available this year is 1,800,000,000 pounds less than the estimated American requirements.

Supplies of cereals, except rice, are adequate. Supplies of fresh and frozen fish are large. Domestic supplies of fresh vegetables are entirely adequate and prospects, based on commercial and victory garden production, are that this situation will continue. The outlook for fresh fruit is that supplies will be almost as large as last year. Civilian supplies of eggs will be about the same as the record totals of last year. Supplies of fluid milk are of record size, and are more than a fourth larger than before the war.

Q. Will we continue to feed liberated people in Europe?

A. Yes. We are sending somewhat more food to Europe this year, including relief distributed through military channels.

Fats and oils are the most important group of foods we are sending abroad, because fat is both indispensable and a cheap supplement to the large amounts of cereals which will be sent because they are relatively abundant. Supplies of meats; cheese; condensed, evaporated and dried milk; sugar; rice, and desirable types of beans are so short that they can be supplied to meet only the most urgent needs.

Goods for Civilians

Q. Will supplies of clothing begin to increase soon?

A. The joint OPA-WPB clothing program should increase production of low-cost items of clothing to meet at least minimum demands. However, certain textiles still needed by the military will not be released in any large amounts until after Japan is defeated, and military needs for some textiles suitable for the Pacific theatre will be even higher.

The new OPA-WPB program is designed to channel most of the available materials of all kinds—cotton, wool, rayon—into lower priced clothing items sorely needed at present. What is left can be made into any material a manufacturer may wish to produce. But supplies of luxury materials—heavy rayon-satin, upholstery, brocades and similar textiles—will be strictly limited, probably until after the defeat of Japan.

Nylon and silk stockings are made of war materials and cannot be expected in any large quantities until well after final victory.

Shoes must continue to be rationed, for lack of enough leather, but shoe needs of the nation will be met by the production of nonrationed shoes made from fabric and with nonleather soles.

Q. When will it be possible to buy new equipment for the home—radios, washing machines, vacuum cleaners, furniture?

A. Some of the appliances should be available in limited numbers within a year. Washing machines, refrigerators and other badly needed items will undoubtedly go into production first. Some household needs, such as electric irons and stoves have been produced in limited quantities during the past two or three years and production probably will be stepped up in three to six months—as skilled manpower and materials permit.

Provision must be made to see that the most essential civilian needs, such as those of hospitals, are filled first. If there are any appliances left over they will probably be sold without rationing. Some civilian radios should be available within the year, but present plans indicate a tight situation.

Some items of furniture will continue to be available but shortages of lumber and heavy textiles may limit production. Generally, as soon as materials are available for civilian production, furniture again will have metal fittings and hardware as in pre-war models.

New Automobiles

Q. When will it be possible to get a new automobile?

A. A few cars may be coming off the assembly lines in six to nine months but it will be a long time before they are produced in really large quantities, and there cannot be enough to meet pent-up civilian demand in less than three years. OPA will see that the most essential users get the first available cars under the present rationing program.

Spare parts to keep present cars rolling will continue to be produced at a very high rate. Last year the WPB programmed the manufacture of \$750,000,000 worth of auto and truck parts. Cars at present average nearly eight years of age, trucks nine years, and many will have to last three to four years longer. Greatest parts shortage is in batteries and tires. Need for care of cars was never greater than today.

Q. Will there be more gasoline for civilians?

A. Best estimate is that there will be from 100,000 to 200,000 more barrels of gasoline daily for civilian use—an increase of 8 to 16 percent. Any such increase, however, may be temporary. Added gasoline supplies will be divided among "A" and commercial card holders. It may be possible to increase the mileage allowed to some "B" card holders who can show need. But, in view of the military demand in the Pacific, the best estimate is that gasoline rationing must be continued for some time.

16

Q. Will there be more coal, home heating oil and kerosene?

A. Coal mines now have the smallest labor force in 40 years and it will become smaller. Despite the over-time that the miners are now working, they cannot produce enough coal to meet fully our tremendous war and civilian requirements. There will be even less coal than there was last winter. As for home heating oil and kerosene, the best we can hope for is that civilians will have as much as last year. This hope hinges upon the continued breaking of production records.

New Homes

Q. Will it be possible to build new homes soon?

A. Home building already is under way on a limited scale where necessary to relieve congestion, but only where manpower and materials can be spared. Many kinds of building materials will probably remain in short supply for some time. However, returning veterans are given priorities for home building; priorities also are granted in cases of hardship. Restrictions on home building will not end until manpower and materials are generally available. At least 250,000 homes and apartments are expected to be built during the next 12 months, although the figure might be as high as 400,000. Essential repairs can be made now.

Q. Will surpluses of war goods be available to civilians, thereby helping to supply the demand for new civilian goods?

A. Surpluses will be sold mainly through dealers and distributors, not to individual consumers. An exception to that rule is provision for direct sales to veterans who wish to buy surpluses to establish themselves in business, the professions or agriculture. While total surpluses are expected to run into many billions, surplus consumer goods are not likely to amount to enough to compete seriously with new production. Instead, they should serve a useful purpose in filling civilian needs for many items that will be difficult to obtain before manufacturing gets into full production.

Q. When will it be possible to get better home services?

A. Delivery service on groceries and other items, and department store deliveries of packages below present weight and size limits may show some improvement near the end of the first year after VE-day. Shortage of trucks, parts, tires, gasoline and especially of manpower will continue to limit delivery service. Where manpower is locally available, some limitations may be relaxed.

Repair service on refrigerators, stoves, etc., should be improved as repair parts and skilled mechanics become more plentiful.

Some improvement can be expected in laundry and cleaning services in localities where labor is freshly available. These facilities, too, will depend upon new equipment to reach their pre-war standards.

17

Transportation Burden

Q. Will the load on transportation facilities be lightened now?

A. No. The transportation requirements of the shift to the Pacific war will add to the problems of the already overburdened railroads. Large quantities of supplies must be carried to the eastern ports for the liberated countries and American occupation forces. At the same time, the Japanese war will call for increased rail shipments of men and materials to the west, a long haul over the few western railways at a time when grain shipments may be reaching their peak volume.

Present Government controls on civilian freight traffic must continue. The total freight tonnage will decrease slightly, but the shift of the main current of traffic to the west may add as much as 10 percent to the present heavy load in that area. It will be necessary to make greater use of water carriers to shorten railhauls. Lack of pipe lines and waterways to the west coast will require maximum use of railroads to haul petroleum products for the Japanese war.

Q. Will passenger travel become easier?

A. No. Trains will be crowded because of the heavy movement of troops. Pullman space will be difficult to obtain. The ban on conventions will continue and promoters of amateur and professional sports will be expected to continue their pledges of minimizing travel. Further curtailment of passenger service may be necessary. Present priorities on airplane travel will have to be continued.

All efforts for most efficient use of trucks and buses must continue. The shortage of tires, batteries and gasoline will not allow the unrestricted use of private motor cars.

Holding Down Inflation

Q. Will wartime inflationary pressures continue after VE-day?

A. Yes. They will be serious. Purchasing power will continue to exceed supply. Total income will continue to be high. Price and rationing controls, wage controls, high taxes, and continued War Bonds sales will be essential in keeping consumer buying within bounds. People will be encouraged to buy only what they need and to keep up their War Bond purchases.

OPA will continue price ceilings on items now available and will establish prices on newly manufactured goods. These will be continued to prevent inflationary tendencies. Production of more civilian goods will not, for a while, make price control easier.

Q. Will wage controls be lifted?

A. Removal of wage controls at this time would be certain to increase the cost of producing goods. Producers would have to charge higher prices to cover their costs of production. This would cause the cost of living to go up. As the cost of living rose, wages would have to be raised again. Such a merry-go-round of wage and price increases

18

not only would fail to help workers, but would be a sure way to bring on a collapse after the war. Both prices and wages must be stabilized as long as this danger exists. Stabilization does not mean that wages will be frozen. Unfair wage rates will be adjusted; substandard wages will be raised.

The War Labor Board has the power to set floors under wages as well as ceilings over them. This power can be used when it appears that wages are likely to be forced *downward* rather than *upward*, and every attempt will be made to prevent drastic and unwarranted wage cuts.

Q. Will wages be lower for displaced war workers who take new jobs in plants producing civilian goods?

A. While a given plant cannot reduce wage rates for a particular type of work without War Labor Board approval some workers will move to other factories at a rate lower than their war plant job paid. Some increases in wage rates can be adjusted for a shorter work week, but it will not be possible to assure every worker that his take-home pay will remain unchanged as war production declines.

Q. Will the 48-hour work week continue after VE-day?

A. In many industries and communities, yes. As victory over Japan draws near, workers in consumer goods industries may return gradually to the 40-hour week. War industries will, however, remain on the 48-hour schedule, except possibly in construction of merchant ships in which the emergency program runs out December 31, 1945, or in those war industries which have taken a heavy cut back and where pay rates are high.

Other Civilian Responsibilities

Q. Will there be an early reduction of taxes?

A. This matter will be decided by the Congress, but it has been recommended that no general reduction in taxes be made until after Japan is defeated. New tax programs are being planned for the post-VJ-day period to stimulate reconversion and new enterprises.

Q. Is it necessary for censorship to continue?

A. Yes. Censorship must remain until all danger to our security has passed, and this will not be until American lives no longer are in peril. However, with the combat zone narrowed to the Pacific-Asiatic area, some censorship modifications are in order. International mails and cables may be expected to move more freely outside the battle area.

Q. Will it be necessary to continue saving used fats, paper and tin cans?

Yes, all these materials will be needed for the victory over Japan. There is a world-wide shortage of fats that must be partially made up

19

by kitchen fats collections. Paper will be even more necessary in the packaging of material for use in the Pacific where the climate is hard on food, clothing, munitions and other war equipment. As for tin, our former major supply source is still in the hands of the enemy, Japan.

Q. Will there still be War Bond campaigns?

A. Yes. The Seventh Loan will go on, and there will need to be, at least, an Eighth Loan. We must put into the war with Japan every man and every piece of equipment which can be effectively utilized. There will continue also to be a great need to divert cash purchasing power from the retail market to bonds in order to keep the maximum curb on inflation.

Q. Will normal foreign trade become possible now?

A. Not generally for all areas of the world. Wartime restrictions on commercial export-import business, necessary to control the flow of essential supplies, so that they could be used with maximum efficiency, will be removed gradually, but normal export and import trades will not be possible before the end of the war with Japan. In accordance with the London Agreement of Principles, of August, 1944, enunciated by the State Department and the British Foreign Office, the United Nations' control of merchant shipping for military purposes will continue until cessation of hostilities or six months after the defeat of Japan. This is a continuation of the Combined Shipping Adjustment Board's work, expanded as necessary to control merchant ship tonnage of the world up to VJ-day and for six months thereafter.

We will continue to send Lend-Lease goods to our allies, but in reduced amounts. All Lend-Lease is limited strictly to aid in prosecution of the war. Allied nations will be able to get from us some supplies and machinery for rehabilitation of their industries, within the limit of available supplies, in the light of demands of the armed forces and our domestic civilian economy and subject to the working out of mechanisms for financing the purchase of such supplies.

72
✓
WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
WASHINGTON

May 10, 1945

Dear Mr. Secretary:

The attached message for you has just
been received in the War Department from
General Mark Clark.

Sincerely,

Frank McCarty

FRANK McCARTY
Colonel, G.S.C.
Secretary, General Staff

The Honorable

The Secretary of the Treasury

73

PERSONAL TO HONORABLE HENRY MORGENTHAU, FROM GENERAL
CLARK.

THANK YOU FOR YOUR CONGRATULATIONS ON OUR VICTORY IN
ITALY. I ACCEPT THE MESSAGE IN BEHALF OF THE MEN TO WHOM
THE VICTORY BELONGS: THE COMBAT TROOPS OF THE FIFTH AND
EIGHTH ARMIES WHO WERE SO ABLY AIDED BY THE AIR, NAVAL
AND SUPPLY FORCES.

9 MAY 1945

74

THE SECRETARY OF THE NAVY
WASHINGTON
10 May 1945

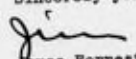
Dear Henry:

I am deeply grateful for your letter of yesterday. The Navy itself has done the job, and I shall never forget that it was Frank Knox who had the vision to see years before this war started that we were bound to have it, and that his basic inspiration, just as in the case of President Roosevelt's and Harry Stimson's, was of immeasurable value to the country.

I suspect that you share my feeling that as citizens we owe a tremendous debt to these professionals in both the Army and Navy who stuck to their professions during years when the country didn't give them much attention.

All I have done is to keep out of their way as much as possible and to keep them from some of the mistakes that their concentration on their profession necessarily makes them subject to.

Having said all that, I again repeat my gratitude for your extremely thoughtful message.

Sincerely yours,

James Forrestal

Honorable Henry Morgenthau, Jr.,
The Secretary of the Treasury,
Washington 25, D. C.

75

WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
WASHINGTON

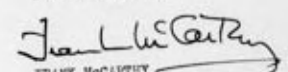
May 10, 1945

Dear Mr. Secretary:

General Eisenhower has asked me to transmit the following message to you:

"Please accept my sincere thanks for your kind message of congratulations. The encouragement and support of our friends at home have meant a very great deal to us in the war against Nazi Germany."

Sincerely yours,


FRANK MCCARTHY
Colonel, U.S.C.
Secretary, General Staff

The Honorable

The Secretary of the Treasury

25

MAY 10 1945

My dear Mr. Secretary:

This is in reply to your letter of April 30, 1945 concerning currency arrangements with Czechoslovakia.

Czechoslovakian representatives have now been contacted, both in London and in Washington, and the matter has been referred by them to the Czechoslovakian Government which is at present situated in Slovakia. The Soviet Government has also been informed of our approach to the Czechoslovakian Government.

The Czechs in London have confirmed our understanding that a rate of one ruble equals one 5.5 Czech crown has been established by agreement between Czechoslovakia and the Soviet Union and that this rate refers to the military crown which is being used by the Soviet armies. These representatives had no information relative to the rates of exchange between the military crown and the other crowns in circulation in Slovakia and in Bohemia and Moravia and between the military crown and the Reichsmark. Until this information is obtained it will be impossible to calculate a cross-rate between the military crown and the dollar. The cross-rate of 3.03\$ mentioned in your letter would apply provided the rate of exchange between the military crown and the other crowns now in circulation in Czechoslovakia have been established on a one for one basis and provided the Reichsmark is not being depreciated relative to the crown.

We are, of course, aware of the desirability of protecting the purchasing power of the American soldiers stationed in Czechoslovakia, and this consideration will be borne in mind in any currency arrangements that are made with Czechoslovakia. It is important, however, to emphasize that to some extent we are at a disadvantage in establishing a currency arrangement with Czechoslovakia at this time, in view of the prior arrangements between Czechoslovakia and the Soviet Union, and in view of the fact that our soldiers

77

- 2 -

are already in Czechoslovakia and our bargaining position is consequently not as favorable as it might have been if negotiations had been taken at an earlier stage. As you know, no currency arrangement had previously been made with Czechoslovakia because of our understanding that it was not contemplated that our troops would engage in military operations in that country.

A copy of this letter has been sent to the State Department for its information.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The Honorable,

The Secretary of War.

JMG:lrw, 5/7/45

SECRET

WAR DEPARTMENT
WASHINGTON

APR 20 1945

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

Dear Mr. Secretary:

It is understood that officials of your Department, together with British authorities, are currently engaged in discussions with the appropriate officials of the Czechoslovakian Government relative to a rate of exchange between the Czech crown and the United States dollar and the British pound sterling.

As you know, the rate of exchange for pay of troops and for military accounting purposes has previously been approved by the Combined Chiefs of Staff at 10 reichsmarks (or Allied Military marks) equal 1 dollar. It is understood that in the Bohemia-Moravia Protectorate, Czech crowns circulate freely and are interchangeable at the rate of 10 Czech crowns equal 1 mark. According to informal advice, behind the Russian lines a rate has been established of 1 ruble equals 5.5 Czech crowns. Using the already established rate of 1 ruble equals 2 reichsmarks, there is derived a cross-rate of 1 Czech crown equals 3.63¢.

The War Department wishes to point out that this rate is higher than the average of 3.45¢ per Czech crown obtaining just prior to the absorption of the Sudetenland by Germany and considerably higher than the 2.94¢ per crown base rate used in the Foreign Service Pay Adjustment Act of 1934.

War Department experience with military personnel stationed in Russia, other than those attached to the Embassy and entitled to both foreign service pay adjustment and to the diplomatic rate of exchange, has clearly demonstrated that the official ruble rate is detrimental to the purchasing power of the American soldier. Accordingly, the War Department requests that during your current negotiations with the Czechoslovakian authorities, full cognizance be given to the present rate obtaining between the reichsmark and the Czech crown in the Bohemia-Moravia Protectorate, and to the fact that any



SECRET

SECRET

rate for the Czech crown based upon the current official ruble/dollar rate would be detrimental to the purchasing power of the American soldiers stationed in Czechoslovakia.

I have written a similar letter to the Secretary of State on this matter.

Sincerely yours,

Secretary of War

SECRET

80

25

MAY 10 1945

My dear Mr. Secretary:

I am enclosing for your information a
copy of my letter to Secretary Stimson con-
cerning currency arrangements in Czechoslovakia.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The Honorable,

The Secretary of State.

Enclosure.

JMK:lm, 5/7/45

Original to Coe 5/12

51

10th May 1945.

Dear Mr. Morgenthau,

I hasten to acknowledge, with many thanks, the receipt of your letter of the 9th May. I was informed by the Foreign Economic Administration a few days ago, that the Government of India request for 45 million ounces of silver had been accepted and I wish to avail myself of this opportunity to convey to you and to the Treasury Department the expression of our gratitude for your effective help. I am sure that this sentiment will be fully shared by the Government of India.

Sir Jeremy Raisman relinquished the office of finance member of the Viceroy's Executive Council last month and is now in England, but I shall inform his successor of your action, and when I write privately to Sir Jeremy Raisman, shall convey to him your personal message.

Please accept the assurance of my highest esteem.

Yours sincerely,
S. B. Pai.

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

JFK

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date May 10,
1945

TO Secretary Morgenthau
FROM Randolph Feltus

The attached pamphlet is issued
by the National League of Women Voters.
We arranged for them to get it out. We
will get other groups to distribute it
also.

It is claiming lots of attention.

RF

PRECISION

TRADE MARK

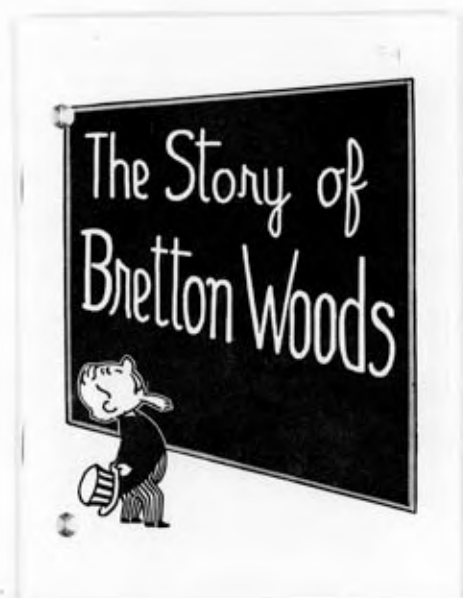
MICROSTAT

REG. U. S. PAT. OFF.

MICROFILM

ROLL NO.

12"



Published by
**NATIONAL LEAGUE
of WOMEN VOTERS**

— a nonpartisan organization
established in 1920 to encourage
citizen participation in govern-
ment.

726 JACKSON PLACE N.W.
WASHINGTON 6, D.C.



Story and Pictures by
JOY HUME FALK

April, 1945

5¢ per copy • 50 copies \$2.25 • 100 copies \$4.00

This story is written
for my young daughter



and all the other kids
who will grow up in
the kind of world
we make for them NOW.



nce upon a time, before this war started, the different countries of the world were busy trying to make money by selling things to everybody else.

The U.S.A. was making automobiles  and eggbeaters  and rubber dolls  and lots of other things, and trying to sell them to England and Germany and China and France 

and England and Germany and China and France were making things to send to us in return. **BUT**

the U.S.A. said, "We've got so many things already that we don't need to buy your stuff. And besides that we



don't want to spend our pile of gold dollars on your stuff because then we won't be so rich."

And that was where the trouble started....

Because pretty soon the other countries began to run out of money to buy automobiles and egg-beaters and rubber dolls from the U.S.

They said, "Well, if we don't have enough money to pay for these things, we'll send wool  and cameras  and silks  and watches  to exchange for the things we want." SO they loaded everything onto boats ...



and sent it across the ocean to the



But when they got there, what do you think they found?

a high—



And Uncle Sam stood behind the wall with his arms folded and his nose up in the air, and said, "I don't need your stuff. You'll have to take it away."

The people in the other countries were very much upset.



They tried to sell the nice things they had made somewhere else, but everyone was too poor to buy. For by this time the U.S. had gotten a good part of the world's gold. So one by one — they



shut up their factories, and told the workers who had been making wool and cameras and watches to go home.



And the other countries became poorer and poorer

AND POORER

since nobody could spend money to buy things any more. And the workers who had lost their jobs had no more money to buy bread, and their children



grew thinner



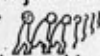
and thinner



AND THINNER.

Of course since nobody had any more money, nobody could buy the automobiles and eggbeaters and rubber dolls the U.S.A. wanted to sell.

Uncle Sam said, "Pooh! What do I care if the other countries are poor and can't buy the things I make? That's no concern of mine. Anyway I can sell all these things right here to the people in the U.S.A." But secretly, he began to worry. He noticed that the automobiles and eggbeaters were beginning to pile up. People just couldn't buy all the millions of automobiles and eggbeaters that were being made.



Some of the factories even had to close up.

And something else worried Uncle Sam....



He began to hear strange noises coming from way across the ocean.



And the noises grew louder and louder and **LOUDER!**

So he sent some people to investigate.



And when they got there, they found things were in a terrible mess. Some of the countries, especially Germany, had gotten so mad about not being able to sell things and not having enough money that they were trying a lot of **BAD TRICKS.**

Germany would say to Yugoslavia, "I'll take your wheat but you've GOT to take my aspirin tablets and some other junk in return." Now Yugoslavia didn't really want the aspirin tablets, but she was so desperate to sell her wheat that she said "O.K."

And Germany dumped lots of junk onto poor Yugoslavia, until pretty soon Yugoslavia started to object. But Germany said, "Take them OR ELSE." And Yugoslavia had to take them. That bad trick was called a BILATERAL-CLEARING-AGREEMENT.

Another bad trick was called COMPETITIVE-DEVALUATION-OF-CURRENCY. That meant that different countries would trick each other by changing the value of their money without warning.

Soon no one who wanted to buy and sell trusted anyone else.



The countries got madder and madder at each other, and you can guess what happened then

Everybody began rattling their GUNS. (That was the noise the U.S.A. heard.)

"Now," thought the warlords in Germany and Japan, "is a good time to start something."



And so Hitler and Tojo strutted out in front of the German and Japanese people and shouted, "We have been wronged! Everybody has been trying to take our wealth away from us!" (which of course was silly,

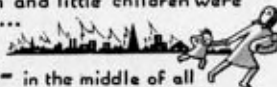


because they had been taking things away from everyone else) The only thing for us to do is to march in and grab a few countries so we will be rich again!" And



BANG
the war had started !!

All over the world people began fighting and killing each other.... Homes were burned up and men and women and little children were killed ...



BUT- in the middle of all this sorrow and destruction, something important happened ...

People began to **THINK**.



They thought to themselves, "How did all this mess begin? ...How can we fix things so all this will never happen again?"

And the people in America and China and England and Russia thought and thought.

And then a surprising thing happened. They all started to get the same idea at the same time! They said, "We've all got to work together!"



And then they said, "One of the first things we've got to work together on is this business of **MONEY**."

So each country picked some of the wisest men and women in the land, the ones who knew most about such things as

FINANCE and **EX-CHANGE RATES** and **ECONOMICS**, and said, "You will be our delegates."

And the delegates all packed their bags and set off for a place called —



What a gathering it was!
Black men and white men, brown
men and yellow men — from



forty-four different countries!
They all had just **ONE IDEA**, and that was to figure out a way for people to run their business and buy and sell things without getting into another big mess and starting another terrible war.

It was a hard job.



They worked **night** and **day** for three weeks.

They said, "The first thing we've got to do is to fix the value of our money, so it doesn't keep jumping up and down, and so people can't fool around any more with bad tricks like devaluation-of-currency."

But some of the delegates shouted, "That's no fair! We can't help it if our currency sometimes gets wobbly!"

So someone suggested, "Well, why don't we have a kind of blood bank for weak currencies?"

Everyone said that sounded good, how would it work.

He said, "Well, we'd all put some of our gold and currency into a big thing called a FUND."

Then, when currency in some country got weak and was in danger of losing value, that country could come to the FUND and get some money to pep up its currency."

"Fine," said another delegate, "but in return for getting its currency



stabilized, each country ought to agree not to use any more bad tricks like devaluation-of-currency and selfish trade barriers."

"Exactly," agreed the others.

"If we can get everyone to join this Fund, it will be the END of ECONOMIC WARFARE between the countries!"



A great sigh of relief went up until someone noticed that—the U.S.A. was sulking.

"It's all very well," grumbled the U.S., "for you poor countries to get excited about a Stabilization Fund, but what good is that going

to do me? With all the gold I have, I don't need to worry about my dollars getting weak and shaky."



"Oh, but haven't you forgotten something?" whispered England and China and France. "Remember way back before the war when your factories had to close and your people had to stand in breadlines?"



And the U.S.A. remembered and grew very sad.

Suddenly the U.S.A. jumped up and said, "Why, the trouble then was that we were all building barriers and playing tricks on each other, and that stopped us from trading with each other!"



"That's just what we were trying to explain," said the other countries patiently. "We're all de-

pendent on a healthy world trade."

And so it was that the delegates from forty-four different nations at Bretton Woods agreed to set up an

INTERNATIONAL STABILIZATION FUND

Then some of the delegates said, "The war has made a terrible wreck of our countries.

We want to rebuild our factories and start planting seeds in our fields again."

Other delegates exclaimed, "We have never had factories and mines and good roads at all.

We want a chance to start building them, after the war."

Everyone said, "Good! If we help you to become prosperous, you will be able to buy more things



from us!" So they planned an....

INTERNATIONAL BANK FOR RECONSTRUCTION--DEVELOPMENT

Each country agreed to give a certain amount of money to start the Bank going. (The share the U.S. was to chip in was less than what we spend of war.)  Through the Bank, countries who needed it could get long term loans of money for tractors  and machinery  to rebuild their shattered lands.

The Bank would act as a kind of insurance company to guarantee that people who lent  money to those countries would be paid back.

These were the two big plans made at Bretton Woods to help all countries to become prosperous and to trade with each other freely.

The FUND and the BANK will help the peoples of the world to live together again in....

PEACE

This is a story that doesn't have an end—YET. Because before the Fund and the Bank can get started, the Government in each country has to give its O.K.

In the U.S.A., CONGRESS still has to make its choice between ISOLATION and WARFARE, or ECONOMIC COOPERATION.

I hope they choose cooperation—don't you?



P.S.

This is a picture of your mother and father and aunts and all the people in the neighborhood mailing letters to their Senators and Representatives, asking them to vote for the Bretton Woods plan. If enough of their letters come in, the men in Congress will probably decide to vote



YES



Press Statement

4/14/45 Not used 45 ✓

Secretary of the Treasury Henry Morgenthau, Jr., today stated that he fully concurs in the recommendations just made by the Joint Committee on Internal Revenue Taxation for Postwar Taxation in its report on tax changes for the interim period between VE-Day and the end of the war with Japan. He expressed the hope that the recommendations will become law soon so that the benefits will be available for businesses undergoing cutbacks and reconversion.

He also expressed agreement with the views of the Joint Committee, which favor repeal of the excess-profits tax by January 1, 1947, provided the Japanese war ends during the last half of 1945 or during 1946.

Pointing out that the Treasury staff had worked closely with the Committee and its staff on matters covered by the report, the Secretary commended this cooperative effort.

Secretary Morgenthau said:

"These recommendations should assure the business community and taxpaying groups generally that their special problems will receive every consideration consistent with the country's revenue requirements.

- 2 -

"The legislation recommended in the Committee report is intended for the interim period we are entering and is designed to adjust the tax system to meet the first needs of economic transition.

"For example, the process of reconversion will be eased by the proposed provisions to make available more speedily the funds due businesses under wartime tax laws. While the proposals for an earlier cashing-in date for postwar credit bonds, the speedup of carry-back refunds and the like do not involve any change in tax liabilities, they will give important help to business in meeting the financial requirements for a smooth reconversion to peacetime production. The proposed increase in the specific exemption under the excess-profits tax is fully justified by the necessity of reducing the pressure of this tax on small business.

"Further tax revisions are under consideration. Their timing must depend upon the progress of the war, the fiscal position of the Government, and the general economic situation.

"Taxes can and unquestionably will be adjusted downward after the war ends. Until the war is over, reductions in tax rates are ruled out by the necessity of financing huge current expenditures and the importance of assuring our fighting men and women that we are not easing up on the home front. Moreover, the threat of

86

87

- 3 -

inflation is not yet removed.

"Even after our final military victory we must maintain a strong tax system, since postwar expenditures will be much higher than pre-war expenditures and we must plan to reduce the debt. But after the war's end and as current revenue requirements and inflation pressures diminish, American taxpayers can look forward to tax reductions. These reductions should be designed not only to distribute the postwar tax load equitably but also to stimulate private investment and consumption and thus help to maintain a high level of production and employment in the postwar period."

88

May 10, 1945

MEMORANDUM FOR THE SECRETARY

FROM: Mr. Blough

At the meeting of the Joint Committee last evening (Wednesday, May 9, 1945), the proposed tax program for the interim period was adopted. However, Senator George, with the assistance of the Republican representatives, insisted on removing the recommendation that existing tax rates be retained until the end of all major hostilities. He supported his position with the argument that the Committee should not tie their hands against making such recommendations as they might later find to be desirable. Apparently no one present was aware that Senator George had given a press interview calling for prompt reduction of corporate and individual income tax rates. There were no "fireworks."

The press release to be issued by the Joint Committee is likewise weakened by removal of references to maintaining existing tax rates. From our point of view this is somewhat offset by removal of reference to the time of repeal of the excess profits tax, which was done largely at the instance of Senator Walsh.

Copies of the Joint Committee report and their press release, as revised by the two staffs on the basis of instructions, can be secured from my office in rough form. The two chairmen are to go over new galley proofs of these documents today and make such further changes as they may see fit. The Committee will not meet again on the report.

The report and the press release are to be released to make the Friday afternoon papers.

I think it would be worthwhile to phone Chairman Doughton, express approval of the action of the Committee in general, but indicate regret that they did not oppose reductions in rates during the war and express the hope that there will be no suggestion in the report or press release that tax rates are

- 2 -

going to be reduced, since any such suggestion would almost certainly lead to quick and substantial reduction. You may also wish to make some comment to him on Senator George's press statement, regretting that he got out ahead of the Committee.

You will undoubtedly be asked at your press conference about your position on Senator George's statement. You might refer to the President's Budget Message where he said there should be no reductions during major hostilities and to your Annual Report where you reiterated this, and say that you see no reason to change your position.

Minor changes will need to be made in your press release to be issued when the Joint Committee report is issued. I have discussed this question with Mr. Russell.

The Wall Street Journal editorial of May 4 may be helpful on the matter of tax reductions during the war.

WAR DEPARTMENT

WASHINGTON

WDOB-P 334 Surplus Property
Board (28 Apr 45)

MAY 10 1945

The Honorable

The Secretary of the Treasury

Dear Mr. Secretary:

I have your letter of April 28, 1945, in which you express your appreciation for the cooperation and assistance rendered by agencies of the War Department to the Office of Surplus Property while under your jurisdiction.

Your comments are most gratifying and I have forwarded your communication to the interested agencies of the War Department for their information.

I wish to take this occasion to express, on behalf of the War Department, our appreciation for the helpful assistance which we have received from your Department in discharging our responsibilities in connection with the surplus disposal program.

Sincerely yours,

Henry L. Stimson

Secretary of War.



MEMORANDUM FOR THE SECRETARY

FROM: Mr. Blough

May 10, 1945

At the meeting of the Joint Committee last evening (Wednesday, May 9, 1945), the proposed tax program for the interim period was adopted. However, Senator George, with the assistance of the Republican representatives, insisted on removing the recommendation that existing tax rates be retained until the end of all major hostilities. He supported his position with the argument that the Committee should not tie their hands against making such recommendations as they might later find to be desirable. Apparently no one present was aware that Senator George had given a press interview calling for prompt reduction of corporate and individual income tax rates. There were no "fireworks."

The press release to be issued by the Joint Committee is likewise weakened by removal of references to maintaining existing tax rates. From our point of view this is somewhat offset by removal of reference to the time of repeal of the excess profits tax, which was done largely at the instance of Senator Walsh.

Copies of the Joint Committee report and their press release, as revised by the two staffs on the basis of instructions, can be secured from my office in rough form. The two chairmen are to go over new galley proofs of these documents today and make such further changes as they may see fit. The Committee will not meet again on the report.

The report and the press release are to be released to make the Friday afternoon papers.

I think it would be worthwhile to phone Chairman Doughton, express approval of the action of the Committee in general, but indicate regret that they did not oppose reductions in rates during the war and express the hope that there will be no suggestion in the report or press release that tax rates are

92

- 2 -

going to be reduced, since any such suggestion would almost certainly lead to quick and substantial reduction. You may also wish to make some comment to him on Senator George's press statement, regretting that he got out ahead of the Committee.

You will undoubtedly be asked at your press conference about your position on Senator George's statement. You might refer to the President's Budget Message where he said there should be no reductions during major hostilities and to your Annual Report where you reiterated this, and say that you see no reason to change your position.

Minor changes will need to be made in your press release to be issued when the Joint Committee report is issued. I have discussed this question with Mr. Russell.

The Wall Street Journal editorial of May 4 may be helpful on the matter of tax reductions during the war.

RB:eb
5/10/45

93 ✓

THE WHITE HOUSE
WASHINGTON

May 10, 1945

My dear Henry Morgenthau:

It was certainly heartening to me to have your generous note. I hope that I shall deserve your good opinion.

Looking forward to seeing you soon, I am with warm regards,

Sincerely yours,

Charles G. Ross

Charles G. Ross

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

94

5/10/45

Mr. Coe
Secretary Morgenthau

Last night, I told Plevin we had the impression here in the Treasury they really were not going after the important collaborationists. He took my criticism very well, but he wanted facts, and I told him I would have Mike Hoffman and Saxon present the facts to him.

After Plevin leaves this morning, would you stay behind and talk to me about this. *Done.*

O

8

95

LEON HENDERSON
1026 Seventeenth St., N. W.
Washington, D. C.

May 10, 1945

Mr. Henry Morgenthau
Secretary of the Treasury
United States Treasury
Washington, D. C.

Dear Henry:

At the suggestion of F.D.R. last Fall I took over the Chairmanship of the National Independent Committee, which was really the old Morris-LaGuardia Committee. After election, we had some discussions and it was generally indicated that the boss would like to have us hold the organization together with the 1946 Congressional campaigns in mind. Lou Harris and I have been doing some work on it and naturally we wanted to know whether Truman wished to be kept advised.

At our meeting yesterday, I am glad to say that President Truman showed a great interest and hoped that we would be vigorously interested in the coming campaigns as soon as possible. I told him of the various efforts made by the liberal organizations to form some sort of clearing house and he was extremely interested in this movement also.

The President asked me to come back and see him again after I get back from the Coast.

Sincerely,

Leon

LH:jg

This came from Mr. Perlmaster
and was approved by Commissioner
Nunan.

The original memo, which I condensed
slightly, also included a notation
that the new plan seemed to be
popular with the taxpayers who used
it, but that numerous mistakes were
made, which necessitated conferences
between taxpayers and deputy
collectors.

Some of the collectors don't like the
plan because it means more work for
them -- but that seems to be the
basic idea, to transfer a job that is
difficult for the small taxpayer to
the men who are supposed to be expert.

The prevailing idea in the Bureau
seems to be that the receipt-return
plan will be retained, possibly with
some change in the phrasing of the
directions to the taxpayer.

Mr. Funsell

May 10, 1945 97

Preliminary estimates of the Bureau of Internal Revenue indicate that approximately 20,000,000 taxpayers used withholding receipts as simplified income tax returns this year.

Altogether, nearly 50,000,000 individual income tax returns for 1944 were filed between January 1 and March 15, 1945. Thus, more than two-fifths of all taxpayers used their withholding receipts as returns. Most others used the new version of the standard income tax blank, also provided under the program of simplified returns.

To file his withholding receipt as an income tax return, a wage earner had only to take the receipt he received from his employer, answer a few questions about his income and exemptions, sign his name, and mail the receipt to his local collector of internal revenue. It became the duty of the collector to calculate the tax and to send the taxpayer either a bill or a refund. Preliminary figures indicate that slightly more than half of the returns filed on withholding receipts will result in refunds. Refund checks will be mailed within the next several months as returns are checked against employer reports. Interest will be paid at the rate of 6 per cent per year for each month any refund is held up after March.

In the case of receipt-returns which showed that the taxpayer owed some tax in addition to the amount withheld, the collectors have mailed bills for the difference.

In approximately 60,000 cases, the tax and the amount withheld came out even.

5/4/45- 98 ✓
To Secretary Morgenthau
From W. B. Russell

Press conference subjects

1-- Seventh War Loan. Ted Gamble has the machinery for handling detailed news well organized from his office. I think it would be helpful if you said approximately what you said to Gamble's crew the other day-- that we are starting this drive with the best organized team we have had yet, that the people as a whole have shown such sound sense in recognizing the dangers of inflation and the necessity for carrying the war effort on to complete victory that we have good reason to hope for a successful drive.

2- "Black market" tax evasion drive. Is picking up impetus. If reporters want some more detailed information Shaeffer or I can probably arrange to get them some material.

3- Foreign Funds Control-- Gradual relaxation was taking place in advance of V-E Day and further progress may be expected as time goes on but it is still necessary to continue controls to prevent the Nazis from getting rid of their loot, etc.

4- Withholding receipts-- I have a memorandum, with copies, covering the number of withholding receipts used this year.

5- Sugar-moonshine situation. Covered by memorandum in case question is asked.

99
CABLE TO OFFICER IN CHARGE, AMEMBASSY, ANKARA, FROM DEPARTMENT AND WAR REFUGEE BOARD.

Reference your 606 of May 4, 1945.

In view of the cessation of hostilities in Europe, Department and Board are disposed to await developments resulting from termination of the war before taking a firm stand on the disposition of the non-Turkish refugees group ex SS Drottningholm.

It has therefore been decided to await developments with respect to (a) the number of individuals who will be eligible for admission to Palestine under quota and (b) what requests the Turkish Government might make with respect to the ultimate disposition of those who are determined not eligible for admission to Palestine.

3:05 p.m.
May 10, 1945

100

CABLE TO AMERICAN EMBASSY, PARIS, FROM THE WAR REPARATIONS BOARD

Please deliver the following message to Joseph Schwartz
from N. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE NEWSPAPER'S REPORT ABOUT WILLIAM FELDSTADT CAN
YOU SECURE CONFIDENCE ALSO HAVE HIS SUCCESSION FELDSTADT
INTENSE INTEREST HERE IN FATE JEWISH INTERMEDIATE CONCENTRA-
TION CAMPS ORIENTAL. ABOUT YOU DISCUSS NO WITH HADITCH,
SENIOR AMERICAN CHAPLAIN, POSSIBILITIES BRINGING SOME
COMFORTS TO LINGERING JEWS THROUGH CHAPLAINS HAVING ACCESS
THESE CAMPS. UNQUOTE

5:10 p.m.
May 10, 1945

101

GEM-133

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

Jerusalem

Dated May 10, 1945

Rec'd 6:37 p.m.

Secretary of State,

Washington

73, May 10, 5 p.m.

Hagges requests that following message from Passman
Tehran be delivered to M. A. Leavitt through WHB.

"Received first cable directly from Warsaw Praga
signed Sommerstein acknowledging receipt of first transport.
Sommerstein and Moscow Committee pressing that we agree
redirect third transport for distribution among Jewish
and Polish refugees in Union of Soviet Socialist Republics
instead Poland.

While I consider this inadvisable may have to agree.
Have asked consent representatives London Polish Government.

Cabled again to Moscow reference my suggestion for
meeting with Polish Jewish Committee there and with
Sommerstein.

Today visited Soviet Consul General and conveyed
to him my proposal.

He promised to cable immediately to Moscow giving
my arguments for the importance of such meeting. He
expects answer within ten days and will convey it to
me through American Embassy. Meanwhile intend to leave
Tehran Friday."

PINKERTON

HR

US URGENT

CABLE TO AMERICAN LEGATION, BERNE, SWITZERLAND FOR MCCLELLAND FROM
WAR REFUGEE BOARD

Reference your No. 2550 of May 1, 1945.

The Executive Order establishing the War Refugee Board strictly limits Board's activities to rescue and relief of victims of enemy oppression in enemy-occupied territory. Accordingly, relief and assistance of refugees liberated from the Germans are not (repeat not) within Board's jurisdiction.

In view of foregoing, all shipments of WRB parcels should cease. You are requested to take stock of all WRB parcels still in Switzerland and report figures and location to Board. Instructions concerning disposition of these parcels and other WRB property in Switzerland will follow.

Requests received by you concerning relief and assistance of refugees liberated from the Germans should be referred to UNRRA, and appropriate military authorities, the Intergovernmental Committee on Refugees, private refugees organizations or other national or international groups which are authorized to deal with matters of this nature.

You should begin now to wind up all Board activities in Switzerland and prepare final reports. Board would appreciate knowing how long this will take.

THIS IS WRB BERNE CABLE NO. 521

5-10-45

102

May 11, 1945
10:05 a.m.

103

Ben
Bell: Hello.

HMJr: Good Morning.

B: Good Morning.

HMJr: Robert Doughton was trying to get me on the phone.

B: Really

HMJr: And before I talk to him, I want to know whether it's going to be good news or bad news.

B: Well, the publicity is pretty good - it's a little mixed, but apparently it got in a little late for some of the papers, the Times had it on the back, the Wall Street Journal about the fourth page over, the Tribune and the Journal of Commerce had it on the first page - at least the first part of the story.

HMJr: Yeah.

B: The P.M. has headline "Morgenthau Wins Fight Against Early Tax Cuts" and Times says "Agree on Tax for Reconversion" Wall Street Journal says "Way for tax reductions before Jap defeat is left open by Senate House Committee". So it depends on the paper you get as to the lead. Now, Shaeffer just tells me that George and Doughton are on the President's appointment list for 9:00 - 9:30, so whether it's over or not, I don't know. How long ago did he try to get you?

HMJr: Before 9:00 o'clock.

B: Well, that's before he was going to the White House. He's there on the list, I understand. The publicity, I'd say, is pretty good, although it was a little late.

HMJr: George and Doughton.

B: At 9:30.

HMJr: Well, that's funny.

B: (Laughing) Isn't it though? And we don't know for what purpose yet.

HMJr: Well, I wonder if I could call up Doughton.

B: I -- I think I would

- 2 -

104

HMJr: I doubt if he's back from there yet.

B: Well, 9 (aside) Do you know how much time he had, Chick? Sheef thinks he had 15 minutes, in which case it would be over by now.

HMJr: That's very funny.

B: Yeah.

HMJr: You were there when I saw the President, and he said he was pleased.

B: That's right, he said he was very pleased, congratulated you, but said nothing about an appointment this morning.

HMJr: No.

B: Well, maybe that came up later. Would you like to have me call Doughton, and then try to put it through?

HMJr: Well, I can ask that it come through. You might stand by.

B: All right. Shall we wait here?

HMJr: Yes, if you don't mind.

B: All right.

Operator: Operator.

B: The Secretary wants Congressman Doughton.

C: Right.

May 11, 1945
10:11 A. M.

105

Operator: Go ahead.

Dan:
Bell: Hello.

HMJr: Am I on the loud speaker?

B: Yes, sir.

HMJr: Well, I tried to get Doughton on the Hill, and he was still at the White House.

B: Yes, we just got the press release - says he has a whole hour.

HMJr: Well, they've left.

B: Oh, they have left?

HMJr: Yeah, I - I got a new system. I just called up Connolly, and I said, "Are they there?" And Matt Connolly said, "Yes, they're having...". I wanted to know why. Just like that.

B: Ushum.

HMJr: He said, "Wait a minute, I'll go in and ask the President." He came back and said, "No, everything was as it was last - yesterday afternoon, and they came down on an entirely different matter.

B: Oh, (Laughs) that's a relief.

HMJr: Can you imagine getting that kind of service out of General Watson?

B: No, you could not. That would have taken a week.

HMJr: What?

B: That would have taken a week.

HMJr: No, and I don't think they kid me over there.

B: No, I think Connolly is very good.

HMJr: And so he says, "No, it was an entirely different matter, everything was the way it was yesterday afternoon.

B: Well, that's fine, glad to hear it. Now...

- 2 -

106

HMJr: I have a call in for Doughton when he gets up there.

B: I see. All right.

HMJr: Well, now, isn't that an amusing thing?

B: Very amusing, but a relief. I thought that maybe something happened after you left the Hill yesterday, and Doughton and George got into a free-for-all, and decided to take it to the President.

HMJr: Yeah.

B: Mrs. Klots has just talked to Charlie Bell in New York, and she wants to give you a message that he gave her.

HMJr: Did he get any theater tickets tonight?

B: I - I - probably not - that's -- just a moment.

Mrs. Klots: I don't know whether - what it means, but anyway he says that General Weston of FEA called - called Mr. Mack and told him not to proceed with any Russian contracts that they have on hand on Lend Lease, and he says we have 25 million dollars in Consumer goods pending, and why they are not going to give them any reason for canceling this.

HMJr: Well, a man by the name of Daniel Watson Bell of Illinois called up Crowley, you see, anything like that which doesn't get his way.

K: Yes, there will be a letter in writing, they'll send it over this afternoon, but not with any explanations, just the authority.

HMJr: Well, tell Dan Bell to find out why. Do just like I did with Connelly, call up Crowley and say "why".

K: (laughs)

HMJr: What's the matter with that group? Nobody wished me a happy birthday, but you.

K: Well, they didn't get around to it yet. They were just getting around to it now. Here it is.

B: Gosh, sir, I didn't even remember the date. I'm sorry. It's like my wife's anniversary. Well, many happy returns of the day from the bunch.

- 3 -

107

HMJr: As long as you put me in the same class with your wife, I can't make any objections.

B: I don't think you-I always get told about it though two days later. I'm glad you reminded us. Everybody joins in in wishing you a very happy day, and many happy returns. How's Mrs. Morgenthau?

HMJr: She had a good night.

B: Fine. Still improving huh?

HMJr: Yeah.

B: Well, good.

HMJr: I'll talk to Doughton, and then I'll let you people know.

B: All right.

HMJr: There's something I wanted to say. I think that publicity is all right.

B: Yes, it's all right. Very good.

HMJr: Which paper said I won?

B: How's that?

HMJr: Which paper said I won?

B: PM, and there's a strain through all the other articles, you being present, and one or two, Joe says that said you got the meeting together, so I think all and all it's very good.

HMJr: Well, give all the clippings to Mrs. Klots, and she'll mail them down to me.

B: All right.

HMJr: And after I've talked to Doughton I'll let you know what it was. He'll tell me what it was.

B: All right.

HMJr: I'll ask him anyway. And you try to find out why what's happened to the Russians.

B: I will. And in view of the fact that this is your birthday, just relax.

HMJr: I had a lovely swim this morning.

B: Oh, did you?

- 4 -

108

HMJr: I think I ought to talk to Doughton
 B: Yes, I think you should too.
 HMJr: I'm going to relax.
 B: All right. Bye.
 HMJr: Dan.
 B: Yeah.
 HMJr: It's your turn to stay home again Saturday, you know.
 B: (laughs) This is the third one in a row.
 HMJr: Well.
 B: No, I got to be here tomorrow, I got a committee meeting, but I'll go home early.
 HMJr: All right.
 B: All right.
 HMJr: Bye.
 B: Bye.

109



THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

May 11, 1945.

MEMORANDUM TO THE SECRETARY:

I telephoned Leo Crowley and asked him if he would let me have, for your information, the reasons behind the orders given to the Procurement Division to cancel Lend-Lease contracts which involved the delivery of material to Russia.

He said this was a high political decision made by the President and the State Department. It was decided that all delivery schedules contemplated for May would be carried out and that no shipments of any kind would be made during the month of June. What happens after June 30th will be subject to further conferences which may include the Russians.

He said this was highly confidential.

sub

*see copy 7/7/45 re
 4-2-45/1/1*



5/12/45 original to Mr. Gaston.



In reply refer to
TD 111. ADVISORY
COMMITTEE/C-445

DEPARTMENT OF STATE
WASHINGTON

May 11, 1945

My dear Mr. Secretary:

I acknowledge the receipt of your letter of May 4, 1945, requesting that the Treasury Department be permitted to designate a representative on the Special Committee on Communications and such other committees as this Department may consider appropriate in view of the interest of the Coast Guard in the present formulation of policies in the field of international telecommunications.

In reply you are informed that the Department will be pleased to have you designate a representative of your Department on behalf of the Coast Guard on the Special Committee on Communications. Such a representative could discuss with officials of the Department on what other interdepartmental committees engaged in telecommunications studies the Treasury Department might also wish to be represented.

Sincerely yours,

For the Acting Secretary of State:

Assistant Secretary

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

ASSISTANT SECRETARY OF STATE
WASHINGTON

May 11, 1945

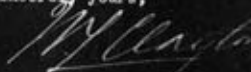
The Honorable
Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

Dear Mr. Secretary:

The revised Directive for the Military Government of Germany, as amended, and the instructions to the U. S. Delegate on the Reparation Commission were submitted yesterday to the President for his approval.

I am enclosing herewith photostat copies of the memoranda of transmittal, on which the President noted his approval of these documents.

Sincerely yours,



W. L. Clayton
Assistant Secretary

Enclosures

DEPARTMENT OF STATE
WASHINGTON

May 4, 1945

MEMORANDUM FOR THE PRESIDENT:

The Informal Policy Committee on Germany, which has had under consideration the question of this Government's policy in respect of German reparations, submits for your approval the instructions which have been drafted to guide the United States representative on the Reparations Commission, which will shortly convene in Moscow.

These instructions have been drawn up to conform both to the decisions of the Crimean Conference and to the general policy of the United States for the treatment of Germany as embodied in the draft directive now also awaiting your approval.

Mr. Edwin Pawley and Mr. Isador Lubin participated in the formulation of this statement and join in recommending its approval.

Joseph C. Gurnea

Acting Secretary

*As proposed they 10 45
11 1/2 hours.*

Henry L. Stimson

Isador Lubin

William L. Clayton

Leo J. Crowley (By H. L. Stimson)

Ralph A. Bard

Edwin W. Paulsen

Henry W. Matthews

SECRETMEMORANDUM FOR THE PRESIDENT

With reference to my memorandum of April 26, 1945, the Informal Policy Committee on Germany attaches herewith, for your approval, certain amendments to the revised directive for the military government of Germany. For convenient reference, a copy of the directive is likewise attached.

The Joint Chiefs of Staff have now indicated that they have no objection, from a military point of view, to the revised directive as amended. Therefore, upon your approval, this directive will be immediately transmitted by the Joint Chiefs of Staff to General Eisenhower as the basic American policy for the initial post-defeat period in Germany.

W. L. Clayton
Acting Secretary

William L. Clayton
Chairman of the Informal
Policy Committee on Germany

Enclosures:

1. Copy of Directive
2. Certain Amendments
to Revised Directive

Approved May 10 '45
Frank B. Rowan

Treasury Department
Division of Tax Research

Date 5/18 1944

To: Mrs. McHugh - Secretary's Office
From: Mr. Blough

For the Secretary.

POST-WAR TAXATION

REPORT
OF
THE JOINT COMMITTEE ON INTERNAL REVENUE
TAXATION FOR POST-WAR TAXATION
TO THE
COMMITTEE ON WAYS AND MEANS OF THE
HOUSE OF REPRESENTATIVES
AND THE
COMMITTEE ON FINANCE
OF THE SENATE



REPORT NO. 1—RECOMMENDATIONS FOR
LEGISLATIVE ACTION IMMEDIATELY
FOLLOWING THE END OF HOSTILITIES
IN EUROPE

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1944

JOINT COMMITTEE ON INTERNAL REVENUE TAXATION
FOR POST-WAR TAXATION

HOUSE OF REPRESENTATIVES

ROBERT L. DUGHTON, North Carolina,
Chairman
JERE COOPER, Tennessee
JOHN D. DINGELL, Michigan
HAROLD KNUTSON, Minnesota
DANIEL A. REED, New York
ROY O. WOODRUFF, Michigan

UNITED STATES SENATE

WALTER F. GEORGE, Georgia, Vice Chairman
DAVID I. WALSH, Massachusetts
ALLEN W. BARKLEY, Kentucky
ROBERT M. LA FOLLETTE, JR., Wisconsin
ARTHUR H. VANDENBERG, Michigan
ROBERT A. TAITT, Ohio

(11)

PREFACE

On June 15, 1944, the Joint Committee on Internal Revenue Taxation adopted the following resolutions:

Resolved, That the committee direct its staff in collaboration with the Treasury staff and the staff of the Bureau of Internal Revenue, to make a special study of post-war taxation.

Resolved, That the chairman of the Committee on Finance and the chairman of the Committee on Ways and Means each be requested to designate a minority member of his committee to sit, act with, and cooperate with this committee in the study of post-war taxation.

In accordance with these resolutions, the Joint Committee on Internal Revenue Taxation for Post-war Taxation was organized. The majority and the minority were given equal representation on this committee in order to remove any question of partisanship in the conduct of these studies.

In compliance with the first resolution of the Committee, the staffs of the Joint Committee on Internal Revenue Taxation and of the Treasury Department, including the Bureau of Internal Revenue, have been preparing data for the use of the committee relative to the problems of post-war taxation. The staffs have consulted with the Bureau of the Budget and other executive agencies and have also analyzed the plans and suggestions of groups and individuals representing industry, agriculture, labor, and others who have studied post-war tax problems.

A series of reports are to be presented for the consideration of the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

(11)

CONTENTS

	Page
I. Recommendations.....	1
II. The cash and working capital position of business.....	2
III. Increase in excess-profits tax specific exemption.....	2
1. Past changes in the excess-profits tax.....	3
2. Proposed increase in specific exemption.....	3
3. Number of corporations freed from the excess-profits tax.....	3
4. Revenue effects.....	4
IV. Changes in provisions relating to the post-war credit.....	4
1. The present situation.....	4
2. Proposed adjustments.....	4
3. Current availability of the post-war credit.....	4
4. Advancing the maturity date of post-war bonds.....	5
5. Illustration of the proposed changes in the post-war credit.....	5
V. Speeding up refunds from carry-backs.....	6
1. The need for speeding up refunds from carry-backs.....	6
2. Proposed plan.....	7
3. Risk of revenue losses.....	7
4. Prevention of excessive tax deferral.....	8
5. Interest on deferred tax payments.....	8
6. Payment of pre-profit refunds.....	8
7. Review by the Joint Committee on Internal Revenue Taxation.....	9
8. Potential amount of accelerated refunds.....	9
VI. Speeding up refunds from recomputation of amortization deductions.....	9
1. The proposal.....	10
2. Probable amount of increase in amortization deductions due to recomputation.....	10
VII. Summary.....	10

(iv)

POSTWAR TAXATION

Report No. 1. Recommendations for Legislative Action Immediately Following the End of Hostilities in Europe

Washington, D. C., May 11, 1945.

The Committee has been considering post-war tax problems in executive session for many months. This first report deals with the interim period between the end of hostilities in Europe and the end of major hostilities with Japan. It sets forth recommendations for immediate legislative action. The studies are continuing and recommendations for later action will be presented in subsequent reports.

I. RECOMMENDATIONS

Several immediate changes in the operation of taxes affecting business are recommended. These changes, for the most part do not affect ultimate tax liabilities. They are designed to facilitate reconversion by improving the cash position of business enterprises and by relieving smaller businesses from undue burdens. Specifically, the recommended changes are as follows:

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

All five of the proposed changes would improve the cash position of business during the period of reconversion and readjustment to peacetime production. The increase of the specific exemption to \$25,000 would, in addition, reduce the repressive effect of the excess-profits tax upon smaller corporations. With this change, a large number of smaller corporations would be freed from liability under the excess-profits tax and the burden for the smaller corporations still subject to this tax would be substantially reduced.

It is not recommended that existing tax rates be reduced at the present time. This position is supported on the following grounds:

1. Federal expenditures can be expected to remain at a high level after victory in Europe, and thus the need for revenue will not be greatly lessened. With the war continuing on one front, it has been estimated that the Federal Government will spend for war alone at the annual rate of about \$70 billions.

T1000-4

(1)

2

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 post-war demand for goods and services is expected to offset the anticipated cut-back in war production. Such unemployment as may 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 will be 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 runaway inflation, since they might increase the demand for civilian goods and services which is already in excess of limited production. Furthermore, tax reductions at this time might weaken other anti-inflationary controls.

4. The armed forces are still called upon to endure personal and economic hardships.

II. THE CASH AND WORKING CAPITAL POSITION OF BUSINESS

Various studies of the financial condition of American business have indicated large increases during the war period in the aggregate amount of cash and in the net working capital of business enterprises as a whole. They indicate that business, in the aggregate, is in good financial condition to face the problems of transition to peacetime activity. However, aggregate figures tend to obscure the financial position of many companies which have expanded in response to war needs without an adequate base of working capital. Many such companies, especially smaller companies, have been unable to finance their expansion through the sale of long-term securities because the demand for their products has been highly uncertain, or because of lack of access to capital markets.

Substantial parts of the funds used by such companies for expansion during the war have come from increases in expense accruals, especially Federal income-tax accruals. Financing through the medium of unpaid expenses is accomplished as a result of a lag of tax payments behind the accrual of tax obligations. This lag, which ranges from 3 months to a year in the case of income-tax liabilities, leaves a certain amount of funds in the hands of the business which may be held in cash or used for other purposes. While such temporary use of funds ultimately needed for accrued liabilities has provided a way of financing more or less temporary increases in assets, a serious problem may be presented for some firms when their contracts are cut back or when they begin to liquidate their war business. Declining revenues will be accompanied by a continued high level of payments for the deferred items, and for some firms the financial strain may be quite severe.

In addition to the companies whose financial position will clearly be strained during the reconversion period, there are others whose position, though apparently good at present, may deteriorate as a result of losses from the liquidation of inventories and disposition of other assets.

3

A major purpose of the proposals presented in this report is to improve the cash position of business by advancing the time of payment of post-war tax refunds and credits. This will reduce the danger that reconversion might be impeded by shortages of cash. It is true that not all businesses will need these funds during reconversion. However, to distinguish those firms which do not need cash from those which do would present a serious and unnecessary administrative problem. The Committee does not believe that the release of cash in some cases where it is not needed, or before it is needed, would lead to serious consequences. The system of priority and price controls and other related measures should effectively mitigate the effect of any increase of inflationary pressures that might result from additions to existing cash balances.

III. INCREASE IN EXCESS-PROFITS TAX SPECIFIC EXEMPTION

1. Past changes in the excess-profits tax.

The excess-profits tax was enacted in 1940, effective for taxable years beginning after 1939. Its purpose was to recapture a substantial part of the increased profits resulting directly or indirectly from the large expenditures then being made for defense purposes. With our entry into the war, the rates were increased sharply and credits modified. The tax has been and continues to be an essential part of the wartime stabilization program and an important source of revenue.

The 1940 act provided for the taxation of excess profits, after a \$5,000 specific exemption, at graduated rates. In 1941 the graduated rates were increased. In 1942, this structure of rates was replaced by a flat 90-percent tax on excess profits, with provision for a post-war refund of 10 percent of the tax, and an over-all income and excess-profits tax limit of 80 percent of taxable income. The 1943 act raised the rate to 95 percent for 1944 and subsequent years, and the specific exemption was increased to \$10,000.

2. Proposed increase in specific exemption.

It is recommended that beginning with 1946 the specific exemption be increased from \$10,000 to \$25,000. This suggestion is intended to provide incentives and additional cash for the expansion of small and new enterprises during the period when it is necessary to continue the excess-profits tax. Experience with the excess-profits tax has shown that it tends to be especially burdensome for many small corporations. The increase in specific exemption would (a) remove a large number of these smaller corporations from liability under the excess-profits tax; and (b) reduce the burden on those corporations still subject to the tax, the reduction being relatively more important for the smaller corporations.

3. Number of corporations freed from the excess-profits tax.

For the taxable year 1943, when the specific exemption was \$5,000, approximately 68,600 corporations filed returns showing excess-profits tax liability. For the year 1944, when the specific exemption was increased to \$10,000, it has been estimated that the number of corporations liable for the excess-profits tax was reduced by about 17,600 to a total of 51,000.

It has been estimated that, for the taxable year 1946, with the present exemption of \$10,000, approximately 31,000 corporations

4

would be liable for excess-profits tax. If the specific exemption were increased to \$25,000, as proposed, this number would be reduced by an estimated 12,000 to a total of about 19,000. Thus, the proposed increase in the specific exemption would be expected to free from liability under the excess-profits tax about one-third to one-half of all corporations otherwise subject to the tax.

4. Revenue effects.

It has been estimated that for the taxable year 1946 an increase in the specific exemption from \$10,000 to \$25,000 would result in a reduction in excess-profits tax liabilities of about \$300 millions. Since the income thus released from excess-profits tax liability would become subject to the normal tax and surtax, the net loss of revenue would be about \$160 millions, or less than 2 percent of the total revenue from the corporate income and excess-profits taxes.

IV. CHANGES IN PROVISIONS RELATING TO THE POST-WAR CREDIT

1. The present situation.

Under present law, corporations which pay excess-profits taxes are credited with an amount generally equal to 10 percent of the excess-profits tax. This credit may be taken currently to the extent of 40 percent of net debt retirement. To the extent that the credit is not taken currently, bonds are issued by the Government to the taxpayer. These bonds bear no interest. They are nonnegotiable until after the cessation of hostilities. They are redeemable before maturity at the option of the United States on 3 months' notice. If not redeemed, they mature in from 2 to 6 years after cessation of hostilities, the length of time depending upon the year for which issued. For example, if the war should end in 1946, bonds based on 1942¹ taxes would not mature until December 31, 1948, and bonds based on 1945 taxes would not mature until December 31, 1951.

It is the view of the Committee that the present law fails to meet adequately one of the principal purposes for the allowance of post-war credits, namely, to provide a fund that will be available for the conversion of production facilities after the war to peacetime demands. A corporation now facing reconversion would not be able to negotiate any of its bonds until after victory in the Pacific. Even then not all of its bonds would be immediately available. Bonds to be issued with respect to the last year prior to the end of hostilities could not be issued until full payment of the excess-profits tax for that year had been made. This would not occur, generally, before December 15 of the following year. Thus, if victory in the Pacific should come in 1946, a taxpayer could not depend on using his 1945 bonds to provide necessary capital during 1946.

2. Proposed adjustments.

To make the post-war credits fully available when they are needed, the Committee proposes that: (a) the post-war credit of 10 percent of excess-profits taxes be taken currently with respect to tax liabilities of 1944 and subsequent years and (b) the maturity date for outstanding post-war refund bonds be advanced to January 1, 1946.

¹ Includes also 1940-1941 fiscal years ending after June 30, 1942.

5

In this way, the maturity date of these bonds would be advanced by at least 2 to 3 years in the case of 1942 bonds and at least 3 to 4 years in the case of 1943 bonds.

3. Current availability of the post-war credit.

The proposal to make the post-war credit available currently against the tax liabilities of 1944 and subsequent years would involve no serious administrative or mechanical difficulties. Quarterly tax installments on 1944 liabilities not paid at the time the amendment became effective could be reduced by the amount of the post-war credit. In the case of the corporations which had paid their total tax liability at the time of filing their returns, it would be necessary to refund the amount representing the post-war credit included in the prior tax payment. The return forms for 1945 and subsequent years would be designed to indicate clearly that the post-war credit should be taken currently in all cases.

The amount of post-war credit (after credit for debt retirement) applicable to 1944 liabilities has been estimated at about \$830 millions and the amount applicable to 1945 liabilities at about \$710 millions.

4. Advancing the maturity date of post-war bonds.

It is the Committee's view that to advance the maturity date of the post-war bonds would be preferable to making the bonds negotiable at a date earlier than that now provided by law. It would reduce administrative problems by eliminating the necessity of canceling or issuing bonds with each change in tax liabilities resulting from deficiencies, overpayments, or renegotiation. Also, since the bonds are non-interest-bearing, it would prevent the bonds from being sold at a discount at the time they were made negotiable. It has been indicated to the Committee by those responsible for the fiscal operations of the Treasury that this change of maturity could be managed satisfactorily.

The estimated net amount of bonds issued or to be issued with respect to post-war credits is \$480 millions for 1942¹ and \$820 millions for 1943;² or a total of about \$1.3 billions for the 2 years.

In putting into effect the advanced maturity date, bonds which had already been issued would be payable in full on January 1, 1946. Bonds which had been certified but not yet issued would be satisfied by cash payments in lieu of bonds.

5. Illustration of the proposed changes in the post-war credit.

(a) *Current availability of the post-war credit.*—Suppose that X corporation reported a total excess-profits tax liability for 1944 of \$40,000 and a post-war credit of \$4,000. On March 15, June 15, and September 15, 1945, it would have paid an aggregate of \$30,000 of this total liability. With the passage of the proposed legislation its payment on account of excess-profits taxes due on December 15 would be reduced from \$10,000 to \$6,000, the difference being the amount of its post-war credit for 1944.

(b) *Advance in the maturity date of post-war bonds.*—Suppose that the X corporation had reported and paid excess-profits taxes for 1942

² Includes returns for fiscal years ending from July 1 of the year indicated through June 30 of the succeeding year.

6

and 1943 of \$30,000 in each year, for which it had received bonds of \$6,000 representing its post-war credits. On or after January 1, 1946, the taxpayer would be entitled to cash for the \$6,000 in bonds previously received on account of tax liabilities for 1942 and 1943. If, after January 1, 1946, an audit of the X corporation's 1943 return should disclose that its total excess-profits tax liability for the year 1943 was \$20,000 instead of the \$30,000 reported and paid, it would be entitled to a refund of \$9,000. The refund would be \$9,000 instead of \$10,000 because the company would have already realized, through the cashing of its bonds, \$1,000 of the overassessment.

V. SPEEDING UP REFUNDS FROM CARRY-BACKS

1. The need for speeding up refunds from carry-backs.

Under existing law, refunds of taxes resulting from the carry-back of net operating losses and unused excess-profits credits cannot be made until a considerable length of time after the loss or unused credit arises. The claim cannot be filed until after the year in which the loss or unused credit arises; for example, a claim arising from a loss in 1945 cannot be made until after the close of the year, when the amount of the loss has been determined. Moreover, following the filing of the claim, many months are usually required for auditing the returns for all years affected and for reviewing the claim before a refund can be finally made. In the immediate post-war period, a more than ordinary delay may result because of the heavy administrative burden imposed by the numerous adjustments in returns for the war years.

After cut-backs of war production, many businesses will have reduced income and may at the same time have large reconversion expenditures, with resulting losses or unused credits. To this drain on liquid assets will be added tax payments on liabilities accrued on income earned in the preceding year. These tax liabilities must be met despite the fact that the loss or unused credit will ultimately result in tax refunds. In some cases the financial solvency of the firm may be endangered or its planned level of production sharply curtailed.

It is desirable, therefore, to change the refund procedure so that a taxpayer may obtain the benefits of the carry-backs in the period when they are most needed.

2. Proposed plan.

To speed up the operation of the carry-back refund procedure, so that taxpayers may have the benefits of a currently improved cash position for reconversion, the following plan is recommended: (1) deferment of current tax payments on the basis of anticipated losses and unused credits; and (2) prompt payment of refund claims filed after the loss or unused credit has occurred.

The first part of the plan, the deferment of current tax payments, would operate as follows:

(a) A corporate taxpayer¹ anticipating a loss or unused credit for the current year could, upon submission of an appropriate

¹This part of the proposed summary relates only to corporate taxpayers. Under the Current Tax Payment Act individuals are to a current payment loan aid, loan, timely pay loan on the basis of estimated income for the current year.

7

statement, elect to defer payments of the preceding year's taxes, the amount deferred not exceeding the anticipated refund that would result from the carry-back of the loss or unused credit.

(b) In the statement filed, the taxpayer would be required to set forth reasonable grounds for anticipating the loss or unused credit. However, once the statement in proper form had been filed, and a receipt had been issued to the taxpayer evidencing the filing, the tax deferment would become immediately effective without any prior examination by the Government of the merits of the case.

(c) The Commissioner of Internal Revenue would be empowered, but not required, to examine the statement. Should he find it to be patently unfounded or the ultimate collection of the tax to be in jeopardy, the deferment would be canceled.

(d) The period of deferment would be long enough to permit the taxpayer to file a claim for refund after the year had ended and to have it acted upon by the Commissioner of Internal Revenue before the deferment expired.

(e) Amounts of deferments in excess of the ultimate refund allowed would bear interest at 6 percent per annum. Deferments not in excess of the ultimate refund would bear interest at only half this rate (3 percent).

(f) In addition to the interest charge, a flat 6-percent penalty charge would be added to the portion of the tax deferred in excess of 125 percent of the carry-back refund ultimately ascertained. However, the penalty would not apply to excessive deferments which are adjusted by the end of the taxable year in which deferment commences.

The second part of the plan, the prompt payment of refund claims, would operate as follows:

(a) After the close of the year in which a loss or unused credit had been incurred, the corporation or individual engaged in business would file a claim for the resulting refund on or after the date of filing the return for that year.

(b) At the election of the taxpayer, a pre-audit net refund would be made available within 90 days from the filing of the claim. In the case of a corporate taxpayer which had deferred tax payments in anticipation of the refund, this refund would be reduced by the amount deferred.

(c) This net refund would be computed, without audit, on the basis of the taxpayer's claims and returns.

(d) Subsequently, upon audit, any additional refund due would be paid or credited, and any amount found to have been erroneously paid would be recoverable by the Government on notice and demand, without suit.

3. Risk of revenue losses.

It is most important to recognize that in this plan audits of refund claims are made after allowance rather than before allowance as at present. Predictions and estimates are necessarily involved. Since speed is of the essence, mistakes and abuses may occur and revenue may be lost in some cases. However, it is not believed that the revenue losses involved would be large in proportion to the total

8

amounts properly allowable, or excessive as compared with the over-all benefits to be derived.

4. Prevention of excessive tax deferment.

To become eligible for tax deferment, the taxpayer would be required to furnish a statement, under penalties of perjury, setting forth facts and estimates showing a reasonable expectation that a specified loss or unused credit would be incurred.

Under the plan, the taxpayer would be given the responsibility for a reasonable determination of the amount of tax deferment. If the Commissioner of Internal Revenue were required to assume responsibility in this matter, the time required for investigation would greatly delay the deferment.

Since the determination of eligibility is to be left with the taxpayer, some type of control is essential. Under the plan, the Commissioner would be empowered, but not required, to examine deferment claims and to cancel any deferment should he have reason to believe that the stated basis for deferment is clearly inadequate or that ultimate collection of the taxes due is in jeopardy.

Further, as a means of discouraging and penalizing unfounded deferments by the taxpayer, the plan provides a penalty upon substantially excessive tax deferment. The penalty would be a flat 6 percent of deferred amounts in excess of 125 percent of the carry-back refund ultimately found to be due. To prevent the penalty from operating too harshly, it would not apply where excessive deferments are adjusted by the end of the taxable year in which tax is deferred.

5. Interest on deferred tax payments.

Under the proposed plan, all deferments of tax would bear interest. If the deferment exceeded the ultimate refund, the usual rate of 6 percent per annum would apply to the excess. Deferments not in excess of the ultimate refund would bear interest at half the usual rate of the ultimate refund (3 percent). This interest charge would discourage on past due taxes (3 percent). This interest charge would discourage taxpayers from using the deferment privilege unless there were real need for cash. In the absence of such an interest charge, a strong incentive would exist for corporate officers to claim deferment whether or not the funds were needed. The difficulties connected with the operation of the plan are such that firms with easy access to alternative sources of funds should not be encouraged to make use of tax deferment. Moreover, the policy of charging interest would be in harmony with the existing policy that refunds due to carry-backs do not bear interest prior to the filing of a valid claim for refund.* On the other hand, the suggested interest charge on proper deferments is not high enough to discourage taxpayers in real need of funds.

6. Payment of pre-audit refunds.

The part of the plan which calls for prompt payment of refunds provides that, upon the election of the taxpayer, the net amount of a refund claimed after the end of a year of loss or unused credit would be paid within 90 days from the filing of the claim. Within so short a period, there would be no opportunity for the Bureau of Internal Revenue to make an audit of the claim. The time involved would permit no more than the clerical operations involved in computing the refund on the basis of the taxpayer's return and claims filed.

* Internal Revenue Code, sec. 8775 (d).

9

As a minimum safeguard, the Commissioner should be empowered to recover, upon notice and demand, any refunds subsequently determined on audit to have been erroneous. In the event a refund is ultimately found not to be due, this provision would restore the Commissioner and the taxpayer as promptly as possible to the same position as though the claim had been audited prior to payment in the usual manner and disallowed.

The part of the plan providing for prompt refunds will serve to eliminate incentive to taxpayers to claim deferments of tax solely because it would be the only way of obtaining a prompt refund. Were taxpayers to be faced with the choice between a tax deferment or a possible delay of several years before a refund claim would be paid, many would seek the deferment even though they were in no immediate need of cash. However, if such taxpayers knew that a refund is available within 90 days from the filing of a claim, the deferment procedure would not force itself upon them. Moreover, the prompt payment of refunds would aid businesses whose earnings decline moderately in one year and sharply in the next. For such businesses, the amount of the tax that may be deferred in the year of sharp decline is relatively small. Thus the deferment, without the additional refund, would offer little improvement in cash position.

7. Review by the Joint Committee on Internal Revenue Taxation.

Under present law refunds in excess of \$75,000 must be reported to the Joint Committee on Internal Revenue Taxation prior to payment. The objective of speeding up the refunds could not be met unless the present refund procedure were amended to eliminate these pre-audit refunds from review by the Committee prior to payment. Since such refunds would be paid prior to audit, conformity with existing policy would require a provision that such refunds be reported to the Committee after payment.

8. Potential amount of accelerated refunds.

The amount of the future tax refunds resulting from the operation of the carry-backs of net operating losses and unused credits will depend largely upon the future pattern of business earnings. It is not possible to estimate accurately the amounts of refunds which would result from losses or unused credits. It has been estimated that the amount of refunds resulting from losses and unused credits for 1945 and 1946 would amount to perhaps \$1 billion. Presumably most of this would be claimed under the speed-up procedure, but the exact proportion cannot be estimated.

VI. SPEEDING UP REFUNDS ARISING FROM RECOMPUTATION OF AMORTIZATION DEDUCTIONS

1. The proposal.

Under existing law emergency facilities certified as necessary for national defense may be amortized over a 5-year period. If, within that period, the emergency is terminated, or a particular taxpayer's facilities are certified to be no longer necessary for national defense, the taxpayer may elect to have the amortization deductions recomputed on the basis of the shorter period. Shortening the period of amortization will result in additional deductions in the returns previously filed, and, consequently, will give rise to tax refunds. Under

10

present law, these claims for refunds must be handled through the usual administrative procedure involving unavoidable delay at a time when the taxpayer may be in need of funds for reconversion.

It is recommended that refunds resulting from issuance of non-necessity certificates or from ending of the emergency period be speeded up.

To carry out this proposal, it is recommended that claims for refund on account of recomputation of amortization allowances be allowed within 90 days from the filing of the claim on the basis of the taxpayer's claims and returns. These allowances would be subject to recovery on notice and demand if subsequent audit should disclose an erroneous allowance. This procedure is similar to that recommended in the case of pre-audit refunds upon carry-back claims, and is subject to much the same considerations.

2. Probable amount of increase in amortization deductions due to recomputation.

Assuming that the issuance of certificates of necessity continues at the current monthly rate for the remainder of this year and assuming December 31, 1945, to be the average cut-off date for purposes of recomputation of amortization allowances, it has been estimated that the increased allowances for the years 1941 through 1945 would amount to \$2.9 billions, out of a total cost of certified facilities of approximately \$6.8 billions. The resulting tax refunds for the re-adjusted years have been estimated at \$1.7 billions. This would be the potential amount of refund which might be accelerated under the proposed speed-up procedure.

VII. SUMMARY

The recommendations for the interim period are designed primarily to improve the cash position of business. All five of the proposed changes would serve this purpose. The proposals for speeding up the payment of refunds and of the post-war credits would result in the payment of amounts due to taxpayers at an earlier time than now provided. Such early payment of refunds and credits would not alter the tax liabilities of business firms but merely advance the date on which refunds and credits would be available. The increase in the specific exemption under the excess-profits tax would not only improve the cash position of smaller corporations, but would also remove or lessen the repressive effects of the excess-profits tax upon small and new businesses, thus stimulating expansion and prompt reconversion as it becomes desirable.

Based on the estimates and assumptions referred to in this report, the effects of the proposed changes on the cash position of taxpayers may be summarized as follows:

1. The increase in the specific exemption would add to the cash balances of corporations in 1947 \$160 millions which would otherwise be used to meet 1946 tax liabilities. This would in substantial part be concentrated in the hands of small corporations, many of which would be entirely relieved from excess-profits tax.

2. The current availability of the post-war credit would increase cash balances by reducing tax payments in 1945 with respect to 1944 liabilities by about \$830 millions and in 1946 with respect

11

to 1945 liabilities by about \$710 millions. This cash improvement would benefit all corporations paying an excess-profits tax, i. e., about 51,000 making payments on 1944 taxes in 1945 and 45,000 making payments on 1945 taxes in 1946. The benefits of current availability (assuming the increased specific exemption) would extend to 19,000 taxpayers in 1947, but the amount cannot be estimated accurately at this time.

3. Maturity on January 1, 1946, of post-war bonds issued for the years 1942 and 1943 would make available to corporations which had paid excess-profits taxes for those years about \$480 millions for 1942 (54,000 taxpayers) and about \$820 millions for 1943 (68,000 taxpayers). These amounts would otherwise be paid in from 2 to 4 years after cessation of hostilities.

4. Speed-up of carry-back refunds would result in deferments of tax payments due in 1945 and 1946 and refunds during 1946 and 1947 with respect to the years 1943, 1944, and 1945 in an amount of perhaps \$1 billion. These refunds would otherwise probably be paid over an indefinite period from 1947 to 1950.

5. Speed-up of refunds due to amortization recomputations would result in refunds in 1945 and 1946 of about \$1.7 billions resulting from overpayments for the taxable years 1941 to 1945, inclusive. This amount would otherwise be refunded over an indefinite period, with little of it being paid in 1946 and most of it from 1947 to 1950.

The ultimate revenue effects of the recommendations, taken as a whole, cannot be estimated with any certainty but they apparently would not be large in relation to present tax revenues. The increase in the specific exemption would reduce the receipts in 1947 (for 1946 tax liabilities) by about \$160 millions. The effects of the other changes would be largely in connection with interest paid or saved by the Government and such factors as loss through uncollectible tax accounts. The Government will necessarily make additional interest payments by reason of the increase in interest-bearing debt coincidental with the elimination of post-war credits and bonds. On the other hand, in connection with the program for the prompt payment of carry-back and amortization refunds, the Government will save interest otherwise payable. Taking into account the uncertainties of loss through uncollectibility, litigation, and similar factors, it is impossible to state what the net cost in Government revenues would be. However, it is believed that the net cost would be small in comparison with the benefits to be derived from the recommendations.

As indicated this report is confined to recommendations for immediate legislative action. This report is the first of a series on post-war tax problems to be issued by the Committee. Subsequent reports covering later periods will deal with the excess-profits tax (which the committee recognizes as a war tax), and with other phases of the corporate tax structure (including such matters as depreciation and treatment of corporate dividends); and with the individual income tax, excise taxes, and the estate and gift taxes.

Buffalo First Draft- 5/14/45. ¹¹⁶

The hour of victory has struck in Europe. In the Pacific, we are approaching the inner bastions of the Japanese Empire. How long it will take to storm these bastions, I do not know, but that we shall do it is a certainty which can be read in the skies over Tokyo.

As we read the good news from abroad, it is only natural that we should look down the road which lies before us ~~and~~ ~~further effort on the home front~~ and hope that it will end just around the next turn. But it will not; and it is the least that we can do to follow this road patiently to the very end, just as the soldiers in Europe fought to the very end, and as those in the Pacific will do ~~(when their time comes)~~ some of them dying in combat on the day of final victory.

For it is only by following the road to the end -- finishing the job -- that we shall be able to look the returning men of the armed forces in the face and say, "Our job was easier than yours, but we did it well."

The next steep place on the home-front road -- the next place where we must get out and push -- is the Seventh War Loan, which begins today. It is a necessary part of finishing the job, and we can't let down on it -- not even just a little.

We need the money; every cent of it. We still have a hard war ahead of us in the Pacific against a tough adversary. That is reason enough, but, in addition to this, even if Japan

117

- 2 -

should surrender unconditionally while I speak, we should still need the whole proceeds of the Loan for carrying through the policing job in Europe and in the Pacific, for bringing the boys back, for providing the funds for their mustering-out pay and retraining and rehabilitation, and for settling war contracts and returning industry to a peacetime footing.

These things all take money. World War I cost more during the six months following the Armistice than during the last six months of hostilities. That will not be the case this time, because the war has lasted longer and we have had more warning of the end. But even with the most careful management, liquidating this war is bound to be a long and costly process.

I should like to emphasize that phrase "careful management" -- that is, making our loan-dollars go a long way. We have given the lives of our youth and our dollars into the trusteeship of the armed forces, and have charged them with the task of delivering total victory. Naturally, these three things -- victory, lives, and dollars -- must be, and have been, kept in perspective. Victory must be won at whatever cost in lives ~~(and dollars)~~; and lives must be saved at whatever cost in dollars.

These two imperatives have been well obeyed. Victory in

118

- 3 -

Europe has been won; and victory in the Pacific is in the making. And a comparison of the casualties suffered by our own armed forces with those suffered by the enemy, in both Europe and the Pacific, shows what the superiority of our equipment has meant in cutting down American casualties. We have never consciously missed, and we never shall consciously miss, an opportunity to exchange equipment for casualties -- that is, money for lives.

But in following out the first two imperatives -- that of securing victory and that of securing it with the smallest possible cost in lives -- the third has not been forgotten. This is that money should be spent only when needed, and then to the best advantage.

We have tried to make every dollar go a long way in this war. We started at the beginning with the cost of borrowing the money itself. The average gross cost of the money borrowed by the Treasury in this war has been less than half of that during the last war; and, allowing for the fact that the interest on the securities issued in this war is taxable, but in the last war was tax exempt, the net cost is only about one-third as much.

From the price of money we have followed through to the prices of the basic materials which enter into armaments. These materials, which led the procession of rising prices

119

- 4 -

in the last war and in every war in which the United States has ever been engaged, have this time been held to moderate price increases, or none at all. Many important basic materials -- such as aluminum, copper, steel, lead, and crude petroleum, for example -- are now being bought by the Government at prices lower than those at which they sold during the peacetime year 1937.

This economy in the procurement of raw materials has continued into that of the finished goods. The prices of typical armament items have been successively reduced, as production has increased and manufacturers have acquired the requisite "know how". The cost of a "Long Tom" Howitzer, for example, has been reduced since 1943 from \$50,000 to \$37,000; while the cost of a Garand rifle has been reduced in the same period from just over \$37 to just under \$30.

~~The~~ ^{These} items are typical of the munitions program, which accounts for about two-thirds of war expenditures. I cite them merely as examples of how your Government has in the past, and will continue in the future, to make its war-dollars go as far as possible within the framework of securing victory at a minimum cost in human casualties.

Finally, in considering why the Seventh War Loan is necessary to finish the job, let me remind you that the war is still taking, and will continue to take for months to

- 5 -

come, nearly half of our national product. This means that the amount of consumers' goods which are available to be bought will continue to be much less than the amount of incomes which are available to buy them. The difference must continue to be saved and lent to the Government to pay for the costs of the war.

It is necessary, for the good of all of us, that the (dollars of) spending which today would serve only to disorganize the economy be postponed until tomorrow when they will make good jobs at fair rates of pay.

This is what the Seventh War Loan is all about -- to finish the job over there, to preserve economic stability at home, and to help lay the basis for a prosperous tomorrow. It is the American way to see the job through, and that is the way we all want to do it.

May 7, 1945

THESE ARE PLACES OF HOLDING COURT
 At Jackson—First Monday in March and
 Third Monday in September
 At Louisville—Second Monday in March
 and Fourth Monday in September
 At Cincinnati—First Monday in April and
 Third Monday in October
 At Richmond—Fourth Monday in April
 and Second Monday in November
 At London—Second Monday in May and
 Fourth Monday in November
 At Chattanooga—Fourth Monday in May
 and Second Monday in December
 At Lexington—Second Monday in June
 and Second Monday in January
 At Philadelphia—Fourth Monday in March
 and Second Monday in October

DEPARTMENT OF JUSTICE
 UNITED STATES ATTORNEY
 EASTERN DISTRICT OF KENTUCKY

Lexington May 11, 1945

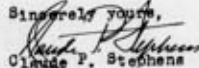
Box 1490

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

Sir:

I am in receipt of the Attorney General's
 letter of May 8th, enclosing your letter of May 7,
 1945, in which you express appreciation of my work
 in presenting the case against Robert Gould, charged
 with Black Market violations.

It was very fine of you to give me this con-
 sideration and I shall always remember it with a deep
 sense of gratitude.

Sincerely yours,

 Claude P. Stephens

S:K



121

ADDRESS REPLY TO
 THE UNITED STATES ATTORNEY
 LEXINGTON, KENTUCKY

122

Lexington May 11, 1945

Box 1490

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

Sir:

I am in receipt of the Attorney General's
 letter of May 8th, enclosing your letter of May 7,
 1945, in which you express appreciation of my work
 in presenting the case against Robert Gould, charged
 with Black Market violations.

It was very fine of you to give me this con-
 sideration and I shall always remember it with a deep
 sense of gratitude.

Sincerely yours,

Claude P. Stephens

S:K

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. Charles S. Bell

DATE: May 11, 1945

FROM : Mr. Clifton E. Mack

SUBJECT: Requisitions received under French Lend-Lease

During the period from May 4 to May 11, there were received in the Procurement Division 70 requisitions for Metropolitan France in the amount of \$19,332,538, and 32 requisitions for French Colonies and French North Africa in the amount of \$455,319. Schedules showing detailed information are attached.

Statement of Requisitions Received on French-Lend-Lease
from May 4 to May 31, 1945

Req. No.	Date Received	Commodity	Estimated Value
CF-539	5-4	Isopropyl Ether	\$ 1,677
CF-576	"	Potassium Amyl Xanthate	3,378
CF-614	"	Carbon Steel Semi-Finished Product	19,200
CF-615	"	"	90,600
CF-616	"	Hot Rolled Silico Manganese Steel Flat Bars	100,000
CF-617	"	Automotive Replacement Parts	2,017
CF-20041	"	Universal Grinding Machines	13,979
CF-20044	"	Steam Generating Units	620,000
CF-20046	"	Horizontal Boring, Drilling and Milling Machines	164,180
CF-20047	"	Flanging Machines	39,300
CF-20048	"	Automotive Screw Machines	27,933
CF-20049	"	Universal Grinding Machines	33,963
CF-20052	"	Hydraulic Jacks and Parts	20,000
CF-20054	"	Universal Milling Machine	6,792
CF-20055	"	Various Drill Grinding Machines	27,086
CF-20056	"	Surface Grinders	29,283
CF-20057	"	Vertical Shapers and Surface Grinders	145,173
CF-20058	"	Surface Grinders	62,076
CF-20059	"	Milling Machines	425,233
CF-20060	"	Tool Grinders	25,983
CF-20066	"	Milling Machines	75,988
CF-20067	"	Various Turret Lathes	297,463
CF-20068	"	Surface Grinding Machines	24,706
CF-20069	"	Surface Grinders	9,776
CF-20070	"	Millers and Profilers	154,899
CF-20076	"	Universal Turret Lathes	12,410
CF-502	5-7	Hot Rolled Carbon Steel Black Plates	900,000
CF-503	"	" " " " Sheets	3,000,000
CF-504	"	" " Annealed Alloy Steel Round Bars	900,000
CF-505	"	Open Hearth Hot Rolled Forging Quality Steel Billets	2,372,000
CF-540	"	Electrical Equipment	1,800
CF-545	"	Paving Breakers Rock Drills with Parts & Accessories	660,000
CF-574	"	Shoes	174,000
CF-579	"	Medical Supplies	270,000
CF-593	"	"	16,000
CF-601	"	Caffeine	6,000
CF-602	"	Lobeline Sulphate	3,000
CF-604	"	Rasorite	178,000
CF-607	"	Cryolith Natural	122,000
CF-612	"	Busses	25,603
CF-619	"	Medical Supplies	275,000
CF-624	"	Mild Steel Plates	343,700
CF-625	"	Open Hearth Steel Plates	109,300
CF-630	"	Magnesite Bricks	170,915
CF-634	"	Hot Rolled Carbon Steel Sheets	217,000
			\$12,177,413

Req. No.	Date Received	Commodity	Estimated Value
Brought Forward			\$12,177,413
CF-20071	5-7	Milling Machines	1,058,890
CF-20073	"	Lathes	26,169
CF-20074	"	Boring Machines	527,736
CF-20075	"	Various Surface Grinders	35,744
CF-20077	"	Hydraulic Shapers	14,551
CF-20078	"	Various Milling Machines	82,749
CF-20079	"	Milling Machines	16,205
CF-20081	"	Boring and Turning Machines	148,127
CF-20082	"	Grinding Machines	88,140
CF-20083	"	Precision Tool Room Lathe	32,266
CF-20084	"	Universal Turret Lathe	11,526
CF-20085	"	Heavy Duty Engine Lathes	340,319
CF-20086	"	Engine Lathes	48,025
CF-20087	"	Tool Room Lathes	27,925
CF-20094	"	Various Milling Machines	582,005
CF-20096	"	Vertical Turret Lathes	177,498
CF-20099	"	Bevel Gear Generators	134,619
CF-20100	"	Robbing Machines	186,140
CF-20105	"	Engine Lathes	43,298
CF-20106	"	Surface Grinders	45,531
CF-20118	"	Vertical Holesteel Machines	9,251
CF-20072	"	Various Milling Machines	1,495,228
CF-506	"	Open Hearth Hot Rolled Carbon Steel Round Bars	1,800,000
CF-642	"	Medical Supplies	127,680
CF-20080	"	Internal Grinding Machines	95,501
Total			\$19,332,538

May 4 through May 10

Req. No.	Date Rec'd. in Pro. Div.	Commodity	Estimated Value
FNA-4595	5-5-45	3,500 Mica Stone Windows	\$1,200.00
FNA-4596	"	12.5 L.T. Ball & Roller Bearings	38,750.00
FNA-5247	"	9.33 L.T. Tractor Replacement Parts	12,282.00
FNA-5250	"	18.84 L.T. Tractors	27,583.00
FNA-5579	"	8 L.T. Radial Drilling Machines	9,890.00
FNA-5627	"	11.1 L.T. Magnesium Compounds	2,000.00
FNA-5711	"	7.87 L.T. Zinc Wire	2,600.00
FNA-5652	"	78 L.T. Zinc Sheets	22,000.00
FNA-5653	"	11.7 L.T. Hard Vulcanized Fiber	9,270.00
FNA-5662	"	1.78 L.T. Methyl Chloride	1,275.00
FNA-5668	"	60 L.T. Steel Reinforcing Bars	4,200.00
FNA-5698	"	5 L.T. Pine Woolen Rag Shredder	28,100.00
FNA-5700	"	146 L.T. Steel Shapes & Bars	14,100.00
FNA-5706	"	781.96 L.T. Steel Bars	47,000.00
FNA-5712	"	2.5 L.T. Phosphorous Copper	1,300.00
FNA-5713	"	40 L.T. Brass Rods	18,000.00
FNA-5717	"	59 L.T. Truck Tires & Tubes	60,000.00
FNA-5718	"	292.85 L.T. Rails & Railway Equip.	18,000.00
FNA-5719	"	2.6 L.T. Hard Copper Rods	1,100.00
FNA-5720	"	11.3 L.T. Seamless Copper Tubes	5,500.00
FNA-5726	"	2.4 L.T. Belts	4,450.00
FNA-5728	"	6.13 L.T. Auto Replacement Parts - Radiator Hose	3,625.00
FNA-5640	5-8-45	6 L.T. Trolley Devices & Parts	8,200.00
FNA-4581	"	30 L.T. Gate Valves & Pipe Fittings	31,000.00
FNA-5731	5-9-45	7.86 L.T. Flotation Equip	6,450.00
FNA-4590	"	2.2 L.T. Telephone Equipment	13,543.83
FNA-5496	"	.017 L.T. Diamond Wheel	1,000.00
FNA-5591	"	12.5 L.T. Screw Jacks for Cases	18,000.00
FNA-5716	"	1 Electric Mine Wench	4,500.00
FNA-5724	"	8.7 L.T. Wire Mesh	2,400.00
FNA-5727	"	8.7 L.T. Grinding Wheels	9,900.00
FNA-5738	"	28.5 L.T. Tires & Tubes	29,000.00
			<u>\$455,319.00</u>

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 11, 1945

TO Secretary Morgenthau

FROM Charles S. Bell

Subject: Liberalizing Power of Attorney Requirements for
Cashing War Bonds and Endorsing Government Checks.

In accordance with your request, I have inquired into the rules respecting acceptance of powers of attorney for cashing war bonds and checks. I find that with respect to both types of Government obligations the requirements for powers of attorney have been greatly liberalized during the war and are thought now to have been relaxed as far as possible, while at the same time protecting the Government's interests.

In fact, it appears that in some instances the Government's protection may not be entirely adequate. Particularly, the rules with regard to service men and their families have been modified to permit the acceptance of letters of intent where formerly powers of attorney were required. Special provisions enable financial institutions to make payments to other than members of a service man's family where extreme hardship is shown and proper affidavit executed.

It appears that some difficulty has arisen from the fact that the power of attorney form supplied by the Army, and most ordinary power of attorney forms, make no specific reference to securities and consequently are not acceptable for cashing savings bonds. In this regard it might be advisable for the Fiscal Service to work with the Army people in developing a more flexible power of attorney form. It seems likely that one could be devised which would make the application of the power to securities optional at the election of the one granting the power.



FISCAL ASSISTANT SECRETARY

TREASURY DEPARTMENT
FISCAL SERVICE
Washington

May 9, 1945

TO MR. CHARLES BELL:

In making your report to the Secretary on the attached cases, I think it should be pointed out that the rules with respect to the acceptance of powers of attorney regarding (1) cashing of war bonds, and (2) endorsement of Government checks, have been liberalized to what would appear to be a maximum consistent with proper protection of the owners' interests. It should also be pointed out that incoming letters frequently do not provide an accurate and complete basis for proper understanding.

Cashing of War Bonds

With respect to the cashing of war bonds, while there may be some hardship cases (resulting from lack of understanding by the purchasers of the bonds), experience indicates that there are instances where the owners of the bonds did not intend that general powers of attorney be used as authority for cashing the bonds. As a matter of fact, we have relaxed requirements so far as not even to require powers of attorney in cases where the wife of a soldier can show by letter that her husband intended that she should be permitted to cash the bonds. Also, it should be stated that the Bureau of the Public Debt gives special consideration to these cases and does everything it can to expedite payment, where that can be done without undue risk of loss to the owner of the bond. That there are wives of soldiers who take advantage of the situation is illustrated in a case which recently came to my attention where the soldier had been buying bonds with the view to using the proceeds for the purchase of medical equipment after the war; he named his wife as coowner, to whom the bonds were delivered, and as I understand it she subsequently cashed them for the purpose of buying a fur coat. I mention this to show that there are two sides to the story.

Endorsement of Checks

With respect to the cashing of Government checks on powers of attorney, the Treasury has also relaxed its requirements. Generally speaking, we accept any power of attorney which reasonably indicates the intention of the payee, and in many cases we have accepted powers which from a strictly legal point of view contain real elements of doubt. As in the case of war bonds, the Department has relaxed its requirements in emergency cases so far as to accept a letter from the payee to his wife showing that he intended that she receive the benefit of the check.

I would appreciate it if you would call this memorandum to the attention of the Secretary. I have discussed it with the Under Secretary, and he has indicated that if there is any question in the Secretary's mind with respect to the manner in which these cases are handled, he would appreciate the opportunity of being present in the discussion.

WAR
RELIEF
AUTHORITY

U.S. DEPT. OF THE INTERIOR

WASHINGTON, D.C.

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MAY 9, 1945

MEMORANDUM FOR THE SECRETARY.

May 11, 1945.

Mail Report

Mail moved more briskly this week, but again no new fields for discussion opened up. The old fields - taxes, bonds, checks, and currency - yielded the same comments and questions that they have for the past several weeks, so this report can be little more than a repetition of previous ones.

A few inquiries about personal obligations, several specific reports of tax evasions, and a dozen requests for individual refunds or for excess profits tax refunds made up the bulk of the tax communications.

Bond mail was heavy with routine matters, among which were a number of objections to the present limit on purchases of Series E. These protests often called attention to the increased quotas for the Seventh Drive. All correspondence about the Drive continued to be consistently favorable, and this week a county in Texas reported that it had gone over the top. Along with the general increase in mail, there was quite a rise in the number of complaints about delays in receiving bonds purchased through the War Department by men overseas.

Hardly more than a dozen correspondents spoke of memorials for President Roosevelt. A commemorative coin was again the most popular suggestion, and dedication of the Eighth Drive to his memory was the second favorite. A great deal of printed matter on the Bretton Woods proposals was forwarded to the Treasury, and again there were frequent requests for Treasury publications on the subject. Only three gifts were received this week -- a check for \$50.00 from Thomas Maguire and one for \$308.03 from Melchor Leon, both of whom are regular contributors to the war effort; and a third check for \$2,000.00, from Miss Georgiana Wilkins of Georgia, as a memorial to President Roosevelt and a thanks offering for V-E Day.

J. G. Thompson

130

General Comments

E. R. Partridge, President Luverne Bank & Trust Company, Luverne, Alabama. In February, 1943, we sent our correspondent bank a letter in which was enclosed several Government checks which was lost in the mail. We have had up the matter with the different departments in Washington to secure duplicate checks for two small ones, but we have never been able to secure the duplicates. We cannot get any reply to our letters from the Claims Division of the General Accounting Office, and we feel that we are entitled to receive the duplicate checks. We are now entering the Seventh War Loan and, as the banks have done valiant work in putting over these Drives, we feel that we are due some consideration in regard to the above matter.

Adele M. Watt, Rif Hotel, Tangier, Morocco. I have just read in the "Depeche Marocaine", of this date (April 9) about the dazzling discovery of money and other valuables, by American troops, in a salt mine near Gotha, where they had been hidden by the German government. Many people, including myself, put their savings into the American issue of the Dawes Bonds and are now in financial straits, owing to the stoppage of interest. I hope, Sir, you will agree with me that it is reasonable that this unexpected windfall from Germany should be used in paying German debts. With apologies for troubling you.

Madison W. Pierce, President, Wm. Eastwood & Son Co., Rochester, New York. We wish to commend the Head and personnel of the New York Office of the S.S.U. of your department for a kindly and human bit of cooperation "above and beyond the call of duty." In February we applied for permission to make a salary increase for an able and loyal employee. She celebrated her 40th

- 2 -

131

anniversary on Saturday, May 5th, and we hoped to announce her increase on that day. Undoubtedly because of the great volume of applications to process, no approval had been received by last Thursday. I called Mr. Drake's office Thursday and asked if there was a chance of getting the approval in time. No promises were made, but someone took the time, the interest, and the effort to find this application among the thousands of others and send it through in time for what proved to be one of the happiest days in this girl's life. We know you will be pleased and warmed, as we are, by the knowledge of this kind of administration.

Mrs. Marie Fralick, Hollywood, California. It has been a great disappointment to us to hear that you did not push your argument through to the bitter end. You argued that Germany should be made an agricultural country and you were right. How right you were, no one will ever know unless they have lived with the type as we have. * * * I live next door to war widows & mothers & my daughter is in Panama with Uncle Sam and as a Canteen worker with the Red Cross, I've seen ships pouring out the refugees from Prison Camps. I know what the Germans will do if they are allowed to build again.

- 3 -

132

Favorable Comments on Bonds

W. C. Trout, Chairman, War Finance Committee for Angelina County, Lufkin, Texas. (Telegram) Your letter of May Fourth came too late. Angelina County celebrated V-E Day yesterday by having one-day Seventh War Loan Campaign Drive, exceeding its quota by ten percent on "E" Bonds and all, using radio and a committee of twelve salesmen. We have unique campaign setup that the whole country would do well to imitate. It has proven successful for the seventh consecutive time.

- 4 -

Unfavorable Comments on Bonds

A. J. Rosemund, President, Akerman Brothers, Inc., (Coal dealer), Woodcliff Lake, New Jersey. In the light of the expenditure of many millions of dollars by our Government, urging the sale of Defense Bonds, I find myself somewhat aghast at a dictum just received from the First National Bank of Park Ridge, New Jersey, which originated, according to this bank, from the Washington unit in charge of the examination of national banks. We are informed that some 2 1/2% bonds deposited by us as collateral with this bank must be taken up immediately because the period during which the loan has been in force is over six months, slightly. We have spent every available dollar not needed to operate our business on defense bonds, and because the general public response did not seem to be quite enough, we went further and subscribed to the bonds which are the subject of the bank examiner's complaint. Need we point out that there is no profit to us as holders of these bonds in continued ownership in that the loan is at 3% and, therefore, our interest obligation is at least equal to our interest income. We do find, however, upon consulting the market, that a sale of the bonds would produce a profit at the present time. As a bewildered citizen who has apparently, through a zeal to aid the war effort, committed an infraction of the national bank loan rules, is there any information or suggestion you can give in the matter? * * *

Owen Tudor, Lawyer, Boston, Massachusetts. * * * It seems to me that the War Savings Bonds are being sold on an entirely false basis. In fact, I fear the SEC, if it had jurisdiction and carried out its own principles, would have to issue a cease and desist order against you. The public is given the impression that

- 5 -

the supplying of our military forces and the winning of the war is dependent upon the subscription by the public to these loans, that the airplanes won't be made or the guns forged if the people do not put up the money to pay for the cost. Now you know and I know perfectly well that you could secure that four billion dollars for which you are asking the small people to subscribe in the form of "E" Bonds, from the commercial banks in one hour at half the interest rate and 1/100,000th the trouble and expense. The reason for asking the people to subscribe is that it is essential, if our economic system is to remain on anything like an even keel, that the excess purchasing power of the public should be absorbed. This purpose could be served just as well if the money were put in a hole in the ground. * * * I believe your task of taking from the public through the medium of War Bonds their excess purchasing power which would otherwise wreck our economy is frightfully important, but I doubt if as many people would buy the bonds if it were put to them on that ground. I am afraid there may be a terrible reaction if the people ever discover the truth -- namely, that the reasoning under which they were induced to part with their money, that it was needed to supply our armed forces, a mere pretense. I approve of your purpose but not your means.

Mrs. Ethel L. Beach, Trust Officer, Bristol Bank and Trust Company, Bristol, Connecticut. We have been informed that the Treasury Department has not provided for, nor does it permit the use of, a power of attorney for use in the redemption of U. S. Savings Bonds and no deviation from this practice except in the case of an owner serving on overseas duty in the armed forces of the United States. This ruling has created considerable hardship in some

- 6 -

cases known to us and has militated against the purchase of bonds. In our Trust Department we come in contact with a great many elderly people who, as they begin to lag mentally need someone to look after their affairs. If a power of attorney is not acceptable to you, the only recourse lies in the appointment of a conservator and this is not only very undesirable in most cases, but expensive when there is little involved except a few bonds. We urge most people who purchase War Bonds to have them issued in joint names, but we hardly feel that we can recommend such a procedure when there are no relatives who could be so named as joint owner. Does it not seem to you that some plan could be devised to obviate this difficulty.

- 7 -

Unfavorable Comments on Taxation

Senator H. Alexander Smith, Washington, D. C. * * * I would be most interested in your analysis of the contents of Mr. Prescott's letter, particularly in reference to agents of the Treasury Department appearing at banks and asking for records of certain individuals. May I ask by what authority your agents are allowed this procedure? * * * (The following excerpts are from a letter addressed to Senator Smith by Thomas E. Prescott, Executive Vice President, Bank of Passaic and Trust Company, Passaic, New Jersey.) Recently the F.B.I. and more particularly agents of the Treasury Department are appearing at banks and asking them to disclose their records for certain individuals with the thought of compiling evidence to be used in income tax evasions and black market activities. Of course we are glad to be of service in this connection but I am wondering if their motives could not be questioned many times. If their "gestapo-like" activities became generally known to the public, would it not lead to further hoarding of money and add to a situation which is already serious? I believe we have a right to question anyone's writing out a subpoena on the spot, serving it on us and then spending three or four days looking through our deposit tickets and other records. I think the public has a right to be protected against such procedures. The recent "change" in Washington should ultimately mean that we will again have the opportunity to be governed by law and not by edicts. * * *

MP-328

Distribution of time
reading only by special
arrangement. (SECRET W)

Bern

Dated May 11, 1945

Rec'd 11:03 a.m.

Secretary of State

Washington

2701, May 11, 9 a.m.

VUB FROM MCCLELLAND

Department's 1623. VUB's 513, April 28.

With reference to message transmitted in Board's 513 from Vaadhabatsala to Sternbuch, latter immediately requested my assistance obtain permission for delegation of five persons from his local organization to visit freed camps in Germany. I conscientiously did not feel able comply with his request since it seemed inadvisable to ask our military authorities to grant to a small private committee in Switzerland permission to visit camps at a time when SHARP had still not settled the question of whether ICRC was to be permitted continue its relief work for surviving inmates of concentration camps in Germany. Delegation proposed by Sternbuch was further composed of five persons having no particular technical competence in matters of emergency, medical or nutritional relief to concentration camps survivors.

I informed Sternbuch that I was attempting secure a list of Jewish survivors in such camps and information as to their welfare and needs which would be made available to his own organization as well as to many other relief agencies in Switzerland which were anxiously awaiting such news.

Harrison

LME

137

GMB-423

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

Bern

Dated May 11, 1945

Rec'd 5:04 p.m.

Secretary of State,

Washington.

2703, May 11, 11 a.m.

FOR VUB FROM MCCLELLAND

PLEASE INFORM MAJOR FRANK COLLAN, USRA
"Tour May 4 to American Legation Bern.

In keeping with guarantees given by United States and British Governments several months ago to Swiss Government to evacuate from Switzerland special groups of deportees extricated from German occupied areas, Hilde Goldmann, Czechoslovak citizen from Theresienstadt, born Brno, April 28, 1912, will be moved, probably toward end of May, along with over 2,000 other refugees to USRA reception centers in southern Italy. If plan is to bring this lady to the United States this may be more rapidly accomplished if she goes first to Italy since emigration in future on individual basis from Switzerland to the United States will be complicated, lengthy and expensive process."

HARRISON

JM

138

139

May 11, 1945

1 p.m.

AMELIATION

STOCKHOLM

SGL

The following for Olsen from War Refugee Board is WFB 366.

The Executive Order establishing the War Refugee Board strictly limits Board's activities to rescue and relief of victims of enemy oppression in enemy-occupied territory. Accordingly, relief and assistance of refugees liberated from the Germans are not (repeat not) within Board's jurisdiction.

Requests received by you concerning relief and assistance of refugees liberated from the Germans should be referred to UNHRA, the appropriate military authorities, the Intergovernmental Committee on Refugees, private refugee organizations or other national or international groups which are authorized to deal with matters of this nature.

You should begin now to wind up all Board activities in Sweden and prepare final reports. Board would appreciate knowing how long this will take.

GREW
(Acting)
(RMV)

WFB:MGW/kg
5/10/45

MOE

140

CABLE TO AMERICAN EMBASSY, LONDON, FOR HARRIS, FROM WAR REFUGEE BOARD

Please deliver the following message to Harold Linder from
M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE SUGGEST YOU SEND \$200,000 TO US. ON ARRIVAL AT
CUSTOMS HERE WE WILL FILE APPLICATION TREASURY FOR
RELEASE CURRENCY TO US. UNQUOTE

THIS IS WRS LONDON CABLE NO. 74

9:00 a.m.
May 11, 1945

141

CABLE TO AMERICAN LEGATION, BERN, FOR MCCLELLAND, FROM THE WAR REFUGEE BOARD

Please deliver the following message to Saly Mayer, St. Gall,
from M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE CAN YOU ASCERTAIN PRESENT STATUS INTERNESS THERESIEH-
STADT ALSO PATE PAUL EPSTEIN HEAD THERESIEHSTADT CAMP.
UNQUOTE

THIS IS WRS BERN CABLE NO. 523

9:00 a.m.
May 11, 1945

142

CABLE TO AMERICAN EMBASSY, LONDON, FOR AISH, FROM WAR REFUGEE BOARD.

Please deliver the following message to Harold Iander from M. A. Leavitt of American Jewish Joint Distribution Committee;

QUOTE SCHWARTZ CABLES REFUGEES RETURNING BELGIUM IN DIRE NEED REQUESTING SPECIAL MONTHLY GRANT ONE MILLION BELGIAN FRANCES. SUGGEST YOU DISCUSS IGC MAKING AVAILABLE IMMEDIATELY FUNDS THIS PURPOSE AS UNDERSTAND DECISION FAVORABLE WASHINGTON FULLSTOP SAW GREENSTEIN AND SUGGEST YOU DO NOTHING UNLESS SCHWARTZ' DISCUSSION WITH YOU CHANGES SITUATION. WE CONTINUING MAKE REGULAR REMITTANCES SWITZERLAND WITHOUT DIFFICULTY. UNQUOTE

THIS IS WWS LONDON CABLE NO. 73

9:00 a.m.
May 11, 1945

143

CABLE TO AMERICAN EMBASSY, LISBON, FROM WAR REFUGEE BOARD

Please deliver the following message to Harold Troce from M. A. Leavitt of American Jewish Joint Distribution Committee;

QUOTE DUE OUR CASH STRINGENCY WE UNABLE REMIT SWITZERLAND MILLION DOLLARS MONTHLY AS HERETOFORE. UNQUOTE

THIS IS WWS LISBON CABLE NO. 185

9:00 a.m.
May 11, 1945

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 18, 1945

Secret

TO Secretary Morgenthau

FROM Mr. Coo *FC*

Subject: Lend-Lease to U.S.S.R.

On learning today from an F.B.I. official that the policy on this matter had been changed last night by the White House, I checked with Collado of State, asking what the new policy was and what relation it bore to the proposed V-E Day program which they had been discussing with us. It appears that the curtailment which was decided last night is somewhat greater than had been contemplated, and that aside from unfinished plants the only goods which will be sent to Russia will be those for the Far Eastern area or closely related thereto.

Collado said that he would talk to Will Clayton about sending you copies of the documents. They arrived late this afternoon and are attached.

There is also attached a memorandum from Cliff Mack, which gives the information he received from F.B.I.

ADDRESS OFFICIAL CORRESPONDENCE TO
THE SECRETARY OF STATE
WASHINGTON, D. C.



DEPARTMENT OF STATE
WASHINGTON

May 12, 1946

SECRET

My Dear Mr. Secretary:

For your information there are attached the following papers:

1. Copy of memorandum for the President dated May 11, 1946 from the Foreign Economic Administrator and the Acting Secretary of State.
2. Photostatic copy of the President's memorandum also of May 11, 1946 to the Foreign Economic Administrator and the Acting Secretary of State.
3. Copy of note dated May 12, 1946 from the Acting Secretary of State to the Soviet Charge.

Sincerely yours,

W. L. Clayton

W. L. Clayton,
Assistant Secretary

Enclosures:

As stated.



The Honorable
Henry W. Perpetua, Jr.,
Secretary of the Treasury.

ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON, D. C.



DEPARTMENT OF STATE
WASHINGTON

SECRET

May 18, 1946

My Dear Mr. Secretary:

For your information there are attached the following papers:

1. Copy of memorandum for the President dated May 11, 1946 from the Foreign Economic Administrator and the Acting Secretary of State.
2. Photostatic copy of the President's memorandum also of May 11, 1946 to the Foreign Economic Administrator and the Acting Secretary of State.
3. Copy of memo dated May 11, 1946 from the Acting Secretary of State to the Soviet Charge.

Sincerely yours,

W. L. Clayton

W. L. Clayton,
Assistant Secretary

Enclosures:

As stated.



The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.

May 11, 1945

MEMORANDUM FOR THE PRESIDENT

It has been the policy of the United States Government, in view of the outstanding contribution of the U.S.S.R. in the prosecution of the war against Germany, to provide that country with the maximum possible lend-lease assistance in meeting its war needs for military supplies, raw materials, industrial equipment and food.

Commitments of lend-lease aid to the U.S.S.R. under the Fourth Protocol expire, with certain exceptions, on June 30, 1945. These commitments are subject to review by this Government in the light of major changes in the war situation.

In order to plan for the continuing provision of lend-lease aid to the U.S.S.R., it is necessary to take into account:

- (a) The end of organized resistance in Europe.
- (b) The fact that the U.S.S.R. has not declared war against Japan.
- (c) The anticipated entrance of the U.S.S.R. into the war against Japan at some future date.

On the basis of these considerations we wish to make the following recommendations, which are concurred in by the War and Navy Departments and by Ambassador Harriman:

1. Deliveries of supplies under current lend-lease programs for the U.S.S.R. should be adjusted immediately to take account of the end of organized

resistance in

-2-

resistance in Europe. So long as it is anticipated that the U.S.S.R. will enter the war against Japan, it is proposed to continue deliveries under the program in Annex III of the Fourth Protocol which includes military supplies, raw materials, industrial equipment and food to support Soviet military operations in the Pacific theater. Additional supplies now on hand or on order for the U.S.S.R. would also be delivered to the extent that they are necessary to support such military operations. Supplies needed to complete industrial plants already partially made available under previous commitments should be delivered. Other lend-lease supplies now programmed for the U.S.S.R. should be cut off immediately as far as physically practicable, and such goods and the related shipping tonnage should be diverted to the approved supply programs for Western Europe. Future supply programs for the U.S.S.R. should be designed to meet new military situations as they arise.

2. Current and future supply programs should be developed, without the conclusion of a Fifth Protocol, on the basis of reasonably adequate information regarding the essentiality of Soviet military supply requirements and in the light of all competing demands for supplies in the changing military situation.

If you approve these recommendations, it is proposed that the attached note be sent to the Soviet Ambassador.

The above recommendations contemplate that the programs of supplies for the U.S.S.R., because of their military importance, will continue to have the priority ratings given to supplies under the Fourth Protocol and that the Soviet Protocol Committee will continue to have responsibility, to be exercised in accordance with its existing instructions, for the over-all coordination of the Soviet supply program in conformity with policies approved by you.

/s/ Joseph C. Grew
Acting Secretary of State

A true copy of
the signed
original.

/s/ Leo T. Crowley
Foreign Economic Administrator

Secret

May 12, 1945

Sir:

It is the desire of this Government to continue to provide the Government of the Union of Soviet Socialist Republics with assistance in meeting its military needs for such supplies as are required in the light of war conditions. Deliveries of supplies under the current lend-lease program for the Union of Soviet Socialist Republics will be adjusted immediately to take into account the end of organized hostilities in Europe. This Government intends to fulfill under the terms of the Fourth Protocol the program in Annex III and to deliver such other supplies now on hand or on order for the U.S.S.R. as are justified on the basis of

adequate

The Honorable

Nikolai V. Novikov,

Minister Counselor,

Chargé d'Affaires ad interim,

Union of Soviet Socialist Republics.

-2-

adequate information regarding the essentiality of Soviet military supply requirements and in the light of competing demands for such supplies in the changed military situation. Future lend-lease programs will be designed, on the same basis, to meet new military situations as they arise. This Government therefore proposes that the essential military requirements of the U.S.S.R. be met in this manner without the conclusion of a Fifth Protocol.

On January 5, 1945, your Embassy was requested to furnish the United States Government as soon as possible with a statement of the military requirements of the Union of Soviet Socialist Republics for supplies after July 1, 1945. It is urgent that you furnish this Government, with a minimum of delay, a statement of the military requirements of the Union of Soviet Socialist Republics for all categories of lend-lease supplies for the remainder of the calendar year 1945 and adequate information

-3-

information regarding the essentiality of these requirements in the light of the new military situation.

Accept, Sir, the renewed assurances of my high consideration.

/s/ Joseph C. Drew

Major, Secretary of Defense

A true copy of the
signed original.

STANDARD FORM NO. 64

CONFIDENTIAL
Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. Frank Eos, Treasurer
FROM : Mr. Clifton C. Mack, Procurement *cc-1*
SUBJECT:

DATE: May 12, 1945

THE FOLLOWING IS VERY CONFIDENTIAL AND SHOULD BE HANDLED ACCORDINGLY.

According to General Smith of LHM, the President has issued a confidential directive to LHM, Navy, and War, stating in general that due to changing conditions in Europe the nature of Lend Lease requirements for the USSR be reviewed.

LHM has requested that Lend Lease purchases for the USSR be withheld pending determination of method of screening.

CONFIDENTIAL

THE WHITE HOUSE

May 11, 1945

MEMORANDUM FOR THE ACTING SECRETARY OF STATE
AND THE FOREIGN ECONOMIC ADMINISTRATION

I approve the policy of lend-lease supplies to the U.S.S.R. recommended in your memorandum of May 11, 1945. In carrying out the policy, you should, until further notice, proceed on the assumption that the U.S.S.R. will enter into the war against Japan.

*H. W. Jackson**For Dist*

MAY 12 1945

To: Mr. Collado
From: Mr. Cox

Would you please transmit the following cable
to the American Embassy, Chungking, China:

URGENT

1. Treasury would appreciate, as soon as possible, digest of any newspaper information or comment on gold scandal in addition to articles in Hsin Min Wan Pao, April 6; Hsin Hua Jih Pao, April 10 and April 17; Shang Wa Jih Pao, April 10 and April 17; Ta Kung Pao, April 14 and April 15.
2. It is also suggested that the Embassy should make discreet inquiries as to the present status of official investigations of the scandal.

Charge Appropriation: TA 387

SA/107/afe 5/11/45

DEPARTMENT
OF
STATE

OUTGOING
TELEGRAM

DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

RECEIVED
DIVISION OF
CENTRAL SERVICES

May 12, 1945

7 p.m.

GEN
This telegram must be
transmitted by the
communication to anyone
other than a Governmental
agency. (SECRET/6)

URGENT

EMBASSY

CHUNGKING
715

1. Treasury would appreciate, as soon as possible, digest of any newspaper information or comment on gold scandal in addition to articles in Hsin Min Wan Pao, April 6; Hsin Hua Jih Pao, April 10 and April 17; Shang Wa Jih Pao, April 10 and April 17; Ta Kung Pao, April 14 and April 15.

2. It is also suggested that the Embassy should make discreet inquiries as to the present status of official investigations of the scandal.

WARNING

For security reasons the
text of this message must
be closely guarded.

GEN
(ACTING)
(GL)

FM:G/Lathring:ST

5/12/45

WAR DEPARTMENT
THE CHIEF OF STAFF
WASHINGTON

12 May 1945

Dear Mr. Secretary:

This note carries my appreciation for your gracious letter of May 8th at the termination of hostilities in Europe. Your kind personal remarks are very reassuring to me and I join you in hoping for the early achievement of a more peaceful world.

Thank you for your thoughtfulness in writing as you did.

Faithfully yours,



The Honorable

The Secretary of the Treasury



COMINCH FILE

UNITED STATES FLEET
HEADQUARTERS OF THE COMMANDER IN CHIEF
NAVY DEPARTMENT
WASHINGTON 25, D. C.



12 May 1945

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

My dear Mr. Secretary:

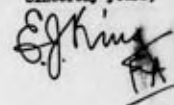
I have your letter of May 8th, and appreciate very much your congratulations and the sentiments contained therein.

It was thoughtful of you to remember the Navy's part in the victory achieved in Europe. We, also, are proud of those officers and men who took part in the Battle of the Atlantic against the U-boats, and the many other operations which helped clear the way for the entry of the armies into Germany.

I am sure that we shall continue to have your support in the war against Japan.

With kind regards, I remain

Sincerely yours,



157

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

May 12, 1945

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended May 2, 1945, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

141

158

COPY

FEDERAL RESERVE BANK
of New York

May 11, 1945.

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended May 2, 1945, analyzing dollar payments and receipts in official British, French, Canadian, and Australian accounts at the Federal Reserve Bank of New York.

Very truly yours,

/s/ H. L. Sanford,

H. L. Sanford,
Assistant Vice President.

The Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington 25, D.C.

Enclosures 2

Accounts and Analysis Division

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS
(In Millions of Dollars)

Week Ended May 2, 1945

Strictly
Confidential

PERIOD	BANK OF CANADA (and Canadian Government)										COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)									
	DEBITS					CREDITS					DEBITS					CREDITS				
	Transfers to Official					Transfers from Official					Transfers to Official					Transfers from Official				
	Total	British	Others	Total	Proceeds of Gold Sales	For Own A/C	For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in Funds	Total	British	Others	Total	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in Funds	Total	British	Others	Total
War Years (a)	Debits	A/C	Debits	Credits	Sales	A/C	A/C	Credits		Debits	A/C	Debits	Credits	Sales	Credits		Debits	A/C	Debits	Credits
First	323.0	16.6	306.4	204.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	35.1	20.0	6.1	+ 4.9				
Second	460.4	-	460.4	462.0	246.2	3.4	123.9	89.4	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 2.0				
Third	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	+ 5.0				
Fourth	729.6	-	729.6	958.8	47.1	170.4	-	741.3	+ 235.2	197.0	155.1	41.9	200.4	-	200.4	+ 3.4				
Fifth	849.2	1.0	848.3	958.5	38.1	61.4	-	899.0	+ 280.3	298.6	253.0	45.6	287.7	-	287.7	+ 10.9				
1944																				
September	76.5	0.1	76.4	91.8	-	20.4	-	51.4	+ 17.1	5.8	1.0	4.8	7.3	-	7.3	+ 1.6				
October	24.1	-	24.1	52.2	-	7.4	-	78.8	+ 60.1	20.3	1.0	19.3	21.0	-	21.0	+ 0.5				
November	36.8	-	36.8	53.7	-	2.9	-	50.8	+ 14.9	1.4	1.0	2.4	5.8	-	5.8	+ 2.4				
December	21.5	0.7	20.8	30.7	-	-	-	22.9	+ 8.8	1.4	-	1.4	19.6	-	19.6	+ 16.5				
1945																				
January	35.1	-	35.1	91.6	30.0	31.3	-	50.3	+ 56.5	27.4	-	27.4	5.6	-	5.6	+ 21.8				
February	21.8	-	21.8	103.0	-	6.0	-	59.0	+ 75.1	5.5	-	5.5	6.3	-	6.3	+ 3.0				
March	21.5	-	21.5	62.4	-	8.2	-	56.9	+ 38.2	5.0	-	5.0	2.3	-	2.3	+ 1.2				
April	38.4	0.5	37.9	70.8	-	11.1	-	59.1	+ 42.3	1.1	-	1.1	1.7	-	1.7	+ 0.6				
May																				
June																				
July																				
August																				
Week Ended																				
April 11, 1945	4.2	0.5	3.7	17.0	-	6.9	-	10.1	+ 12.8	-	-	-	0.2	-	0.2	+ 0.2				
April 18, 1945	9.0	-	9.0	18.0	-	-	-	18.0	+ 9.0	0.1	-	0.1	0.1	-	0.1	+ 0.1				
April 25, 1945	4.1	-	4.1	18.2	-	-	-	18.2	+ 16.1	0.1	-	0.1	0.2	-	0.2	+ 0.1				
May 2, 1945	9.7	-	9.7	12.1	-	-	-	12.1	+ 2.4	2.0	-	2.0	1.9	-	1.9	+ 0.1				

Average Weekly expenditures for

First year of war 6.2 million.
 Second year of war 8.9 million.
 Third year of war 10.1 million.
 Fourth year of war 13.9 million.
 Fifth year of war 16.1 million.
 Sixth year of war (through May 2, 1945) 7.9 million.

(a) For monthly breakdowns see tabulations prior to: April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.

(b) Reflects changes in all dollar holdings payable on demand or maturing in one year.

(c) Includes \$ 2.5 million deposited by War Supplies, Ltd.

(d) Includes \$ 3.5 million received from New York accounts of Canadian chartered banks.

(e) Reflects net change on all dollar holdings payable on demand or maturing in one year.

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS (In Millions of Dollars)

Week Ended **May 2, 1945**

Strictly
Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)					BANK OF FRANCE (CASSIE CENTRAL) (h)				
	DEBITS		CREDITS			DEBITS		CREDITS		
	Total Debits (a)	Gov't Expenditures (b)	Transfers to Official Canadian Account (c)	Other Debits (d)	Total Credits (e)	Total Debits (a)	Gov't Expenditures (b)	Transfers to Official Canadian Account (c)	Other Debits (d)	Total Credits (e)
War Years (a)	1,293.2	605.6	20.9	1,166.7	1,828.2	1,293.2	605.6	20.9	1,166.7	1,828.2
First	1,293.2	605.6	20.9	1,166.7	1,828.2	1,293.2	605.6	20.9	1,166.7	1,828.2
Second	2,203.0	1,792.2	3.4	407.4	2,189.8	2,203.0	1,792.2	3.4	407.4	2,189.8
Third	1,235.6	904.8	7.7	223.1	1,261.5	1,235.6	904.8	7.7	223.1	1,261.5
Fourth	764.0	312.7	170.4	280.9	1,072.3	764.0	312.7	170.4	280.9	1,072.3
Fifth	1,197.7	300.4	61.4	835.9	1,292.6	1,197.7	300.4	61.4	835.9	1,292.6
1944										
September	151.0	19.9	40.4	80.7	56.5	151.0	19.9	40.4	80.7	56.5
October	127.9	21.0	7.4	99.5	54.7	127.9	21.0	7.4	99.5	54.7
November	74.2	45.4	2.9	25.9	95.3	74.2	45.4	2.9	25.9	95.3
December	80.4	21.9	-	58.5	91.6	80.4	21.9	-	58.5	91.6
1945										
January	148.9	98.7	31.3	18.9	54.2	148.9	98.7	31.3	18.9	54.2
February	41.4	22.1	2.1	17.2	80.5	41.4	22.1	2.1	17.2	80.5
March	72.2	40.8	5.5	25.9	70.0	72.2	40.8	5.5	25.9	70.0
April	66.8	22.2	11.3	33.3	62.6	66.8	22.2	11.3	33.3	62.6
May										
June										
July										
August										
Week Ended										
April 11, 1945	21.3	8.8	6.9	5.6	24.9	21.3	8.8	6.9	5.6	24.9
April 18, 1945	15.8	6.2	-	9.6	8.0	15.8	6.2	-	9.6	8.0
April 25, 1945	9.0	1.2	-	7.8	6.3	9.0	1.2	-	7.8	6.3
May 2, 1945	16.9	8.7(1)	-	8.2	16.2	16.9	8.7(1)	-	8.2	16.2

Average Weekly Expenditures Since Outbreak of War

France (through June 19, 1940)	\$19.6 million
England (through June 19, 1940)	\$27.6 million
England (through June 20, 1940 to March 12, 1941)	\$54.9 million
England (since March 12, 1941)	21.6 million

See attached sheet for footnotes.

Reports and Analysis Division

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.
- (h) Transactions for account of Caisse Central de La France d'Outre-mer included for first time in week ended December 6, 1944.
- (i) Includes \$ 13.1 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, and \$0.5 million in connection with the expenses of our armed services abroad.
- (j) Includes payment of \$4.8 million to the Treasurer of the United States by the British Purchasing Commission.

Payroll Quotas for Seventh War Loan
(Dollars are millions)

	Quotas accepted				Our	
	Plants	Rail-roads	Federal employees	Total	7th Loan payroll	Percent accepted
Alabama.....	4	1	4	9	15	60.0
Arizona.....	3	2	2	7	5	140.0
Arkansas.....	1	1	2	4	10	40.0
California-Northern..	36	5	18	59	117	50.4
California-Southern..	43	5	18	66	132	50.0
Colorado.....	9	2	3	14	8	175.0
Connecticut.....	59	2	1	62	61	101.6
Delaware.....	4	1	*	5	7	71.4
District of Columbia.	5	*	29	34	36	94.4
Florida.....	5	1	8	14	21	66.7
Georgia.....	10	*	6	16	25	64.0
Idaho.....	1	*	*	2	2	100.0
Illinois.....	157	8	14	179	200	89.5
Indiana.....	50	6	4	60	79	75.9
Iowa.....	9	1	2	12	30	40.0
Kansas.....	16	3	3	22	25	88.0
Kentucky.....	3	2	3	8	17	47.1
Louisiana.....	8	2	4	14	19	73.7
Maine.....	5	*	3	8	8	100.0
Maryland.....	19	4	4	27	35	77.1
Massachusetts.....	60	3	15	78	98	79.6
Michigan.....	5	5	6	16	180	
Minnesota.....	28	3	2	33	33	100.0
Mississippi.....	2	*	1	3	4	75.0
Missouri.....		3	4		54	
Montana.....		2	*		8	
Nebraska.....	6	1	3	10	16	62.5
Nevada.....	1	*	*	1	1	100.0
New Hampshire.....	5	*	1	6	7	85.7
New Jersey.....	53	5	9	67	115	58.3
New Mexico.....	-	2	1	3	3	100.0
New York.....	219	13	30	262	344	76.2
North Carolina.....	4	1	*	9	18	50.0
North Dakota.....	-	1	*	1	1	100.0
Ohio.....	55	6	12	73	189	38.6

(Continued)

5/13/45 To be sent to Mrs. M. H. Hughes 162

Payroll Quotas for Seventh War Loan
(Dollars are millions)

	Quotas accepted				Our	
	Plants	Rail-roads	Federal employees	Total	7th Loan payroll	Percent accepted
Oklahoma.....	15	1	1	17	13	130.8
Oregon.....		2	2		36	
Pennsylvania.....	81	12	30	123	202	60.9
Rhode Island.....	10	*	3	13	15	86.7
South Carolina.....		*	4		14	
South Dakota.....	2	1	0	3	4	75.0
Tennessee.....	15	1	3	19	15	126.7
Texas.....	100	5	15	120	92	130.4
Utah.....	7	1	2	10	9	111.1
Vermont.....		*	0		3	
Virginia.....		2	15		32	
Washington.....	45	2	10	57	55	103.6
West Virginia.....	13	1	1	15	24	62.5
Wisconsin.....	32	2	2	36	51	70.6
Wyoming.....	2	1	0	3	2	150.0
Territories and possessions.....			-		10	
Hawaii.....	4	-	1	5	5	100.0

TOTAL..... 1206 122 305 1529 2505 63.4

Treasury Department.

May 5, 1945

* Less than \$1,000,000.

to be sent May 14 with 1 Billion "C"

May 15 1080 June 15 2835
June 1 2055 June 30 3530 July 7 4000

5/13/45 To be returned to
Miss Mather for
filing ✓

MEMORANDUM

RAILROAD WAR BOND QUOTAS

The attached list of railroad War Bond quotas includes all but four of the interstate War Bond Committees operating under the supervision of the Railroad Unit, War Finance Division. The railroads listed hereunder employ 1,229,183 persons, as of their last Payroll Savings report to the Treasury Department. They have adopted quotas aggregating \$126,904,671 or an average of \$103.24. per capita.

James L. Hagerty

NORTHEASTERN RAILROADS
(Walter H.S. O'Brien)

	\$	QUOTA 7th WAR LOAN	PER CAPITA
Mr. John B. Sawyer Chairman, War Bond Committee The Boston & Maine Railroad 150 Causeway Street Boston, Mass.	1.0	\$ 1,000,408.	\$ 65.75
Mr. F. L. Hendon Chairman, War Bond Committee Delaware & Hudson System Albany, New York	.5	705,000.	74.30
Mr. J. Hampton Baumgartner Chairman, War Bond Committee Delaware, Lackawanna & Western Railroad Company 140 Cedar Street New York, New York	1.0	1,100,000.	77.67
Mr. F. W. Roesser Chairman, War Bond Committee Trie Railroad Company Midland Building Cleveland, Ohio	2.5	1,375,000.	58.00
Mr. C. A. Andrews Chairman, War Bond Committee Lehigh & New England R. R. Co. Bethlehem, Pennsylvania	.1	75,000.	88.65
Mr. J. N. Hoines Chairman, War Bond Committee Lehigh Valley Railroad Company Bethlehem, Pennsylvania	.9	846,512.	60.00
Mr. C. E. Deane Chairman, War Bond Committee New York Central System 466 Lexington Avenue New York, New York	9.0	7,694,400.	60.00
Mr. H. H. Hampton Chairman, War Bond Committee New York, Chicago & St. Louis R.R. Terminal Tower Cleveland, Ohio	.8	468,750.	35.00
Mr. F. E. Norton Chairman, War Bond Committee New York, New Haven & Hartford R.R. Co. New Haven, Connecticut	2.0	4,139,700.	150.00
Mr. C. F. Musser Chairman, War Bond Committee Pennsylvania Railroad Company Broad Street Station Building Philadelphia, Pennsylvania	10.0	25,675,950.	150.00
Mr. A. C. Tsch Chairman, War Bond Committee Piedmont Company Piedmont, Pennsylvania	1.5	1,800,000.	93.60
Mr. F. L. McIlhenny Chairman, War Bond Committee Central Railroad of New Jersey 143 Liberty Street New York, New York	.7	664,500.	60.60
Mr. A. H. Hartung Chairman, War Bond Committee Railway Express Agency, Inc. 230 Park Avenue New York, New York	4.0	1,950,500.	43.30

MOET

NORTHWESTERN RAILROADS
(Michael H. Hall)

	\$	QUOTA 7th WAR LOAN	PER CAPITA
Mr. Charles DiMarco Chairman, War Bond Committee Duluth, Winnipeg & Pacific R.R. Duluth, Minnesota	.1	\$ 55,025	\$ 94.00
Mr. C. A. Skog Co-Chairman, War Bond Committee Grand Trunk System 441 East Jefferson Street Detroit, Michigan	.3	951,325	131.25
Mr. F. G. Nicholson Chairman, War Bond Committee Chicago & Eastern Illinois Railroad 332 South Michigan Avenue Chicago, Illinois	.2	555,000.	100.00
Mr. George V. Hand Chairman, War Bond Committee Chicago & North Western P. R. Co. 400 West Madison Street Chicago, Illinois	2.0	2,960,000.	111.30
Mr. J. T. Williamson Chairman, War Bond Committee Chicago, Burlington & Quincy R.R. Co. 547 West Jackson Boulevard Chicago, Illinois	2.5	3,375,000.	103.00
Mr. G. T. Scott Co-Chairman, War Bond Committee Chicago & Great Western Railway Company 209 West Jackson Boulevard Chicago, Illinois	.2	538,000.	118.75
Mr. F. F. Johnson Chairman, War Bond Committee Chicago, Milwaukee, St. Paul & Pacific Railroad Company 840 Union Station Chicago, Illinois	2.5	4,700,000.	149.00
Mr. H. F. Iggle Chairman, War Bond Committee Chicago, North Shore & Milwaukee R.R. 79 West Monroe Street Chicago, Illinois	.1		
Mr. Ernst Melander Chairman, War Bond Committee Chicago, St. Paul, Minneapolis & Omaha Railway Company St. Paul, Minnesota	.3	375,000.	76.50
Mr. T. H. Utley Chairman, War Bond Committee Chicago, So. Shore & South Bend P.R. Michigan City, Indiana	.1	70,000.	107.50
Mr. T. J. Bond Chairman, War Bond Committee Elgin, Joliet & Eastern P. R. Co. 200 South L.S. 11th Street Chicago, Illinois	.2	360,200.	63.25
Mr. Charles W. Moore Chairman, War Bond Committee Great Northern Railway Company St. Paul, Minnesota	2.0	3,286,840.	113.80
Mr. Thomas Fison Chairman, War Bond Committee Seaside, Portland & Seattle Ry. Co. 1113 & 11th Bldg Building Portland, Oregon	.1	204,000.	68.20

MOET

Regraded Unclassified

NORTHWESTERN RAILROADS (Cont'd) (Michael F. Hall)

	%	QUOTA 7th WAR LOAN	PER CAPITA
Mr. G. B. Young Co-Chairman, War Bond Committee Illinois Central Railroad Co. 135 East 11th Place Chicago, Illinois	3.0	\$ 2,500,000.	\$ 93.75
Mr. F. C. Knoble Chairman, War Bond Committee Minneapolis & St. Louis Railway Co. Minneapolis, Minn.	.1	304,391.	111.10
Mr. A. E. Arneson Chairman, War Bond Committee Duluth, Missabe & Iron Ridge Ry. Co. Duluth, Minnesota	.2	225,000.	50.00
Mr. Fred Hallen Chairman, War Bond Committee Minneapolis, St. Paul & S.S. Marie P.R. Co. Minneapolis, Minn.	.5	804,000.	93.75
DULUTH, SOUTH SHORE & ATLANTIC Chairman, War Bond Committee Northern Pacific Railroad Company St. Paul, Minn.	2.0	3,416,250.	150.00
Mr. J. F. Khanger Chairman, War Bond Committee Pere Marquette Railway Company 6-144 General Motors Building Detroit 2, Michigan	.3	680,000.	100.00
Mr. R. J. Lascelles Chairman, War Bond Committee The Pullman Company 79 East Adams Street Chicago, Illinois	2.3	3,400,000.	91.12
SOUTHEASTERN RAILROADS (Harold L. Walker)			
Mr. L. L. Wooten Chairman, War Bond Committee Atlantic Coast Line P. R. Co. P. O. Box 33 Wilmington, North Carolina	1.5	1,400,000.	64.35
Mr. Robert M. Van Sant Chairman, War Bond Committee Baltimore & Ohio Railroad Co. Baltimore 1, Maryland	5.0	4,522,687.	65.30
Mr. J. B. Parrish Chairman, War Bond Committee Chesapeake & Ohio Railway Richmond, Virginia	3.0	2,100,000.	75.50
Mr. G. P. Brock Chairman, War Bond Committee Gulf, Mobile & Ohio P. R. Co. Mobile, Alabama	.1	189,664.	30.00
Mr. J. J. Ponobue Chairman, War Bond Committee Louisville & Nashville P. R. Co. Louisville, Kentucky	3.0	3,000,000.	88.00
Mr. F. G. McGee Chairman, War Bond Committee Norfolk & Western Railway Company Roanoke, Virginia	2.0	2,100,000.	98.00
Mr. L. P. Kennedy Chairman, War Bond Committee Norfolk Southern Railway Co. Raleigh, North Carolina	.1	129,040.	80.00

NOTE

SOUTHEASTERN RAILROADS (Cont'd) (Harold L. Walker)

	%	QUOTA 7th WAR LOAN	PER CAPITA
Mr. H. S. Wood Chairman, War Bond Committee Richmond, Fredericksburg & Potomac Railroad Richmond, Virginia	.2	\$ 106,500	\$ 24.34
Mr. R. F. Rogers Chairman, War Bond Committee Seaboard Air Line Railway Norfolk, Virginia	1.5		
Mr. Richard F. Firt Chairman, War Bond Committee Southern Railway System 15th and K Streets, N.W. Washington, D. C.	3.5	2,512,000.	50.25
Mr. F. C. Mitchell Chairman, War Bond Committee The Virginian Railway Norfolk 10, Virginia	.1	90,000.	26.00
SOUTHWESTERN RAILROADS (Frank M. Switzer)			
Mr. C. M. House Chairman, War Bond Committee The Alton Railroad Company 340 West Harrison Street Chicago, Illinois	.5	300,000.	47.75
Mr. F. S. Marsh Chairman, War Bond Committee Atchison, Topeka & Santa Fe Ry. 80 East Jackson Boulevard Chicago, Illinois	5.0	7,500,000.	125.00
Mr. T. J. O'Shaughnessy Chairman, War Bond Committee Chicago, Rock Island & Pacific Railroad Company LaSalle Street Station Chicago, Illinois	2.0	(Meeting to set quota scheduled for May 11)	
Mr. George F. Dodge Chairman, War Bond Committee Denver & Rio Grande Western P.R. Co. 330 Equitable Building Denver, Colorado	.4	2,000,000.	224.00*See note
Mr. J. M. Salter Chairman, War Bond Committee Kansas City Southern Railway Kansas City, Missouri	.5	500,000.	65.10
Mr. F. D. Vinlow Acting Chairman, War Bond Committee Missouri-Kansas-Texas P. R. Co. Dallas, Texas	.1	900,000.	62.60
Mr. R. J. Maxwell Chairman, War Bond Committee Missouri Pacific Railroad Co. Missouri Pacific Building St. Louis, Missouri	4.0	3,177,985.	79.40
Mr. H. L. Norman Chairman, War Bond Committee St. Louis-San Francisco Railway Frisco Building St. Louis, Missouri	1.0	1,925,000.	104.00
Mr. K. F. Post Chairman, War Bond Committee St. Louis-Southwestern Ry. Co. Tyler, Texas	.3	350,000.	37.74

NOTE

Regraded Unclassified

SOUTHERN RAILROADS (Cont'd)
(Frank N. Switzer)

	%	QUOTA 7th WAR LOAN	PER CAPITA
Mr. K. C. Ingram Chairman, War Bond Committee Southern Pacific Company 65 Market Street San Francisco, Calif.	5.2	\$ 11,512,500.	\$ 146.80
Mr. C. D. Johnson Chairman, War Bond Committee Texas & Pacific Railway Co. 1008 Whitney Bank Building New Orleans, Louisiana	.5		
Mr. Walter Wilson Chairman, War Bond Committee Union Pacific Railroad Co. 1416 Dodge Street Omaha, Nebraska	5.0	4,250,000.	72.73
Mr. W. C. Mittelberg Chairman, War Bond Committee Western Pacific Railroad Co. 536 Mission Street San Francisco, Calif.	.5	834,637.	113.80
Mr. J. G. Carter Chairman, War Bond Committee Texas & New Orleans Railroad Co. Southern Pacific Building Houston, Texas	1.0	(See Southern Pacific)	
Mr. G. H. Sido Chairman, War Bond Committee Wabash Railway Company Railway Exchange Bldg. St. Louis, Missouri	.7	1,000,000.	82.16
Mr. Robert Rice (Chm. WBC) Colorado & Southern R.R. Denver, Colorado	.3	171,937.	93.75

Total quota to date \$126,904,671.00

**Approximate number of employees 1,229,183.

Average per capita \$103.24

*Denver & Rio Grande Western quota figure is being revised. \$2,000,000 figure was arbitrarily set by the War Finance Committee of Colorado and protested by D & RW R.R. We have authorized them to compute their quota according to the national formula.

7th War Loan Opening
Secretary Morgenthau

Draft - Buffalo - 5/12/45 - 170
May 12, 1945

We have had our period of exultation over the great victory in Europe. Now it is time for us to get back to serious business -- to the business of taming and civilizing the Japanese in the East and to the business of helping to rebuild civilization in the West.

No one understands better than General Stillwell the magnitude of the job ahead of us in subduing Japan. We face, as we did in Europe, a tough, fanatical, resourceful enemy, entrenched in his homeland. His military and naval power, like Germany's, must be utterly destroyed so that it can never threaten the security of the world again.

The job will be done. It will be done, with the aid of our Allies, by the men in ships and planes who have already driven the Japanese Navy to cover in its home waters. It will be done by the men who returned, as General MacArthur promised they would, to the Philippines, by the men who are now crouched in foxholes on Okinawa. It will be done by the men who are already beginning to move from their victory in Europe to a new victory on the other side of the globe.

We at home have an essential part in this. Our job is to give these men such superiority over the enemy in equipment that they can do their fighting with the lowest possible cost in casualties. That is the policy we have followed from the beginning of the war and shall follow to the end. Our aim always is to exchange equipment for casualties -- that is, money for lives. The money must come from us, without slackening or stinting. We need have no doubt at all that the men on the firing lines will use it well. We need have no fear that they will fail us. And they must have no fear that we will fail them.

-2-

171

If our victory in Europe is to breed security and order and peace, some portion of the things we produce in the United States must be shared with the people we have liberated. Millions of them today ~~are~~ are without adequate clothing or shelter and face terrible hunger in the months that lie ahead. Stable governments and peaceful, democratic societies cannot be created out of such conditions. Self-interest as well as humanity compels us to relieve their desperate need. We can have no hope of enduring prosperity in the United States unless we help these people to help themselves -- help them to restore their industry and agriculture and achieve again a reasonable ^{play} a prosperous world standard of living so that they can ~~share~~ their part in ~~the~~ economy. ~~share~~

The bulk of our productive resources, in other words, must continue to be devoted to war and to binding up the wounds of war. Peacetime goods -- the luxuries and pleasures we would like to enjoy -- will be in extremely short supply for a long while to come. The fruits of peace, as I said last night, are not yet ripe for us to pluck.

Victory in Europe is all too likely to bring with it a temptation to start spending money freely. That temptation must be sternly resisted if we are to avert inflation. The danger is now greater than it has ever been before. It can be overcome only if all us practice self-restraint -- only if all us resolve to get along for the present without unnecessary enjoyments and satisfactions. Before you ^{spend money for} ~~buy~~ anything, ask yourself if you really need it. And if you find that you can get along without it, take the money you would have spent and invest it in war bonds for the future. You will serve yourself and your fellow-Americans when you do this.

We who stayed at home in this war have been in the position of trustees. We must turn over to the men who ~~came back~~ ^{came back} from the fight for freedom a healthy economy in which they can find homes and jobs and a fair chance to prosper. We must keep America sound, as they have kept it safe. Let us make the 7th War Loan drive which begins today a fresh demonstration to them of our unity and our unwavering support.

101

Miss Klotz

172

The Secretary wanted
it are this.

WJ
5/14/45

MR. LOXFORD

The New York Times.

MAY 12 1945

TAX PLANS

Secretary Morgenthau has announced his opposition to reductions in tax rates prior to the complete defeat of Japan. Judge Vinson, in his report on "The War—Phase Two," states that "it has been recommended that no general reduction in taxes be made until after Japan is defeated." On the other hand, Senator George, chairman of the Senate Finance Committee, believes that "tax reductions, both as to business and individuals, particularly individuals, must be effective on 1945 incomes, regardless of the status of the war with Japan. . . . Some reductions should be on 1945 incomes."

The desire for lower taxes is easy to understand in light of the heavy wartime burdens. But an analysis of the available data shows clearly that a reduction at this time would be ill-advised. During the current fiscal year the total deficit is estimated at about \$54,000,000,000. While exact estimates of the rate of Government spending during the next fiscal year are impossible, they probably will be well over \$5,000,000,000 a month for the duration. For the next few months the total will be closer to the present spending, which is above \$7,000,000,000. This rate of spending will mean a deficit at the annual rate of more than \$20,000,000,000. Important reductions in tax rates, while the deficit is of this magnitude, are out of the question. The pressure will continue to be toward higher prices. Economic stabilization will continue to be important. A continuation of wartime taxes will be indispensable to the maintenance of stabilization.

Although over-all reductions in tax rates cannot be made, some adjustments in taxes may be possible. Secretary Morgenthau, Senator George and Chairman Doughton of the House Ways and Means Committee have agreed upon several such adjustments. These included an increase in the "excess profits" tax exemption to aid small business, acceleration of the amortization of war plants for which contracts have been canceled, and permission to use the 10 per cent excess profits tax credit to offset current tax liabilities. Such measures deserve immediate and careful consideration by the Congress. They will not impair the total collection of taxes, and in some cases may be used to afford relief where that is required to help finance reconversion.

In addition, Congress should start immediately to frame a tax program to become effective in the post-war period. Past experience has indicated that the careful framing of a tax program takes many months. The preparation of a post-war program now would save valuable time later. It would also aid reconversion planning by showing the business community what to anticipate.

173/
House

Final Draft - 5/10/45 - 174
Brilliant ✓
We have had our period of exultation over the great victory in Europe. Now it is time for us to get back to serious business -- to the business of taming and civilizing the Japanese in the East and to the business of helping to rebuild civilization in the West.

No one understands better than General Stillwell the magnitude of the job ahead of us in subduing Japan. We face, as we did in Europe, a tough, fanatical, resourceful enemy, entrenched in his homeland. His military and naval power, like Germany's, must be utterly destroyed so that it can never threaten the security of the world again.

The job will be done. It will be done, with the aid of our Allies, by the men in ships and planes who have already driven the Japanese Navy to cover in its home waters. It will be done by the men who returned, as General MacArthur promised they would, to the Philippines, by the men who are now crouched in foxholes on Okinawa. It will be done by the men who are already beginning to move from their victory in Europe to a new victory on the other side of the globe.

- 2 -

175
We at home have an essential part in this. Our job is to give these men such superiority over the enemy in equipment that they can do their fighting with the lowest possible cost in casualties. That is the policy we have followed from the beginning of the war and shall follow to the end. Our aim always is to exchange equipment for casualties -- that is, money for lives. The money must come from us, ~~without slackening or stinting~~. We need have no doubt at all that the men on the firing lines will use it well. We need have no fear that they will fail us. And they must have no fear that we will fail them.

If our victory in Europe is to breed security and order and peace, some portion of the things we produce in the United States must be shared with the people we have liberated. Millions of them today are without adequate clothing or shelter and face terrible hunger in the months that lie ahead. Stable governments and peaceful, democratic societies cannot be created out of such conditions. Self-interest as well as humanity compels us to relieve their desperate need. We can have no hope of enduring prosperity in the United States unless we help these people to help themselves -- help them to restore their industry

- 3 -

176

and agriculture and achieve again a reasonable standard of living so that they can play their part in a prosperous world economy.

The bulk of our productive resources, in other words, must continue to be devoted to war and to binding up the wounds of war. Peacetime goods -- the luxuries and pleasures we would like to enjoy -- will be in extremely short supply for a long while to come. The fruits of peace, as I said last night, are not yet ripe for us to pluck.

Victory in Europe is all too likely to bring with it a temptation to start spending money freely. That temptation must be sternly resisted if we are to avert inflation. The danger is now greater than it has ever been before. It can be overcome only if all of us practice self-restraint -- only if all of us resolve to get along for the present without unnecessary enjoyments and satisfactions. Before you spend money for anything, ask yourself if you really need it. And if you find that you can get along without it, take the money you would have spent and invest it in war bonds for the future. You will serve yourself and your fellow-Americans when you do this.

- 4 -

177

We who stayed at home in this war have been in the position of trustees. We must turn over to the men who come back from the fight for freedom a healthy economy in which they can find homes and jobs and a fair chance to prosper. We must keep America sound, as they have kept it safe. Let us make the Seventh War Loan drive which begins today a fresh demonstration to them of our unity and our unwavering support.

57178
12/45

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.

- 2 -

179

What is demanded of us in 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.

This could come out

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 -

180

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.

373 words ¹⁸¹

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.

- 2 -

182

We cannot shirk it without endangering all that we have already won in combat. We cannot fail and we cannot falter.

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.

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.

- 3 -

183

They look to all of 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.

KD-678

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

Chungking via Navy
Dated May 12, 1945
Rec'd 11:43 a.m.

184

Secretary of State,
Washington.

762, May 12, 8 a.m.

TO CROWLEY FOR VILLAUER AND A'HEARN, FEA FROM STANTON.

As matter of interest in connection both with anti-inflation textile
program and FEA China Mission high rate of expenses there follow Haskai
index figures at Chungking of wholesale commodities based on July 1935/
June 1937 equals one:

1944 March 337
1945 January 763
February 963
March 1275

Last week April/May 600. Furthermore prices in Kunning and elsewhere
considerably higher than Chungking.

Open market rates for United States currency compare with above based
on number of CN dollars per United States dollar as follows:

197 say three
1944 March 300
1945 January/March 500.
1945 April 700

HURLAY

ES:MPL

af:copy
5-15-45

LCP-7182

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

London

Dated May 12, 1945

Rec'd 4 p.m.

Secretary of State

Washington

4756, May 12, 6 p.m.

FOR MOSES LEAVITT AMERICAN JOINT DISTRIBUTION COMMITTEE NEW YORK FROM JOSEPH SCHWARTZ

Conferred at length with Inter-Governmental Committee who advises that their budgetary recommendations for 1945 have now been approved by British and American Governments as follows: For work in France pounds (sterling) 350,000; For Belgium pounds (sterling) 69,000; For Iberian Peninsula pounds (sterling) 200,000. In addition the Committee has authorized to spend in 1945 unexpended balances from previous years amounting to approximately pounds (sterling) 600,000. It is not yet clear how much of this money for France and Belgium will be used to reimburse for expenditures incurred during first months 1945 or whether total amount will be applied for use for period beginning May 15 ending December 31 but likelihood is that bulk of funds will be used for latter purpose and only small amount if any for reimbursements. Beckelman will probably proceed soonest to Spain and Portugal to work out programme those areas and Billmann will probably proceed to France where he will discuss with us and other agencies programme there. Regarding Romania and Hungary Inter-Governmental committee has now recommended an allocation for second quarter on same basis as previously. No reply has yet been received. Will keep you advised on all developments.

WINANT

EH

185

186

PLAIN

London

Dated May 12, 1945

Rec'd 3:45 p.m.

Secretary of State,

Washington.

4754, Twelfth.

FOR MOSES LEAVITT AMERICAN JOINT DISTRIBUTION COMMITTEE NEW YORK FROM JOSEPH SCHWARTZ.

On our intervention with SEAF and OSR negotiations French authorities, the French Government has agreed to grant admission on a temporary basis to one thousand children from German concentration camps. It is expected that first group will be brought in next days to be followed by others as facilities are provided for them by the private agencies in cooperation with French authorities. Jewish Refugee Committee London has also made formal application to British authorities same conditions. View deplorable conditions in German camps we're urging desirability evacuating children earliest moment. It would help in our negotiations if some assurances could be given that at least portion of these children will be admitted United States. Suggest you contact United States committee for children and discuss necessary steps to be undertaken this connection. Please keep us fully advised.

WINANT

WTD

PLAIN

187

London

Dated May 12, 1945

Rec'd 4 p.m.

Secretary of State,

Washington.

4755, Twelfth.

FOR MOSES LEAVITT AMERICAN JOINT DISTRIBUTION COM.
MITTEE FROM JOSEPH SCHWARTZ

Reference May Budget.

Recommend following in thousands Portugal 31
Spain 75 Sweden 1 Turkey 10 Belgium 115 Holland 12
plus one time grant of 70 France 200 Greece 50 Italy 80
North Africa 10 Switzerland 800 Tehran package service
100. Agree making no provision Poland since balance
still available. Hopeful we shall be reimbursed by
Intergovernmental Committee for month of May and per-
haps also receive same reimbursement France Belgium
beginning May 15. Regarding further possible reductions
Switzerland will examine situation with Galy Mayer
next days upon my arrival there.

VINANT

WTD

PP. 188 - 190

These pages removed from here
+ put in Book 527 - Part 2 -

March 13, 1945, pp. 195 A-C.

They are dated March 13 not May 13.

READING COPY OF SECRETARY'S SPEECH
OPENING SEVENTH WAR LOAN DRIVE -

May 13, 1945

191

Good evening ladies and gentlemen.

192

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.

373
121
252

- 2 -

193

We cannot shirk it without endangering
all that we have already won in combat.
We cannot fail and we cannot falter.

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.

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.

152
136
176

- 3 -

194

They look to all of us at home for the
same unstinting support that helped
them to victory over Hitler's Germany.

Pause

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.

116
116

*Copies of Reading
Copy of Buffalo*

195

We have had our period of exultation

5/14/45

over the great victory in Europe. Now it is time for us to get back to serious business -- to the business of taming and civilizing the Japanese in the East and to the business of helping to rebuild civilization in the West.

No one understands better than General Stillwell the magnitude of the job ahead of us in subduing Japan. We face, as we did in Europe, a tough, fanatical, resourceful enemy, entrenched in his homeland. His military and naval power, like Germany's, must be utterly destroyed so that it can never threaten the security of the world again.

- 2 -

196

The job will be done. It will be done, with the aid of our Allies, by the men in ships and planes who have already driven the Japanese Navy to cover in its home waters. It will be done by the men who returned, as General MacArthur promised they would, to the Philippines, by the men who are now crouched in foxholes on Okinawa. It will be done by the men who are already beginning to move from their victory in Europe to a new victory on the other side of the globe.

We at home have an essential part in this. Our job is to give these men such superiority over the enemy in equipment that they can do their fighting with the lowest possible cost in casualties.

- 3 -

That is the policy we have followed from the beginning of the war and shall follow to the end. Our aim always is to exchange equipment for casualties -- that is, money for lives. The money must come from us. We need have no doubt at all that the men on the firing lines will use it well. We need have no fear that they will fail us. And they must have no fear that we will fail them.

If our victory in Europe is to breed security and order and peace, some portion of the things we produce in the United States must be shared with the people we have liberated.

197

- 4 -

Millions of them today are without adequate clothing or shelter and face terrible hunger in the months that lie ahead. Stable governments and peaceful, democratic societies cannot be created out of such conditions. Self-interest as well as humanity compels us to relieve their desperate need. We can have no hope of enduring prosperity in the United States unless we help these people to help themselves -- help them to restore their industry and agriculture and achieve again a reasonable standard of living so that they can play their part in a prosperous world economy.

198

- 5 -

199

The bulk of our productive resources, in other words, must continue to be devoted to war and to binding up the wounds of war. Peacetime goods -- the luxuries and pleasures we would like to enjoy -- will be in extremely short supply for a long while to come. The fruits of peace, as I said last night, are not yet ripe for us to pluck.

Victory in Europe is all too likely to bring with it a temptation to start spending money freely. That temptation must be sternly resisted if we are to avert inflation. The danger is now greater than it has ever been before.

- 6 -

200

It can be overcome only if all of us practice self-restraint -- only if all of us resolve to get along for the present without unnecessary enjoyments and satisfactions. Before you spend money for anything, ask yourself if you really need it. And if you find that you can get along without it, take the money you would have spent and invest it in war bonds for the future. You will serve yourself and your fellow-Americans when you do this.

We who stayed at home in this war have been in the position of trustees.

- 7 -

201

We must turn over to the men who come back from the fight for freedom a healthy economy in which they can find homes and jobs and a fair chance to prosper. We must keep America sound, as they have kept it safe. Let us make the Seventh War Loan drive which begins today a fresh demonstration to them of our unity and our unwavering support.

202

May 13, 1945

Ted Gamble

Secretary Morgenthau

I just want to let you know how delighted I am with the arrangements that were made by you for my broadcast tonight, and I wish you would please extend my thanks to your organization and to the individuals who made it possible.

If there are any particular people who you think should get a letter from me, I would appreciate it if you would prepare the letter, or have a letter prepared for my signature. *Done*

203
May 14, 1945
10:00 a.m.

GROUP

Present: Mr. D. W. Bell
Mr. White
Mr. DuBois
Mr. Coe
Mr. Fussell
Mr. Gamble
Mr. Bartelt
Mr. O'Connell
Mr. C. S. Bell
Mr. Haas
Mr. Blough
Mr. Gaston

MR. O'CONNELL: Luxford and E. M. have gone to the Hill on Bretton Woods and I wondered if I could be excused to go up, too.

H.M.JR: Sure.

MR. O'CONNELL: Either now or later.

H.M.JR: I just want to take one split second if I may, and you can go. There is one thing in this weekly report that I want to particularly--I have written to come back to you on this thing of holding a Grand Jury investigation of the meat industry.

(Mr. White and Mr. Coe enter the conference.)

H.M.JR: ...in New York or some place. It sounds awfully good to me.

MR. O'CONNELL: We have been looking into that. We got some recent information from Pittsburgh, and we might be able to move forward more rapidly there.

H.M.JR: Yes, and I saw the thing in the paper about OPA.

- 2 -

(Mr. DuBois enters the conference.)

MR. O'CONNELL: They have been doing that right along. I don't know who is responsible for the front-page story in the Post this morning which included that OPA story.

MR. GASTON: I think Public Relations was responsible.

MR. FUSSELL: Yes, we had a talk with them.

MR. O'CONNELL: Incidentally, the Department of Justice says at least as far as Jim McGranery and Sam Clark are concerned, that we ought not to push the publicity on this subject too much farther, that we will end up by being, in addition to crying wolf wolf, without having many prosecutions to show for it. I think Public Relations was responsible, because we haven't sent many cases to them and probably won't send many for weeks or months. I only mention that.

MR. GASTON: They think one, we get the publicity instead of them, and two, that we will build a fire under them. That would be too bad.

H.M.JR: No, I won't let up to what we are doing.

MR. O'CONNELL: I just wanted to report that McGranery indicated that to me.

H.M.JR: But I am reading those weekly reports very carefully.

MR. O'CONNELL: I think they are pretty good. All in all we have one hundred men working on it now. Yesterday you made a reference to taking up with Eccles this matter of the big bill problem. I don't know whether you--

H.M.JR: I have written a note to both of you.

MR. O'CONNELL: Dan has now a copy of an order to the banks through the Federal Reserve Banks reminding them to report on the big bills.

- 3 -

205

MR. D. W. BELL: I raise the question as to whether we should talk to some of the bankers before we put it out. I talked to Allan Sproul and he thought that we would get some criticism of it but he thought in overall that it would be a great advantage to us and we should go ahead and do it. He only raised one question which Joe has overcome to some extent. He thought we had worn the trading with the enemy Act a little thin, and if we could get some other authority and get away from trading with the enemy Act we would get less criticism.

MR. O'CONNELL: We used the same authority but didn't call it trading with the enemy Act.

H.M.JR: I'll talk with you fellows when I get back, but I think it's outrageous that these banks won't cooperate with us, and I don't see why we should--the only place they cooperate, that report shows, is St. Louis.

MR. O'CONNELL: And New York. New York has really been better.

MR. D. W. BELL: Three big banks in New York cooperated with us. Let's order--give them something to hang their hats on. They have been afraid of it from customer relationship point of view. That's the excuse chiefly given now.

H.M.JR: I wrote you a note.

MR. GAMBLE: I received it already.

H.M.JR: It went off very well last night. I didn't know you were in town.

MR. GAMBLE: Yes, I left a message for you at your home.

H.M.JR: I didn't get it until this morning, but the thing went off extremely well.

MR. GAMBLE: Did you see the papers this morning?

206

- 4 -

H.M.JR: I saw the New York Times.

MR. GAMBLE: The Times Herald carried a front page story and all of them carried editorials. I don't know whether you got the editorial pages or not.

H.M.JR: No.

MR. GAMBLE: Every ad in the New York Times yesterday was on war bonds.

H.M.JR: I wasn't conscious of it.

MR. GAMBLE: There wasn't an ad in the New York Times that was not on the Seventh War Loan. I think we have got the best opening we have ever had.

H.M.JR: It looks good to me.

MR. GAMBLE: The Hope show was a little frothy, but I don't think it was--

H.M.JR: Frothy?

MR. GAMBLE: Not in bad taste at all. You can't make anything but a comedian out of Hope.

MR. GASTON: It was entertainment.

MR. GAMBLE: It was entertainment and very well attended--six thousand people. They started turning them away at a quarter to eight. Incidentally, I know you don't want to do it, but Hope has invited you to appear on his Tuesday night program tomorrow night. He is here in Washington and they are going to broadcast for seven hundred women of War Finance.

H.M.JR: No, I think last night and tonight will be all I can handle.

MR. GAMBLE: I wanted you to know. I told him I was sure you wouldn't.

206

- 5 -

(Mrs. Klotz enters the conference.)

H.M.JR: No, I don't think I will go on any more programs.

MR. GAMBLE: That would be my judgment, but I did want you to know he personally invited you.

H.M.JR: Oh. Any good offer to go with it?

MR. GAMBLE: No. I didn't think Vera Vague or Frances Langford were anything for you or me to get excited about.

H.M.JR: Not at our age, no. It was all right.

MR. GAMBLE: I think we will put together for you a composite of what was reflected in the daily press on the opening of the Seventh War Loan around the country, because with these huge parades and all, we have never had a War Loan Drive open in as colorful a manner as this one, especially because of the delayed period of opening.

H.M.JR: Will you stay behind a minute?

Herbert?

MR. GASTON: Miss Hodel asked me to approve on Saturday a schedule of expenditures to go across the street to the Budget which contemplates the liquidation of the War Refugee Board, progressive liquidation and the reappropriation of the existing appropriation so they would be useable in the next fiscal year, but it does contemplate the gradual disappearance of the War Refugee Board from the picture. It's a policy I don't know about but I suppose it has been discussed and agreed upon.

H.M.JR: The last time I remember talking about it was six months ago when Pehle was still there. I have no recollection of talking with anybody since then. Do they say they discussed it with me?

(Mr. O'Connell leaves conference.)

207

- 6 -

MR. GASTON: I wasn't able to find out. I wasn't able to get a clear picture. Miss Hodel didn't seem to know. It seemed to me the thing would be an utter absurdity if it hadn't been discussed with you.

H.M.JR: I would like to tomorrow--Pehle will be back--let's have a little meeting with some of the people like Luxford and DuBois who are interested in this thing.

MR. GASTON: It would be a good idea. Tomorrow is the final day the Budget people tell us on which we can put in reappropriation for this year's appropriation. The bill is going up tomorrow and it might be that a new appropriation could be gotten in.

H.M.JR: Tomorrow is the last day?

MR. GASTON: They tell us that.

H.M.JR: Suppose we say three o'clock?

MR. GASTON: Tomorrow?

H.M.JR: I can't do it today.

MR. GASTON: No, I understand you can't, but three o'clock is pretty late.

H.M.JR: I can't be sure I'll be back before then.

MR. GASTON: If that's the best you can do, that's the best that can be done.

H.M.JR: It's the best I can do. I was to leave at two o'clock, but I am leaving at eleven-thirty. There's a storm gathering over Buffalo.

MR. GASTON: When I heard you were uncertain about it I told Miss Hodel to have it held up.

H.M.JR: I will see War Refugee and those people who are interested in it. Will you tell them?

208

- 7 -

MR. GASTON: I'll tell them.

H.M.JR: What else, Herbert?

MR. GASTON: That's all.

MR. BLOUGH: I was sorry to miss the fireworks here.

H.M.JR: Yes, I was sorry you weren't here. I should have asked you to stay.

MR. BLOUGH: I had two good off-the-record meetings in Cincinnati and Indianapolis.

H.M.JR: I don't know in your absence what happened to that statement which you were supposed to be working on which I was supposed to get out.

MR. BLOUGH: I was in telephonic communication with the office here quite frequently and the agreement was in view of the fact you and Doughton and George joined and were so reported as joining with respect to the Joint Committee's report, it would have been simply adding an unnecessary element to issue an additional statement. That's the reason it was not issued. As I said, if I had known what was going to happen I would have stayed, but it was profitable, I think, from our point of view to have made these few talks in Cincinnati and Indianapolis, particularly on why not to reduce taxes at this time.

H.M.JR: Okay. I should have said it but there was all this excitement about the plane and no plane.

MR. BLOUGH: Then we sat on the ground down here in that excitement for forty-five minutes before we took off. That's the way the airlines are. I was scheduled to give a public address in Buffalo Friday at the Chamber of Commerce, and it occurs to me perhaps the best thing to do is to talk about the suggested program which has already been recommended by the joint Committee and why no tax reduction at this time. If you would like to go over that, I will have a draft ready for you tomorrow afternoon. Otherwise, Herbert and Mr. Fussell and Mr. Bell can clear it, if they will.

209

- 8 -

H.M.JR: All right. I think O'Connell can give you blow by blow what happened up there, or your own man was there.

MR. BLOUGH: I have got some of it there and I'll get the rest this morning. They didn't think I would have contributed particularly to it.

H.M.JR: Well, it's all right.

Who has this, "Dimes for Roosevelt?"

MR. D.W. BELL: I have been handling it.

H.M.JR: Well, Mrs. Roosevelt simply says--you didn't dictate what she wrote?

MR. D.W. BELL: No, the one you signed--

H.M.JR: She says, "Your note about the dime came, and of course it would be nice to have one of Franklin."

MR. BLOUGH: That's all.

H.M.JR: Fussell?

MR. FUSSELL: Mr. O'Connell and I--about this tax statement--both thought that it would be unnecessary in view of the fact of this joint conference being held with Doughton and George. But I wonder, Mr. Secretary, if in view of this Eisenhower Directive, when it is made public, if a release indicating the Treasury's approval of that and recounting the studies that had been made that lead up to the plan of economic controls might be one way of indicating that.

210

- 9 -

H.M.JR: No, no, no! Look, I don't think the Eisenhower Directive is ever going to come out. Mr. Clayton tells me Mr. Early doesn't like it.

MR. D.W. BELL: It's supposed to come out this morning.

MR. COE: He doesn't like the Directive or the publication?

H.M.JR: The publication. Can you imagine when President Roosevelt was here if he said, "I want it for Monday mornings' papers," it would be there, and Clayton never got around to discussing it with Early until I think Saturday. There are all kinds of excuses. We'll leave it to the State Department. They are anxious to get it out. We'll let them fight.

MR. GASTON: We were just checking on it until very late Saturday and Frank Coe had a talk with Clayton.

H.M.JR: That's what he told me. I got Frank Sunday morning. He said he was--

What happened to that letter from Kilgore?

MR. GASTON: I still have it. I haven't done anything with it. I got it Saturday.

H.M.JR: What are you going to do about it?

MR. GASTON: I wanted to get advice on what to do about it.

H.M.JR: We'll see when I come in tomorrow.

MR. GASTON: It's a pretty tough one to handle but obviously you can't go up.

211

- 10 -

H.M.JR: But I would like to--I have asked to see President Truman Wednesday, and when I see him I would like to be able to tell him I have turned it down.

MR. GASTON: You would like to turn it down before seeing him?

H.M.JR: Yes.

MR. GASTON: We can get up a letter today for your signature tomorrow.

H.M.JR: I thought somebody would go up and see him, the people who started this. I don't know whether Luxford or DuBois want to move in on that.

MRS. KLOTZ: Kilgore will.

MR. GASTON: Kilgore asks the Secretary to lay down a program for talking about German peace and asked the Secretary among other things to come up and talk about it.

MR. COE: Our people are working on that already, sir, and we want to talk to you about whether you or who is to make a statement up there because somewhere around the 22nd now they want a formal appearance from the Treasury.

MR. GASTON: Oh, I don't think they ought to get a formal appearance.

H.M.JR: Well, Herbert, get your teeth into the thing, will you?

MR. GASTON: Yes.

H.M.JR: Fussell?

MR. FUSSELL: That's all I had, Mr. Secretary, except you raised the question the other day about whether Schwellenbach might possibly be in the Cabinet, and my understanding today is that it has been put up to him and there has been no definite word yet. That didn't come directly, however.

- 11 -

H.M.JR: Well, I got it through political channels that he was to be Secretary of Labor.

MR. D.W.BELL: I got it, too, but not through political channels, very definitely.

H.M.JR: I got it through political channels. Well, it's interesting. Anything else?

MR. FUSSELL: No.

H.M.JR: George?

MR. HAAS: This is something maybe you have already seen. (Hands Secretary booklet entitled "Crop Production", dated May, 1945.)

H.M.JR: Joe?

MR. DuBOIS: The latest news, I was just talking to Lubin and he said Pauley and Lubin and a few of Pauley's right-hand men, including Sproul, and a couple of engineers will leave this Sunday. They are going to go through Germany and try to get into the Russian zone and the rest of us will probably leave sometime at the end of the following week and meet up in Paris, and eventually we will go to Moscow when the English are ready to move in Moscow. But what they are apparently doing otherwise is waiting on the British before they want to land their plane in Moscow.

H.M.JR: Is Lubin going with him?

MR. DuBois: Yes, Pauley and Lubin and this fellow Sproul and a couple of other men Pauley has picked himself, and a man named Marshall--I don't know him, but he is an attorney in Petroleum Administrator's Office--the personal attorney of Pauley's, and another man, I forget his name, whom Pauley picked as his personal assistant, and then a couple of engineers.

H.M.JR: You didn't wangle the trip, huh?

212

- 12 -

MR. DuBOIS: No, I was talking to Lubin. Apparently he didn't want to take any of the State Department men with him. It would have been rather difficult to have taken anybody else. That's what the story is, but we will be following sometime during the following week.

H.M.JR: You are going to wait in Paris?

MR. DuBOIS: I don't expect to wait in Paris but that's the idea.

H.M.JR: What are you going to do?

MR. DuBOIS: I would like to get into Germany myself.

H.M.JR: Are you going to hitchhike?

MR. DuBOIS: If I can't get into Germany with Bernie and Joe Fisher there, I am going to quit.

H.M.JR: Well, what about Bernie's not coming over? We haven't heard.

MR. D.W. BELL: Yes we have. He's coming.

H.M.JR: Oh.

MR. COE: Where did you hear that, Dan?

MR. D.W. BELL: They got a cable from Smith that said that he would come, and he had some work to wind up and they would let you know the definite time; but he will come within the course of the next couple of weeks or so, but he is right now on a job that they would like to have him finish.

H.M.JR: I see. That's all right. Is that all, Joe?

MR. DuBOIS: Yes. Incidentally, they had the document Clayton sent over to them approved by the President on reparations.

213

214

- 13 -

H.M.JR: Yes. Now, Mr. Clayton said he would send me copies of all those things. You better check. (To Mrs. Klotz.)

MR. DuBOIS: He said Bob Jackson is objecting to our labor provision. He thinks it goes too far. Jackson doesn't think anybody ought to be sent in unless they have first been adjudged by some court to be guilty.

H.M.JR: Just sort of throw that in, incidentally, huh?

MR. DuBOIS: Well, I mean, I don't think Jackson's views are going to prevail. That is why I didn't want to--

H.M.JR: Somebody kept saying they wouldn't let this thing go through until Jackson had seen it. Who was that?

MR. D.W. BELL: Pauley said he wanted to talk to Jackson about it in the conference.

MR. DuBOIS: That is the way I feel. I don't see why Jackson has anything to say about it. I told Lubin if Jackson can get them convicted also, that is fine; let him do it.

215

- 14 -

H.M.JR: When these papers come through from Clayton, let's have Coe keep them all. I want particularly a copy of the final cable that went.

Harry?

MR. WHITE: If you are going to come back in time to go over the Chinese thing before you see President Truman, all right; otherwise I will take it up this morning.

H.M.JR: I will be back in time.

MR. WHITE: I have nothing. You may have to send Feltus to San Francisco. There are a number of things to be done there that we will talk over during the week and let you know what we recommend.

H.M.JR: What is he going to do in San Francisco?

MR. WHITE: Well, there are representatives of all the organizations that are interested in Bretton Woods and in Dumbarton Oaks there, and they are all eager to do something for Bretton Woods and the moving picture people are eager to do something, and I think we can work out something very good in that direction. I am not sure, but--

216

- 15 -

H.M.JR: I know he has been anxious to go. I think he has been trying to find an excuse to go, that is all.

MR. WHITE: I think he was anxious to go, but the last time I talked to him he was not anxious to go. Whether he will or will not depends on what we think he can accomplish.

H.M.JR: I understand perfectly; it is like Amendment thirteen.

Coe?

MR. COE: I have nothing, except that I would like to inquire as to something I understand from Collado, that Clayton talked to you about the State Department's proposed press release settling their possible V-E Day Lend-Lease policy.

H.M.JR: I will tell you about it. He let me read it, but I read it very hastily. I said it was very technical, and that I didn't think it was written for the newspapers. It looked as though some attorney had written it, and I said it sounded that way.

MR. GASTON: Did it have enough "such as's" in it?

H.M.JR: I don't think there is a lawyer here. Oh, yes, there is.

MR. D.W. BELL: Joe.

H.M.JR: He never practices law, everything else but. And I know that it is most unfortunate that they hadn't given this out in the first instance, taking in all the countries instead of just doing Russia. That is all I said. I mean, I didn't give it my approval or disapproval. I said two or three times that it was most unfortunate that this had to come before they had given out the publicity on the Russian thing.

MR. COE: They seemed to think that it had your approval, but on the other hand, as I understand it, it is proposed to be a simple statement--a State Department release, and not a three-agency release.

H-8

217

- 16 -

H.M.JR: No, no, you can tell them from what I said. I am not going to.

MR. WHITE: We don't have to bring it up today, but you remember you were very insistent on including in the Lend-Lease arrangements with France and other countries that it would be re-examined after V-E Day. I think the initiative has to come from here. It doesn't have to be very soon, but--

H.M.JR: From Treasury?

MR. WHITE: I think you should reopen the question.

MR. COE: They have reopened it.

MR. WHITE: Who?

MR. COE: State, with the White House. They have also given us a proposed Lend-Lease settlement document, but that is not so urgent, and we are distributing it internally. It is a method for cancelling.

MR. WHITE: The White House knows that is not adequate because the question of presenting the material from the point of view of the balances has led to that, that it will have to be your responsibility.

H.M.JR: You will have to read this correspondence. I don't see where it is my responsibility at all.

MR. WHITE: Well, it will wait until you come back.

H.M.JR: All right.

MR. BARTELT: Mr. Secretary, we are making arrangements with the Bureau of Internal Revenue to make about twenty-four million tax refund payments between June 1 and October 15. That is on the withholding taxes for the calendar year of 1944.

H-4

218

- 17 -

H.M.JR: Is that the thing O'Connell cleared with me?

MR. D. W. BELL: I think he did. It is paying of the refunds without audit.

H.M.JR: Yes.

MR. BARTELT: That is all I have.

H.M.JR: Is that all you have?

MR. WHITE: By the way, I read an article in the New York Times Magazine that I think was excellent. Whoever wrote it--

H.M.JR: That was Henry Murphy, wasn't it?

MR. WHITE: That was the first time I had seen it. It was excellent.

H.M.JR: The only credit I get is a little about parts of three speeches which I did three or four months ago. He took three speeches I worked on three or four months ago and put them together, but he did an excellent job.

MR. GAMBLE: I have a memo from you about the French savings program.

H.M.JR: Yes.

MR. GAMBLE: I assume you want us to do everything we can for them.

H.M.JR: Yes, they have asked me to go over. They asked President Truman, and if President Truman approves I am going to go.

MR. GAMBLE: Yes, they don't know what they want themselves. I had luncheon with Gidney, and I didn't get anything out of him at all.

H.M.JR: I can tell you in two minutes what they want, and it is very interesting. What interests me is,

H-5

219

- 18 -

this man Pleven who is the Minister of Finance says that they have been under the German heel for five years, and he hates to admit that the French people have got so they like to take orders and are accustomed to taking them, and he thinks that the one thing that--he has seen democracy at work and says what typifies it better than anything else is the way the people in war Bonds have worked it, and he would like to have it explained from that angle, the whole volunteer plan.

MR. D.W. BELL: The philosophy behind it.

H.M.JR: And how democratic people can finance the war.

MR. GAMBLE: I understood that, but how they were going to put it into practical use in France--that is what they wanted help on, to get across this idea of how they are going to interpret it to their people--they haven't the slightest idea. They wanted to know whether we would go on the French War Finance program. (Laughter) That is what we are trying to avoid.

H.M.JR: They are going to float the Monnet brandy.

MR. GAMBLE: All right, sir, we will work it out.

H.M.JR: I haven't yet taken it up with Truman.

MR. GAMBLE: We should do this in any event, shouldn't we?

H.M.JR: Yes. I explained to him how good it was for the Minister of Finance. I think he realizes it.

MR. GAMBLE: Yes, sir.

H.M.JR: Pleven knows what he wants, doesn't he?

MR. D.W. BELL: Yes, he has a general idea, I think. I don't think he knows much about the details, but he has

H-6

220

- 19 -

seen it work here with a lot of success and in Great Britain, and he wants to follow what the three countries have done, you see, Great Britain and Canada and the United States.

H.M.JR: By the way, how does Peter Odegard get all the choice assignments around here? He has just been in Hawaii for nineteen days.

MR. GAMBLE: We sent two people out to Hawaii as a matter of fact, and I wouldn't call that an especially choice assignment. We have had some difficulty with five big companies that run the Hawaiian pay roll operation, and we have sent these people out there primarily to knock over these five companies that haven't done all they should do, and I am happy to say to you that they did just that.

H.M.JR: Did Peter bring home the pineapple?

MR. GAMBLE: No, it involved a lot of hard work. He had to go to work on all these factories and establishments throughout the Island.

H.M.JR: He didn't lose any weight.

MR. GAMBLE: No, he probably enjoyed it, but it was a tiring job, and he did a nice piece of work. We sent Mills and Odegard.

H.M.JR: How is "The History of Finance" coming?

MR. GAMBLE: He has about two-thirds of it.

H.M.JR: Have you seen it?

MR. GAMBLE: Only some sketches. I preferred not to see it. I didn't want to influence him in any way in what he was doing.

H.M.JR: Why not?

MR. GAMBLE: I wanted him to write it himself and clear it with you. That is the way I prefer to do it. I didn't

H-7

221

- 20 -

want to give him any ideas as to how it should or shouldn't be done.

H.M.JR: Alan Barth is going to put heat on it to get it finished. He wants to write a book with him on it, and he won't start it until he gets this thing out of the way.

MR. GAMBLE: I thought I would send a note to Peter thanking him for doing this job for you. It was not a pleasure trip, Mr. Secretary. They worked very hard and did a nice piece of work for us.

H.M.JR: O.K.

Dan?

MR. D. W. BELL: You asked me some time ago to talk to you about the Navy Appropriation for '46. The bill amounting to twenty-three billion four hundred million dollars for next year has already gone up, and it has passed the Senate. The Navy has a rather peculiar setup, and it is a little difficult to get information in regard to the future program because they have general authority in their Naval Legislative Bill to build battle ships, and they just go ahead and lay down battleships whenever they get good and ready, and they get an appropriation from year to year to carry it along. Out of twenty-three billion there are only nine billion dollars that is really construction, and a lot of that is for ground forces in connection with that, so it is rather difficult to get your teeth in, but on March 31 they had unliquidated obligations of nineteen billion dollars. That shows how far they go ahead and enter into contracts.

H.M.JR: Can you give me something on it written out?

MR. D. W. BELL: Yes. I have something here, but it is a little complicated.

H.M.JR: We will go over it tomorrow again.

H-8

222

- 21 -

MR. D. W. BELL: It is a little difficult to stop at this point.

H.M.JR: I would like to go over it with you. Have you got it so you understand it?

MR. D. W. BELL: Up to this point, but I don't know what is outside of this memo in the way of blueprints.

MR. WHITE: Mr. Secretary, I heard it on very good authority that the Navy intends to spend as much as it possibly can because they feel that the honeymoon period will not last very many years after the war, so they are going to lay as many keels and get as many commitments as they possibly can now.

MR. GASTON: That is what I told Waesche that they wouldn't get anything after the war is over, but they had better get what they could for the future now.

MR. GAMBLE: It shows the Navy is spending seven billion dollars a quarter. That will be for everything by the end of the year. They are consolidated.

MR. D. W. BELL: That is the same story I get, Harry, that they intend to come out of this war virtually a new Navy.

H.M.JR: Let's have another look at it tomorrow.

Is there anything else?

MR. D. W. BELL: We are in the process of revising our regulations for redemption agencies throughout the country. We got authority in the recent Public Debt Act to designate agencies other than commercial banks and trust companies, so now we will make credit unions, Federal Savings and Loan Associations, and so forth, redemption agents. I thought we might attempt to reduce the cost. We now pay fifteen cents for the first thousand and twelve for the second, and ten above three thousand. We haven't been successful. We did get twelve cents eliminated. That figure will save five or six thousand dollars. I was hoping we would get it all down to a flat ten-cent basis.

H-9

223

- 22 -

MR. GAMBLE: Couldn't we postpone any other change in the redemption, Dan, until we are through with our Drive?

MR. D. W. BELL: This won't go into effect until July 1 so far as redemption price is concerned, but I think we ought to go ahead on the agencies pushing us.

MR. GAMBLE: If you get too many little agencies you will have them competing for business, and apparently we have enough agencies to do that.

MR. D. W. BELL: It is just the pressure.

MR. GAMBLE: I don't care what the circumstances are; I don't think we ought to touch redemption proceedings again until we get through with our Drive.

MR. D. W. BELL: When we are right up against the gun we may have to do it.

MR. GAMBLE: I think we ought to duck it. You can't tell what will happen. There are so many things that can happen when these people become qualified to redeem bonds. They issue statements, even though you try to prohibit them. I think it is a very dangerous thing. It has just settled down again after--

H.M.JR: I don't think I would do anything about it, Dan. We have enough trouble.

MR. D. W. BELL: We have to get ready.

H.M.JR: You talk it over some more, but I wouldn't let it leak out to the Federal Reserve.

MR. D. W. BELL: Oh, no, but they all know the Public Debt Act was passed.

H.M.JR: Let's not do anything.

MR. D. W. BELL: The Associations are calling up wondering when they are going to get the regulations.

H-10

224

- 23 -

H.M.JR: I will be here all week.

MR. D. W. BELL: It won't be out. We are not going to--we are going to try to hold it out as long as we can. Sometime I wish you would sit down with us and talk about post-war currency, changing designs, and so forth. We have some old engravings we would like to have you take a look at and discuss in general so the engravers can get started on some designs. It will only take half an hour or so.

H.M.JR: Do you remember a fellow--some man who is a great student of lettering and that sort of thing that wanted a change? I thought he was good.

MR. D. W. BELL: We have quite a file on him.

H.M.JR: You might take that out. If he wants to do something--I might want to go kind of modern on this thing and get out some engravings.

MR. D. W. BELL: We would like to have something to start with, and we would like to make it uniform.

H.M.JR: You talk about it, Dan.

MR. D. W. BELL: That is all I have.

H.M.JR: Charles?

MR. C. S. BELL: We want to send Janet Cordell over to Bern, Switzerland as an Administrative Assistant. She is twenty-six years old and comes from Foreign Funds. Mrs. Doyle has looked her over and thinks she has the qualifications.

We would like to destroy about ten years of ticker tape we have been saving, all this ticker tape from these machines. We have about ten file cases of it, and we need the files. I don't believe we have ever made any reference to it. We have it all pretty well covered in the newspapers, anyway.

H-11

225

- 24 -

Mr. Gaston has proposed that we change our system of dating letters to follow the British system. For example, this would be 14 May, 1945.

MR. GASTON: It is the military system, and some other agencies in the Government have adopted it. We are not uniform now.

H.M.JR: What do you want it called?

MR. GASTON: Well, to use the modern way, I would call it the modern notation which is military. Instead of saying May 12, 1945, say 12 May 1945; it is not necessary to put in any punctuation at all.

H.M.JR: Accepted.

MR. GASTON: All right.

MR. D. S. BELL: I don't think Denny would like that.

MR. GASTON: We will all come to that eventually.

MR. GAMBLE: Do we have to write them that way?

H.M.JR: Sure, it is democracy.

MR. WHITE: To save type, why don't you drop the 19? You don't need the "Y" on the May.

MR. D. W. BELL: I don't like it, but I don't care.

MR. GASTON: Progress is always distasteful. Your bones are getting old, Dan.

MR. D. W. BELL: I like the old form.

MR. GAMBLE: I don't like anything that implies we have the same authority in our communications that the Army or the Navy has. It is pre-emptory.

MR. GASTON: No, this is the simple, logical way to write a date.

H-12

226

- 25 -

MR. WHITE: Let's cut out "Very truly yours."

H.M.JR: Your San Francisco humor doesn't go so well.

MR. WHITE: I was thinking of saving a comma.

MR. HAAS: It is the date of the month, the month, and the year.

MR. BARTELT: There is a certain amount of confusion with the lack of uniformity, especially when they use only figures. Some use 5/12/45, and others use entirely different things.

MR. HAAS: That isn't the German system, is it?

MR. GAMBLE: They say, "Aye, aye, sir," the Navy, on the phone. The telephone operators say that.

MR. C. S. BELL: We are getting a number of requests for dances out--

MRS. KLOTZ: They are playing safe and are not getting into it.

H.M.JR: Mr. Gaston wants to be modern; Charles Bell proposes; and I dispose.

MR. GASTON: You notice I stopped saying anything following your rule about when a thing is sold, why, it is sold.

H.M.JR: All right.

MR. BLOUGH: It isn't modern, it is a very old system.

MR. HAAS: I think the Germans used to date all their letters that way.

MR. WHITE: That is what the Nazis did.

H.M.JR: I am not going to rise. If I rose, somebody would say blackmail. I rose on that one, but I am not going to rise any more.

H-13

227

- 26 -

Where are we?

MR. C. S. BELL: We are getting a number of requests for dances on the south portico. I would like to turn them all down, because if we grant it to one, we have got to put them across the board. The Stage Door Canteen doesn't want it this year. They have air conditioning in the Belasco, and they want to pull out. I am afraid if we give it to one, we will have to give it to the others. We will have a band out there playing, and the White House might object to it, and we would have it every night if we get away from the Stage Door Canteen.

H.M.JR: All your reasons are good, and I know your real reasons. I don't want to cause you any more work.

MR. C. S. BELL: It lets us out of a guarding problem at night.

H.M.JR: There is the food shortage and everything, and getting shops and things--

MR. C. S. BELL: Yes, sir, there is a food shortage in the Canteen.

H.M.JR: I know.

MR. C. S. BELL: Here is a letter to the Secretary of the Navy requesting the detail of Lieutenant Clark for Europe.

H.M.JR: Who wants him?

MR. C. S. BELL: Frank Coe--Orvis Schmidt.

(Secretary signs letter to Secretary Forrester, dated May 14, 1945)

MR. COE: He is one of our men doing straight desk work in the Navy.

H.M.JR: O.K.

H-14

228

- 27 -

MR. D. W. BELL: By the way, we had the conference with the French on what they can do for our soldiers, and the Minister stated about the same thing he stated in here to you. He tried to get out a press release Saturday, but it wasn't very successful, and they will take another try at it again today, I think. The French are willing to keep whatever they said here rather general and wait until they work out the details in order to and before they announce it, so--

H.M.JR: O.K.

5/14/45

224

Men recommended as economic advisers
for General Clay

Dr. A. G. Silverman

230

Former professor of Economics in Massachusetts Institute of Technology. Considerable experience as economist for the government. Expert in industrial economics, monetary and tariff problems. At present economist in charge of planning for Army Air Forces.

Dr. Richard Gilbert

Taught at Harvard University. Long experience as a government economist for Treasury, Department of Commerce and OPA. Was Economic Advisor to the OPA for 3 years.

La. B. Currie

100 206 clay

231✓

MAY 14 1945

Dear Mr. Stimson:

I am glad to receive your letter of May 5, 1945 regarding settlement for U. S. Army expenditures in China for the fourth quarter of 1944.

In accordance with your suggestion, I have advised the appropriate officers of my Department that the Chief of the Operations Division of the War Department General Staff and the Director of the Budget Division are your designated representatives on matters relating to settlement for U. S. Army expenditures in China.

I am informed by my men that they have been consulting with your representatives on these matters and that they have received the fullest cooperation from them.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The Honorable
Henry L. Stimson,
Secretary of War.

BVF/efs 5/10/45

WAR DEPARTMENT

WASHINGTON 25, D. C.

MAY 5 1945

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

Dear Mr. Secretary:

I understand that, following preliminary consideration of the figures submitted by the Army and by the Chinese Government, the more formal negotiations are about to begin with the Chinese leading to a settlement for War Department expenditures in China for the fourth quarter of 1944.

Following the settlement made with the Chinese Government last November, for the period ending 30 September 1944, the responsibility for liaison between the War Department and the Treasury Department on problems affecting settlement with the Chinese Government for Army expenditures in that theater was placed in the Operations Division of the War Department General Staff and in the Budget Division, War Department Special Staff (Budget Officer for the War Department). While I am aware that they have been working closely with officials of your Department during the period of consideration of the figures referred to above, I have reemphasized to these divisions their responsibilities in coordinating War Department policies with your negotiations. I would appreciate your advising the appropriate officers of your Department that the Chief of the Operations Division and the Director of the Budget Division are my designated representatives on such matters and are prepared to assist whenever called upon.

Sincerely yours,

Henry L. Stimson
Secretary of War.



233

May 14, 1945

MEMORANDUM FOR THE SECRETARY'S FILES

Secretary Morgenthau held a conference at 5 o'clock on May 13, at his home to discuss the Bretton Woods compromise proposals which I had transmitted to him by teletype on May 12. Those present: Secretary Morgenthau, Mrs. Klotz, Mr. White, Mr. O'Connell, Mr. Bernstein, and Mr. Luxford.

The Secretary explained that he did not fully understand the significance of one or two of the suggested amendments and that on a matter of such importance as these amendments, he felt that it was highly desirable that we have a clear understanding of the whole picture before acting. He then requested that we outline the meaning of the various provisions.

We then discussed the meaning of the language of the several amendments as well as their significance on the Fund and Bank. In particular, it was made clear that the proposals we were offering would not require amendments to the Bretton Woods Agreements as a condition to Congressional approval, and that the amendments in their present form would not be prejudicial to the effective operation of the Fund.

Mr. White reported to the Secretary that Will Clayton had called Saturday morning and stated it would be necessary for him to advise Chairman Spence of State Department's objection to the naming of the Secretary of the Treasury as Chairman of the Advisory Council. After considerable discussion of this subject, it was decided that the Treasury should adhere to this position by keeping the Secretary of the Treasury as Chairman and that Clayton was obviously free to speak to Chairman Spence. It was also agreed that we should discuss with Chairman Spence the Treasury's point of view on this matter.

Mr. O'Connell mentioned that in discussing the position of the Export-Import Bank under the amendments with Leo Crowley,

234

- 2 -

he had expressed doubt as to the wisdom of the Council. O'Connell stated that Crowley had no particular objection to the status of the Export-Import Bank vis-a-vis the Council if it were decided that a Council was desirable. He said that Crowley indicated that he might discuss the matter with Wolcott. It was the consensus of the meeting that there was no point to reopening the Advisory Council issue at this time.

RL

235 ✓

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 14, 1945.

TO Secretary Morgenthau (For information)
 FROM Mr. Coe FC

Subject: Excerpt from Sir John Anderson's Budget Speech dealing with Britain's external financial position. (Typed excerpt sent you by Mr. Brand with letter of May 8).

1. Clearly this part of the Budget Speech was designed for American consumption. It is largely a repetition in substance and even in wording of the memorandum on Britain's overseas expenditures which Lord Keynes sent you last fall.

2. The Chancellor stressed the urgency of reducing establishments and expenditures which had been necessitated by the German part of the war but which are no longer essential. He warned that this would be difficult and would tread on some people's toes because "all sorts of - - - vested interests in free spending have grown up".

3. The question of the best means of liquidating Britain's sterling balances "so as to free the flow of international commerce and to allow the sterling balances the maximum freedom of use" is described by the Chancellor as "the outstanding problem of the post-war settlement". The Chancellor states that discussion of this problem "must be undertaken in consultation with the United States and Canada and the holders of sterling" but that "it would be contrary to the elementary principles of Justice and fair dealing between nations" to treat the sterling balances as an ordinary commercial debt.

4. The Chancellor foresees "a very heavy deficit on current account on the balance of payments" for the first three years after the end of the war.

5. The few figures cited are curiously obscure and we shall have to wait until the full text of the Speech and the White Paper are available to make much of them. Following are

236

- 2 -

the more important figures given in the excerpt:

- (a) Overseas war expenditures in certain not very clearly defined areas "in Asia and Africa" are given as £718,000,000 in 1944 with no "prospect of any substantial reduction - - - in the coming year".
- (b) Overseas liabilities "now exceed" £3,000,000,000 and "the total is likely to reach £4,000,000,000 before we are finished".
- (c) Total disinvestment throughout the world "over three years" (the last three?) is said to be "almost identical" with total overseas war expenditures "during the same period" which are given as £1,989,000,000.

Casaday will prepare an analysis of the full Budget Speech and the White Paper as soon as they are available and will summarize for your information the points of interest.

237

MAY 14 1945

Dear Dr. Kung:

I have received your letters of April 28, 1945 and May 4, 1945 and was very glad to learn that you are recovering from your operation.

With regard to the matters raised in your letters I regret that I am unable to give answers at this time in view of the current discussions with Dr. T. V. Soong.

With best wishes for your speedy recovery.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable H. H. Kung,
Room 4201,
Waldorf-Astoria Hotel,
New York, New York.

SA/ISF/ef's 5/11/45

EXECUTIVE YUAN
NATIONAL GOVERNMENT OF CHINA

April 28, 1945

My dear Mr. Secretary:

With reference to the amount of \$60,000,000 not yet earmarked under the \$500,000,000 credit, I instructed Mr. Hsi Te-Mou some time ago to request your Treasury to have this amount earmarked and transferred for the payment of banknotes ordered by The Central Bank of China from the American Bank Note Company and the Security Banknote Company.

I have now received a telegraphic request from Mr. O. K. Yui, Minister of Finance in Chungking, to apply to you for an amount of \$25,000,000 to be drawn from the balance of \$60,000,000 above referred to, for the purchase of cotton goods to be shipped to Chungking. As our order for banknotes has been reduced, I wish to amend my previous request and now have \$35,000,000 earmarked for printing of banknotes and \$25,000,000 for purchase of cotton and cotton goods.

I might mention here the following orders for banknotes have been granted:

1. American Bank Note Company

Order for steel engraved notes
2,000 Million pieces at \$8.25 per 1000 \$16,500,000.

2. Security Banknote Company

(a) Order for litho notes
2,000 Million pieces at \$5.50 per 1000 11,000,000.

(b) Order for steel engraved notes
900 Million pieces at \$8.25 per 1000 7,425,000.

Total \$34,925,000.

The Honorable Henry Morgenthau, Jr.
April 28, 1945

-2-

I shall instruct Mr. Hsi Te-Mou to arrange with Mr. Friedman of your Department regarding the details.

With kind regards,

Yours sincerely,

H. H. Kung

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

Delivered by Mr. Chi Chao-ting
on May 5, 1945

EXECUTIVE YUAN
NATIONAL GOVERNMENT OF CHINA

May 4, 1945:

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

Dear Mr. Morgenthau,

Your two letters, in reply to my letters of March 30th and 31st, have just come to my attention. As my doctors have kept me from attending to official business for a number of days following my operation, I regret that it has not been possible for me to acknowledge your letters earlier.

I most sincerely thank you for your kind expression of concern over my health and am happy to be able to tell you that my operation has been a complete success and that I will be able to lead a normal life again in a short time.

In compliance with your suggestion, I have designated Messrs. Hsi Tse-shan, Tsai-lan Chang and Chao-ting Chi to get in touch with your staff in the Treasury to obtain agreement on the figures on the amount of Chinese currency advanced by the Chinese Government and the Central Bank of China to cover U.S. Army expenditures in China.

I deeply appreciate your readiness to discuss with me the question of the stabilization of China's currency and related matters which I raised in my letter of March 30, 1945, and am anxiously looking forward to the day when we can get together again to talk over these as well as other matters of mutual interest and concern.

With best personal regards,

Sincerely yours,

H. H. Kung

Delivered by Mr. Chi Chao-ting
on May 5, 1945

EXECUTIVE YUAN
NATIONAL GOVERNMENT OF CHINA

MAY 4, 1945.

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

Dear Mr. Morgenthau:

Your two letters, in reply to my letters of March 30th and 31st, have just come to my attention. As my doctors have kept me from attending to official business for a number of days following my operation, I regret that it has not been possible for me to acknowledge your letters earlier.

I most sincerely thank you for your kind expression of concern over my health and am happy to be able to tell you that my operation has been a complete success and that I will be able to lead a normal life again in a short time.

In compliance with your suggestion, I have designated Messrs. Hsi Te-mou, Tu-liang Soong and Chao-ting Chi to get in touch with your staff in the Treasury to obtain agreement on the figures on the amount of Chinese currency advanced by the Chinese Government and the Central Bank of China to cover U.S. Army expenditures in China.

I deeply appreciate your readiness to discuss with me the question of the stabilization of China's currency and related matters which I raised in my letter of March 30, 1945, and am anxiously looking forward to the day when we can get together again to talk over these as well as other matters of mutual interest and concern.

With best personal regards,

Sincerely yours,

H. H. Kung

WAR PRODUCTION BOARD
Washington, D.C.

CONFIDENTIAL

241

May 14, 1945

MEMORANDUM

TO: Inter-Agency Committee to Coordinate Export of Civilian Supplies
FROM: Materials and Equipment Sub-Committee
SUBJECT: The Textile Situation

1. The General Outlook

The demand for textiles will continue substantially in excess of supply at least until the end of 1945, and the shortage of cotton textiles may remain acute until sometime after V-J Day.

The shortage of cotton textiles in the United States is not only already causing hardships in many areas of civilian supply, such as work clothes and children's wear, but is also adding to inflationary pressures on the one hand, and on the other is creating "reconversion bottle-necks", as for example in automobile manufacture.

Shortage of apparel on retail shelves will get progressively worse as stocks are exhausted; no relief can be expected at least until 1946. Principal reasons are (1) falling production due to labor shortage, (2) continued high level of military requirements, and (3) urgent relief needs for liberated areas.^{1/}

A. Cotton Broad Woven Fabric.

Loss of labor caused production in the United States to drop from 11-1/4 billion yards in 1942 to an estimated 9.4 billion yards in 1945. Military requirements show no sign of easing, and allocations are expected to remain at about 650 million yards per quarter or 2,600,000 for the year 1945.

About 800 million yards will be available for United States domestic apparel and house furnishings in the second quarter of 1945, compared with about 1.4 billion prewar; a further drop of about 100 million yards appears likely in the third quarter. Aggravating factors include:

- (1) Very heavy and increasing requirements for bag fabrics, partly to package food for overseas shipment.
- (2) Huge civil requirements for the Far East, principally China, the Netherlands Indies (including the Rubber project), and the Philippines.

^{1/} The analysis which follows, for purposes of brevity, is in terms of total fabrics in each group. E.g., cotton broad woven fabrics includes everything from gauze to heavy duck. Marked differences in the supply situation of the various fabrics exist, & the general conclusions drawn in this report should be applied to individual fabrics with caution.

- 2 -

CONFIDENTIAL

- (3) Delay in getting European mills back to production.

On the credit side, a few alleviating factors may be listed:

- (1) Expected reconversion of denim looms from tent twills in the third quarter.
- (2) Moderate Navy third quarter cutbacks, particularly work clothing fabrics.
- (3) Negotiations with Brazil and Mexico to assume part of the Far Eastern relief load (say, 100 million yards per year).

Some labor relief may be expected as a result of military cutbacks, but in view of the low wage structure in the textile industry, it is unlikely that this relief will be immediate.

The net effect of these factors is that work clothing supplies may be maintained at a barely adequate level, but the supply of general apparel fabrics, including those for the high urgency children's program, will continue to dwindle.

B. Woolen and Worsted Fabrics

The principal problem is the sharp increase in Army requirements since the fall of 1944, partly because Army purchases were cut back much too sharply last spring and summer. Military requirements for the second and third quarters can not be met in full, even though civilian supplies of general apparel fabrics (excluding shoe gabardine) were reduced to 26 million yards per quarter. This is at the rate of 100 million yards per year, or less than one yard per capita, about one-third of pre-war. Provision for export, including urgent European relief, is being held to meager levels.

There will be little, if any, worsted clothing on U. S. retail shelves next winter, and supplies of woolen apparel will be very short. Heavy overcoats may be a particularly serious problem.

C. Blankets

Two weeks ago this situation seemed desperate, with only 15 million yards available to the Army for the third quarter against requirements of 26 million; only 500,000 yards for domestic civilians; and, following representations of great urgency, 2.7 million yards for European relief. However, the virtual elimination of the Army requirements for sleeping bags makes the Army allotment adequate, while higher production estimates will permit satisfactory supply for U. S. civilians and possibly allow an increase for European relief.

D. Knit Goods

While the entire knit goods situation is very tight, the worst problem is in heavy underwear. For the third quarter, Army and Navy requirements exceed 15 million pair wool shirts and drawers, whereas current production of all heavyweight shirts and drawers (including cotton) is less than 9 million. While yarn supplies are tight, they are not controlling.

- 3 -

CONFIDENTIAL

The bottleneck is labor for the knitting mills. Following conferences with industry, it is expected that third quarter production may be raised to slightly over 10 million units; this still falls far short of military needs and leaves nothing for civilian or export. It may be necessary to rely entirely on heavy cotton union suits for civilian use; their supply is also short and falling. Price is also a problem, particularly for civilian manufacture, but CPA expects to make adjustments in the immediate future. In view of the necessity for heavy underwear by workers in outdoor occupations (e.g., lumber camps, shipyards, truck drivers, farmers) it may prove necessary to restrict their sale to such workers. Relief need for heavy underwear is also urgent, particularly in view of the lack of coal in Europe.

II Balance Sheet: Cotton Broad Woven Fabrics

Cotton broad woven fabrics present the most serious problem, both in terms of supply shortages and in terms of the wide-spread effects of the impact of these shortages on the civilian population, here and abroad. For this reason, the Committee confines its statistical presentation to the cotton broad woven fabric supply-requirements situation.

The attached tables show, in summary form, the world balance sheet, the U. S. balance sheet, and the U. S. export program.

The Requirements Committee of the War Production Board will review the third quarter cotton broad woven fabrics situation, and make third quarter allocations, on or shortly after Monday, May 21st. The third (and fourth) quarter figures in the attached statements are therefore tentative.

III. Specific Problems

(1) Army Upgrading

The comment has been made that if the Army would change its specifications to those existing at the start of the war, their textile requirements would be in more easily produced fabrics, thereby permitting substantially increased supplies for others. We are making a special study of the point, but we can now say that in general, the Army specifications are lower than at the start of the war. On some specific items further down-grading would effect a saving, and this should be done where it is practicable.

(2) Canada

It has been repeatedly asserted that the amount of cotton textiles available to Canada's civilian population for clothing and house furnishings has not been cut in the same proportion as in the United States and elsewhere in the world. Examination shows that United States export allocations in each quarter have been calculated on a basis that would impose exactly the same proportionate cuts in Canada for each major class of use, (e.g., clothing and house furnishings, military, industrial and agricultural) as in the United States. These adjustments have all been made upon the basis of figures supplied by the Canadian Division, both as to requirements and local production. Very recent revisions in the figures, however, show that Canadian industrial requirements have apparently been overstated and that the amount available for civilian clothing and house

- 4 -

CONFIDENTIAL

furnishings has therefore been greater than intended. As a result, allocations for the third quarter will probably be reduced to about 42 million yards from the United States compared with 49 million yards in the second quarter and 56 million yards in the first quarter.

(3) China

The total requirement for China for the fiscal year July 1, 1945 - June 30, 1946, was originally stated at 40,000 tons (about 320 million yards). Of this amount, 112 million yards is applicable to calendar year 1945. The China Division of FEA reports that it is desired to obtain the entire 112 million yards in the third quarter in order to take advantage of transportation (air and truck) that has been allocated for movement over the hump in 1945. FEA has presented, however, an official allocation request only for 62 million yards in the third quarter.

The Army reports that it is prepared to support a Chinese allocation up to 45 million yards in the third quarter (15 million yards per month beginning in July and continuing presumably, for at least a year). Of this 45 million yards, 30 million would be used by the Army in barter exchange for food and other raw material supplies for United States and Chinese troops, and 15 million to supply textile factories in and around Chungking in direct or indirect exchange for manufactured products needed by United States and Chinese troops.

Allotments in excess of 15 million yards per month would be for the general relief of the Chinese population, and for anti-inflation purposes.

The Committee will wish to consider the urgency which should be attached to this Chinese requirement, vis-a-vis the requirements of competing claimants.

(4) Philippine Islands

FEA has submitted a third quarter claim for 26 million yards for this area. At the same time, the Army has requested 36 million yards for its civilian relief programs, of which 23.5 million yards are intended for the Philippines. The Army figure is supported by the Army as being adequate for their "disease and unrest" program, and for the support of military operations.

Although the FEA claim was submitted on the assumption that no textiles would be supplied by Army, it is supported by FEA as being an essential requirement in addition to the Army claim. It is pointed out that a small portion of this is for trade incentive goods in the hump and copra production programs, and the total requirements of this devastated area are many times this figure. The 26 million yards figure was based on shipping availabilities.

Pre-war consumption in the Philippines was about 40 million yards quarterly. Imports during the Japanese occupation were very low.

The Committee will wish to give careful consideration to the urgency of these Philippine requirements, especially in view of the role which the Philippine Islands will play in Pacific operations.

- 5 -

CONFIDENTIAL 143

(5) Netherlands East Indies

The FEA has submitted a requirement for the N.E.I. of 67 million yards. An oral report to the Committee will be made on this requirement.

IV. Policy Problems

The foregoing analysis suggests the following policy problems:

- (1) Utilization of Army surpluses in Europe for civilian relief. It is recommended that large quantities as possible be made available for this purpose, even at the risk of having to replace such stocks subsequently in the Far East. Some way should also be worked out for overcoming the difficulty of releasing Army O. D. dyed garments for European civilians.
- (2) Efforts to rehabilitate European production must be intensified through: (a) an adequate and uninterrupted flow of raw cotton and wool (both in easy supply), (b) supply of repair and replacement parts for textile machinery, and (c) supply of critically needed coal to power textile plants.
- (3) Repair of bulk facilities for handling foods in European ports should be pushed to ease the strain on bagging. The possibility of routing shipments through ports having such facilities should be explored.
- (4) Army and FEA relief programs should be better integrated. One of the problems is the security restriction on the divulgence of Army plans.
- (5) The production drive in the United States must be pushed. Even though this is unlikely to yield much relief this year, it should arrest the continued drop in production.
- (6) The Army and WFB should be urged to continue to arrange military outbacks to the extent feasible, in areas where labor will be released for: (a) textile manufacture, and (b) textile machinery manufacture.
- (7) All possible assistance should be given to an expansion of textile machinery manufacture.
- (8) GFA is examining the possibility of establishing incentive pricing to stimulate increased textile production. This investigation should be pressed.
- (9) The Committee's opinion as to the urgency of the Chinese, Philippine and Netherlands East Indies requirements in relation to our own civilian and military programs would be very valuable.
- (10) The availability of captured German stocks of textiles should be determined, and methods should be devised to integrate the disposition of such captured stocks with supply from other sources.

CONFIDENTIAL

- 6 -

Table I

**WORLD COTTON BROAD WOVEN FABRICS
1945 ESTIMATED PRODUCTION DISTRIBUTION**

(Unit: Millions of Yards)

Country	Production	Distribution		
		Military	Domestic	Export
United States	9,400	2,557	6,042	801
United Kingdom	1,575	350	735	480
Canada	275	44	397 ^{2/}	25
India	6,300	850 ^{1/}	4,850	500 ^{1/}
Brazil	1,300	n.a.	1,000	300
Mexico	500	20	400	80
Latin America	800	n.a.	1,065 ^{2/}	n.a.
British Dominions	138	112 ^{3/}	311	n.a.
British Colonies	7	n.a.	306	n.a.
French - Belgian Colonies	26	7	267	n.a.
RUSSIA	500	n.a.	772	n.a.
Other Misc. Countries	n.a. ^{4/}	n.a.	116	n.a.

^{1/} Includes 100 million yards reserved for Indian Government.

^{2/} Based on U.S. allocation for third and fourth quarters, 1945, at the rate of 42.7 million yards per quarter.

^{3/} Includes estimated U.S. exports of 89 million yards and other estimated exports of 176 million yards during 1945.

^{4/} Based on Report No. 28 from the Office of the Commissioner of the U.S.A., New Delhi, India, April 27, 1945. Earlier advice from the British side of CPHE indicated that a lower rate of exports might be more probable.

^{5/} Estimated 1944 requirements. No information is immediately available concerning 1945 military needs.

^{6/} Estimated production in Spain, Portugal and Turkey is not immediately available.

Notes: All figures contained in this Table are Preliminary

May 14, 1945

244

MAY 14 1945

Dear Will:

Thank you for sending me photostat copies of the revised directive for the Military Government of Germany and the instructions on reparations, which the President approved. It was a pleasure to work with you on these matters and I know you feel as I do that very important work was done.

Sincerely,

(Signed) Henry

Honorable W. L. Clayton,
Assistant Secretary,
Department of State,
Washington, D.C.

FC:rl 5/24/45

*Two copies to 245
cc - 4/14/45
see to acknowledge*

ASSISTANT SECRETARY OF STATE
WASHINGTON

May 11, 1945

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

Dear Mr. Secretary:

The revised Directive for the Military Government of Germany, as amended, and the instructions to the U. S. Delegate on the Reparation Commission were submitted yesterday to the President for his approval.

I am enclosing herewith photostat copies of the memoranda of transmittal, on which the President noted his approval of these documents.

Sincerely yours,



W. L. Clayton
Assistant Secretary

Enclosures

DEPARTMENT OF STATE
WASHINGTON

May 4, 1945

MEMORANDUM FOR THE PRESIDENT:

The Informal Policy Committee on Germany, which has had under consideration the question of this Government's policy in respect of German reparations, submits for your approval the instructions which have been drafted to guide the United States representative on the Reparations Commission, which will shortly convene in Moscow.

These instructions have been drawn up to conform both to the decisions of the Crimean Conference and to the general policy of the United States for the treatment of Germany as embodied in the draft directive now also awaiting your approval.

Mr. Edwin Pauley and Mr. Isador Lubin participated in the formulation of this statement and join in recommending its approval.

Joseph H. T. Green
Acting Secretary

Approved May 10 45
Harry Truman

Harry L. Stinson

Isador Lubin
William L. Clayton
Leo J. Crowley (By H. H. T. G.)

Ralph A. Bard
Edwin W. Pauley
Henry M. Smith and

SECRETMEMORANDUM FOR THE PRESIDENT

With reference to my memorandum of April 26, 1945, the Informal Policy Committee on Germany attaches herewith, for your approval, certain amendments to the revised directive for the military government of Germany. For convenient reference, a copy of the directive is likewise attached.

The Joint Chiefs of Staff have now indicated that they have no objection, from a military point of view, to the revised directive as amended. Therefore, upon your approval, this directive will be immediately transmitted by the Joint Chiefs of Staff to General Eisenhower as the basic American policy for the initial post-defeat period in Germany.

Joseph H. T. Green
Acting Secretary

William L. Clayton
Chairman of the Informal
Policy Committee on Germany

Enclosures:

1. Copy of Directive
2. Certain Amendments to Revised Directive

Approved May 10 45
Harry Truman

248

MAY 14 1945

Dear Mr. Stimson:

I am glad to receive your letter of May 5, 1945 regarding the entry of Foreign Funds Control officials into the Philippines.

I wish to express my appreciation for the wholehearted support which we have received from the War Department in this matter.

We hope that the Treasury personnel selected to go to Manila will be able to leave in the very near future in order that banking operations in the Philippines may be resumed at the earliest possible time.

Sincerely yours,

[Signed] H. Morgenthau, Jr.

The Honorable
Henry L. Stimson,
Secretary of War.

ISF/efa 5/10/45

12"

~~CONFIDENTIAL~~
WAR DEPARTMENT
WASHINGTON

MAY 5 1945

The Honorable

The Secretary of the Treasury

Dear Mr. Secretary:

Supplementing my letter of 27 April, I am glad to advise you that General MacArthur has cabled me that he no longer has any objection to the entry of Foreign Funds officials into the Philippines. Accordingly, I suggest that the Treasury now follow the usual procedure of applying to the Department of State for passports for each of the officials to be sent.

I am hopeful that we can now look forward to the early resumption of banking operations in the Philippines with adequate foreign funds control.

Sincerely yours,

Henry L. Stimson
Secretary of War

~~CONFIDENTIAL~~

250

MAY 14 1945

The Honorable

The Secretary of State

Attention: Assistant Secretary W. L. Clayton

My dear Mr. Secretary:

I am acknowledging with thanks receipt of your letter of May 11, in which you are so good as to accede to my request that I be permitted to appoint a representative of the Treasury Department on the Special Committee on Communications.

I desire to appoint Assistant Secretary Herbert E. Gaston to be a member of this Committee, and ask the privilege at the same time to designate Captain E. M. Webster of the United States Coast Guard as his alternate.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

HEG:sja

DEPARTMENT OF STATE
WASHINGTONIn reply refer to
FD 111, ADVISORY
COMMITTEE/C-445

May 11, 1945

My dear Mr. Secretary:

I acknowledge the receipt of your letter of May 4, 1945, requesting that the Treasury Department be permitted to designate a representative on the Special Committee on Communications and such other committees as this Department may consider appropriate in view of the interest of the Coast Guard in the present formulation of policies in the field of international telecommunications.

In reply you are informed that the Department will be pleased to have you designate a representative of your Department on behalf of the Coast Guard on the Special Committee on Communications. Such a representative could discuss with officials of the Department on what other interdepartmental committees engaged in telecommunications studies the Treasury Department might also wish to be represented.

Sincerely yours,

For the Acting Secretary of State:

Assistant Secretary

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

CONFIDENTIAL

5/15/45 original to Coe

252

253

14 MAY 1945

The Honorable,

The Secretary of the Treasury.

Dear Mr. Secretary:

With further reference to your letter dated 20 October 1944, requesting shipment of \$20,000,000 in gold to Assam, India, the following arrangements have been made by the War Department for the sixth shipment of gold to be placed in strong room of the fastest vessel available under allocation of the Army for shipment to Calcutta without charge to Chinese Government for transportation but without assumption of risk by the War Department:

1. It is understood that the shipment will consist of the following lot:

12 kegs numbered CBC 280 through CBC 291 valued at \$1,179,133.94 having a gross weight of approximately 2460 pounds and a gross displacement of approximately 12 cubic feet.

2. It is also understood that the Federal Reserve Bank of New York is making all necessary arrangements to transport the gold to the Los Angeles Port of Embarkation to arrive on 16 May with insurance effected by the final consignee.

3. Each keg should be marked as follows:

TO: Port Transportation Officer
Los Angeles Port of Embarkation
Wilmington, California

FOR: BENT-J-OPD-OPD 141

4. The Commanding General, India-Burma Theater will be advised by War Department radio the number of the vessel on

CONFIDENTIAL

CONFIDENTIAL

254

Continued.

which the kegs were loaded with request that arrangements be made for the acceptance and delivery of the kegs to Mr. F. P. Ling, Manager, Bank of China, Calcutta, India.

Sincerely yours,

(Signed) A. H. CARTER

A. H. CARTER
Major General, GSC
Fiscal Director

2
CONFIDENTIAL

MAY 14 1945

My dear Mr. Secretary:

I would like to request that Lieutenant Edgar Harrison Clark, Jr., USNR, who is now assigned as Assistant Naval Attache and Assistant Naval Attache for Air, American Embassy to the Governments-in-Exile, London, be released from active duty upon the termination of the American Mission to the Exiled Governments, in order that he may be given an assignment with the Treasury Department.

As you are aware, the Treasury Department is being called upon to assign more and more men to posts in the liberated areas of Europe in order to assist the military forces of the United States in financial and fiscal matters arising in these areas and we are experiencing difficulty in obtaining men with satisfactory ability and background to fill these assignments.

I would like to have Lieutenant Clark serve in the liberated areas. Lieutenant Clark is a former member of the Division of Monetary Research who dealt with European financial problems and his background qualifies him for such an assignment. His experience in London with the six Allied Governments gives him special qualifications for the duties of Treasury representative in Europe.

Lieutenant Clark has been on active duty for three years and seven months of which two years and seven months have been overseas.

It is hoped that this request may be considered an exception to the letter of the Secretary of the Navy of February 7, 1945, in view of the fact that Lieutenant Clark is in a post which is expected to terminate upon the completion of the liberation of the occupied areas, *directly, as a result of the cessation of European hostilities.*

If it is not possible to release Lieutenant Clark from active duty, I would like to request that you give consideration to the possibility that he be detailed to the Treasury Department for such period as the Secretary of the Navy approves, for further assignment by the Treasury.

Sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable

The Secretary of the Navy

HJ:RUC:gp 4/26/45

Sent to Mrs. Wall

The New York Times
Times SquareARTHUR HAYS BURNHAM
PUBLISHED

May 14, 1945

Dear Henry:

At the request of Colonel John Wood who is now out of the Army and back with B. Altman and Co., I am sending you, more or less officially, a copy of the main sheet of yesterday's Times indicating the manner in which the department stores and The New York Times cooperated in promoting the Seventh War Loan. I assume you have probably seen it but in case it escaped you, here it is.

With all good wishes,

I am

Faithfully yours,

*H. Morgenthau, Jr.*Hon. Henry Morgenthau, Jr.
Secretary of Treasury
Washington, D. C.Enclosure
F

FILE FROM MEMBERS OF JAPANESE PRISON CAMP

...the most highly paid...
...the most highly paid...
...the most highly paid...

The report estimated the impact of the earthquake on the economy of the affected areas. It found that the earthquake caused a loss of \$1.5 billion in property and infrastructure damage. The report also estimated that the earthquake caused a loss of \$1.5 billion in property and infrastructure damage.

Latest Casu

DEAD
4800
New York

Qualities of Ar

[illegible]

**NOT LISTED TO BE
(IN CHEST WOUND)**

Marking the Two-Year Anniversary of the End of the War

Washington, May 10.—The spirit of unbridled jubilation that usually follows the close of a war is still in evidence in this town as it is in cities all across the United States. Religious leaders here are holding services in which they are celebrating the end of the war.

During the past week, many churches have been holding special services, usually twice the usual number of people attending. In some, the religious leaders have been holding special services, usually twice the usual number of people attending. In some, the religious leaders have been holding special services, usually twice the usual number of people attending.

The two-year anniversary of the end of the war is being celebrated in many cities all across the United States. Religious leaders here are holding services in which they are celebrating the end of the war.

5

1000

the fact that the company's stock price has risen 100% since the company's IPO in 1999. The company's stock price is now \$100 per share, up from \$10 per share in 1999. The company's stock price is now \$100 per share, up from \$10 per share in 1999. The company's stock price is now \$100 per share, up from \$10 per share in 1999.

[illegible]

1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 26

Western States Institute
10111 Magnolia Blvd.,
Van Nuys, CA 91411
Tel: (818) 709-1234
Fax: (818) 709-1235
www.westernstatesinstitute.com

LIBERATED
FRONTIER
1991

[illegible]

MOTHER'S DAY

•

[illegible]

Hilena Rubinstein

Retail stores of New York
and their 75,000 employees
pledge themselves to beat all
previous retail War Loan
records in this, the
mighty Seventh—
Finish the fight
Buy More War Bonds



NORSE AND DANES LENIENT WITH POE

Two of 3 Swedish Captives
Fought Against Nazi Occupation
After German Surrender

By GEORGE ARAMIAN
Stockholm, Sweden, May 12 (AP)—Two of three Swedish captives who fought against the Nazis after the German surrender in May 1945, were released today by the Swedish government.



Two of the three Swedish captives who fought against the Nazis after the German surrender in May 1945, were released today by the Swedish government.

100,000 POES TAKEN IN RUSSIAN CLEANUP

Continued from Page 1

RUSSIAN TROOPS WELCOMED IN COPENHAGEN
DENMARK'S PEOPLE
RAIL MONTGOMERY

100,000 POES TAKEN
IN RUSSIAN CLEANUP

100,000 POES TAKEN
IN RUSSIAN CLEANUP

100,000 POES TAKEN
IN RUSSIAN CLEANUP

100,000 POES TAKEN
IN RUSSIAN CLEANUP

NORSE AND DANES LENIENT WITH POE

Two of 3 Swedish Captives
Fought Against Nazi Occupation
After German Surrender

By GEORGE ARAMIAN
Stockholm, Sweden, May 12 (AP)—Two of three Swedish captives who fought against the Nazis after the German surrender in May 1945, were released today by the Swedish government.

Two of the three Swedish captives who fought against the Nazis after the German surrender in May 1945, were released today by the Swedish government.

Two of the three Swedish captives who fought against the Nazis after the German surrender in May 1945, were released today by the Swedish government.

100,000 POES TAKEN IN RUSSIAN CLEANUP

Continued from Page 1

RUSSIAN TROOPS WELCOMED IN COPENHAGEN
DENMARK'S PEOPLE
RAIL MONTGOMERY

100,000 POES TAKEN
IN RUSSIAN CLEANUP

100,000 POES TAKEN
IN RUSSIAN CLEANUP

100,000 POES TAKEN
IN RUSSIAN CLEANUP

100,000 POES TAKEN
IN RUSSIAN CLEANUP

SWIFT HELP ALLAYS AMSTERDAM FLIGHT

Frenchmen and the Crisis of Flight at in Downcast Germany

By GEORGE ARAMIAN
Amsterdam, May 12 (AP)—A swift help allays the Amsterdam flight crisis, as Frenchmen and the crisis of flight at in downcast Germany.



The Frenchmen and the crisis of flight at in downcast Germany.

100,000 POES TAKEN IN RUSSIAN CLEANUP

Continued from Page 1

RUSSIAN TROOPS WELCOMED IN COPENHAGEN
DENMARK'S PEOPLE
RAIL MONTGOMERY

100,000 POES TAKEN
IN RUSSIAN CLEANUP

100,000 POES TAKEN
IN RUSSIAN CLEANUP

100,000 POES TAKEN
IN RUSSIAN CLEANUP

100,000 POES TAKEN
IN RUSSIAN CLEANUP

ALLIES TO RESIST DOHNITZ REGIME

Frenchmen and the Crisis of Flight at in Downcast Germany

By GEORGE ARAMIAN
Amsterdam, May 12 (AP)—The allies to resist the Dohnitz regime, as Frenchmen and the crisis of flight at in downcast Germany.

The allies to resist the Dohnitz regime, as Frenchmen and the crisis of flight at in downcast Germany.

The allies to resist the Dohnitz regime, as Frenchmen and the crisis of flight at in downcast Germany.

100,000 POES TAKEN IN RUSSIAN CLEANUP

Continued from Page 1

RUSSIAN TROOPS WELCOMED IN COPENHAGEN
DENMARK'S PEOPLE
RAIL MONTGOMERY

100,000 POES TAKEN
IN RUSSIAN CLEANUP

100,000 POES TAKEN
IN RUSSIAN CLEANUP

100,000 POES TAKEN
IN RUSSIAN CLEANUP

100,000 POES TAKEN
IN RUSSIAN CLEANUP

Finish the fight!
BUY WAR BONDS!

Lena Bryant

FRANKLIN SIMON

I'm just one of many...

Our kids have all been away from home, fighting, for a long time. What's an Oldman... Simon's in it a Japanese prisoner of war camp... What's in waiting is not to be... What's in it a better tomorrow for the Family Pacific.

They're pretty tired and we hope they'll like to come home. We want them to come home, but the war is not yet won and until it is, they can't.

BUY WAR BONDS! FINISH THE FIGHT! GET OUR DADS HOME!

Donwit Teller

Finish the Fight



Buy a Bigger War Bond in the mighty 7th War Loan



You're putting YOUR might in the fight when you—
BUY MORE BONDS
BUY BIGGER BONDS
The Coward Shave

BOGOSON TO READ WAR CRIMERS UNIT

Truman: Name, National, in Party's Past on the Ground

WASHINGTON, May 14 (AP)—The House today passed a bill to create a unit to read the names of war criminals who were in the United States during the war.

The bill, known as the War Criminals Reading Act, was passed by a vote of 308 to 110.

The bill requires the War Relocation Authority to read the names of war criminals who were in the United States during the war.

The bill also requires the War Relocation Authority to read the names of war criminals who were in the United States during the war.

The bill also requires the War Relocation Authority to read the names of war criminals who were in the United States during the war.



DOORITZ REPORTED YIELDING HIMSELF

German Captain Expects French Team This Week

PARIS, May 14 (AP)—A German captain, reported to have yielded himself to the French, is expected to be taken to France this week.

The captain, whose name has not been disclosed, is believed to be a member of the German military.

The report of his capture was first made by the French press.

The report of his capture was first made by the French press.

The report of his capture was first made by the French press.

German Captain Expects French Team This Week

PARIS, May 14 (AP)—A German captain, reported to have yielded himself to the French, is expected to be taken to France this week.

The captain, whose name has not been disclosed, is believed to be a member of the German military.

The report of his capture was first made by the French press.

The report of his capture was first made by the French press.

The report of his capture was first made by the French press.

The report of his capture was first made by the French press.



AND
WHAT
DO YOU
THINK
A JAP
WAR BOND
BUYS?

You're right, America... it buys a lot of things, including a lot of new war bonds. It buys a lot of new war bonds, including a lot of new war bonds. It buys a lot of new war bonds, including a lot of new war bonds.

**FINISH
THE FIGHT
IN THE
7th WAR LOAN!**

STERN'S

TRIESTE PEACEFUL DESPITE DISPUTE

No Problem Reported Between Yugoslav and British, Only Signs of Minor Disputes

YUGOSLAVIA, May 14 (AP)—Trieste is peaceful despite a dispute between the Yugoslav and British forces.

The dispute is over the control of the city.

The dispute is over the control of the city.

The dispute is over the control of the city.

The dispute is over the control of the city.

CREW SAYS HOPES ON POLISH ISSUE

Acting Secretary of State Says Conference That Issue Polish Can Be Settled

WASHINGTON, May 14 (AP)—The acting secretary of state today expressed hope that the Polish issue could be settled at the upcoming conference.

The acting secretary of state today expressed hope that the Polish issue could be settled at the upcoming conference.

The acting secretary of state today expressed hope that the Polish issue could be settled at the upcoming conference.

The acting secretary of state today expressed hope that the Polish issue could be settled at the upcoming conference.

The acting secretary of state today expressed hope that the Polish issue could be settled at the upcoming conference.

SOVIET LEND-LEASE SUSPENDED BY U.S.

U.S. Says It Will Not Supply Soviet With War Materials

WASHINGTON, May 14 (AP)—The United States today announced that it has suspended the Lend-Lease program for the Soviet Union.

The suspension is effective immediately.

The suspension is effective immediately.

The suspension is effective immediately.

The suspension is effective immediately.



finish
the fight!

BUY MORE
war
bonds

**WAR
LOAN**

Every ounce of our energy... every dollar of our resources is needed to FINISH THE FIGHT!

To help speed the victory in the Pacific and bring our boys home sooner — BUY EXTRA WAR BONDS NOW!

McCutcheon's

ARMY CHIEFS RAIL WAG ANNIVERSARY

Headquarters, Eastern and
Southern Divisions in 1918
to the Western Front



How can you afford these extra War Bonds?
HOW COULD HE AFFORD THIS?

Now can you afford these extra War Bonds?
HOW COULD HE AFFORD THIS?

Now can you afford these extra War Bonds?
HOW COULD HE AFFORD THIS?

Now can you afford these extra War Bonds?
HOW COULD HE AFFORD THIS?

Now can you afford these extra War Bonds?
HOW COULD HE AFFORD THIS?

Now can you afford these extra War Bonds?
HOW COULD HE AFFORD THIS?

Now can you afford these extra War Bonds?
HOW COULD HE AFFORD THIS?

Now can you afford these extra War Bonds?
HOW COULD HE AFFORD THIS?

Now can you afford these extra War Bonds?
HOW COULD HE AFFORD THIS?

Now can you afford these extra War Bonds?
HOW COULD HE AFFORD THIS?

Now can you afford these extra War Bonds?
HOW COULD HE AFFORD THIS?

Now can you afford these extra War Bonds?
HOW COULD HE AFFORD THIS?

Now can you afford these extra War Bonds?
HOW COULD HE AFFORD THIS?

Now can you afford these extra War Bonds?
HOW COULD HE AFFORD THIS?

Now can you afford these extra War Bonds?
HOW COULD HE AFFORD THIS?

Now can you afford these extra War Bonds?
HOW COULD HE AFFORD THIS?

Now can you afford these extra War Bonds?
HOW COULD HE AFFORD THIS?

THEY'RE NOT IN THE ARMY NOW POST OF VETERANS PIRED ON POINTS

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

ARMY 100 Points For Army Buckle

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

ST-NORTH VETERAN DEVENS' FIRST OUT

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

HOUSE GROUP BELIEVES ARMY PERSUASION BELLS

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

ST-NORTH VETERAN DEVENS' FIRST OUT

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

HOUSE GROUP BELIEVES ARMY PERSUASION BELLS

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

HOUSE GROUP BELIEVES ARMY PERSUASION BELLS

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

ABRAHAM & STRAUS
At A&S, starting tomorrow...

The U. S. Treasury,
In cooperation with the
Army Air Force, presents

"THE EYES OF THE ARMY"

May 14 through June 2, 7th Floor, East Building

Exhibition of military reconnaissance photographs,
cameras and equipment used by the Army Air Force

- See the newest photographic equipment used in military reconnaissance in the civilian world...
- See a miniature map camera, 40 feet long and 18 feet wide, in several colors, illuminated...
- See the reconnaissance camera that photographs 200-foot planes from a plane flying 100 miles...
- See the Army Air Force reconnaissance—dial camera—projector through camera...
- See an example of a glass camera, actually used in Tokyo reconnaissance before Pearl Harbor...
- See an exhibition of night flying photography with both lenses and examples of the results, too...
- See the cameras that can photograph from a moving plane, 4 miles high.

You will see lenses, view finders and cameras, all tested in war and again to see the new Army Air Force cameras and equipment that have and are now making of American life—reconnaissance the world before the coming of modern war.

Presented at the Army Air Force will be a number of maps that during recent years have been used to explore the details of the reconnaissance equipment.

• LET'S FINISH THE FIGHT! •

SUPPORT THE 7th WAR LOAN

See how your

War Bond money is

spent to save American

lives and to shorten

the Pacific war. Bring

total V-Day nearer by

buying more bonds...

See how your War Bond money is spent to save American lives and to shorten the Pacific war. Bring total V-Day nearer by buying more bonds...

See how your War Bond money is spent to save American lives and to shorten the Pacific war. Bring total V-Day nearer by buying more bonds...

See how your War Bond money is spent to save American lives and to shorten the Pacific war. Bring total V-Day nearer by buying more bonds...

See how your War Bond money is spent to save American lives and to shorten the Pacific war. Bring total V-Day nearer by buying more bonds...

See how your War Bond money is spent to save American lives and to shorten the Pacific war. Bring total V-Day nearer by buying more bonds...

See how your War Bond money is spent to save American lives and to shorten the Pacific war. Bring total V-Day nearer by buying more bonds...

See how your War Bond money is spent to save American lives and to shorten the Pacific war. Bring total V-Day nearer by buying more bonds...

See how your War Bond money is spent to save American lives and to shorten the Pacific war. Bring total V-Day nearer by buying more bonds...

See how your War Bond money is spent to save American lives and to shorten the Pacific war. Bring total V-Day nearer by buying more bonds...

See how your War Bond money is spent to save American lives and to shorten the Pacific war. Bring total V-Day nearer by buying more bonds...

McCREERY



"Power in the Pacific"

buy a \$100 bond and receive the book free

A dramatic sequence of official Army, Coast Guard and Marine Corps photographs, depicting our fighting men in the Pacific. This book is compiled from the week-end edition of the Warrenton of the Pacific, designed and directed by Captain Edward E. Phillips, USMC. See your favorite book store for each volume. And each book you buy here at McCreery will go toward purchasing a 7th War Loan. Total Series Price, \$17.50.

FINISH THE FIGHT—7th WAR LOAN

JOHN R. TODD DIES;
NOTED BUILDER, 71

**James Head of Firm Warns
Environmental Regulation Is
Cause of Failure**



WALTER FAIRCHILD, 67, THE LAWYER, IS DEAD

ACHMED ABDULLAH
AUTHOR, 64, IS DEAD

via Anthropology Table Where
man-Biting Table-Bites
Festive Gains in World



W. C. MAX-MULLER, IV.
MASTER EX-DIPLOMA

JOHN COMMONS, EL
ECONOMIST, IS DEAD

Student: William Miller
Event: Billings—His Son
Disappeared for 14 Years

TRANSVAAL EDITOR, 74

As I've noted, the National Longitudinal Study from 1966 to 1970

LABOR ROW FIGURE

Front of Market Garage in
1915. Lillian W. W. W.

Dr. Lyle David Wood, author of *Black Water: The American South and the Hidden History of Slavery, 1919-1941*, is

[illegible]

Today's Index

RECEIVED: April 15, 1989

Grade	Teacher	Enrollment	Start Date
1	Mr. J. H. Smith	25	1900
2	Mr. J. H. Smith	25	1900
3	Mr. J. H. Smith	25	1900
4	Mr. J. H. Smith	25	1900
5	Mr. J. H. Smith	25	1900
6	Mr. J. H. Smith	25	1900
7	Mr. J. H. Smith	25	1900
8	Mr. J. H. Smith	25	1900
9	Mr. J. H. Smith	25	1900
10	Mr. J. H. Smith	25	1900
11	Mr. J. H. Smith	25	1900
12	Mr. J. H. Smith	25	1900

FESTIVAL OF MUSIC
OPENS AT COLUMBIA

Dr. Edward Everett Sanders
entire program sponsored
by Alice Green Fund

THE WEATHER IN THE NATION

ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED
DATE 04-10-2000



100 PARTY LEADERS HAVE STEPPED UP
WALK WITH POWER FOR JEWISH RELIEF

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis, *U.S. National Income and Product Accounts*, 1992.

and Demers Inc. 440 W
Boulevard, Toronto

AUTO BRAKE TESTS CURB ON ACCIDENTS

**Annual Safety Summit Needs
More Forecasts And More
Travel Than There Is Fuel**

Keynote Presentations

010-6524 6666
 010-6524 6666
 010-6524 6666

Free Board

© 2000 Blackwell Science Ltd
Journal of Internal Medicine 247: 391–397

1. The first step is to identify the problem.
 2. The second step is to define the problem.
 3. The third step is to analyze the problem.
 4. The fourth step is to develop a solution.
 5. The fifth step is to implement the solution.
 6. The sixth step is to evaluate the solution.
 7. The seventh step is to monitor the solution.
 8. The eighth step is to maintain the solution.
 9. The ninth step is to improve the solution.
 10. The tenth step is to document the solution.

© 2004 Blackwell Publishing Ltd
Journal of Internal Medicine 255: 104–114

The authors thank Dr. Robert J. Goss for his critical review of the manuscript.

1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 26

The
Greatest Value
Sloane's has ever offered

Outstanding... not to be missed! No "one-size-fits-all" angle. We're an **ample stock**. All ready for immediate delivery, too. There's a positive opportunity for you. Don't fail to take advantage of it!

					NOW	
\$25.00	Series E Bonds	-	-	-	-	each \$25.00
\$50.00	Series E Bonds	-	-	-	-	each \$50.00
\$100.00	Series E Bonds	-	-	-	-	each \$100.00
\$500.00	Series E Bonds	-	-	-	-	each \$500.00
\$1000.00	Series E Bonds	-	-	-	-	each \$1000.00

Let's Finish the Fight!
Seventh War Loan Drive . . . NOW!

W & J SLOANE

FIFTH AVENUE AT 47TH STREET

258

May 14, 1945

Mr. Gamble

Secretary Morgenthau

Mrs. Morgenthau wanted me to thank you and the other people in War Bonds for all of the material which you have sent her. However, she doesn't want to receive any more because she really isn't up to digesting it. Done -

259

#1

From: 7th War Loan News Desk
War Finance Division
Treasury Department
Washington 25, D. C.

RELEASE TO A.M. PAPERS,
MONDAY, MAY 14.

EDITORS:

Secretary of the Treasury Henry Morgenthau, Jr., will be heard on a radio broadcast launching the 7th War Loan drive, from 8:30 to 9 p.m., EST, on Sunday night, May 13, over the combined stations of NBC, CBS, Mutual and Blue Networks.

The four individual War Loan shows will run simultaneously. Secretary Morgenthau will be heard over all four networks at the end of the half hour period.

The full text of his speech follows:

"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 dragged 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.

"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

260

- 2 -

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.

"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 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."

###

From: 7th War Loan News Desk
War Finance Division
Treasury Department
Washington 25, D. C.

General Release #2

ADVANCE RELEASE FOR
MONDAY AM'S
MAY 14

261
Page 21

BIGGEST WAR LOAN TASK HAS BEST SUPPORT NATIONALLY OF ANY BOND DRIVE

WASHINGTON, D.C., MAY 13 — The Mighty Seventh War Loan drive tomorrow sends six million volunteer bond sellers out to sell \$7 billion to individuals, of which \$4 billion is to be Series E bonds, out of the overall quota of \$14 billion set for the next seven weeks. The other \$7 billions will be sold to corporate investors between June 18 and June 30.

Facing the record quotas for sales to individuals, the army of bond sellers finds itself better backed up than in any of the six previous War Loans, according to Ted R. Gamble, national director of the War Finance Division of the Treasury Department. He listed some of the favorable factors for the success of the drive as follows:

Income of the American people is the highest in history and will remain at this high level for some months.

Consumer goods are scarcer than ever and some will be even more scarce in the months ahead. Money put into bonds in the drive will be taken out of competition for these scarce goods, thus putting a powerful brake on inflationary tendencies, to the general benefit of the public. In setting the high individual quotas of the 7th War Loan, Mr. Gamble said, the Treasury took this into account as well as the need for money with which to prosecute our war with Japan to complete victory.

The advance payroll savings drive which opened April first has already given the campaign a month's start. The War Loan period will be 90 days instead of the 60 days in past drives. Some 27,000,000 Americans who regularly buy bonds through payroll deductions have already piled up a heavy backlog of bonds fully paid for in April and the first half of May

- 2 -

262

and others will come in at an increasing rate until the end of the drive's accounting period, July 7th. News from the payroll savings drive everywhere is most encouraging, Mr. Gamble said. To make the \$4 billion goal at least \$2½ billions must come through regular and extra bond sales to those who invest in bonds through payroll savings and that, he added, will take 90 days of unflagging effort.

Realizing that the 7th is "the most important war loan to date", the Treasury has geared all promotion machinery to deliver more power behind the drive, Mr. Gamble said.

The newspapers, which through sponsored war bond advertising, news coverage and special campaigns have always backed up bond sales powerfully, have ordered more promotion material than ever before and this indicates, Mr. Gamble said, "the best advertising and publicity job yet."

Radio, too, will excel anything in its fine record of publicizing war loans, he said. The four networks "kicked off" for the 7th with a simultaneous broadcast of four half-hour programs Sunday night, ending with a three minute talk by Secretary of the Treasury Morgenthau. Monday night the Secretary, General Joseph W. Stilwell and a group of radio headliners will launch the Army Ground Forces' nation-wide participation in the 7th War Loan promotion from Buffalo, N. Y., in an hour-long program, 10 to 11 p.m. EST. During Monday, opening day, forty national radio programs will be devoted to bonds, besides thousands of spots on other station programs. Networks, independent stations and their advertising clients, through OWI allocations of time, will provide the most intensive and extensive air support ever given any drive, he stated.

Retail employees in all lines are more thoroughly organized than ever before for a bond selling campaign. Retailers are expected to advertise and promote the 7th more than any prior drive. Many stores have assigned up to 35 percent of their promotion budgets to publicizing the drive, Mr. Gamble

- 3 -

said. From coast to coast retailers have organized Monday as B-Day (B for Bonds) and in thousands of communities a B-Hour has been set in which stores will sell only bonds. Many retail stores have accepted sales quotas of \$500 an employee.

Support from the motion picture production and theatre industries and the 16 mm. film program will be the most intense and widespread ever given a war loan, Mr. Gamble continued. Forty percent more theatres than ever before will be issuing agents equipped to deliver a bond on the spot.

More banks have taken voluntary sales quotas than ever before. Bankers in rural communities will solicit farmers, and all will solicit individuals with spare funds on deposit. Since bank deposits of individuals are at an all-time high, much is expected of this special effort.

The outdoor advertising program provides 85,000 full-sized billboards nationally-sponsored and hundreds of thousands of other postings.

More than 2500 magazines will use a 7th War Loan message from the five-star generals and admirals on their covers. The program of special events will surpass any ever set up for a prior War Loan.

"If I appear to have overworked the words 'bigger and better'," Mr. Gamble said, "that is only the literal truth. The people who have made this promotion program possible by their patriotic generosity realized weeks and months ago that in the 7th War Loan we were up against the biggest and most important job yet and they have measured up to it. We know the six million volunteers who sell the bonds will measure up to their job. From reports coming in from all the states, we can be sure that the passing of V-E Day has caused no slackening of effort to make the 7th War Loan the mightiest yet."

###

264

Preliminary itinerary for Secretary MorgenthauBuffalo, May 14

3:00 p.m.	press conference ✓	OK. DMJ
4:00 p.m.	radio rehearsal ✓	
6:00 p.m.	WFD reception and dinner -- Georgian Room, Hotel Statler (approx. 150 people) ✓	
8:00 p.m.	Infantry Show, Civic Stadium (The Secretary will be introduced, but will not be required to speak, unless of course he wishes to do so. Approximately 40,000 people) ✓	
10:00 p.m.	Broadcast, Kleinhans Music Hall -- General Stilwell, Danny Kaye, Guy Lombardo, etc. ✓	

* * * *

If the Secretary plans to arrive in Buffalo earlier than anticipated, our people would like to hold a lunch for him. Also, if additional time should be available, they suggest an afternoon visit to one or two Buffalo War plants -- Curtiss-Wright, Republic Steel, Pratt and Litchworth.

Buffalo, New York 265
May 14, 1945. ✓

NAMES OF PEOPLE AT HEAD TABLE:

Honorable Secretary Henry Morgenthau, Jr.
Major General Browning

General Joseph W. Stilwell
Commanding General, Army Ground Forces, U. S. A.

Mr. Edward H. Letchworth
Upstate Chairman, War Finance Committee for New York

Mr. Frederick W. Gehle
State Chairman, War Finance Committee for New York

Mr. Daniel W. Streeter
Chairman, Erie County War Finance Committee

Mayor Joseph Kelly,
City of Buffalo

Col. John M. McDowell
Commanding Officer, 4th District, 2nd Service Command

NAMES OF PEOPLE COMING WITH GENERAL STILLWELL:

(General Joseph W. Stilwell)

Brig. General William E. Bergin

Lt. Col. Paul Jones

Major Carl Arnold

READING COPY OF BUFFALO SPEECH
5/14/45

266 ✓

267

We have had our period of exultation over the great victory in Europe. Now it is time for us to get back to serious business -- to the business of taming and civilizing the Japanese in the East and to the business of helping to rebuild civilization in the West.

No one understands better than General Stillwell the magnitude of the job ahead of us in subduing Japan. We face, as we did in Europe, a tough, fanatical, resourceful enemy, entrenched in his homeland. His military and naval power, like Germany's, must be utterly destroyed so that it can never threaten the security of the world again.

- 2 -

268

The job will be done. It will be done, with the aid of our Allies, by the men in ships and planes who have already driven the Japanese Navy to cover in its home waters. It will be done by the men who returned, as General MacArthur promised they would, to the Philippines, by the men who are now crouched in foxholes on Okinawa. It will be done by the men who are already beginning to move from their victory in Europe to a new victory on the other side of the globe.

We at home have an essential part in this. Our job is to give these men such superiority over the enemy in equipment that they can do their fighting with the lowest possible cost in casualties.

- 3 -

269

That is the policy we have followed from the beginning of the war and shall follow to the end. Our aim always is to exchange equipment for casualties -- that is, money for lives. The money must come from us. We need have no doubt at all that the men on the firing lines will use it well. We need have no fear that they will fail us. And they must have no fear that we will fail them.

If our victory in Europe is to breed security and order and peace, some portion of the things we produce in the United States must be shared with the people we have liberated.

- 4 -

270

Millions of them today are without adequate clothing or shelter and face terrible hunger in the months that lie ahead. Stable governments and peaceful, democratic societies cannot be created out of such conditions. Self-interest as well as humanity compels us to relieve their desperate need. We can have no hope of enduring prosperity in the United States unless we help these people to help themselves -- help them to restore their industry and agriculture and achieve again a reasonable standard of living so that they can play their part in a prosperous world economy.

- 5 -

271

The bulk of our productive resources, in other words, must continue to be devoted to war and to binding up the wounds of war. Peacetime goods -- the luxuries and pleasures we would like to enjoy -- will be in extremely short supply for a long while to come. The fruits of peace, as I said last night, are not yet ripe for us to pluck.

Victory in Europe is all too likely to bring with it a temptation to start spending money freely. That temptation must be sternly resisted if we are to avert inflation. The danger is now greater than it has ever been before.

- 6 -

272

It can be overcome only if all of us
practice self-restraint -- only if all
of us resolve to get along for the present
without unnecessary enjoyments and
satisfactions. Before you spend money
for anything, ask yourself if you really
need it. And if you find that you can
get along without it, take the money you
would have spent and invest it in war
bonds for the future. You will serve
yourself and your fellow-Americans when
you do this.

We who stayed at home in this war have
been in the position of trustees.

- 7 -

273

We must turn over to the men who come
back from the fight for freedom a healthy
economy in which they can find homes and
jobs and a fair chance to prosper. We
must keep America sound, as they have
kept it safe. Let us make the Seventh
War Loan drive which begins today a
fresh demonstration to them of our unity
and our unwavering support.

CLAIM OF SERVICE

This is a full and complete statement of the facts and circumstances surrounding the transmission of the message herein, and is made for the purpose of establishing the time and place of transmission and the identity of the sender and receiver.

WESTERN UNION

A. N. WILLIAMS
PRESIDENT

SYMBOLS

DL - Day Letter
NL - Night Letter
LC - Deferred Cable
NLT - Cable Night Letter
Ship Radiogram

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination.

NE284 DL PD=WUX NEWYORK NY 14 541P

HON HENRY MORGENTHAU, SECRETARY OF THE TREASURY

MAIN TREASURY BLDG WASHDC

I LISTENED TO YOU LAST NIGHT ON THE HOLLYWOOD VICTORY COMMITTEE ON THE BLUE NETWORK AND IT MADE ME ONCE AGAIN REALIZE HOW MUCH WE ALL OWE YOU FOR THE SOUND AND BRILLIANT JOB YOU HAVE DONE IN KEEPING OUR HOUSE IN ORDER. AGAIN CONGRATLATIONS

CHET LAROCHE

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

Buffalo, N. Y.
May 14, 1945.

275

PEOPLE ATTENDING 3:00 O'CLOCK PRESS CONFERENCE:

Edward H. Letchworth, Upstate Chairman, New York State War Finance Committee
Mayor Joseph J. Kelly, Honorary Chairman
Common Council President, Kneeland B. Wilkes
Daniel W. Streeter, Chairman, Erie County War Finance Committee
William M. Baldwin, Publicity Chairman, Erie County War Finance Committee
Mrs. Charles M. Ramsdell, Vice-Chairman, Correlating Women's Activities,
District I, New York State War Finance Committee
Mrs. Theodore C. Jewett, Vice-Chairman, Correlating Women's Activities
(for Buffalo) Erie County War Finance Committee
Miss Grace E. Smith, Vice-Chairman, Correlating Women's Activities
(outside Buffalo) Erie County War Finance Committee
Henry W. Comstock, Chairman, Upstate Chairman of Publicity
S. George Little, Special Consultant for the Treasury Department, Washington, DC.
Peter W. Finney, Director, Public Relations Division, New York State War
Finance Committee
Mr. Haller, Assistant Director of Public Relations
Hugh Thompson, CIO Regional Director for Western New York
Robert A. Smith, President, Buffalo Federation, American Federation of Labor
Walter J. Munro, Chairman, District I, War Finance Committee
Sgt. Wise, from the "Here's Your Infantry" Unit.

276
MAY 14 1945

Dear General Loughry:

I would like to take this opportunity to extend to you my best wishes as you are about to take over your new duties as Governor of the Soldiers' Home, and to thank you for your fine services in connection with the War Bond Program in the War Department.

We are going to miss you in the War Bond work, but hope that you will carry your interest into your new job as Governor.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Major General H. K. Loughry
Chief of Finance
Army Service Forces
War Department
Washington, D. C.

KFBartelt:hav 5/7/45

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 14, 1945

TO Secretary Morgenthau

FROM Charles S. Bell *ms*

Purchasing Programs

Total purchases for the week amounted to \$34,411,737.82, of which \$33,800,000 was Lend-Lease (schedule attached) and \$611,737.82 was for regular purchases.

Unusual purchases cover 100,000 vials of penicillin for UNRRA; 11,000,000 lbs. of fungicidal sulphur for UNRRA for control of crop pests and 48,000 lbs. of treated crate nibroc dursacel paper for aircraft construction in England. Requisitions received include one for 20,000 pitchforks to accelerate agricultural production in Italy and another for 85,000 sticks of shaving soap for Polish prisoners of war in enemy territory.

Special Activities

A memorandum was prepared for the Special Committee of the United States Senate investigating the National Defense Program, covering Lend-Lease purchases of carbon black made by the Procurement Division from August 1941 to date. The purpose of this investigation is directed at the industry to discover why there is now a shortage of this important tire ingredient.

The employment situation continues to show slight improvement, with net additions of 78, as compared with a net increment of 26 last week.

The San Francisco warehouse made prompt deliveries of equipment and supplies for the Peace Conference far in excess of their indicated requirements, an accomplishment only possible through specially devised procedures and keeping open nights and Sundays.

Several conferences were held toward determining whether title to former National Youth Administration property located at Shakopee, Minnesota, was transferred to the Shakopee Public Schools by the provisions of the Labor-Federal Security Appropriation Act, 1945. Tentative conclusion has been reached that title to all of the property did pass to the Shakopee Public Schools.

LEAD-LLC
TREASURY DEPARTMENT - PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U.S. PORTS
AS OF MAY 6, 1946
(In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$ 6636.9 (5936.8)	\$ 2335.9 (2309.9)	\$ 2349.6 (2466.3)	\$ 135.5 (135.4)	\$ 18.9 (18.9)	\$ 1097.0 (946.6)
Requisitions In Purchases	\$ 188.7 (164.1)	\$ 26.0 (26.4)	\$ 28.0 (16.2)	\$ 2.3 (2.4)	-	\$ 127.4 (121.1)
Requisitions Not Cleared by W.P.B.	\$ 84.7 (82.4)	\$ 19.7 (17.7)	\$ 15.8 (25.2)	\$ 1.1 (1.1)	-	\$ 48.1 (38.4)
Obligations (Purchases)	\$ 4945.9 (4912.1)	\$ 2131.9 (2127.7)	\$ 2196.5 (2173.7)	\$ 115.3 (115.1)	\$ 18.6 (18.1)	\$ 463.6 (477.5)
Deliveries to Foreign Gov'ts. at U.S. Ports *	\$ 3345.6 (3350.9)	\$ 1935.4 (1925.4)	\$ 1671.9 (1657.2)	\$ 30.4 (30.4)	-	\$ 207.9 (207.9)

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

Note: Figures in parentheses are those shown on report of April 26, 1946.

* LL purchases for the week \$33,800,000 being difference between preceding week figure (\$4912.1) and current week (\$4945.9).

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE May 14, 1945

TO Secretary Morgenthau
 FROM Mr. Egan
 Subject: The Business Situation,
 Week ending May 12, 1945

Summary

Outlook after V-E Day: While the full effect of the victory in Europe on the business prospect is not entirely clear, certain trends already developing help to clarify the outlook:

1. A decline in industrial output is expected to follow cutbacks in war orders. Official statements indicating very moderate cutbacks, apparently based on an indefinite continuance of the Japanese war, are widely regarded as under-estimates.
2. Increased production of various essential civilian goods will be permitted immediately, aided by increasing supplies of steel and other metals.
3. General reconversion will probably be gradual, and may be handicapped by various obstacles, such as shortages of materials and component parts.
4. Labor shortages will soon exist only in limited areas. Official estimates that unemployment will reach about 2.5 millions in 12 months are regarded in many quarters as conservative.
5. Shortages of food and clothing will continue, and more strict rationing may be necessary because of reduced supplies and increased needs for European relief.

Commodity prices: Commodity futures weakened moderately after V-E Day, but spot prices held practically unchanged. The BLS all-commodity index in the first week in May remained unchanged at its wartime high.

Stock market: The persistent upswing in stock prices since March was interrupted by a rather sharp decline last week. Industrial stock prices in London also declined.

- 2 -

The outlook after V-E Day

Now that fighting in Europe has ceased and V-E Day has been officially proclaimed, one may ask what this foreshadows in the business outlook. While it is not yet possible to form a clear picture of the end results, certain trends are already developing which point out the direction of movement in various fields:

(1) Decline in war procurement will reduce production level.

Any appreciable decline in war production after V-E Day will result in a reduction in industrial output, since it is not conceivable that civilian goods can increase fast enough to make up the difference.

Official policies thus far revealed, which affect war procurement as well as reconversion plans, are apparently based on the indefinite continuance of the Pacific war. The report of the War Mobilization Director last week, estimating the net decline in war production during the next three months at from 10 to 15 percent, mentioned that from that point "larger cuts cannot take place until the long pipelines to the Pacific have been filled. Thereafter the needs for the Japanese war will continue so great as to necessitate the maintenance of production at not far from two-thirds of the schedules of the first half of 1945." These estimates of cutbacks, however, are widely regarded as understatements.

The Army Service Forces expects to effect a reduction of about \$3.5 billions in its procurement program within approximately 90 days after V-E Day, including curtailments already effected. In addition to the recently announced cutbacks in certain types of aircraft, others include such important items as heavy artillery, artillery ammunition, trucks, tanks and small arms.

On the other hand, the intensified operations in the Pacific area will bring about heavier military demands for numerous items. Moreover, critical situations are expected to continue in the procurement of such items as containers, lumber, leather and tires.

(2) Essential civilian goods to benefit promptly.

Despite the continuing needs of the war against Japan, increased production of some essential civilian goods is to be permitted immediately. Among the first industries slated

- 3 -

281

to step up civilian goods output are those producing such items as oil drilling equipment, railroad equipment, trucks and farm machinery. Moreover, moderate output of certain badly-needed consumer durable goods such as washing machines and refrigerators is to be permitted immediately, while output of electric irons and stoves will be increased.

(3) General reconversion to be gradual.

General plans for reconversion, as revealed in a report from the War Mobilization Director promptly following the proclamation of V-E Day and by statements from other war agencies, point to a gradual change-over to the production of civilian goods in the months ahead, while planning for reconversion will be accelerated.

The automobile industry, the key factor in reconversion, will continue to be a heavy producer of war materials, but last week it was officially indicated that the industry will be authorized to go ahead with civilian car production by July 1 where this will not interfere with war production. Estimates of the time required to effect reconversion in the automobile industry continue to show considerable variation, but the War Mobilization Director's recent report indicated that only a few cars may be coming off the assembly lines in from 6 to 9 months. The manufacturers themselves have estimated that reconversion of the industry will require from 4 to 9 months.

Limitation orders on 73 types of products had been revoked in whole or in part by the end of last week. About 135 more limitation orders are expected to be lifted within the next few months, but around 200 will have to stay in effect as long as shortages continue.

In view of the prospect for increased supplies of metals for civilian use, and the desire to step up reconversion, the WPB last week authorized civilian goods producers to place immediate orders for steel, copper, and aluminum for delivery after July 1. Moreover, no Controlled Materials Plan allotments will be necessary where delivery can be made without interference with war orders.

(4) Actual civilian goods output may be slow.

While the WPB continues to make progress in revoking limitation orders, relaxing curbs on material supplies, and instituting other measures designed to facilitate reconversion, various handicaps may hold down the actual production of

282

- 4 -

civilian goods. When the spot authorization program for civilian goods production was put into effect last year, initial results fell considerably short of expectations due to manpower shortages, lack of component parts, restrictive price ceilings and other obstacles. Many of these difficulties seem likely to recur in the current reconversion effort.

A partial survey reported by the Journal of Commerce last week, for example, indicated that in general resumption of civilian goods output will be slow. The conclusion was said to apply even to those industries where the WPB is now offering special priority assistance for the purchase of bottleneck machine tools and the carrying out of minor construction projects. The WPB itself apparently fears that the current relaxing of controls may be construed too optimistically, since during the past week it warned manufacturers that relaxation of controls or lifting of restrictions cannot "be considered as giving a manufacturer assurance that all the materials required to produce a product will be available."

(5) More labor will be available.

Manpower shortages are likely to be less troublesome in the present reconversion program than heretofore. The WMC last week announced transitional relaxation of manpower controls in all areas except those where labor shortages exist. The WMC regards the period up to July 1 as a transition period, after which a new system of area classifications will be installed. After July 1 all manpower controls are expected to be eliminated in Group III and Group IV areas. Maintenance of manpower controls in Group II areas will be optional with area directors, and full manpower controls will be maintained only in Group I or acute labor shortage areas. The WMC has estimated that by July 1 the acute labor shortage areas may drop to less than 20 as compared with 74 at the beginning of this month.

Both the WMC Chairman and the War Mobilization Director last week estimated that unemployment will rise to about 2.5 millions at the end of the next 12 months, a figure believed by many to be too conservative. This compares with unemployment of around 1 million at the present time and with nearly 8 millions in March 1940, shortly before the defense program began. In order to spread the work as outbacks have occurred, the Ford Motor Company and the Murray Corporation recently returned to the 40-hour week at their main plants in Detroit. As a further step along this line the WMC indicated last week that the 48-hour week will be revoked in the steel industry except in acute labor shortage areas.

- 5 -

283

One effect of this trend toward the shorter work week will be to accelerate the drop in factory payrolls and average weekly earnings of factory workers as out-backs occur. On the basis of factory payroll figures for March, just obtained from the Bureau of Labor Statistics, estimated average weekly earnings during the month declined slightly. Nevertheless, they were still only 0.4 percent below the wartime peak reached in January, which in turn was nearly double the 1935-39 average. (See Chart 1.)

(6) Shortages of food and clothing will continue.

The Director of War Mobilization announced in his report to the President last week that civilian rationing programs will continue despite the end of the war in Europe, and that rationing may become more rigid because of growing scarcities and increasing domestic and foreign demand.

Total food supplies are expected to be 5 to 10 percent less than last year while total requirements are 5 to 10 percent greater. In addition to an enlarged domestic demand, we must send an increasing quantity of food to Europe to meet relief needs. Shortages are most pronounced in meat, sugar, butter, and other fats and oils. Supplies of meat will be 26 percent lower than the estimated requirements for the third quarter. A serious shortage of sugar is expected to force a sharp reduction in industrial use and some curtailment in civilian rations.

The clothing supply situation will show a qualitative change as a result of the new CPA-WPB program. More low-priced clothing will be available, while production of high-priced goods will be strictly limited. Production of more non-rationed type shoes must fill the increased civilian demand for shoes.

Regarding relief to Europe, the WFA has announced that Continental Europe will need 12 million tons of food in the consumption year beginning August 1, merely to "bring about some improvement in liberated countries and to prevent large-scale starvation in enemy territory." The bulk of our shipments will doubtless be wheat, of which we have an abundant supply. The urgent needs also include sugar, fats, oils, and dried vegetables. The Office of Foreign Agricultural Relations has conducted a survey of the food situation in Europe and concludes that there is no prospect of early improvement. On the continent, production for the consumption year will be the smallest since the outbreak of the war.

284

- 6 -

(7) Heavy pressure on transport facilities to continue.

Although it has been estimated that total railroad freight tonnage should decrease slightly following V-E Day, transport facilities are expected to be heavily burdened, particularly in the West, where the freight traffic may rise as much as 10 percent above current levels. Passenger travel is not expected to become easier, and the War Mobilization Director last week indicated that the ban on conventions will continue, as well as the present priorities arrangements on airplane travel.

Railroad freight traffic in March rose to new high levels for that month, and ton-miles of freight hauled were only about 3 percent below the wartime peak reached in October 1943. (See Chart 2.) According to Interstate Commerce Commission estimates, freight carloadings in the 4 weeks ended May 26 will rise about 5 percent above April levels and approximately 3 percent above the corresponding month last year. Shipments of grain and grain products in May are expected to rise about 29 percent above year-earlier levels, partly as a result of earlier delays in grain shipments due to car shortages and bad weather. In addition, a heavy volume of grain is expected to be carried to Atlantic Coast and Gulf ports for export.

Commodity prices unchanged last week

The European victory has caused little change in the commodity market as a whole, and most spot prices remain at ceiling levels. Although the ELS basic commodity index last week held at the level of the previous week, some minor declines were noted in cotton and wheat. The Dow-Jones futures index declined slightly during the week, following rather sharp advances in the previous two weeks. (See Chart 1.) Wheat, cotton, and rye generally lost ground, due in part to a fear that former advances had created an over-bought situation.

The ELS all-commodity index for the first week of May remained unchanged at its wartime high, 1.9 percent over the level of a year ago. Price increases in coal (due to recent wage increases) and minor gains for lumber, meats, and grains, were offset by slightly lower wholesale prices for some agricultural commodities.

- 7 -

285

The farm products index which, during April, pushed the wholesale index to its wartime high, declined 0.5 percent during the week. Nevertheless, it was 5.3 percent higher than a year ago. Declines occurred during the week in prices for cattle, sheep, apples, oranges, onions, and hay.

Stock prices decline

The persistent rise in stock prices which had been under way since the end of March showed signs of levelling off at the beginning of last week. Official proclamation of V-E Day was followed by substantial declines in the two following trading sessions. Prices strengthened near the end of the week but at the close on Saturday both the Dow-Jones industrial and railroad stock averages were about 2 percent below week-earlier levels. (See Chart 4.)

Some commentators attributed the mid-week selling in part to the highly problematical possibility that Japan might suddenly sue for peace, and thereby greatly complicate reconversion problems. However, some reaction in prices was likely to develop in any event due to the extended rise in prices since late in March. Last week's decline was accompanied by a drop of about the same proportions in industrial stock prices in London. (See Chart 5.)

Reconversion pricing policy announced

In a compromise between the desire to prevent inflation and the need to encourage maximum production and full employment, the CPA has announced a pricing plan for reconversion under which the objective will be primarily to hold prices on new products at the 1942 retail levels. However, provision is made for an alternative method by which manufacturers may be allowed to use prices in 1941, when production of many civilian products ceased, plus legitimate increases in wage rates and material costs. In the latter case, manufacturers' profit margins will be restricted to those of the 1936-39 period.

For the smaller manufacturers -- those who expect to do less than \$100,000 annual business -- simplified methods are provided by which they may calculate their own ceiling prices (subject to CPA approval) on forms supplied by the CPA. The larger manufacturers may automatically use their 1942 price ceilings, or they may use a formula for industry-wide adjustments which will be worked out by the CPA to take account of increased labor and material costs since 1941. The price

- 8 -

286

adjustments allowed the larger manufacturers will be the principal factor in establishing the general price level on reconversion products.

Since manufacturers generally will be allowed to use the 1942 price level or the 1941 level plus adjustments, whichever is higher, the prospective price level for civilian goods will be at some distance above the 1942 level. Wholesale prices of finished products quoted in the BLS all-commodity index are now 3 percent above the average level of 1942. Unit labor costs, however, according to our calculations, have risen about 16 percent. This percentage will be reduced when overtime payments are cut down with the return to a shorter work week, unless basic wage rates are further increased.

Weather reduces crop prospects

Some setback in crop prospects from those on April 1, due to repeated frosts, cold weather, and excessive rains, is indicated by the Government crop report for May 1, published last Thursday. The winter wheat estimate was reduced 27 million bushels to 835 millions, but still promises to be of record size. While fruits and early vegetables in many areas were severely damaged by repeated frosts, the production of all fruits this season (including citrus) is expected to be only moderately less than last season, and supplies of spring truck crops are expected to be above the record total of last year. The production of apples, however, is expected to be much smaller than last year, but probably larger than in 1943.

Ample moisture in nearly all areas has been favorable for pastures, improving the supply outlook for dairy products. Although cool weather has retarded the growth of grass, the average condition of pastures on May 1 was appreciably higher than in any other year since 1929. The average milk production per cow as of May 1 on reporters' farms was 16.9 pounds, which compares with 15.6 pounds per cow at that date last year. The total milk production on farms during April is estimated by the Department of Agriculture at 10.8 billion pounds, against 10.2 billions last year.

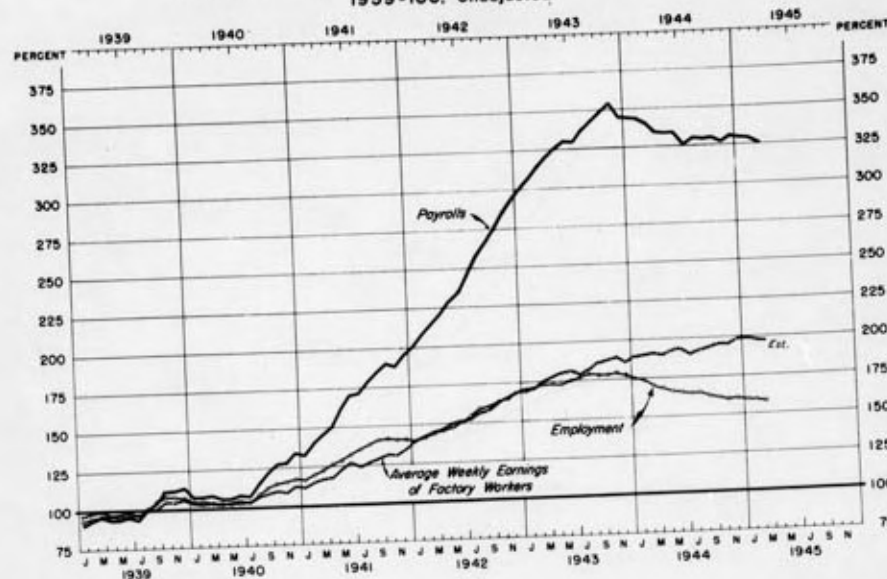
There are some indications that the mild winter in the southern states may foreshadow greater than usual damage from insect pests and plant diseases this season. The Department of Agriculture has warned cotton growers that boll weevils in April were more numerous than in many years, and that the large numbers which developed in the fields late in 1944 have

- 9 -

287

largely survived the winter. The Kansas Agricultural Experiment Station warns of a possible leaf rust epidemic in wheat this year, saying that at no time in the past 30 years do the records show such a widespread rust infection in Kansas this early in the season.

FACTORY EMPLOYMENT, PAYROLLS AND WAGES 1939=100, Unadjusted

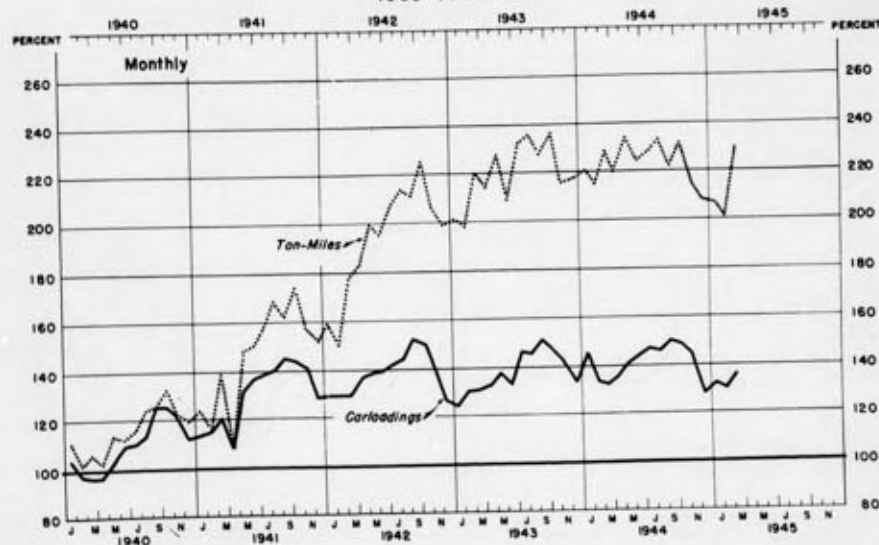


Office of the Secretary of the Treasury
Division of Research and Statistics

C-488-B

Chart 1
2008

RAILROAD FREIGHT TRAFFIC 1935-'39=100



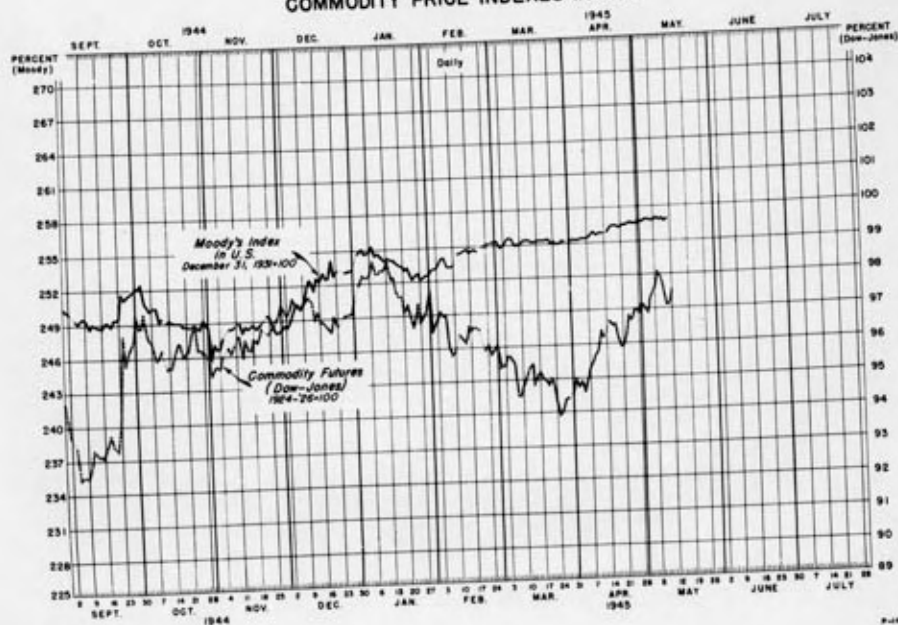
Office of the Secretary of the Treasury
Division of Economic Warfare

C-448-8

Chart 2

289

COMMODITY PRICE INDEXES IN U.S.



Office of the Secretary of the Treasury
Bureau of Economic Warfare

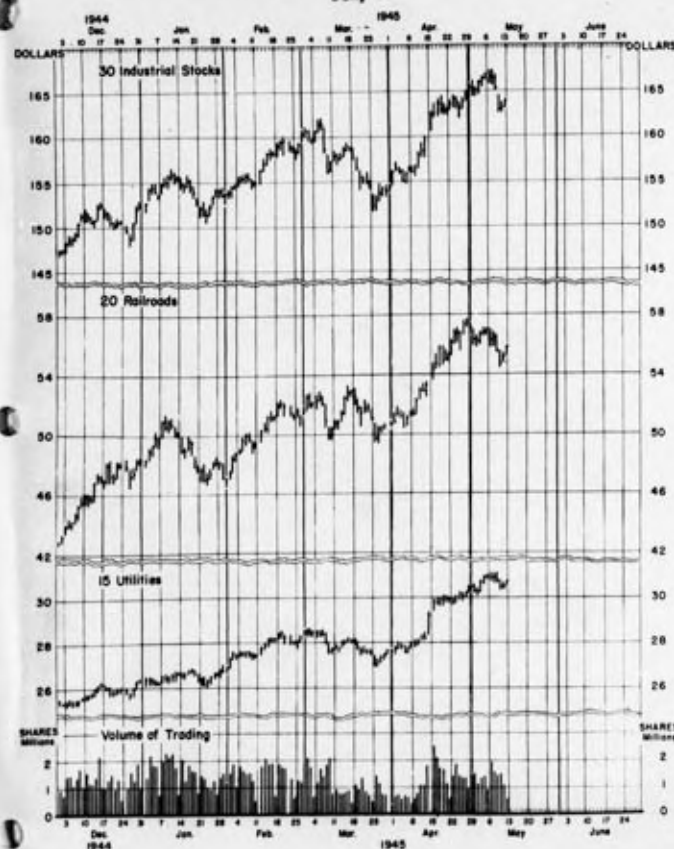
Chart 3

240

Chart 4

STOCK PRICES, DOW-JONES AVERAGES

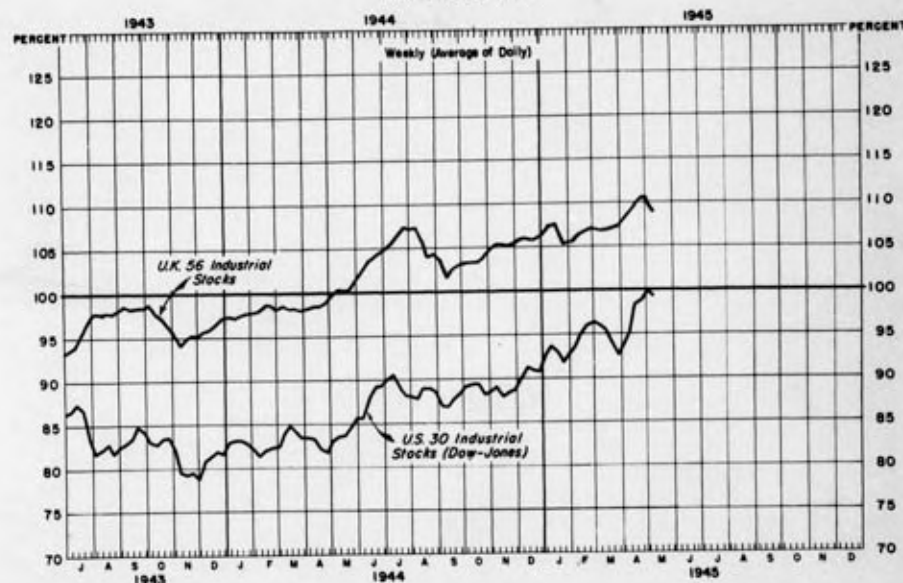
Daily



Office of the Secretary of the Treasury
Bureau of Research and Statistics

P-144-10-1

INDUSTRIAL STOCK PRICES IN U.S. AND U.K. August 1936 = 100



Office of the Secretary of the Treasury
Bureau of Research and Statistics

FD-156-0

Chart 5

CONNECTED COPY

DOG-1893

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

Secretary of State,
Washington.

777, May 14, 11 a.m.

Regarding question of 1945 remittances of American motion picture companies (REDEPTAL 509, March 29, 4 p.m., and REDEPTAL 538, March 30, 9 a.m.) Embassy has recently held discussions with appropriate Finance Ministry officials and with representatives of U.S. companies. Latter expressed objection to arrangement proposed by Finance Ministry and requested Embassy to inform Ministry they preferred arrangement similar to that for 1944 with percentage of net receipts permitted to be remitted being reduced for 50 to 30%.

On May 5 chief of Monetary Section of Ministry's Currency DEPT stated to officers of Embassy that he was authorized by Finance Minister to make following statement which he requested be referred to representatives of U.S. companies.

1. Finance Ministry is willing to continue on same basis as for 1944 with new receipts to be remitted being changed from 50 to "around ten" percent. (Chief of Monetary Section states that, under 10% basis, amount to be remitted by all American companies would approximate U.S. dollars one million or twice the amount envisaged under CN dollars 1.00 per ticket basis. Total amount remitted in 1944 was U.S. \$2,250,360.24).

2. Under arrangements now proposed, Central Bank, upon instructions of Finance Ministry, would remit percentage of net receipts allowed distributors of American pictures whenever gross price of ticket is increased.

3. Finance Ministry raised questions whether (A) net receipts available for distribution between exhibitors and distributors could be revised, if necessary, once every 3 months and (B) whether, if such increases are made, they could be made simultaneously and at the same percentage rate of increase for all cities.

Regarding question of backlog of frozen funds now held in China in name of American companies, chief of Monetary Section stated that position of Finance Ministry remained unchanged.

Representatives of U.S. film companies have been advised of foregoing, which Embassy stated was being forwarded to DEPT for possible reference to Ways organization. Representatives requesting telegraphic instructions from their head offices.

HURLEY

MJF

ef:copy
5-23-45

Chungking via Navy 293
Dated May 14, 1945
Rec'd 12:15 p.m. 16th.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking via Navy
TO: Secretary of State, Washington
DATED: May 14, 1945 (Rec'd. May 16)
NO.: 775

SECRET

Please refer to cable from the Embassy dated May 3, No. 717.

Dr. Wang Wen-Hao the Minister of Economic Affairs has confirmed the fact that his proposals were made upon his own initiative and that they have not been cleared with either T.V. Soong or the GMD.

Accordingly Wond is not submitting any proposals in writing at the present time.

HURLEY

DO/LALOW:RAS
5-17-45

ef:copy
5-19-45

CO-1662

PLAIN

295

Chungking via Navy
Dated April 14, 1945
Rec'd 12:28 p.m.

Secretary of State,
Washington.

631, Fourteenth

REURTEL 431, March 14 and 603, April 10 and Embassy's report 46,
March 31 regarding supplementary regulations on trade between free and
occupied China.

Inspectorate General of Customs informed Embassy on April 9 that
these regulations, scheduled for enforcement as from March 1, have not
yet been put into force owing to recent abolition of wartime cargo
Central Control Bureau and that, pending further instructions from
Central Government, enforcement would be held in abeyance.

BRIGGS

KDA

af:copy
4-16-45

296

May 14, 1945

7 p.m.

ASB
Distribution of true
reading only by special
arrangement. (SECRET 9)

AMLEGATION

STOCKHOLM

890

The following for Johnson and Olsen from War Refugee
Board is WRB 367.

1. For your information American Relief for Norway
plans to apply for new Treasury license to permit
expenditure of funds for relief in liberated
Norway. Existing rescue license no longer applic-
able.
2. JDC has requested information concerning amount of
unexpended JDC funds still held by you. Please
advise Board.

CHEN
ACTING
(GJB)

NCE

WRB:GMBV:dkg
5/14/45

297

May 14, 1945

5 p.m.

AIR
Distribution of
true reading only by
special arrangement.
(SECRET 9)

AMEMBASSY

LONDON

3783

The following for Mann from War Refugee Board is
WRB 75.

Reference your no. 4475 of May 3, 1945. Interested
groups here desire that funds in question remain in
London until plans have been formulated here for their
disposition. If it should be decided to use the funds
in liberated areas, application will be filed for a new
Treasury license. Please advise Polish groups in London.

CHEN
(ACTING)
(GJB)

WRB:GMBV:dkg
5/14/45

EC EN