

DIARY

Book 847

May 15-18, 1945

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May 15, 1945
9:53 A. M. ✓

Congressman
Doughton: Hello, Henry, when did you get back?

HMJr: One thirty-five this morning.

D: How did you find your folks?

HMJr: Oh, I've been to Buffalo since I talked to you.

D: You have? The last time I talked to you, you were down in Florida.

HMJr: Yeah, well, I've been up to Buffalo to open up the 7th War Loan.

D: Yeah. Are you going to borrow some money?

HMJr: Yeah, I'm going to borrow maybe some -- we are asking for fourteen, we hope to get seventeen or eighteen.

D: Well, people have got lots of it.

HMJr: Well, we're going to take it away from them.

D: Yeah. How did you find Mrs. Morgenthau?

HMJr: She's getting along nicely. She's making steady progress.

D: Well, that's fine. You've seen the Herald this morning?

HMJr: No.

D: Look on page 2. Senator George has issued another statement.

HMJr: Well, I'll be darn.

D: Yeah, and Taft has joined him. You get that and call me back and give me what you think of it.

HMJr: You want me to read it and call you back.

D: Yes. It's on page 2 - out about - near the right-hand side. One, two, three, four, five, six columns. It says "George urges five-year tax reduction plan..." We've just come to where we can't work with him anymore.

HMJr: No. That's not right.

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D: Oh, it's awful. I thought he had quit that, you know. Now you read that and call me back.

HMJr: I'll do that.

D: Thank you, Henry.

May 15, 1945
10:10 A. M.

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Operator: Connelly is with the President. Miss Barrows is available.

HMJr: Give me Barrows.

Operator: Right. Miss Barrows.

Miss Roberta

Barrows: Yes, Mr. Secretary, can I help you?

HMJr: I think so. Look, Roberta, this is a little background. Oh, couple of days ago Walter George had a statement in the paper about reducing the taxes before the war with Japan was over, and President Truman asked me to go up on the Hill and get it straightened out and I did. We had a joint Press conference - making some notes - Doughton, George and myself.

B: Ahuh.

HMJr: And Doughton was all right. Now along comes -- the President, I understand, I think Friday or Saturday saw George and Doughton on Reciprocal Trade..

B: Yes.

HMJr: ..and George went up on the Hill and gave out a statement indicating that President Truman was for reducing taxes. Hello?

B: Yes, I hear you.

HMJr: Now, Mr. Doughton called me up - he's very angry - this morning... on page 2 of the Washington Herald, George has come out again with talk about reduction of taxes, and he and Taft have gotten together on this.

B: Yes.

HMJr: He and Senator Taft. And I understand that both George and Speaker Rayburn are awfully mad about it - Doughton and Rayburn, I mean.

B: Doughton and Rayburn.

HMJr: Yeah. I think when George left the President the other day, he gave an absolute false impression. Now, I know the President is having a press conference

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HMJr:(cont) at 10:30, and if he could say something - - I'm sure he's going to be asked. If he could even volunteer on what he said to me the other day, that while the war with Japan is on, we can't reduce taxes, see? And that would settle the argument as far as the Administration is concerned.

B: All right.

HMJr: And that's what I said the other day, and he said I was talking for the Administration, because the President told me that was the way he felt.

B: All right. Let me type what you have given me for Mr. Connelly before the Press conference.

HMJr: Will you do it?

B: Yes, I will.

HMJr: Good.

B: All right, goodbye.

May 15, 1945
10:13 A. M. ^{5th}

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello, Bob.

Congressman Doughton: All right, Henry.

HMJr: Now in the first place, my boys who look after the Press say that this interview of George's was an exclusive one with the Times Herald, see?

D: Yeah.

HMJr: He didn't give it to anybody else.

D: No, I noticed it wasn't the Post. I looked in the Post carefully.

HMJr: No. Well, evidently, he and Taft and Cissy Patterson are all joining up together.

D: How's that?

HMJr: He and Robert Taft and Cissy Patterson.

D: Yeah, I don't know who Patterson is, but I know who Robert Taft is.

HMJr: You know who Cissy Patterson is.

D: Oh, yes, yes.

HMJr: He owns the Times Herald.

D: Yeah.

HMJr: See?

D: Yeah.

HMJr: Now what I did was this. I called up the Secretary to President Truman.

D: Yes.

HMJr: And brought his attention to this thing.

D: Yes.

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HMJr: And said that I thought when Walter George left that conference the other day, which I was told had to do with Reciprocal Trade, see?

D: Yes.

HMJr: ...that George gave a false impression where President Truman stood. Hello?

D: Yeah, I hear you.

HMJr: And that I suggested that President Truman tell the Press when he sees them in 15 minutes what he told me, and that was that he was for no reduction of taxes while the war with Japan was on.

D: Yes.

HMJr: They said they would take the slip in and put it on his desk. See?

D: It looks like to me - now, of course after I showed that little statement - I didn't intend to give that out - I had prepared that before I knew we were going to have that meeting, you know.

HMJr: Yeah.

D: That little statement you advised me not to give out. Of course, I wouldn't have given it out anyhow, but I did spout what I aimed to give out if we hadn't had that meeting and come to some understanding. But it looks to me like, Henry, that we've come to an impasse with the Senator. I don't see how we can work with him any more.

HMJr: Well, why don't I come up there and have a talk with you and the Speaker.

D: How's that?

HMJr: Why don't I come up on the Hill and have a little talk with you and the Speaker.

D: Well, I'm always glad to talk with you - on the Hill, in the Valley or on the mountain-top or anywhere else.

HMJr: Well, I think I'll call up Sam Rayburn and ask what time he can see you and me, eh?

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D: Well, now, don't fix it from 2:30 to 3:30, I'm going down to see the President at 2:30.

HMJr: Oh.

D: About another matter, and I'll be out at that time. Of course, I won't be with him more than ten minutes, and come right back.

HMJr: Well, you are out from 2:30 until 3:30?

D: Well, say -- in order to give me plenty of time. Anytime counting 3:30 - you can have 3:30 or any time after that will suit me.

HMJr: Well, I'll find out what time is available for Sam.

D: Yeah. Well, I guess he can get out most any time. You can find out from him, you know.

HMJr: I'll call him.

D: Yeah. But I thought the other day now that he would giving out these statements. Why who can work out a five-year tax program now as uncertain as everything is? Even if the war stopped tomorrow who could tell just what our incomes and what our expenses were going to be - whenever this war is over.

HMJr: Yeah.

D: When we quit shooting and bring the boys in, we want to raise enough revenue to pay as we go.

HMJr: Yeah.

D: I'd like to see tax reduction as much as anybody, but in peacetime to keep on running the deficit - running up our deficit - running our public debt higher - I don't want to be a party to that.

HMJr: No. And the country is with us, Bob.

D: Oh, I think so. If they aren't, I'd rather get out than to take responsibility for a policy that I think will wreck the economic - our whole economic system.

HMJr: Okaydok. I'll call Sam and I'll see about when he can see the two of us.

D: That will be fine. I can see you anytime in the afternoon that it suits you to come down.-- after 3 o'clock, from three or anytime thereafter.

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HMJr: What about this morning?

D: I've got a conference here this morning.

HMJr: You've got a conference?

D: Yeah.

HMJr: So any time....

D: I've got a conference with the Democratic members here at 10:30, about this Reciprocal Trade Deal.

HMJr: So anytime after 3:30.

D: After 3:00 - yeah, 3:30 or anytime after that.

HMJr: O. K.

D: 3:30 won't be too early, but anytime after that.

HMJr: O. K.

D: Thank you.

HMJr: Bye.

D: Goodbye.

May 15, 1945
11:23 A. M.

✓ 9

Speaker
Sam Rayburn: Yes, Henry.

HMJr: Good morning. Sam, the reason I called up was that Bob Doughton is very excited about this story in the Times Herald.

R: I didn't see it.

HMJr: Well, it's about George sounding off again on tax, you see? He gave an exclusive this time to the Times Herald. Well, I called up the President and got word through his secretary - dictated a little statement to him, you see? And he completely threw George down at his Press conference, and pounded his desk and said there would be no let-up in taxes until the war is over.

R: Yes.

HMJr: And just backed us up 100%. See? Which, I thought, makes my job that much easier. Now what I wanted was. We have got to do something with Bob, and I thought if I came up there and you and I maybe had a little talk with him, we could decide what we are going to do see?

R: Well, now, do you know where he stands on things?

HMJr: Yes. He's so mad - I think that between us we can guide him, and the question is coming up - he asked me should we introduce a tax bill and all the rest of the stuff, see?

R: Yes.

HMJr: Now that we've got the complete backing of the President, and with tax bills - I needn't tell you - originating in the House, I thought that you and I might....

R: It may be a good idea. All right, four o'clock is all right with me, Henry.

HMJr: Is that all right?

R: Fine.

HMJr: That was the purpose.

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R: All right. You'll call him, will you?

HMJr: I'll arrange it.

R: You do the calling.

HMJr: Is that all right with you.

R: You bet. Fine.

HMJr: Thank you.

R: Goodbye.

May 16, 1945

MEMORANDUM FOR THE SECRETARY

FROM: Mr. Blough

Secretary Morgenthau arranged to meet Speaker Rayburn and Chairman Doughton in the Speaker's office at 4:00 P.M., May 15, 1945. The Secretary took with him Mr. O'Connell and Mr. Blough. He arrived at the Speaker's office a few minutes before 4:00 P.M., and before Chairman Doughton's arrival. He said he would like to talk with the Speaker a few minutes before Chairman Doughton came in. He asked the Speaker if he had seen the President's statement that there should be no tax reduction until the end of the Japanese war. The Speaker said he had not seen it but that Chairman Doughton had mentioned it to him. The Secretary then told the Speaker that Chairman Doughton was quite upset about Chairman George and his statements on tax reduction and that he, the Secretary, was concerned about the effect this might have on the passage of legislation recommended by the Joint Committee. The Speaker said that any tax bill sent to the Senate might run into trouble because of the amendments they might add.

Chairman Doughton came in at this point. He said that he and the members of the Ways and Means Committee felt that they had reached a point where they could no longer cooperate with Senator George and the Joint Committee. Secretary Morgenthau said he was concerned about the effect this would have on the passage of legislation recommended by the Joint Committee. He pointed out that Chairman Doughton, Senator George, Secretary Morgenthau, and President Truman had all supported the interim tax proposals recommended in the Joint Committee's report. Speaker Rayburn was not familiar with the proposals and Mr. Blough explained them to him briefly. The

- 2 -

Speaker asked if they were important. The Secretary said it was not so much that they were important but that in view of the recommendations of the Joint Committee and the fact that business was expecting something to be done, it would hardly be good for the party not to go through with the recommendations. Chairman Doughton pointed out that the report called for immediate action; that he had favored having this read early action but that he was not successful. He said it was important to go ahead with the bill. He said that even if the Senate did hook amendments on to the bill, the House conferees would stand firm and that the knowledge that this was true would discourage the Senate from making amendments.

He suggested several times that he get the bill from Mr. Beaman as soon as it was ready and introduce it in the House. The Secretary suggested that before this was done it would be desirable for the Congressional leaders, "The Big Four", to speak with President Truman about it and meet with him next week and see if they had his approval to go ahead with this bill and to limit it to the proposed changes. The Speaker said they would do that. Secretary Morgenthau mentioned the fact that the President had given his approval to the interim changes recommended by the Joint Committee.

The Chairman several times mentioned that the members of his committee, for example Mr. Cooper, were unwilling to continue to work with Senator George. He asked Mr. Blough if the studies had reached a convenient finishing point. Mr. Blough said that if the Joint Committee was going to go into the postwar tax problem that the studies had barely begun and that future reports to the Joint Committee were in the process of preparation. Secretary Morgenthau said it was of course entirely up to the Congressional leaders as to what would be done about the Joint Committee and all he had to say was that he was very much pleased with the work that had been done in the last six or eight months; and that it was a fine job for the taxpayer. He wondered if Senator George as only one Senator out of six should be able to break

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- 3 -

up the good work that was being done. The Chairman indicated that he had been very much pleased with the way in which matters had progressed. Speaker Rayburn said that he thought they should not do anything suddenly to break up the work of the Joint Committee and should think it over. He gave the impression that he would speak to the House members of the Joint Committee and see that there was no break at this time.

It was left that at their meeting with the President next week the Congressional leaders would seek clearance for a tax measure incorporating the Joint Committee's recommendations; that the question of the future activity of the Joint Committee would be left quiet for the time being, with the understanding that further thought would be given to the matter and that Speaker Rayburn would work on the problem.

Roy Blough

May 15, 1945
11:18 A. M.

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Miss Barrows: Yes, sir.

HMJr: Roberta, you did a wonderful job.

B: I didn't go to the Press conference, I was too busy. What happened?

HMJr: Well, he just backed me up 100%.

B: Oh, good! I'm so glad. I made a memorandum and quoted you, and Mr. Connolly took it right in.

HMJr: Well, will you tell Mr. Connolly if he would tell the President how pleased I am, and I'm writing the President a little note about it.

B: That's nice. All right, fine.

HMJr: And I hear that I'm down for tomorrow at 10:15?

B: 10:15, that's right.

HMJr: Thank you.

B: All right, sir, goodbye.

✓ 15
May 15, 1945
11:30 a.m.

GROUP

Present: Mr. D. W. Bell
Mr. Gaston
Mr. White
Mr. Bartelt
Mr. Blough
Mr. Coe
Mr. Luxford
Mr. DuBois
Mr. C. S. Bell
Mr. Pehle
Mr. Fussell

H.M.JR: And Doughton brought this to my attention and he is actually much upset and he ran the story down. It's just the Washington Herald, but George completely broke faith with Bob Doughton and me, and I said what I am going to do--so I had to do a little thinking, and a quarter past ten somebody said the President is going to have a press conference at ten this morning so I dictated over the telephone. I called up and I said, "Won't you get the President to say that there will be no reduction in taxes until the war is over with Japan so that this business of Walter George has just got to be stopped?" And I reviewed the circumstances that happened last week and went over the whole thing and dictated the whole thing. That was at ten-fifteen and this is what President Truman said at his press conference. President Truman ruled on the impossibility of a tax reduction before the Japanese war is won. The President voiced his ideas on taxes when he was asked to comment on the five-year plan on a gradual reduction suggested by Senator George. "There will be no reduction until the war is over. We still have a war to win in the Pacific," the President said. He went on to say that there are eighty-five million individual owners of war bonds in the country. He said these bond owners must be protected and the only way to protect them is through taxes. I was so pleased by that backing. I thought you people would like a little story, because it's a unique experience.

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- 2 -

MR. GASTON: Who did you talk to, Connelly or Ross? Was Charlie Ross there?

H.M.JR: Do you want all my secrets?

MR. GASTON: I just want to know something about the staff.

H.M.JR: I'll tell you exactly what happened. Matt Connelly was in with the President and he dictated a statement to Roberta Barrows, and the minute he came out he--

MR. WHITE: I presume you are not going to take this matter up with George.

H.M.JR: No, I have a conference with the Speaker and Doughton at four o'clock this afternoon.

MR. WHITE: I think you have had a complete victory and rather than increase the tension between you and George, I don't know why that should be pursued any further.

MR. GASTON: Harry says, "Don't rub it in."

H.M.JR: I have no intention of doing that.

MR. WHITE: That letter wasn't to George or anything of that sort.

H.M.JR: No, it was to the President of the United States.

MR. BLOUGH: I would like at the appropriate time to raise the question of a policy position that ought to be taken up at the conference with the Speaker and Mr. Doughton.

H.M.JR: Well, that's what Joe and I are going up to the Hill for at four o'clock.

MR. BLOUGH: Yes. I thought you might want to talk about it here.

- 3 -

H.M.JR: Not now.

MR. BLOUGH: May I have a chance before you go up?

H.M.JR: Sure, you can ride up with us.

MR. BLOUGH: Or I'll write you a little note.

H.M.JR: Okay. I just said three minutes, so I don't want to pull everybody out of what they were doing. This was a pleasant experience and I wanted to share it with the rest of you. That's all.

MR. O'CONNELL: It couldn't be better.

May 15, 1945
11:55 A. M.

✓ 18

Mr. Will Clayton:

This is Will Clayton.

HMJr:

Yeah.

C:

Our friend T. V. Soong is very much exercised and concerned. He's anxious to get back out to San Francisco.

HMJr:

Well, hell, he told me he was going last week.

C:

Yeah, well, he didn't go. He's waiting to get this gold thing thoroughly understood before he goes.

HMJr:

Yeah.

C:

And he called me yesterday, and I told him I was sure that he could see you in a day or two. I'll see you yesterday if he'd call. Then he called me again today, and said he hadn't been able to see you. Said I...

HMJr:

Well, I was in Buffalo...

C:

Yeah, I know.

HMJr:

...War Loan.

C:

Yeah. He said he had seen the President and talked different - that and some other things with him. The President assured him, of course, that he knew that you were going to carry out whatever the obligation was.

HMJr:

Did he raise that with the President?

C:

Well, I think he talked with him about all three things - the gold, the textiles and the trucks. I've got an idea he did. He said he had several things to discuss with him. I didn't know he was going, you see, I didn't have anything to do with his seeing the President, but he just told me on the phone that he had seen him. Well, he's bothered about it a good deal, Henry, and I was wondering if it would be convenient for you to have him in sometime today and....

HMJr:

Well, here's what I had in mind, Will. I've got an appointment to see the President tomorrow at 10:15.

- 2 -

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C: Yes.

HMJr: And I want to discuss this thing with him.

C: Yes.

HMJr: And I was going to talk to you and Leo before I saw the President to find out just where we stood.

C: Yes.

HMJr: Now I don't want to see T. V. Soong. He hasn't called me up again today. Hello?

C: Yes.

HMJr: I wanted to get together with you and Leo before I saw the President.

C: Yes.

HMJr: You know Leo is making one of these damn surveys.. Do you suppose we could get together maybe the first thing tomorrow morning?

C: Yes, I can. I haven't anything -- I mean I haven't no appointment the first thing in the morning. I could do it easily.

HMJr: How are you fixed around nine o'clock?

C: That would be easy.

HMJr: Well, I'll try to get Leo over here. Is there any use getting Somervell over here?

C: I wouldn't think so, Henry, because on the textile thing he's adamant. He's not going to do anything to help us. Of course, he can't do anything on the old, and the truck thing seems to be on the track, so I wouldn't think it would be necessary.

HMJr: Well, I think what I'll do is this. I'll get hold of Leo and see the President, and I'll send word to T. V. so that he'll know that I'm going to see him.

C: Yeah.

HMJr: I'll tell him I can see him around half-past eleven tomorrow morning.

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C: Tomorrow morning, yes.

HMJr: Then he knows he's got an appointment, eh?

C: Yeah, fine. Well, then I'll be at your office at nine?

HMJr: If you please.

C: I'll be there.

HMJr: Thank you.

C: Bye.

May 15, 1945
12:00 A. M.

2h
✓

Mr. Leo
Crowley:

Hello, Henry.

HMJr:

Good morning.

C:

How are you?

HMJr:

I'm all right.

C:

That's good.

HMJr:

Leo, Will Clayton called me up and said that T.V. Soong is all hot and bothered. He saw the President yesterday. So I said I had an appointment to see the President at 10:15 tomorrow, and I wondered whether Will could drop in at nine and tell me where we stand before I saw him. Hello?

C:

Yeah.

HMJr:

And I wondered if you were free, by any chance, at nine.

C:

I'll tell you where that thing is at right now.

HMJr:

Yeah.

C:

On the textiles. Tomorrow morning at 10:00 we have a meeting with the WPS and the committee that was working on the balance sheet, and roughly I understand that they are hoping that they can give us some civilian stuff, and also I think they've got some agreement that by putting the push on the Army...

HMJr:

Yeah.

C:

...that we can get quite a large lot of that stuff from the Army.

HMJr:

Yeah.

C:

And we were meeting at 10:00 in the morning.

HMJr:

Well, do you want to sit in while we discuss what we are going to do about gold.

C:

I'd be glad to, Henry, for a little while. I don't know whether....

- 2 -

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HMJr:

Well, it won't take long.

C:

I'll be in there at nine o'clock. I don't know...

HMJr:

It won't take long.

C:

Then, Henry, just as soon as I get this thing here...

HMJr:

Yeah.

C:

....here in the morning, I'll get in touch with you.

HMJr:

Will you do that?

C:

Yeah, sure.

HMJr:

Then I'll be --- this won't be one of those long meetings.

C:

All right, Henry.

HMJr:

Thank you. Bye.

May 15, 1945
2:47 P. M.

23

HMJr: Hello

Mr. Chester
La Roche: Hello.

HMJr: Henry Morgenthau.

L: How are you, sir?

HMJr: Fine. I just thought I would tell you, I appreciated your telegram so much.

L: Well, thanks very much. It was good to hear you the other night.

HMJr: And your people last night really did an awfully good job.

L: Good.

HMJr: ..up there at Buffalo.

L: Well, I'm glad to hear that.

HMJr: I mean -- it just went off like clockwork.

L: Well, that's good news.

HMJr: Bringing that fellow in from Hollywood, which, I imagine, by the conversation with the woman at our end, must have been difficult.

L: Well....

HMJr: Danny Kaye. But the whole thing went off very well, and everybody here with the War Bonds are delighted.

L: Well, we are glad that you are pleased, and we're glad to do things for you, you know that.

HMJr: Well....

L: Part of the job, I guess. How are you otherwise?

HMJr: I'm all right.

L: This is going to be a tougher one than any of them, isn't it?

HMJr: I think so. I think so. If you come down, drop in and see me.

May 15, 1945
3:00 p.m.

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WAR REFUGEE BOARD

Present: Mr. Gaston
Mr. Pehle
Mr. DuBois
Mr. Luxford
Mr. White
Miss Model
Mrs. Klotz

MR. GASTON: I think you know what the question involved is. The office here of the War Refugee Board was preparing for the liquidation of the enterprise and they have a schedule of discontinuance of positions. They would have a skeleton organization at the end of this fiscal year which would last for perhaps two or three months and spend about thirty-five thousand dollars, and that would be finished, contemplating that the War Refugee Board would only carry out the functions assigned to them by the Executive Order which was to save persons in immediate danger of death who were within enemy countries.

Now, the question has arisen as to the desirability of modifying the Executive Order or issuing a new Executive Order as to give the same organization, the War Refugee Board, authority to carry on activities in behalf of displaced persons now that the war has ended.

H.M.JR: To the best of my recollection, the last time I talked about this was about six months ago with you (to Pehle). That was before you left for Surplus Property. But I don't know if I have talked about it besides that.

MISS MODEL: You have never talked to me about it.

H.M.JR: I haven't? I haven't talked to anybody, have I?

May 15, 1945
2:47 P. M.

23 7c

HMJr: Hello

Mr. Chester
La Roche: Hello.

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L: How are you, sir?

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L: Well, thanks very much. It was good to hear you the other night.

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L: Part of the job, I guess. How are you otherwise?

HMJr: I'm all right.

L: This is going to be a tougher one than any of them, isn't it?

HMJr: I think so. I think so. If you come down, drop in and see me.

- 3 -

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L: I'd like to see you. I will be down soon, and I'll come in and say hello. I'll let you know ahead of time.

HMJr: Give me a day or so notice.

L: I will.

HMJr: How is Fred Smith behaving himself?

L: Very well - doing very well.

HMJr: All right, give him my regards.

L: I will, sir.

HMJr: Thank you.

L: Goodbye.

25
May 15, 1945
3:00 p.m.

WAR REFUGEE BOARD

Present: Mr. Gaston
Mr. Pehle
Mr. DuBois
Mr. Luxford
Mr. White
Miss Model
Mrs. Klotz

MR. GASTON: I think you know what the question involved is. The office here of the War Refugee Board was preparing for the liquidation of the enterprise and they have a schedule of discontinuance of positions. They would have a skeleton organization at the end of this fiscal year which would last for perhaps two or three months and spend about thirty-five thousand dollars, and that would be finished, contemplating that the War Refugee Board would only carry out the functions assigned to them by the Executive Order which was to save persons in immediate danger of death who were within enemy countries.

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MISS MODEL: You have never talked to me about it.

H.M.JR: I haven't? I haven't talked to anybody, have I?

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- 2 -

MISS MODEL: I assumed that you may have talked about it to General O'Dwyer late in April. He told me that he saw you on our budget question and I assumed that he mentioned that possibility to you. I wasn't present.

H.M.JR: I have no recollection of that. What do you think we should do, Herbert?

MR. GASTON: I am pretty much under a loss. Under the order the War Refugee Board has no work to do now that the war has ended except to wind up the transactions that it started. Now, how useful a part can it play in this whole question of displaced persons, what effect it can have, I can't say because I don't know enough about what sort of post-war organization is contemplated.

As I understand Joe and Ansel, the purpose is to have an organization which will do very much as the War Refugee Board did, that is to try to push and agitate so that it may have some effect on our governmental policy, for and through our governmental policy on international policy on handling the displaced persons.

MR. LUXFORD: Mr. Secretary, to me, I think, and perhaps to Joe, one of the greatest achievements of the War Refugee Board was to lift this problem of what to do with the refugees in Europe out of the realm of clerks over in the State Department into a Cabinet level where you could force decisions, where you could get some action on important problems or problems we regarded as important. Now, just the achievement of the discharge of that responsibility set out in that order which we drafted and which was drafted with a political aim of getting action and to sell people on the establishment of this is no limitation to us who tried to work this thing out. We weren't interested in doing this job and then folding our hands and quitting. It was a stepping-stone to a much larger thing, at least to keep one of the biggest problems in the post-war period at a Cabinet level where it can be focused on, where you can get decisions rather than relegate it back to the clerkship in the State Department where it is headed.

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It isn't going to be any good to have Harrison on the Inter-governmental Committee if he has no support at this end. You have got nothing.

H.M.JR: Yes, but look, that's all very nice, but the War Refugee Board was created in order to try to get this Government to do something about refugees.

MR. LUXFORD: Who are in imminent danger of death.

MR. GASTON: Who were actually being liquidated in these murder camps.

H.M.JR: All right, that phase has stopped now that these areas have been liberated.

MR. LUXFORD: Right.

H.M.JR: What else is there that this War Refugee Board can do.

MR. LUXFORD: Let's not think in terms of a War Refugee Board but of the problem that remains. If you think in terms of the problem which remains, that is of equal magnitude to the problems of the War Refugee Board.

H.M.JR: Displaced persons?

MR. GASTON: They are still war refugees.

MR. LUXFORD: They haven't any homes. I don't have to tell you about their problems.

H.M.JR: I don't know that the War Refugee Board should do this job. You have got UNHRA and you have got the Inter-governmental Committee.

MR. LUXFORD: What have you got after you get through saying that?

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MR. DuBOIS: The point is that we had also international organizations that were supposed to do something. They didn't do anything until we got in there with the United States organization which didn't require clearance with about a dozen other countries before you moved. Now, again, you have two organizations. You have named them, Inter-governmental Committee and UNHRA. All you have to do is name them, in my opinion, and you have your answer. Now, the question is whether or not--I grant it is a new type of function--but whether or not the War Refugee Board isn't a good springboard to get boards set up. I'd have the board somewhat different. I would suggest Ickes instead of Stimson.

MR. LUXFORD: It's no longer military.

MR. DuBOIS: That brings in your relocation authority, but you and Ickes and Stettinius--

MR. LUXFORD: Change the charter. Don't call it War Refugee Board, but let's keep this problem at Cabinet level and not give up a board until we have got something else.

H.M.JR: That will keep it on my doorstep to keep me doing this thing, and I don't think it's my job as Secretary of the Treasury.

MR. DuBOIS: It doesn't have to be on your doorstep.

H.M.JR: Whose is it, anyway?

MR. DuBOIS: It has been yours.

H.M.JR: Of course it has. All of these things that have nothing to do with the Secretary of the Treasury--and I think that President Truman, and he's right when he said to me the other day, "If somebody isn't going to do the thing, get rid of him and get somebody who will." You have got two organization to do the thing and if they don't, get somebody who will, but not the Secretary of the Treasury.

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MR. DuBOIS: They are international organizations, Mr. Secretary, on that point.

H.M.JR: It isn't--it's an international question. We don't have any War Refugee Board inside the United States.

MR. LUXFORD: We have got the responsibility within the United States.

MR. DuBOIS: The War Refugee Board was only successful because it was not an international organization.

H.M.JR: Why don't you talk up? You said this should be one organization that should be completed when the war in Europe ended. That's a statement you made.

MR. PEHLE: I am ready to give you my view.

H.M.JR: Go ahead. I know their view.

MR. PEHLE: I have felt from the beginning when you are running an organization like the War Refugee Board you have to know just what your charter is, what you are trying to do, and the charter that I have followed and the people in the organization have followed at the time they were in it was our job was rescuing human lives while the war was going on, and we always cut our pattern to that end. At the same time I can't argue with the fact that there is a terrible problem on displaced persons. I don't think it's the same problem and the question is whether some separate committee ought to be set up to deal with that problem. When you analyze it what you are really saying is this is a problem that should be in the State Department. At least I think it ought to be in the State Department. The thing everybody is fearful of and with good reason is that the State Department isn't going to do anything. But what you are really saying in large measure is that you want to take the Palestine problem which is the heart of this thing out of the State Department and put it in the group of Cabinet officials. I think that's a

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difficult thing to do. I don't think the State Department is going to let any Cabinet group outside the State Department decide the Palestine problem or decide what this Government's policy is.

MR. DuBOIS: That isn't the problem.

MR. LUXFORD: It will involve that issue.

MISS HOEDEL: One of the largest problems with respect to these people is the problem of relocation.

MR. GASTON: It gets down to homes for these replaced persons.

MR. LUXFORD: Yes, of homes, whether in Palestine or anywhere else.

MISS HOEDEL: Another problem is finding homes for large numbers which refuse to go back to Poland and Yugoslavia.

H.M.JR: I didn't know this thing would start up so much argument. I didn't allow enough time. Well, let it go until tomorrow. We'll have another free-for-all.

MISS HOEDEL: In the meantime I am forced to take some position with the Budget Bureau in order to get appropriations to pay for at least winding up beyond June 30, 1945, and they have pressed me to have that up by tomorrow. I have recalled all my papers which were submitted on the basis of our winding up.

MR. GASTON: As to that we are not going to get a charter of the new organization formed by tomorrow, and have a budget prepared. It seems to me that this request for reallocation and an estimate probably ought to go over.

H.M.JR: The safe thing to do if you are up against the gun, is to go on the assumption it is going to be extended.

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It's always easy enough to shut it off.

MISS HOEDEL: It's awfully hard to do that when we have no program to justify it.

H.M.JR: These men will write you that.

MISS HOEDEL: They can't unless there is a change in the Executive Order.

H.M.JR: They will do that, too.

MISS HOEDEL: They can't by tomorrow.

MR. LUXFORD: We will have it.

MR. WHITE: Isn't it difficult to justify your budget?

MR. PEHLE: I --

H.M.JR: Cox said he wrote lend-lease in twenty-one minutes.

MRS. KLOTZ: He's a wonderful man.

MR. PEHLE: I think you can hedge that a little until the hearings come up, but when you go to hearings you have to justify your money.

H.M.JR: All I am going to say today is I have to stop. If that's a decision, once a thing is killed you can't reconsecrate.

MR. LUXFORD: That's the point.

H.M.JR: So I say let it go on, and you have got all this wonderful talent in the room to help you get out a budget.

MISS HOEDEL: If I can count on their help, I'll go ahead.

H.M.JR: And with General O'Dwyer you can get two thousand gallons of gasoline. He can do this and that -- call him up on the phone.

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MISS HOEDEL: He gave me instructions to do this.

H.M.JR: According to Drew Pearson, he can do everything.

MR. WHITE: To wind it up.

MISS HOEDEL: Yes, on that basis with the Budget Bureau, because under the terms of our Executive Order we have no further authority in this field.

H.M.JR: I am one member of the Board.

MISS HOEDEL: He plans to call a Board meeting at the end of this month at which time he was going to recommend the Board be wound up officially and a strong division be set up in the State Department to handle problems in the future.

H.M.JR: That will give him the same kind of backing he had in Italy.

If you are asking me, as of today I have got a tight schedule. I say as a Board member to call him on the phone or send him a telegram. I don't want this thing wound up until I have more time to look at it. Once this thing is killed, you never can reconsecrate it.

May 15, 1945
5:00 p.m.

GOLD TO CHINA

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

H.M.JR: T. V. Soong wrote me a letter and said he was leaving town. What day was that? Thursday.

MR. COE: They know your movements better than we do because one day I said you wouldn't be in until over this last weekend and T.V. was mad and said, "I understand he is going to be in Sunday." (Laughter) I don't see how he could have known because I only knew it Saturday noon.

MR. WHITE: He didn't ask to see you, did he?

H.M.JR: What? So I thought we'd have a little preliminary meeting, but maybe we won't have to have it at a quarter of nine if we have it now.

MR. WHITE: I think it's better to have it now because we have a memorandum prepared, and we thought that it would be preferable to get State Department concurrence in it, but we didn't have a chance to clear it with you, so what we did is send over a carbon copy saying you hadn't finally approved it yet, so if you want to change, it we can without commitment. On the other hand, they'll have a chance to see it this afternoon.

(Mr. Coe reads "Memorandum for the President, Subject: China.")

"In accordance with your instructions, I have been discussing the Chinese request for about \$200 million of

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gold with the other government agencies concerned and with Dr. T. V. Soong.

"It was agreed by all the agencies concerned that

"(a) we are anxious to give full support to an effective anti-inflationary program for China;

"(b) the gold sales policy, which was initiated against Treasury advice, is not an effective anti-inflationary device;

"(c) the history of the Chinese uses of the \$240 million which they have so far received from the 1942 \$500 million loan threatens to become a scandal in the United States as well as in China;

"(d) the exhaustion of the \$500 million loan would invite requests for additional financial aid probably on a larger scale.

"Therefore, I gave Dr. Soong a memorandum endorsed by the State and War Departments and the Foreign Economic Administration in which we proposed to Dr. Soong

"(a) the establishment of a \$500 million Fund for combating inflation and stabilizing Chinese currency, to be constituted from the outstanding \$240 million of the 1942 \$500 million loan and from China's very substantial dollar balances, and

"(b) the termination of the present gold sales program and the continuation of only limited shipments of gold to China to be financed out of her dollar balances.

"Dr. Soong, in reply, insisted that China must have the nearly \$200 million of gold out of the remaining \$240 million of the 1942 loan. He cited commitments made in July, 1943 by Mr. Roosevelt and myself under the \$500 million financial aid agreement. By so doing, he was, in effect, turning down our proposal for a \$500 million Fund for combating inflation and stabilizing China's currency."

(Mr. Friedman enters the conference)

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H.M.JR: You have the timing of this wrong. He flashed that letter on us first.

MR. COE: What?

H.M.JR: He flashed this letter on us first and then we made the suggestion afterwards, I think, if my memory serves me right.

MR. COE: I don't think we say anything in here about the timing.

H.M.JR: Wait a minute. This gives the wrong impression. Dr. Soong in reply cited commitments made by us. By so doing, he was, in effect, turning down our proposal. I don't think we made the proposal until after he flashed that letter on us.

MR. COE: No, sir. We handed him a memo in a meeting in your office. In the middle of that discussion he referred to the letter, and then he went to see Clayton and showed him that.

H.M.JR: Are you sure of that?

MR. BELL: That's the way I remember. He read the memo first.

MR. COE: And asked to speak to his colleagues in Chinese first.

H.M.JR: If you say it's all right -- go on and read.

MR. COE: "He stated that he was referring the question of the Fund to the Generalissimo, but if we accede to his request for the gold immediately, such a reference would be purely formal.

"The present Chinese gold sales policy has culminated in a public scandal in China. To make large shipments of gold to China at this time, particularly without making every effort within our commitment to induce the Chinese to withhold their request, would make the Administration vulnerable to criticism at home.

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"It was implicit in all our arrangements with the Chinese that effective use be made of the funds made available to them from the \$500 million financial aid. Dr. Soong advanced no new argument for us to revise our judgment that the sale of gold is not an effective anti-inflationary weapon and that it represents a dissipation of China's foreign exchange assets which she will desperately need to restore economic stability.

"The State Department has concurred in the suggestion that I therefore inform Dr. Soong that:

"(a) You feel that the Chinese should give most serious consideration to our recommendation for the establishment of a \$500 million Fund, and"

MR. BELL: Meaning the President?

MR. COE: Meaning the President. Maybe we should say that. Say you --

H.M.JR: Just a minute. All right.

MR. COE:

"(b) You agree that it is in the best interests of Chinese-American relations that China withdraw for the time being her request for immediate heavy shipments of gold.

"With respect to the Chinese requests for trucks and textiles, after discussion among the various agencies concerned, we were able to assure Dr. Soong that there was every likelihood that his request for 4,000 trucks would be met. Dr. Soong was informed that the textile situation was very tight and that it would probably be another week or two before any definitive decision could be reached since the over-all situation was now being reviewed. The agencies concerned are also going forward with discussions for enlarged lend-lease aid to China."

H.M.JR: The first thing I want, please call up whoever has a copy at the State Department. I want them immediately withdrawn, immediately. I'm not going to follow this position. It's ridiculous. Will you please,

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wherever they are, get them right back.

(Mr. Friedman leaves conference temporarily)

H.M.JR: I mean, you just keep going over the same ground, the same ground, the whole time. This doesn't make it plain to the President of the United States that these people own this gold, that I, over my signature, told them they could have two hundred million dollars worth of gold.

MR. WHITE: That's where I disagree.

H.M.JR: I know you do.

MR. BELL: You did that the other day too, didn't you? What did we say the other day in a letter?

MR. COE: We said to them in a letter that we were prepared to give every consideration to methods of accelerating gold.

MR. BELL: After he flashed that letter; I think that's right.

H.M.JR: We're just going back again over most recent letters. That's the point you made.

MR. WHITE: The Act which turned that over to you is pretty specific on the question.

H.M.JR: I'm very sorry, Harry. I wrote him a letter again the other day.

MR. WHITE: There was behind all this oral discussions, and it implies the fact that any money you gave would be effectively used. There were several discussions which brought out that fact that they were supposed to be using it wisely.

H.M.JR: Is there anything in writing?

MR. WHITE: And they're not using it wisely.

H.M.JR: Anything in writing?

MR. WHITE: No. I think that the time to stop that is now.

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H.M.JR: But this memo is going back again on the letter I sent him Thursday. If I handed this to the President, it goes back again to the letter I did Thursday.

MR. COE: The letter you gave them Thursday, Mr. Secretary, said that you were considering it. Have you got it?

(Mr. Friedman re-enters the conference)

MR. BELL: I thought we said we'd take every step to accelerate shipment of gold.

MR. WHITE: Yes, but there's one phrase that's missing in that, and that is you continue our present--

H.M.JR: Look, Harry, using your own language, you have told me repeatedly we're skating on very thin ice. You told me that the other day.

MR. WHITE: That's right because we don't have anything down in writing and there are reasons why we don't. We don't have to go into the history of it. It wasn't any oversight. When those things developed--

H.M.JR: We did it because we don't believe it would be helpful to them.

MR. WHITE: It was going down the drain. We'll assume that that was the political situation at that time. Now at this time, you're bringing it to the attention of a new President that they are using this money badly from an economic point of view. Your decision can be over-ridden but it seems to me important that you make that record and that decision now, because the last few statements are simply to the effect that it's being badly used from an economic point of view. If he can say it, it may be very well, but politically they have to have it -- you say okay.

H.M.JR: I say, as I informed you yesterday, the Treasury will consider statements to accelerate gold shipments to China.

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MR. WHITE: That's all right, but that doesn't mean giving two hundred million dollars. We've given them twenty-four million in three years - we'll give them three million a month.

H.M.JR: And here you people-in this memo you say that he was--here you practically say I won't give them any gold.

MR. WHITE: There was one phrase that was left off on this.

MR. BELL: "(b)"

MR. WHITE: "(b)" should have said "and we will continue --" or "we will accelerate our present rate of shipments." But he wants two hundred million.

H.M.JR: China withdraws for the time being her request for immediate heavy shipment.

MR. WHITE: That's two hundred million, the heavy shipment.

MR. COE: Since they've started talking with us here, they have upped their demands rather than reverse.

MR. WHITE: Could I be the devil's advocate?

H.M.JR: Hold on. Don't be the devil for a minute. Let me just get a report where this thing stands. What have you got and what are they asking for?

MR. COE: They now ask for one hundred ninety million dollars worth of gold, in other words, the total remainder of the two hundred million. They want us to make commitments that we will deliver it to them in New York within the next eight months. They came in originally asking for sixty million to make up the arrears on what they owe. Dr. Soong, in your conference, made a proposal which I thought was limited to the next three months, but frankly I didn't understand it.

H.M.JR: He did say so.

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MR. COE: That's what I thought, but I didn't understand it.

H.M.JR: Well, the next three months --

MR. COE: I haven't seen it.

H.M.JR: I said for the balance of the year, and he said, "I'd rather make it for the next three months, say." I had said, "Starting when," and he said, "Since the last shipment." I think it was May 5 if my memory is right.

MR. BELL: His records went up to May 5.

H.M.JR: He said from May 5 it would be three months.

MR. COE: That's right, but the manager of the bank came in and delivered a memo signed by Soong in which they asked for a definite schedule for the entire balance of the gold.

H.M.JR: Let me just make a little speech before Mr. Harry White becomes the devil or the devil's advocate. Here is the situation, the way I see it. I think that the Treasury, up to this time, has been correct. And I certainly am part and parcel of this policy of slowing down the shipment of gold just as much as we could, because it wasn't good for them, and looking forward to the day they really need the money. And it's there. If they get it now, we'll have to give them more later on, so we're giving it twice. Now we ask advice all over this town. Other departments are involved, and they all tell us to sit tight and thumb our noses at the Chinese. I find out they will most likely get four thousand trucks, but they're not going to get anything that they really need to help them in the way of fighting, that is, cotton goods, or whatever they have to have. So far the Administration has not taken any position. Now, wholly on my own and irrespective of Clayton, I'm trying to see what the target is. As I said last night in my impromptu speech, we have two targets. One is we have to first defeat Japan, and the other target is to liberate China. That's the target as I see it. Now, I feel that from information I've got, and so forth and so on, that the Chinese are beginning to fight now. That seems to be fairly well substantiated,

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and there's a determination to fight, and if we can get these people to fight and put in several million men, that means saving lives, many lives, and it's a very inexpensive investment; and just because the other parts of the Administration fell down -- I don't think Clayton was advised. I think he and I had a bad night, and he decided that we ought to do something too. It's unfortunate John Carter Vincent wasn't here during that period, or White, because they both have the background, and Coe did the very best he could which was very good, with the assistance of Friedman and Adler. Now, I was going along with these fellows up to a point, and I suddenly made up my mind this was all wrong, and I'm just going to turn a somersault on this thing, and I want to do it; and, particularly when I see that my written word and the promise of Franklin Roosevelt is at stake. Now, I haven't got a leg to stand on. Never mind what I told the Congress. Never mind what I say they told me. They get very vague about it, but unfortunately we have nothing in writing. But there is my written word you can have two hundred million dollars worth of gold. Then, for some reason or other, Kung was very dumb on this thing. He didn't force it. We always thought he would. You couldn't understand why he didn't.

MR. WHITE: That's right.

H.M.JR: And this fellow is smart. He comes along and first thing he says is: "Mr. Morgenthau, what are you going to do about it? Is your written word good or not?" And the only answer is "it is." Now, even though I didn't have my written word -- that influences me greatly, having given that, and he has gone over and told that to President Truman -- as between governments, I don't think we have a leg to stand on. Even if the Chinese weren't fighting with a letter over my signature that they could have this, I think I'd be inclined to say it's yours. Now, I'm through.

MR. COE: Would you let us --

H.M.JR: Now White can have a chance.

MR. COE: Harry, I wonder if you'd let us read to the Secretary what I'm not sure you have read, though we've

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referred to it several times -- the kind of publicity there is out there on this.

MR. WHITE: He assumes it's bad.

H.M.JR: You told me they had in their House or Parliament there, they've had criticism, etc.

MR. COE: Yes, but --

H.M.JR: Let's say it's scandalous.

MR. COE: It is.

H.M.JR: All right. It's scandalous.

MR. WHITE: Mr. Secretary, the way I feel about it is this. The Congress turned over five hundred million dollars for the Secretary or the President to use under such terms as they saw fit, for the purpose of combating inflation and stabilizing the economy. In other words, you had a responsibility.

H.M.JR: That isn't written in the bill.

MR. WHITE: Oh, it's a --

MR. D.W.HELL: It's a loan.

MR. WHITE: Have you a copy of it?

MR. COE: The bill says on such terms and conditions as the Secretary of the Treasury, with the approval of the President, finds it to be in the national interest of the United States.

MR. WHITE: And further discussion amplifies that.

MR. HELL: That's quite different from fighting inflation and economy.

MR. COE: The legislative --

H.M.JR: And, may I just interrupt you. I made the statement, and this time I'm positive of it. When I

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appeared before the Committee, I said, "Gentlemen, in recommending this loan, I want to tell you you should assume we'll never get it back."

MR. WHITE: That's right. That's a separate matter. That's quite true.

H.M.JR: What does it say? What's the purpose of the loan? Let's get this thing straight.

MR. WHITE: You want to get it. Do you have the file with the subsequent contract with the Chinese?

MR. FRIEDMAN: I'll look for it, Mr. White.

MR. WHITE: Have you got it there?

MR. FRIEDMAN: It should be here.

MR. COE: We've got this part in which you assured the House Committee --

MR. WHITE: No, he wants to read the bill. The assurance you can give him later. Why don't you get the regular bill?

MR. FRIEDMAN: Excuse me.

(Mr. Friedman leaves conference temporarily)

MR. WHITE: Dropping that for a moment until he comes back, Mr. Secretary, it's entirely true. You wrote that letter, and I think there's a way of wriggling out. The wriggling out is justified on the grounds that they are not using this money wisely, and what you're saying, in your responsibility to assume that they are going to use this money well, is that they are not using these funds effectively, and that was the supposed purpose of the grant. Now then, if there are, as you indicate, political reasons or military reasons why you want to give Chiang Kai-shek two hundred million dollars in gold, even if he throws it in the ocean or wants to give it to his friends, I say that should not be your decision in the record. That should be something for the President to say, or the Secretary of State, or the military people, to say that you have an obligation to hold a check on that

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expenditure so long as it isn't wisely spent, and you ought to tell the President this isn't being wisely spent, isn't doing any economic good. I don't think it's getting them to fight either, but that's a separate problem.

H.M.JR: Let me say this. I don't like this memo. I won't have any part of it. I'm prepared to say to him, when I see the President of the United States, that we have given this money, we are lending this money to the Chinese, and I think it's going down a rat hole, but I want a copy of my letter to take with me, this letter where I say they could have it. Have you got that?

MR. COE: Yes.

H.M.JR: Be sure to let me have that tomorrow. I would tell him that on such and such a date, I said that; and if you could give it to me based on what President Roosevelt said somewhere else -- if we know what he said, Frank.

MR. COE: Yes, I'm getting it.

H.M.JR: "Here's the situation, Mr. President, based on my commitment."

MR. WHITE: Which was also made for political reasons at that time.

H.M.JR: All right. "Now, I think it's money down the rat hole, but here's the situation, and from what I gather around, I'm willing to let them have it provided you know what the circumstances are." And I'll go further. I'm going to recommend to him that we do let him have it.

MR. WHITE: I think where we part company is on two things, one, that it would seem to me that the mere fact of having written a two hundred million dollar letter should not commit you to a policy of the rate of speed, because you're going to give it to the Chinese Government. It's not like you were trying to withhold it from the Government. The question is to use it most effectively, and I think you should very definitely state in writing that this money is not being used wisely but badly, but that if you think for political reasons they should have it--

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(Mr. Friedman and Mr. Adler enter conference)

H.M.JR: I'm going to ask Dan. I'm willing to take the sole responsibility to do this thing with the President verbally.

MR. WHITE: It isn't a question of your responsibility versus ours.

H.M.JR: No, no, you misunderstood me. My responsibility versus him. I'm not worried, and I'm not going to bother other than to get Will Clayton to say in front of the teletype that --

MR. WHITE: If somebody was to see what there is in writing, the agreements, and we have your letter, I think he could make an excellent case that you did not do a good job with five hundred million dollars. Now, what I'm saying is I don't know why you should take the responsibility for making a decision that China needs, Chiang Kai-shek needs the two hundred million dollars, or he won't fight. We don't know if that's true.

H.M.JR: I don't know, but Will Clayton begged me to do this.

MR. WHITE: Let him beg you in writing. Our business is tremendous, and we've got a very clear case. The money is being badly used. It was badly used against our advice, and the money is being squandered. He's buying up political support which has very little to do with the fighting, on the contrary. I say probably that is not any of our affair.

H.M.JR: The thing I'm objecting to is this memo to the President. Maybe I can get out of Will Clayton a letter from him and the Secretary of War saying "for political or military necessity, let this gold go."

MR. WHITE: If you say at the same time that on economic grounds, it's not justified.

H.M.JR: I'll say that verbally. I don't have to say it in writing. If they write me a letter saying, "For political and military reasons we advise this gold go out," that's good enough for me. We're fighting a war.

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MR. WHITE: Well, of course, you made an assumption which has put us on very weak ground. You assume the two hundred million dollars they're getting is going to make Chiang Kai-shek fight, and they are fighting, both of which I question.

H.M.JR: I think you're wrong. I don't know. How long since you've been there, Adler?

MR. ADLER: I left Chungking on April 7, sir, a little over four weeks ago.

H.M.JR: Do you feel they're fighting now?

MR. ADLER: Very little. You take these stories about Foochow. Everybody in Chungking knew the Japanese occupied it with two hundred men last year.

H.M.JR: I can't. You'll have to get together with General Wedemeyer of the Army, and --

MR. BELL: You got pretty good reports the other day when you went over there.

MR. ADLER: There may have been a change in the situation in the last month, but as of the time of my departure --

H.M.JR: ... from Admiral King and Forrestal.

MR. WHITE: I don't think you can go behind that. That's their decision. I agree with you there, but let them say so in writing, and your responsibility must be that they are not using the money wisely from an economic point of view. That makes a perfect set-up.

H.M.JR: Now look, Frank, so we get this thing all together for the President. You keep all of these things for me, will you, Frank?

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

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May 15, 1945
5:20 P. M. 97A

HMJr: Hello.

Mr. Will Clayton: Hello.

HMJr: Will, I'm working here on this thing for China.

C: I beg pardon.

HMJr: Hello?

C: Yes.

HMJr: Can you hear me?

C: I can hear you a little better now, yes.

HMJr: I'm working on this thing for China.

C: Yes.

HMJr: ..in preparation of seeing you tomorrow.

C: Yes.

HMJr: Do you suppose that the State Department would write me a letter saying that for political and military reasons they would like to see this gold accelerated, the balance of the two-hundred million dollars?

C: Accelerated?

HMJr: Yes. This is what I wrote to him you see - "As I informed you yesterday, the Treasury"-- this is to Soong - "the Treasury will consider steps to accelerate gold shipments to China." Hello?

C: Yeah.

HMJr: Now, from an economic standpoint there is no justification for this.

C: Yes.

HMJr: But if State and War will tell me for political and military reasons they want to see this gold go out, O. K.

C: Yes. Well, now, is there any need to accelerate it?

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HMJr: Is there any need?

C: Yeah.

HMJr: Well, the only need is that Soong is demanding it. The rate that we have been going - in two years we have let them have 24 million.

C: Yeah.

HMJr: Now, since we've seen them last they've come in and they want what practically amounts to the balance of the 200.

C: Is that -- within what time?

HMJr: Just let me ask the boys - (aside) within what time? Within this calendar year.

C: Within 45?

HMJr: Yes.

C: How much of that does he need to cover his forward sales already made?

HMJr: I'll have to ask them. (aside) How much does he need to cover his forward sales? How much? 63? Sixty-three million.

C: Well, then that would be 24 and 63. That would be 87.

HMJr: 24 and 63 - 87, yes.

C: And that would leave him a 113 million...

HMJr: For spot sales.

C:for spot sales, and his idea would be to do that all the balance of this year.

HMJr: That's the idea.

C: Run it out in the balance of the year.

HMJr: Well, just let me ask the boys. (aside) The 113 million - 24 and 63, a balance of 113 (inaudible) They'd start the spot sales beginning in July.

C: Yeah.

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HMJr: And so whatever -- 113 would be for the six months - the second half of the year.

C: Yeah, that's right. Well, let me look into it, Henry, and I can give you an answer in the morning when I come over.

HMJr: Yeah, because here is the thing. We have taken this position right along. This was money down the rat hole.

C: Yes.

HMJr: Now, if we could get a letter from State and War saying that for political and military reasons you want to see this go out...

C: Yeah.

HMJr: ...in the light of the letter which I gave them in '39, I don't have a leg to stand on.

C: That is in light of the letter you gave him in '43.

HMJr: '43, yes.

C: I think it was July, '43.

HMJr: What? (aside) the letter was of July '43? July, '43.

C: Yeah. Now, well, what - you don't - I mean you would just as soon get a letter like that? Is that it?

HMJr: Well, if those are the facts, Will, see?

C: Yes.

HMJr: If the facts are that for military and political reasons - I mean, if you fellows feel, as I sort of picked up around, that they are really beginning to fight now...

C: Yes. They are.

HMJr: And you say they are.

C: That's what I understand.

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HMJR: Well, that's what I understand. I'd just as leave do this

C: Yeah, I see. Well, now, tell me, Henry, have you talked with Somervell about it?

HMJR: No. Because it is very unsatisfactory. I think Bob Patterson will be back tomorrow, and Mr. Stinson referred this thing originally to Bob Patterson.

C: I see.

HMJR: And I don't find -- on this sort of thing, I don't find Somervell very good.

C: Yeah. Let me check into it and I'll have an answer for you in the morning.

HMJR: Thank you.

C: Thank you.

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H.M.JR: He asked me a question, would I just as leave do this, and the answer was yes, because I've given my written word. He says he understands they are beginning to fight.

MR. WHITE: Did he say he would be glad to give you a letter to that effect?

H.M.JR: He said, "Let me think it over."

MR. ADLER: I have a suggestion that our Army in China has a very powerful bargaining weapon with this two hundred million dollars worth of gold. As long as our Army is satisfied with their fighting, we can continue to send it. Whenever our Army ceases to be satisfied, we can slow it up.

H.M.JR: That's all very nice. I've given a letter saying that they could have it. Now I'm going to live up to my word.

MR. WHITE: Your letter says they can have it, but they didn't specify the time. You said you'd accelerate it.

H.M.JR: Where do you stand, Dan?

MR. BELL: It seems to me it's too late to fight on this front, that we should have fought when the credit went across to them.

MR. WHITE: What do you mean?

MR. BELL: They got the credit on the books of the Treasury. The credit is to China.

MR. WHITE: The two hundred million? Oh no, we don't care whether they got the credit. The question is they can't draw it out of the country.

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MR. BELL: It's their money.

MR. WHITE: You can't be technical on this point.

MR. BELL: I think the Secretary has committed himself, and he has committed himself to give them their money.

MR. WHITE: But they are vulnerable. Note that we said that this money was given by the American tax payer to help you fight this war in China, to help stabilize your economic conditions. You are not doing it. You are using it badly, and my responsibility which I took over when the money was turned over to me under such terms and conditions as the President and I saw fit -- I'm going to see it's wisely used. He's not trying to withhold it from the Chinese Government. He is only trying to see we get some quid pro quo that it's being effectively used by him, and I think he's vulnerable if he doesn't. If the President and State Department come back and say, "We know the money is being badly used from an economic point of view, but for political reasons we want to give it to Chiang Kai-shek," the Secretary can bow gracefully and say, "We'll file this letter with my letter."

MR. BELL: It seems we should have had that understanding a few years ago.

MR. WHITE: I don't see that. You are relaxing control. Once they have the gold, the fact that they have had the balance here doesn't mean a thing.

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MR. BELL: The Secretary signed the letter promising the gold, and I think when Soong left this letter the other day, he certainly had the impression the Secretary was going to give him the gold. I think he had that impression.

MR. WHITE: I'm saying we'll give it to them, but let's continue giving them what we have in the past.

H.M.JR: I won't go along.

MR. WHITE: I venture to say they'll sell that gold in three months.

MR. BELL: The only restriction in the July, 1943, letter was transportation, wasn't it? I recall it said, "As far as transportation facilities could be made available."

MR. WHITE: That's right, but you see we had no chance. Having given the instructions to give it to them, we put in the only obstacle we could which was as soon as transportation was available, and took it upon ourselves to see that transportation was not available.

H.M.JR: We joked here when Venezuela came up. The fellow who was President shot the former President in order to become President. They said, "Give him six million dollars to build a road." The thing is finished. We don't wait and say, "This fellow shot his predecessor in order to be President. Until they get a man who was elected by the people, we can't let this six million go out." Yet, nothing could have been worse than that.

MR. WHITE: I don't think it's wholly comparable.

H.M.JR: I do. I mean, if they would order that anyone who wanted to make a loan through Commodity Credit would have to go to Jesse Jones, and he would review every loan and say, "This is my money, I want to see that the money is well spent," you'd be the first to criticize.

MR. WHITE: Similarly, you were sure the Senate Committee on Foreign Relations, meeting at an Executive Session said you would control the disbursements under the loan. You pointed out under the circumstances in China, it might not be possible to control actual use

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of the funds in China. You could have stopped more.

H.M.JR: Put more emphasis on the last sentence rather than on the first. (Laughter)

MR. COE: Mr. Secretary, I don't think Clayton is going to give you the letter.

MR. WHITE: Why not?

MR. COE: I think Clayton is going to come back and say, the fundamental reason why I think you should give them the gold is because you wrote the letter."

H.M.JR: All right.

MR. COE: And I would suggest that in view of the nature of the legislation, that at least you should get told by the President that in the face of the scandal he wants you to go ahead.

H.M.JR: Now look. We made a little progress. I'm going to be here a little bit before nine o'clock tomorrow, and I want a copy of the bill. I want this letter of May 10--May 9, from Soong and the one of May 10 from me to Soong, also the '43 letter.

MR. WHITE: The greatest defense you have that you can't withhold the gold is neither the letter nor the act, but the agreement you made with the Chinese in which you said you would make the money available whenever they said so.

H.M.JR: Where did you get that one?

MR. WHITE: That was between you and the Chinese Government, not Congress. Now --

MR. BELL: That's the term of the agreement?

MR. WHITE: That was under the agreement, but we've always operated with the implicit assumption --

H.M.JR: Let me show that to the President for T.V. Soong. How do I know? Let me show that to the President.

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MR. WHITE: If you want to build a case to give them the money --

H.M.JR: Harry, you are acting as the watch-dog of the Treasury, see, and --

MR. WHITE: That's your job. Mine is acting as your watch-dog.

H.M.JR: ...and so forth and so on, but the one thing that -- now you give me something else. You tell me there is an agreement.

MR. ADLER: The whole agreement is much stronger than the letter. The letter is in reply to a --

H.M.JR: I'll be here at a quarter of nine. May I look at the agreement, please, before T.V. Soong shows it to me?

MR. COE: We have the letter here if you want to see it now.

H.M.JR: Don't you like a quarter of nine? (Laughter)

MR. WHITE: If you're really curious, the answer is no.

MR. FRIEDMAN: On pages two and three of your joint statement with Dr. Soong, at the top indicating the purposes for which this agreement is being entered into--

H.M.JR: Where do I say it?

MR. ADLER: On Page two.

H.M.JR: It's right here.

MR. COE: Article I of the agreement says you'll give it to them when you want to. Article II says we'll talk later on about repayment.

H.M.JR: Article II is a final determination, and so on. It says final determination of the terms under which financial aid is given to China -- is that the thing?

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MR. WHITE: You yet have the task of deciding how much they're going to pay you back. That's a separate problem.

H.M.JR: Where's this thing?

MR. COE: What we're meaning is Article I really says they can get it when they want it. The Secretary of the Treasury shall make transfers from this, freeing it at such amounts and at such times as the Republic of China shall request.

MR. WHITE: We've interpreted that as a transfer of dollars. We're now talking about a withdrawal of gold.

MR. BELL: What's the difference?

MR. WHITE: I just thought of that.

H.M.JR: I would say White was practically defeated on this.

MR. WHITE: No. I still think that if the Army and State don't want to give you a letter, it's all the more reason you should insist on it.

MR. BELL: Would it be out of order to suggest that to the President, and, while they have a right to get their money in whatever form they want it under the terms of this agreement and your letter, that there ought to be a pretty strong letter to go to Chiang Kai-shek, pointing out we don't think the shipment of gold to China is in any way anti-inflationary or helping them any, but they're just dissipating it. Wouldn't that be out of order?

H.M.JR: I wouldn't do it. I'd do it with grace.

MR. WHITE: That's the way it has been each time. When we signed that agreement, we said, "As long as we're giving it to them, let's give it to them and no conditions."

H.M.JR: If you had a rubber band and tied it to that, I'm only afraid if you let go. I don't want to get hit. Am I right?

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MR. WHITE: I think you ought to insist on a letter from the State Department and Army, and the more reluctant they are to give it, I think the more reluctant you ought to be to give it without that. They may not want to give you such a letter, saying they don't know if that is a fact. That will leave you giving the Chinese a couple hundred million dollars, and the prices will go up, and the money will be spent, and the amount of fighting they can do you can put in the back of your eye.

H.M.JR: You'll have to fix me up a little dossier on what Roosevelt said that went ahead of the '43 letter, which made me do the '43 letter.

MR. WHITE: The Act, the agreement, the letter, and what the letter was based on, and this last --

H.M.JR: This recent correspondence, what Roosevelt said or didn't say.

MR. COE: We have a memo which gives our version, which I think we got from you, as to what he said.

H.M.JR: All right. School is over. You've thoroughly convinced me, Harry.

MR. WHITE: That remains to be seen.

H.M.JR: You've done a good job on underselling yourself.

MR. WHITE: I still think I'm right.

H.M.JR: I think if we could get a letter from State and War, that would be helpful, and that much this conference accomplished.

MR. WHITE: If they don't want to give it, it must be very strange, very strange indeed, since you're arguing the only reason for giving it is for military and political necessity, and the authorities want it for that reason, plus --

H.M.JR: Plus the written letter.

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MR. WHITE: That was given with the assumption that what they claimed was going to be true. When they put pressure for two hundred million dollars on the President and you, they said they needed it to combat inflation. They didn't say they needed it to trim the boudoirs of their best friends, and they haven't done what they said they would. That's a fancy way of saying --

H.M.JR: All right. Does this go to the President too?

MR. BELL: That is a circular for Monday.

MR. WHITE: This is something for your consideration. We talked it over and thought it would be an excellent idea if the President would make a radio speech, giving out the gist of those, of what he didn't want to make public as a technical document. It would be a marvelous opportunity to make a radio speech, giving out reparations, and on the other things which he apparently is not going to release. It's a suggested memo from you to him.

H.M.JR: Okay. We have something. The thought of this meeting is that I should try to protect myself with a letter from State and War if we can get it. It's nice going.

MR. WHITE: Do we still meet at a quarter of nine? I haven't changed your mind?

H.M.JR: No.



THE SECRETARY OF THE TREASURY
WASHINGTON

May 15, 1945

NOT SENT

MEMORANDUM FOR THE PRESIDENT

Subject: China

In accordance with your instructions, I have been discussing the Chinese request for about \$200 million of gold with the other government agencies concerned and with Dr. T. V. Soong.

It was agreed by all the agencies concerned that

- (a) we are anxious to give full support to an effective anti-inflationary program for China;
- (b) the gold sales policy, which was initiated against Treasury advice, is not an effective anti-inflationary device;
- (c) the history of the Chinese uses of the \$240 million which they have so far received from the 1942 \$500 million loan threatens to become a scandal in the United States as well as in China;
- (d) the exhaustion of the \$500 million loan would invite requests for additional financial aid probably on a larger scale.

Therefore, I gave Dr. Soong a memorandum endorsed by the State and War Departments and the Foreign Economic Administration in which we proposed to Dr. Soong

- (a) the establishment of a \$500 million Fund for combating inflation and stabilizing Chinese currency, to be constituted from the outstanding \$240 million of the 1942 \$500 million loan and from China's very substantial dollar balances, and
- (b) the termination of the present gold sales program and the continuation of only limited shipments of gold to China to be financed out of her dollar balances.



- 2 -

Dr. Soong, in reply, insisted that China must have the nearly \$200 million of gold out of the remaining \$240 million of the 1942 loan. He cited commitments made in July, 1943 by Mr. Roosevelt and myself under the \$500 million financial aid agreement. By so doing, he was, in effect, turning down our proposal for a \$500 million Fund for combating inflation and stabilizing China's currency. He stated that he was referring the question of the Fund to the Generalissimo, but if we accede to his request for the gold immediately, such a reference would be purely formal.

The present Chinese gold sales policy has culminated in a public scandal in China. To make large shipments of gold to China at this time, particularly without making every effort within our commitment to induce the Chinese to withhold their request, would make the Administration vulnerable to criticism at home.

It was implicit in all our arrangements with the Chinese that effective use be made of the funds made available to them from the \$500 million financial aid. Dr. Soong advanced no new argument for us to revise our judgment that the sale of gold is not an effective anti-inflationary weapon and that it represents a dissipation of China's foreign exchange assets which she will desperately need to restore economic stability.

The State Department has concurred in the suggestion that I therefore inform Dr. Soong that:

- (a) You feel that the Chinese should give most serious consideration to our recommendation for the establishment of a \$500 million Fund, and
- (b) You agree that it is in the best interests of Chinese-American relations that China withdraw for the time being her request for immediate heavy shipments of gold.

With respect to the Chinese requests for trucks and textiles, after discussion among the various agencies concerned, we were able to assure Dr. Soong that there was every likelihood that his request for 4,000 trucks would be met. Dr. Soong was informed that the textile situation was very tight and that it would probably be another week or two before any definitive decision could be reached since the over-all situation was now being reviewed. The agencies concerned are also going forward with discussions for enlarged lend-lease aid to China.

WAR DEPARTMENT
WASHINGTON

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M
MAY 15 1945

The Secretary of War presents his compliments to the Honorable, the Secretary of the Treasury, and transmits the following message received from General Omar N. Bradley, Commanding General, 12th Army Group:

"Your message of congratulations greatly appreciated. We are glad that you could be with us at the beginning of our great advance and are sorry that you could not be here at the finish."





The News

A SCHUYLER-HOWARD NEWSPAPER
1213 13th St. N. W. (Suite 5) Phone District 7771
In Metropolitan Washington, by Carrier, 10c Per Week
By Mail: Month, \$3.00; 6 Months, \$15.00; by Year, \$25.00
JOHN T. O'BROURKE EARL D. BAKER
Editor Business Manager

"Give light and the people will find their own way."

TUESDAY, MAY 15, 1945

GET THE JUNKERS!

ARE the Allies going to wipe out German militarism as well as Nazis? After the most complete German defeat in history, some of the Junkers seem to be doing all right for themselves. They have been getting favors as prisoners of war. Others claim to be functioning for the western Allies. In eastern Germany the Russians seem to be using their pet Junker generals. Gen. Eisenhower has issued a formal statement of regret that senior United States officers have been treating some of them as "friendly enemies." He says this is in direct violation of his orders, and will all the main culprits be punished properly? Disputes

But will all the main culprits be punished properly? Disputes held up the work of the Allied War Crimes Commission many months. The chief British and American members left because they objected to a "soft" policy higher up. Perhaps that was unfair. Nevertheless, the record of evasion on this subject has created public suspicion which can be removed only by vigorous action.

Even more disturbing are reports that Junkers are having influence under Allied occupation. Stalin set up his "Free Germany Committee" around Prussian marshals and generals. Our Government protested, and he promised to drop them. But now these and other allegedly "reformed" Junkers are reported active under the Russians.

Meanwhile two Junker pals of Hitler who took over the government after the latter's disappearance, Admiral Doenitz and Count Von Krosigk, seem to be operating as go-betweens blandly the western Allies. Krosigk in an interview yesterday blandly bid for official Allied recognition of the Junker regime, threatening a popular German revolution as the alternative.

The public opinion probably will force the trial and execution of these two criminals, what about others of their kind? From the way things are going, there is legitimate fear that other Junkers may retain some power in occupied eastern Germany and perhaps also in the west.

If that happens, the Allies have not won the war. The Junkers are the head and heart of German militarism. They used the Kaiser, they used the Nazis, and they will use any future German regime—whether it is reactionary, Communist, or "democratic"—if they are free.

To destroy Nazism is not enough; it is already largely discredited by defeat. But the Junkers are neither discredited nor credited in the German mind; they put all the blame on Hitler now, just as they made the Kaiser their scapegoat before.

Until the guilty Junkers are punished and their system destroyed permanently, there will be no peace—only another truce for them to prepare their next world war.

The Washington Daily News
May 15, 1945

'We Saw Some Die'—Barkley

By Ousted From

Congress heard at first hand today a part of the terrible story of Nazi methods of rule by extermination.

A 12-man committee of both houses, fresh from a tour of German concentration and slave labor camps, verified many of the worst atrocity stories.

Declaring the concentration camp practices to be "no less than organized crime against civilization," they demanded "swift, certain and adequate punishment" for those responsible.

The 12-man committee, led by Gen. Eisenhower, visited camps at Buchenwald, Nordhausen and Dachau.

PLANNED EXTERMINATION

Senate Democratic Leader Barkley, who read his report to the Senate, charged that the camps constituted a "calculated and diabolical program of planned torture and extermination on the part of those who were in control of the German government."

He said the three camps visited were an "accurate cross-section" of more than 100 in Germany.

He reiterated the Senate that American prisoners of war were not incarcerated in any of the concentration camps.

"There is no relationship whatever between a concentration camp for political prisoners and a camp for prisoners of war," he said.

He said the committee based its conclusions on three classes of evidence: Personal inspection, testimony of eyewitnesses among the prisoners and "common knowledge of the camp"—things not actually seen by the prisoners but which they all knew to be true from circumstantial evidence.

NO TORTURE WITNESSES

Bodily tortures were not described because "witnesses to the proceedings in the torture chambers seem always to have been done away with."

He said the committee saw with its own eyes:

1. "The barracks, the work places, the physical facilities for torture, degradation and execution."
2. The victims, both dead and alive, of the atrocities practiced at these camps.
3. "The progress of liquidation by starvation which was still going on."
4. "We saw the indescribable filth and smelled the nauseating stench before it was cleaned up, and we saw a number of victims of this liquidation process actually die."

Barkley said that at Buchenwald the committee saw the "Little Camp," in which prisoners slept on triple-decked shelves. Each shelf was about 12 feet square with 18 prisoners to a shelf. The clearance height between the shelves was a little over two feet.

HAD TO LOSE WEIGHT

In the "Little Camp" prisoners were given six weeks before being graduated to the "regular barracks." During this time, he said, they were "expected" to lose about 40 per cent in weight. Nations were less than at the regular barracks and the death rate recently ran about 50 a day.

The "regular barracks," he reported, had dormitory rooms 42 by 22 feet and about 10 feet high in which 200 persons were made to sleep with less than one blanket per person and no heat.

The "hospital," Barkley said, was a place "where moribund persons were sent to die." There were no medicines, hence no treatment.

The "medical experiment building" was used by Berlin scientists who came down to incandescent "guinea pigs" with deadly diseases. Prisoners were lured to "volunteer" for this by being promised better living quarters and more food.

400 BODIES A DAY

The crematory at Buchenwald, Barkley said, had a maximum capacity of about 400 bodies per 10-hour day.

Roll call at Buchenwald was held every evening and a truck collected the bodies of all who had died during the day as well as live prisoners who were to be executed for political reasons.

The Bystag were forced down a 12-foot shaft, strangled and hung on hooks by 18 men and then fed to the waves.

Lack of fuel prior to the arrival of the Americans interrupted the cremations, Barkley said.

Rations at the camp were 800 to 900 calories a day and consisted of very weak soup and a small piece of bread. Barkley said the worst-treated prisoners were Jews, Russians and Poles. The number of prisoners and slave-laborers, he said, is estimated to have run between 12,000,000 and 20,000,000.

MAY 15 1945

Dear Mr. Secretary:

I would like to take this opportunity of commending Major General Howard K. Loughry for the excellent service he has rendered to the Treasury's war finance program.

As your Alternate on the Interdepartmental War Savings Bond Committee, General Loughry has discharged his duties with great credit to both the War Department and himself. Under his able leadership, approximately 93.2 per cent of the 1,182,000 civilian employees of the War Department are now investing \$25,336,698 monthly, through the Pay-roll Savings Plan, representing approximately 11.5 per cent of the gross pay roll. In addition, according to the latest reports available in the Treasury, over 1,999,000 officers and enlisted men of the Army are investing \$39,886,000 monthly in war bonds through the Glass B Allotment Plan.

General Loughry's outstanding service in the War Bond Program will be greatly missed as he assumes his new duties as Governor of the Soldiers' Home.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Henry L. Stimson
Secretary of War
Washington, D. C.

GMHead:esl 5/1/45
KPHartelt:hev 5/9/45

May 15, 1945

My dear Mr. President:

I just want to let you know how greatly pleased I was with your statement on taxes at your press conference this morning, and particularly that you tied it up with the 85,000,000 bond holders.

It is this kind of public backing from you which makes me want to give you everything I have got.

Sincerely yours,

Henry

The President,

The White House.

Sent by dl 11/25

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THE WHITE HOUSE
WASHINGTON

May 16, 1945

MEMORANDUM to SECRETARY of the TREASURY

FROM: THE PRESIDENT, HARRY S. TRUMAN

Thanks for your nice note.

HTV

1530 Sixteenth Street N.W. Washington 6, D.C.

May 15, 1945.

Dear Mr. Morgenthau,

I want to tell you how flattered I was by Mr. Charles Bell's persuasiveness in offering me a post in the Treasury Department and how much I value your good opinion, which his offer reflected.

As I told him, I have met no one in Washington (and I may add to you no one anywhere else) for whom I would rather work if I consulted only my own personal feelings. But after some wrestling with my conscience, I decided to accept the post of Director of Information for the Surplus Property Board because I think it is the spot where my services can do the most good at this particular time.

I know that you, who are making much more difficult sacrifices for the same reasons, will understand my feeling in this matter.

It is a source of great pride for me that you show so much confidence in my ability, and I am looking forward to our continuing pleasant collaboration on the book.

Very sincerely,

David Ford

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

May 15, 1945.

TO Charles S. Bell

FROM Secretary Morgenthau

I want you to continue to assume responsibility for the supervision of the Procurement Division until further notice.

H.M.P.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 15, 1945

TO Secretary Morgenthau

FROM Ted R. Gamble

This is the report you requested for the purpose of bringing President Truman up to date on the Drive.

SECRETARY TOOK TO THE WHITE HOUSE 5/16/45

The 7th War Loan is now three days old, and I thought you would be interested in knowing that our first reports indicate we are off to an excellent start.

The Drive has been four months in preparation. In developing the material, the advertising, the special promotions and the organizing of the special plans, we have sought to create such messages and atmosphere as are designed to counteract any negative effect that the end of the War in Europe might have on Bond sales. It now appears that we have met this problem head-on and that a positive, confident and enthusiastic attitude prevails in all 7th War Loan activities throughout the country.

The support by the press of the nation to the War Bond opening has been truly magnificent. We have completed checks of large, intermediate and small city newspapers as well as small-town dailies and country weeklies, and believe that we have received from the newspapers of the country the greatest promotional and informational impetus that has attended any Drive to date. This is likewise true of radio, magazines and other media of public information. It is particularly valuable at this time inasmuch as our Drive objectives in the face of a victory in Europe have required understanding explanation and emphasis.

Our organization has never been at greater strength. Nearly six million men and women volunteers are currently at work on the Drive and have pledged to stay on the job until the closing date, July 7.

On farms, in schools, in women's clubs, in American homes, these volunteers are trained and ready to ask people to buy Bonds. Most of them are veterans of past War Loan campaigns; all of them have assignments, instructions on selling tools and arguments. All members of this volunteer sales force realize the importance of their mission; they know that there will be obstacles to overcome, but they are determined to reach into every corner of the country. They are not afraid of the people who may say "no." Their only fear is missing someone who might have said "yes" if he had been asked, and they are confident of success.

Inasmuch as a substantial portion of our E Bond sales must necessarily be made to the men and women workers in the plants, offices and shipyards of the nation, an advance Payroll Drive was inaugurated on April 9th. In this way the workers were approached to subscribe to larger Bonds and given an opportunity to pay for them in installments out of current income over a three months' period.

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The Treasury is already receiving the benefit of this advance Drive, and a recent nation-wide check of results to date is most encouraging. Many large companies in every part of the country announce that their subscriptions have already exceeded the quota set, and others report considerable progress toward their E Bond objectives.

Though we realize that the important 7th War Loan will be our toughest assignment to date, we are confident that we will reach and exceed the goals which have been set for us.

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MP-1606

PLAIN

Rome

Dated May 15, 1945

Rec'd 2:36 p.m.

Secretary of State

Washington

1302, May 15, 5 p.m.

FOR MORSE LEAVITT JDC FROM HIRSHEN HIRSHEN 31.

Just received from Allied financial agency 3,399,114 lire making total amount reimbursed 4,289,114 lire representing total lire yellowseal dollars and BHA deposited here by members first Palestine transport. Our present cash balance almost four million lire will be largely used for May requirements, therefore, please remit our account Rome 150,000 refugee relief Italy.

KIRK

EB

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RIN-1740

PLAIN

Rome

Dated May 15, 1945

Rec'd 10:10 p.m.

Secretary of State,

Washington.

1303, May 15, 5 p.m.

TO MORSE LEAVITT, JDC, FROM HIRSHEN HIRSHEN. 32

Was at Bologna, Modena, Ferrara, Parma Milano and Turin either at or hours after liberation and provisional committees now functioning all these communities; also Verona, Genoa. Am leaving immediately for Genoa, Milan, Trieste and hope enter Austria from there. JDC food and supplies which I held here to meet this emergency and Matsath as symbol of liberation were transported north where being distributed through community feeding centers and warehouses established keypoints. Some communities, particularly Milan, Turin, Genoa regularly received funds from Italy and balances still available. Many Jews north Italy fought long, well with partisans. Clergy was particularly helpful many instances preventing deportation. In Milan synagogue almost completely destroyed also substantial section town, resulting housing, food shortage; therefore, JDC requisitioned former Fascist headquarters which using a synagogue hostel and committee offices and feeding center which can accommodate 600 persons. Approximately 1,500 persons now registered committee but expect most prewar Jewish population returning. Emergency assistance sent concentration camp at Bolzano where reported 400 interned but of this number over 100 returned Milan where receiving JDC care. Remainder Bolzano group urged remain there order relieve overcrowded situation Milan and supplies shipped Bolzano. In Turin found 150 Italian and other nationals who just came from mountain hideouts. Reference Modena food situation, comparatively good have Sushkoff record persons interned concentration camp Fossoli di Carpi, also obtained records camps at Monticelli and Salomaggiore. Presently 60 Jews Ferrara but part of remaining 550 in hiding. Of 300 Jews who resided Parma only 75 now, but many of balance expected return shortly. Of Bologna's 1,200 Jews about 400 there now. Synagogue destroyed but feeding center and offices established community building. Wish advise some unorganized movement from camps Germany to Italy which creating additional problem. Assigning members Delasson staff for temporary work north but permanent staff urgently needed.

KIRK

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DHS-1604

PLAIN

Rome

Dated May 15, 1945

Rec'd 2:51 p.m.

Secretary of State

Washington

1301, May 15, 5 p.m.

TO MORRIS LEAVITT JDC FROM MELVIN GOLDSTEIN

33. Your information member our staff delivered AJDC supplies Trieste May 10 and assistance committee established. New York advised.

KINK

WVS

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DHS-1613

PLAIN

Rome

Dated May 15, 1945

Rec'd 3:12 p.m.

Secretary of State

Washington

1300, May 15, 5 p.m.

TO MORRIS LEAVITT JDC FROM MELVIN GOLDSTEIN

34. Following persons now well Milan please advise relatives. Furnari Giorgio relative Furnari Charlotte 67 West 73rd Street. Sasjer Joses relative Goldman Rifka Fort Ontario. Levi Tina relative Levi Piero International House and Levi Paolo 84 Salisbury Road Woburn, Mass. Rocca Giorgio relative Rocca John Statler Hotel Boston. Lowi Miriam relative Wirsan Tami 672 Hunterdon Street Newark. Hermann Blith relative Hermann Joseph 752 Westend Avenue. Airmailing messages.

KINK

WVS

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DSM-1611

PLAIN

London

Dated May 15, 1945

Rec'd 3:20 p.m.

Secretary of State

Washington

1812, Fifteenth.

FOLLOWING FOR NOSES LEAVITT AMERICAN JOINT
DISTRIBUTION COMMITTEE FROM HAROLD LINER.

"No action your part concerning currency here
required since cheque for full amount on Treasurer
United States issued by army finance officer being
forwarded registered airmail via fleet post office today".

WIMANT

HB

May 16, 1945
8:45 a.m.

GOLD TO CHINA

Present: Mr. D. W. Bell
Mr. Adler
Mr. Friedman
Mr. Pehle
Mr. Coe
Mr. White
Mr. Collado
Mr. Clayton
Mr. Crowley
Mrs. Klotz

H.M.JR: Frank, how do you know that T. V. Soong--
that that's his personal stuff?

MR. COE: We simply know that those are corporations
that have been connected with him.

H.M.JR: He might be a director.

MR. COE: That's right.

H.M.JR: That doesn't mean that's his money personally.

MR. COE: That's right. We said corporations affiliated
with him, didn't we?

H.M.JR: Attached hereto is a table giving names of
principal purchasers of United States Savings Certificates.

MR. COE: And they are grouped according to--

H.M.JR: But there's no reason for me to believe
that that is Soong's. There is nothing to indicate that.
They are simply corporations. Who did this?

MR. COE: I'm sorry, I don't understand the question.

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

MR. COE: They're Soong's companies according to
our information. He's the dominant factor in the
companies. Some of the profits made on those transactions--

H.M.JR: Look, I picked this thing up. Suppose I
take this thing over. It says "Attached hereto are
names of principal purchasers of United States Savings
Certificates", and here's the list.

(Mr. Bell enters the conference.)

MR. COE: We can't prove that Soong owns fifty-five
percent of the stock of those companies.

H.M.JR: You can't? You boys have been telling me
right along that Soong owns most of this stuff, and
that's misleading.

MR. ADLER: It's his bank for all practical purposes.

H.M.JR: Suppose I'm President of a bank and my bank
happens to buy a million dollars worth of certificates,
that doesn't mean I'm crooked. I think it's completely
misleading.

MR. COE: Mr. Secretary, if you were called when
you asked for this list and said that you were going to--

H.M.JR: I don't want to take up more time.

MR. WHITE: If he's the chief stockholder, it doesn't
mean he's crooked, but it means he's got the chief benefits
from the purchase.

H.M.JR: Look--I've been told three times that these
people individually have purchased this gold.

MR. COE: I don't think I ever said individually.

H.M.JR: It says individually there, and I've been
told individually, but anyway--

MR. COE: Well, I asked you not to show the list to
T. V. Soong, if you recall.

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H.M.JR: You're right. One more thing, and then I'm through scolding. The next time I send word a couple of hours in advance that I want to take up the Chinese or any other matter, I don't want to be fishing all over the lot for papers. I want them ready like this, if you please. Or any other subject--where you get a couple of hours notice and know you're going to take them up--have everything together so that I can work, if you please.

MR. WHITE: This is all right. All you have to do is reword it a little differently. Say the purchasers have been these companies and from our information T. V. Soong is an important director or large shareholder of each one of these, or something like that.

H.M.JR: Supposing I'd used it with President Truman.

MR. WHITE: It should be more carefully stated.

H.M.JR: That's all I'm saying. That thing to the President--there's no reference there to gold--to the President's conversation with Madame Chiang Kai-shek.

MR. COE: That's all we have.

H.M.JR: May I have that?

MR. WHITE: These purchases are legal, no question of their legality.

H.M.JR: If it's that, I don't want to use it. I thought they were individual buyers. Maybe that's what I was hoping.

MR. WHITE: They're too smart for that.

MR. ADLER: You have some pretty striking cases even so, the Ambassador buying about one hundred forty thousand dollars worth. Of course there's no proof of how he did it.

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MR. WHITE: The fault isn't theirs. They should have bought them. They just knew about them. They're legally able to buy them. You can't blame anyone for buying something that will net three hundred percent profit within a year or two. The charge is against the government, not them as individuals. They happen to be the government.

MR. BELL: Soong said he was going to tax them.

MR. ADLER: Not these. He says the gold.

MR. BELL: On the gold.

H.M.JR: I started this thing. Here's the memorandum to the President from me July 15th. On July 14th we sent a message to H. H. Kung, the Chinese Minister, informing him that the Treasury was prepared in principle to agree to the Chinese request to purchase a hundred million in gold on the five hundred million as a satisfactory means of helping to check inflation in China.

MR. WHITE: We stuck the words "in principle" in there--to say there's a difference between agreeing to principle and agreeing to schedule--that's the reason "principle" was put in. In so far as we had any flexibility we tried to weaken it by sticking in the word "principle".

H.M.JR: Look, again, I don't want to keep harping--when we first started this discussion, Frank, just for the future--this is the kind of thing I should of had before I saw T. V. Soong the first time.

MR. COE: I'm sorry, we had a book up for you which I didn't give you. We had an elaborate book the boys had got up on this.

H.M.JR: If I could have read this whole thing for an hour beforehand I would have been thoroughly posted.

MR. WHITE: A too elaborate book frightens him; he won't read it.

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H.M.JR: I don't frighten so easily. No, I mean when we were going over the thing we had a little meeting beforehand, didn't we? Just for the future, so I could be more effective--I can't--it's impossible to read all of these things; at least I can't.

MR. WHITE: You don't assume we do, do you, no?

H.M.JR: I'm assuming that you do, yes. I assume that you do.

MR. BELL: General Somervell called last night and wanted to know what the final decision was on the gold and whether or not he was to do anything. I told him I'd have you call him.

MR. COE: Collado rang and said he was trying to write a letter and didn't see how he could.

MR. BELL: On the political front.

MR. COE: He said he was having a hard time.

MR. WHITE: They told us privately they don't believe it's politically necessary.

H.M.JR: It says here--this is from Kung to me on the 24th of July, "It's intended to transfer the gold to China to be sold in order to withdraw currency from circulation."

(Secretary holds telephone conversation with Mr. Connelly.)

(Mr. Crowley and Mr. Collado enter the conference.)

H.M.JR: Have you got that letter, Mr. Collado.

MR. COLLADO: I can't say we have. We had a very lengthy discussion last night and resolved to go home and sleep on it.

H.M.JR: How did you sleep?

MR. COLLADO: I slept sufficiently well. I don't know how the other people slept.

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H.M.JR: My advisers recommend to me that if we're going to do this gold, it would be a very nice thing if the State Department cooperated by writing me a letter stating for political and military necessity we should do it.

MR. CROWLEY: That would be all right.

H.M.JR: That would be the reason, you know, because for inflation from the standpoint of good finance we can't see it. So, we thought that--what has happened to your position?

MR. COLLADO: My position is exactly the same as your people's.

H.M.JR: Yes, but you can't see it.

MR. COLLADO: So, strangely enough, I think are the political officers; I mean, the people in the Far Eastern Division. Perhaps I shouldn't say, but I think Will Clayton--

H.M.JR: I was going to say Mr. Clayton is very keen to have him do it.

MR. COLLADO: I know he is. We weren't really able to finish it up last night because the political officers had gone home before he transmitted the message to me, and I didn't get the message until after supper.

H.M.JR: It's unfortunate John Carter Vincent isn't here.

MR. COLLADO: The only fellow we have that's well acquainted with the Chinese situation is Ed Stanton.

H.M.JR: Do you think you can get anything out of the military?

MR. COE: Patterson took the position it was up to us.

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They were interested in supplies. They didn't know whether selling gold would help get supplies or not. It was up to us.

MR. CROWLEY: I wonder if it would help your position if you tied the whole program together, textiles, gold, and trucks, and then got the Army and State to say that for political reasons--

H.M.JR: I'm afraid if we tied to textiles they wouldn't get much gold, would they?

MR. BELL: Gold in place of textiles.

MR. CROWLEY: I think this, that we can say this morning we'll have the balance sheet and I think that the fellows have an idea that we may have to press the Army pretty hard to put up some of it, but they feel they can do it, and that through the civilian and others, Brazil and Canada, that we might not be able to meet it all, but we might be able to meet a substantial part of it, and we're going to give you a report as soon as we can get it worked out. It may mean that on the Army end we might have to have a little help from the White House, but I don't think we ought to ask for that until it's necessary, but our fellows report they have made some progress on it.

H.M.JR: That report comes in, you say, at ten o'clock.

MR. CROWLEY: Yes, so that sometime after lunch I ought to be able to give you a little bit of a picture on what we're trying to attempt to do.

H.M.JR: Well, as I say, we'll see what Mr. Clayton has to say, but it's a difficult problem. Of course, we are not short on gold.

MR. CROWLEY: No, if we could kind of transfer some of that gold on Textiles it would be all right. But the only thing we're not short on is gold.

H.M.JR: Looking through this correspondence back in

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July, 1943, I asked them whether they wouldn't take this gold in very small quantities. We could have cashed what they called jewelers bars, which I think is three and one-half or four ounces, something like that, isn't it Harry?

MR. WHITE: I don't think we ought to push that too far.

H.M.JR: No. They didn't take any suggestions, but isn't it three and one-half or four ounces, jewelers bars, or something?

MR. WHITE: Yes. They were glad to take it that way.

H.M.JR: They didn't take it, did they?

MR. WHITE: We had difficulty in getting mints to really put it up.

H.M.JR: Did we ever have any put out?

MR. BELL: Not for that amount. They did put up some bars for OSS. We didn't put up any for the Chinese.

(Mr. Clayton enters the conference.)

H.M.JR: Well, since I talked to you last night, have you got a letter in your pocket?

MR. CLAYTON: No.

H.M.JR: No letter.

MR. CLAYTON: No letter.

H.M.JR: Have you had time to think it over.

Mr. Clayton: Yes, we have, Mr. Secretary. We don't see any political reason at the moment to urge you to do anything there than whatever the commitment is. I mean, we don't see any reason to urge it at this time,

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who are doing the buying, the banks and big boys, they know how much gold they have and how much they're going to have, so every argument they could advance now they can advance with greater intensity a few months from now, so the thing has to be tackled as a total problem and why throw away so large a sum as the several hundred million dollars?

MR. CLAYTON: I didn't know there was that much involved.

MR. WHITE: Two hundred sixty.

MR. ADLER: Yes. They're asking for two hundred million, but--

MR. CLAYTON: Only one hundred thirteen million are actually involved in this discussion.

MR. COE: They want one hundred ninety now, the full balance, the two hundred plus the twenty which we had earlier.

MR. CLAYTON: That's something for you to decide. I thought we were considering here only the commitment which we had made to them of two hundred, of which they have actually received twenty-four, plus the sixty-three additional, making a total of eighty-seven.

H.M.JR: How much of the two hundred is left?

MR. COE: Nine or ten has gone from the two hundred.

H.M.JR: Where do you get the other twenty-four?

MR. FRIEDMAN: They had made a previous transfer of two hundred million.

H.M.JR: That didn't come out of the two hundred?

MR. FRIEDMAN: It came out of five hundred million credit.

MR. WHITE: Out of the commitment there remains about one hundred ninety million.

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MR. CLAYTON: That's what we're talking about.

H.M.JR: Plus the balance of the twenty million. How much of that twenty million would you think that they have in gold is here?

MR. FRIEDMAN: Of the first twenty million, all has gone; of the second twenty million which was made under the two hundred million commitment, about ten has gone, leaving about one hundred ninety million.

MR. CLAYTON: Of the one hundred ninety, sixty-three has actually been committed. They've actually sold it, and if that were not furnished, they would be greatly embarrassed, and you agree that should be furnished, so that leaves one hundred twenty-seven, which is really what we're talking about, and I think that what you have to say, Harry, about the fact that if we were to go ahead now and let them have this gold and they should dispose of it over the next six months, as I understand it, they don't propose to make any sales anymore until they can make spot sales, which would have to be after they obtained this gold. After they had it there, they will discontinue forward sales.

MR. COE: No, they intend to sell forward during the first period that this gold is coming so as to continue forward for the very reason they spoke of, that they want to keep on forward until maybe July. If we can hit their schedule of shipments, they think that by July they would be entirely on a spot basis.

MR. CLAYTON: I see.

MR. WHITE: They want to stop forward shipments for the same reason they can't stop spot shipments.

MR. CLAYTON: Harry, you say we're only postponing the evil day, and that is true. I think what we have to consider then is as to the importance of maintaining things in equilibrium as nearly as we can over the next six months, say. How important that may be, and that I would think is largely a military question--

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MR. WHITE: If you could maintain things in equilibrium for six months, it's worth paying two hundred million dollars for, but you can't.

MR. CLAYTON: I don't mean equilibrium in the sense prices won't rise. I mean political and military equilibrium as well as economic.

MR. WHITE: The Secretary asked you that and you said it has no political importance.

MR. CLAYTON: I said I didn't think it had any aspect of political importance other than the one we all recognize, except that this government would want to keep its commitments whatever they may be. I think that's fundamental. Outside of that I don't know what political importance it has, but that is political and I think it's highly important.

MR. COLLADO: I talked last evening with Ed. Stanton, who is the Acting Director of the Far Eastern Office, and he says of course we do want to maintain this particular government. We don't want to have all the collapse that would be incident to the fall of that government. The real question in the political officer's mind is the relation of this problem to that over-all problem.

MR. WHITE: Do they think this will be decisive enough to drastically interfere with the effectiveness of this government in conducting the war at this time? If they do, then you've got a very perfect political reason for giving it, and I should think they'd say so.

MR. COE: Is there any question on the other hand that their method of selling this--for instance this rising price and the scandal over the insider getting the gold and the harmful things that they have done--has taken a blow at their own political and financial confidence? That is infinitely worse than anything. I mean, you can't show them up as long as they are going to do business like that. You've got to change.

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MR. CLAYTON: On that question, Mr. Secretary, as I said to you in the beginning, I think that while it seems to me you have a commitment here, that that doesn't mean to say that you are not justified in imposing on the Chinese any reasonable conditions with regard to the handling of the gold and the sale of it, and the delivery of it, and so on, and surround that operation with all the safeguards that you think it should be surrounded with. I don't think there's any doubt but what you have the right to do that, and if they're not handling it in the proper way and it's being sold to the wrong people at the wrong prices, I think that you certainly have the right and the duty to make conditions which would correct that, and I think I suggested to you that you might want to send some top man from your department to Chungking to sit in with the authorities there in handling this matter.

(Secretary holds telephone conversation with Mr. Louis Douglas.)

MR. WHITE: I think it would be unfortunate, Will, if we attempted to take any responsibility for the proper handling of their gold. In the first place, that's only part of their policy. In the second place, we have a right to hold a government responsible. It's up to it. It knows a lot more about the way it's operating. If we sent one or two men in a situation of that kind--there are fifty-nine ways of skinning that cat--and we'd have to send a staff to do a job and take the responsibility for whatever happened. It seems we're in a much more desirable position and more reasonable position to say you're the government, it's up to you to use it wisely; if you use it so badly it becomes evident to your own people and to us, we'll reduce the flow in so far as we can. You know the commitment in that two hundred million. The Chinese can with equal validity ask for the remainder of the five hundred million. The commitment is just the same, and if they sent this money in three or four months, they could come here the next month and say there's sixty million left, we want that sixty million; we've got to sell the gold; we've got to stop selling the gold, and so forth.

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So we've got to look at the step we take now on the remainder of the five hundred million, and I think the longer we hold it up--not hold it up--we can't hold it up, but we can accelerate the flow. We have been sending it at the rate of a million a month, we could send it at the rate of five million a month, or six, and we could, by our very toughness, scare them into a more drastic program and be more effective.

MR. BELL: How much is their balance in New York, Harry.

MR. COE: Besides two hundred forty they have seven hundred million.

MR. WHITE: That's altogether?

MR. BELL: That's not the Federal balance.

MR. WHITE: The government balance is much less.

MR. FRIEDMAN: Over seven hundred million, about seven hundred forty million.

MR. BELL: They don't have to take the two hundred sixty. They draw a check on their bank in New York and draw the gold.

MR. COE: We propose that in our memorandum, to take the gold out of their own money.

MR. CROWLEY: I agree with Harry. Whatever you're going to do I think the administration of it ought to be the responsibility of the Chinese Government--that we don't assume the responsibility for running their affairs. The thought that was running through my mind on the political end of the thing, will, was this: That it seems to me that this whole inflationary problem of China is one that we're interested in from a political and from a military standpoint. Now, if I know we all agree that whatever definite commitment we have to China that we fulfill, I think that if the Treasury could get their thinking worked out on the gold as to what they feel that they're obligated to do and

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can do, and I agree with Harry, too, that we go into this thing here on this gold and also the textiles and the stopping of this inflation, that let's not get ourselves into something that after we have spent some money that they then lean on us again and it's a bailing out process, because we have learned a little lesson on that bailing out business. If the Treasury can work out their thinking on the gold, and if, Will, we can work out something on the textiles and something on the trucks, which we think we can, then with the Treasury and FEA, and the military and the State, why couldn't the State say then that the over-all picture, that they do have an interest in it from the political standpoint, and the military would have from the military standpoint, and we do it on that basis. Then, if we do have to go to the Hill to present the thing, which we will have to do sometime, we're all in agreement, the State on the political end, the Treasury from the fiscal, and the Army from the military, and FEA from the standpoint of putting in their trucks and their textiles, and that would meet whatever you have in the back of your mind, wouldn't it, from the political and military standpoint?

H.M.JR: Not quite. This is the way I feel, and I've made up my mind, subject to the President of the United States, whom I am going to see at ten-fifteen. The reason we've been scrimmaging here ever since we did this thing, is that we did this thing and we have tried to keep the money back, the gold back as long as possible, because we realize that the way the Chinese were using it, it's money down the rat hole, and wasn't helping anybody, but the fact remains that the two transactions were made, one is that the bill authorized the President of the United States to render financial aid to China, and for other purposes. We got this money and the Secretary of the Treasury has given them a letter saying they can have two hundred million dollars worth of gold. Now, their methods, say, are most distasteful for me. I hoped I could, from the State Department, or from the military, get something which would help me to ease my conscience. I've been unable to get anything from the State. I can still possibly get something from the military, but I'm going to recommend to the President of the United States

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that we carry out the word of this government and let them have one hundred ninety million dollars worth of gold as they want it, and I'm not going to put any more strings to it. The thing that amazed me was for months H.H. Kung calling here didn't do what Soong did. Because there just can't be any question about the word of the government of the United States; it can't be questioned. I mean, that's my position, and that's what I'm going to recommend to the President, but I'd hoped that to ease my financial conscience that I could get some help out of State. I'm sorry I couldn't. I still have time between now and ten fifteen to get some help, maybe, out of the military, but even if I can't, and irrespective of what you people are going to do, I'm going to tell the President of the United States that my recommendation is that we fulfill our contract, see? I'm sorry, Harry, that's final.

MR. WHITE: I'm saying Mr. Kung did do just that. It's we who have changed. Soong hasn't brought any new arguments that Kung hasn't.

H.M.JR: Kung didn't put much pressure on us.

MR. CLAYTON: Mr. Secretary, may I say I respect and applaud your decision. I think it's the right decision, and I would like to add that I didn't suggest that we should take over any of the responsibility and duties of the Chinese Government in connection with this matter. What I did suggest was that I felt that you had the right to make conditions on the manner of the handling of this gold for the purpose for which you committed yourself to give it, and that if necessary, I felt you had the perfect right to send somebody there to see that the conditions which you laid down were observed. That was all I--

H.M.JR: If you don't mind, on that point I agree with White that we might much better give it to them and then it's their responsibility. I think White is wholly right on that, as I believe Mr. Crowley is, and that if we send people over we're asking a man to sit on the gold and watch it and the banks and taxes. Then if something happens--I've dealt with them so long--you never know.

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In the end it would be the Treasury's fault, so I'd much rather explain to the President that this is most distasteful but there's nothing I can do. I've made a contract for the government. My name is on it. It's too bad, but there it is. Now the only thing we can say is that White and his people have done an excellent job, since this thing has been signed, in holding on to this money as long as possible, but the time has now come, we can't hold on to it any longer.

MR. COE: Mr. Secretary--

H.M.JR: I didn't mean to shut you off, Harry. My position--excuse me--I've had lots of time to think about it and, I mean, I've definitely made up my mind, that's the way I want it. I had hoped to get some help out of State and I'm going to try to get some help out of the military. I hoped that I could get some. I'm disappointed State wouldn't help me, but that doesn't change my responsibility as Secretary of the Treasury upon this government's financial commitments.

MR. CLAYTON: With all due respect, I don't quite understand you, that State hasn't helped you. I have made it very clear that I think that whatever commitments this government has should be lived up to not only because it's a commitment, but for the political implications that a failure to live up to such an agreement would have.

H.M.JR: Yes, but Mr. Clayton, I don't need State to tell me that.

MR. WHITE: That's just passing the buck.

MR. CLAYTON: I don't think it is. I wholly disagree with your remark, it's not passing the buck. Just wait a minute, we don't pass the buck.

MR. WHITE: Can we have that in writing.

MR. CLAYTON: Why should we be asked to give political reasons for the Treasury to keep a commitment that it has made?

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MR. WHITE: That's not the issue as I see it.

MR. CLAYTON: It is.

H.M.JR: No, no, I--and being very frank, totally frank, and what I was asking for was not advice from the State Department whether I should have to keep a commitment or not, but don't misunderstand, wholly respectfully I say I don't need anybody to give me that advice, see? But what I was hoping for, knowing the dilemma that I'm in, and I'm sure that if you were in my position and had a business commitment and realized the misuse being made of it by the government, particularly being government funds, you would resist up to the point you felt a moral obligation. That's my position and, therefore, I had hoped that without trying to manufacture any reasons, you might have been able to say to me that it's important in the prosecution of the war that General Chiang Kai-shek and the government would be maintained you see? That's what I was--

MR. CLAYTON: Mr. Secretary, in the prosecution of the war I think that that is largely a military decision, because we don't know how important it is that the Chinese be kept in the war any more than you do or anybody else. I think we all have a feeling that at this crucial time it is highly important that they be kept in the war, but that I think is something for the military to say rather than the State Department.

H.M.JR: I don't think you can take any offense, and none was meant, when I said that I was disappointed, that I thought that for some political reasons you could think of other than my keeping my obligation--

MR. CLAYTON: I didn't take any offense.

MR. WHITE: After your statement I want to withdraw the remark--he's not passing the buck. He's passing it as far as I'm concerned, because I put it on a very different issue than you do, and in the light of your remark it's not a fair statement that he's passing the buck because you're putting it entirely on your commitment and I'm not, and I want to make it clear to Bill--

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H.M.JR: I don't understand that.

MR. CLAYTON: I don't either, but it's all right with me.

MR. WHITE: It can't be laughed off quite that way because there's a basis; I can give it. The commitment is not sufficient reason to give it. There are other reasons, and if that's so, I say we should not give it unless there are political reasons. If, however, the Secretary feels he must give it because of the commitment, then there's no other angle to it. That's what I mean.

H.M.JR: Well, Will, just so there's no feeling on my part, is there any on yours?

MR. CLAYTON: None whatever, Mr. Secretary, you and I have gotten along fine in everything we've tried to do and there's no feeling on my part, not a bit.

H.M.JR: I just wanted to make it clear, and I think I did, that this is a decision I have to arrive at myself. When I called you last night I hoped you'd say, "I know you're in a hell of a spot and I can help you out by saying that we think that it's important that Chiang Kai-shek's government be strengthened," and so forth.

MR. BELL: Is it definite, Will, that you can't give us a letter? I didn't understand it was definite.

MR. ADLER: I think everybody agrees on that--the Far Eastern problem, that Chiang Kai-shek's government should be strengthened. The question is whether this would strengthen it.

(Discussion off the record.)

MR. CLAYTON: Mr. Secretary, see if this kind of a letter--I would have to clear this with Mr. Grew before I could send it--but see if this kind of letter would serve your purpose. It's addressed to you.

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"The State Department has given careful attention to the request of the Chinese Foreign Minister, Dr. T. V. Soong, for the speedy delivery during the remainder of 1945 of almost two hundred million--" well, it's two hundred million dollars-- "for the speedy delivery during the remainder of 1945 of the remainder of two hundred million dollars--"

MR. ADLER: That's right.

MR. CLAYTON: "...gold from the unutilized balance of five hundred million dollars credit approved by the Congress in January, 1942. It's the department's view, which it understands is shared by the Treasury, that the sale of gold in China has not proved and is not likely to prove a very effective anti-inflationary device. Moreover, it believes that the establishment of a five hundred million dollar fund for combatting inflation and stabilizing the Chinese currency which you proposed last week to Dr. T. V. Soong, would, if adopted by the Chinese Government, be of considerable short and long run benefit to China. The Chinese Government believes, however, that the immediate political and psychological as well as real economic effects of a continued and accelerated gold sale policy will have a vital part in the critical situation confronting it, and strongly requests the delivery of the gold in question and in accordance with the terms of the understandings of the two governments of July, 1943. Since there appears to be no doubt the Chinese Government attaches a greater importance to the immediate delivery of the gold than to the longer run benefits which immediate result from the establishment of the fund you had proposed, and since the continued stability of China and her increasing military efforts in the war against a common enemy are of great concern to the United States, the department recommends that the Treasury, if transportation is available, deliver the gold to China in accordance with the time schedules put forth by Dr. Soong."

H.M.JR: That would be very helpful.

MR. CLAYTON: We'll see if we can get that cleared by Mr. Grew.

(Discussion off the record.)

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H.M.JR: Are you going to try to get it before ten-fifteen?

MR. CLAYTON: We'll try to get it for you before ten fifteen.

H.M.JR: That would be wonderful. Well, I'll tell you what I think we'll do to give me a little time. I'm going to call up Admiral Leahy-- I know he sees the President at ten--and ask if I walk across the street if I could see him and ask if I could get something verbal out of him, see?

MR. CLAYTON: Yes, I think that would be very useful.

H.M.JR: And maybe if this could be signed, Collado would meet me in the outer office of the President.

MR. CLAYTON: But you haven't got much time.

MR. COLLADO: I'm straightening out the one hundred ninety.

MR. CLAYTON: It's the remainder of two hundred million we want to say, don't we?

MR. COE: About one hundred ninety is all right.

H.M.JR: Collado, if agreeable to Mr. Clayton, if you could get this signed, meet me in the outer office of the President before ten-fifteen, that would be wonderful.

MR. CLAYTON: Will you tell him I approve of it, please?

MR. COLLADO: Yes, sir.

MR. CLAYTON: Thank you.

(Mr. Collado leaves conference.)

H.M.JR: That's all we want for the time being, and our friend here, Leo Crowley, is having a look-see at the cotton, and after he's had that, he's got favorable word maybe, we could have a little meeting.

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MR. CLAYTON: On the textiles.

MR. CROWLEY: We're having a meeting at ten o'clock.

H.M.JR: If you give me that letter, I feel you're helping me out of a very difficult spot.

MR. CLAYTON: We'd love to do that.

H.M.JR: And you understand, letter or no letter, I'm going to recommend to the President to go ahead.

MR. CLAYTON: Right, I understand it, and if we can get it approved, and I think we can, we'll get it over to the White House by ten-fifteen.

H.M.JR: This will be fine.

MR. COE: There's one more thing that will just take a minute. I think that something should be--I think that after doing this, or simultaneously, or some way, something in writing should go to the Chinese Government on this problem of gold sales, on the methods, formally expressing disapproval.

H.M.JR: Well, I'd like to think about that. I mean, you--Adler told me to be very careful not to say or write anything to them on account of so-called face-saving. Think it over. Think it over.

MR. COE: I'm thinking of what you said--think of your face--and I'm thinking of it.

May 16, 1945
8:57 A. M.

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H.M.JR:

I just wondered how much time you are going to give me with the President this morning? I've got a lot of stuff.

Mr. Matthew
Connelly:

A half hour.

H.M.JR:

It would be wonderful.

C:

Yes, sir, it's a date. 10:15.

H.M.JR:

10:15. I try not to come around more than once a week.

C:

O. K. Fine.

H.M.JR:

Thank you very much.

C:

All right, sir.

May 16, 1945 99
9:14 A. M.

Operator: Go ahead.
HMJr: Hello.
Mr. Lewis
Douglas: Henry.
HMJr: Yes, Lou.
D: Henry, I've been dogged by bad luck.
HMJr: What's the trouble?
D: Well, I wanted to see you.
HMJr: Well, I tried hard to see you.
D: I know. We missed every time, Henry. I was coming over to see you yesterday, but I was grounded in New York and couldn't get out. As a result I had to come by train.
HMJr: When are you leaving, Lou?
D: I'm leaving in about 30 minutes.
HMJr: Oh, for heaven's sake.
D: But I'll be back in about 30 days, Henry.
HMJr: You will?
D: Yes.
HMJr: Who - does Bob McConnell know pretty much what you saw?
D: Yes, and Jack McCloy does.
HMJr: And Jack McCloy.
D: That's right.
HMJr: Well, I can get it from Jack then.
D: That's right.
HMJr: Is that right?
D: That's right.

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HMJr: Well, then, I'll get hold of him.
D: All right. I'm awful sorry, Henry, and I...
HMJr: Well, I kept lunch open, and then they didn't seem to know where you were and...
D: Well, I got (Laughs) I got on the train yesterday morning, Henry. I'm just as sorry as I can be.
HMJr: Well, good luck, and I would have liked to have seen you for personal reasons and also to get a report from you.
D: Well, I would have liked to have seen you for the same two reasons, Henry. God bless you and take care of yourself.
HMJr: Thank you.
D: And my best to your wife.
HMJr: The same to you.
D: All right, Henry.
HMJr: Bye.
D: Bye.

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May 16, 1945
11:35 a.m.

GOLD TO CHINA

Present: Mr. D. W. Bell
Mr. Pehle
Mr. Friedman
Mr. Coe
Mr. Adler
Dr. Soong
Mr. Pei
Mr. Ling
Mrs. Klotz

H.M.JR: Well, I had a message, Dr. Soong, that you wanted to see me.

DR. SOONG: Yes, sir.

H.M.JR: I am at your service.

DR. SOONG: When we concluded our talk--

H.M.JR: Where's White?

MR. ADLER: On the Hill.

DR. SOONG: When we completed our talk last week you said that--I have had a discussion with my men. Mr. Ling and Mr. Pei have seen Mr. Coe. Mr. Friedman and Mr. Coe have a schedule of shipments--they have been working on that--and I asked them to let me know how that stands.

H.M.JR: Have you had a report from them?

DR. SOONG: No.

MR. COE: No, we have not. That's what we discussed this morning and yesterday.

H.M.JR: What's White doing on the Hill?

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MR. ADLER: I don't know. I think he had some appointment with a committee there.

H.M.JR: You say you haven't made any report?

MR. COE: That's what we discussed this morning. Dr. Soong and Mr. Pei, as I informed you, have given us a requested schedule for the remainder of this year for the shipment--for the release and shipment of gold, aggregating some one hundred and ninety million dollars.

H.M.JR: Well, I had a chance to talk this morning with President Truman, and I understand you had talked with him, and he told me that you had told him that mistakes had been made in the past with regard to the handling of this gold and that you assured him in the future that these mistakes would be corrected.

I am just back and that's the reason I am a little bit late, and I would like to write you a letter pointing out to you the mistakes we think have been made in the handling of this gold. We have discussed it informally, but so there will be no future misunderstanding, and also pointing out in this letter the steps that we hope will be taken to correct them, we are writing this letter and the rest is up to you. We recognize that the United States Government has made this commitment and we are prepared to carry it out.

Now, as to future transactions with the Chinese Government, I have made several suggestions to you which would enable me to be helpful in the future, and I understood that you had communicated those to your Government, and I hope for our future relations that if you see your way clear in carrying out those suggestions--but that rests with you, so within the next twenty-four hours, I mean by tomorrow, I will get you a letter, and then if you people will simply let us know when you want this gold and how you want it, we are prepared to meet our obligation. But I am pointing out that how you use this gold will have great influence on any future assistance which this Government may or

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may not be prepared to make. Also, as to how you use this gold, we'll be influenced by what you do about the suggestions which I made about a fund.

DR. SOONG: Mr. Secretary, do I understand that the commitment with regard to gold will be influenced by what my Government agrees to do as to any of your suggestions?

H.M.JR: No, we are prepared today--tomorrow--to carry out our commitment. You tell us what you want.

DR. SOONG: We have done so already.

H.M.JR: We will meet that, and that's that. Now, if China needs additional financial assistance from this Government, I repeat, we will be very much influenced as to what use you put this gold to and also as to what you do about the suggestions I have already made.

DR. SOONG: That is clear.

H.M.JR: Is that perfectly clear?

DR. SOONG: That point is perfectly clear. Because, if you will excuse me, I have to hurry back to San Francisco, as you know,--

H.M.JR: I thought you were going Thursday?

DR. SOONG: Yes, but the fact that no technical arrangement has been made as to the schedule of shipments has kept me here because it would mean my running back again.

MR. COE: Mr. Secretary, in the letter we will be prepared to accept the schedule which they have put forward. As I understand it, what the Secretary is saying is we will thereafter make every effort with the Army to ship the gold according to an agreed schedule. I think we will have to say that subject to getting--we have actually got to go to them and get the transport, but the essence of your proposition,

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the schedule that you can put forward, that will be embodied in the letter the Secretary is speaking of.

DR. SOONG: On the gold transportation, I am sure-I have arrangements to be made with the Army to fly it over. In fact, I have it definite from them that they could do it because they are just as anxious as we are to curb inflation in China.

H.M.JR: Who, in the Army, is giving you these assurances?

DR. SOONG: If you will excuse me--but I have a definite commitment.

H.M.JR: Who?

DR. SOONG: I have a definite commitment.

H.M.JR: Yes, but I am asking you a question.

DR. SOONG: Well, of course, this is informal. They said, "Provided you can get gold according to schedule, we will be able to ship it." Of course, that's the situation.

H.M.JR: Has Mr. Stimson made such a commitment?

DR. SOONG: No, I didn't speak with Mr. Stimson about it, but I know they will be able to do it. I am assured in my mind, in other words.

H.M.JR: Well, that's something different. But the point Mr. Coe is making is that we are prepared to deliver the gold and we can't order the Army, but we have every reason to hope that the Army will be able to move the gold.

DR. SOONG: If, in order to simplify the matter, you delivered the gold to us, we will make arrangements with the Army. I am sure we can do that.

H.M.JR: What about it?

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MR. BELL: Well, I suppose the gold would in a sense be delivered. Wouldn't it be delivered to the Chinese?

DR. SOONG: In Washington or--

MR. BELL: And the Army would probably--

MR. ADLER: I don't think there is any real problem. The only question is the formality of making the arrangements with the Army and we are already in touch with the Army, and it's only a matter of a day or two to get the thing cleared up.

H.M.JR: Well, is that what you want? What else do you need from me, I mean?

DR. SOONG: Nothing except definite acknowledgment that the schedule is okayed by you.

MR. COE: We will have that in writing.

H.M.JR: We will try to get it out this afternoon. If we can, we are asking the State Department to collaborate with us in the preparation of the letter.

Now, the other matter. Mr. Crowley thinks he may have some word about the cotton today, and we are trying our best to find you the cotton goods, and he said this survey is in process.

DR. SOONG: Mr. Secretary, in your letter to me tomorrow or this afternoon, does it call for a reply from me? Because if it does, I would want to be informed about it because I would cable my Government immediately.

H.M.JR: I don't think it calls for a reply.

DR. SOONG: Uh huh.

H.M.JR: I am just going to say in writing what I have been saying here. I am going to put in writing the part that we haven't liked, and as I understand you haven't liked, and we want to make it perfectly clear. And I

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understand you told President Truman that you wholly disapprove of the various methods of the disposal of gold in the past.

DR. SOONG: I will try to seek correction on this point. I did not say that we wholly disapprove. I wholly disapprove of the method of selling gold, but I said about the certificates and the bonds there has been some talk about it. I was not managing it and to an outsider it looks as though things could have been much better, but I did not say that the sales of gold in the past have been wrong, or anything of that sort.

H.M.JR: Well, he must have gotten that impression.

DR. SOONG: Yes, because there was no time to discuss the whole aspect.

H.M.JR: He must have gotten it--well, anyway, I am going to put everything in it that I don't, as Secretary of the Treasury, like.

DR. SOONG: Very good.

H.M.JR: It will be respectful, but explanatory.

DR. SOONG: Yes, but I hope you will not say that I join with you in the dislike--this is a personal--

H.M.JR: No, no, no! This will be enough just to speak for the Treasury.

DR. SOONG: Fine, fine, fine.

H.M.JR: I'll be talking for the Treasury. Oh, no, you don't want me to say--I see.

DR. SOONG: I am, after all, a member of my Government and therefore when I talk to you informally, I, frankly, should not be on the record.

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H.M.JR: I will just speak for myself, as a member of the American Government. When I say this, I will be speaking of my Government.

MR. COE: And with no mention as to whether Dr. Soong agrees or disagrees.

H.M.JR: No, I understand, but informally and off the record, I understand as to every criticism I have made so far you have agreed.

DR. SOONG: I don't want to--

H.M.JR: All right. You don't have to answer.

MRS. KLOTZ: I sneezed at the right time.

H.M.JR: Now, it's foreign affairs. Is that right, Mr. Secretary?

DR. SOONG: That's right.

H.M.JR: Have you any spats on?

DR. SOONG: I am very informal, but, Mr. Secretary, if we do get the gold over there and something about cotton, and so forth, I feel that you would be winding up for the United States Government what you started in the earliest time of Japanese aggression, because I do believe with the gold, or with some goods getting in, we will be able to hold the situation together until we and you lick the Japs. That's what I think, and therefore, it largely rests upon your kind help.

H.M.JR: Well, with us sending the gold, the balance for this year--is that what the schedule is?

MR. COE: That's right.

H.M.JR: If that helps lick the Japs, it's been a very important day in my life.

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DR. SOONG: I think it will.

H.M.JR: It's been a very important day in my life, and there are two things that are motivating me. One is that my Government, through me, has given you a commitment which we will always keep, and two, this is a very appropriate time to send the gold because we will be coming to grips with the Japanese ourselves, and we need all the assistance that China can give from her soldiers and we are counting on them heavily. So--

DR. SOONG: We have had some encouraging successes recently in China.

H.M.JR: So I gathered. And I told President Truman that if we couldn't get the cotton from the Army, and that's the place we have to go, we would come around and see him and ask for his help.

DR. SOONG: Fine.

H.M.JR: He said he'll be glad to see us.

DR. SOONG: Thank you, Mr. Secretary.

H.M.JR: So I hope when Mr. Patterson comes back-- he will be back today or tomorrow--we can make progress more quickly because this is in his hands, this particular thing.

DR. SOONG: This cotton, I may say, is something like the Flying Tigers you initiated, you know.

H.M.JR: Well, you can give me a small ball of cotton to wear in my buttonhole the way you gave me a Flying Tiger, but I don't know whether we can be as successful as we were, but at least I mentioned it to President Truman and he said if we couldn't get by, he will be very glad to see us and he will assist us.

DR. SOONG: I am very happy.

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H.M.JR: So, we are not leaving a stone unturned because, as I said in my talk at Buffalo, we have got two targets, one is to beat Japan and the other to liberate China, and that's the only thing that interests me today, those two targets. There will be no difficulty at this end. We will get this letter out just as fast as we can.

Do I understand, Dr. Soong, you are going to wait until you get that letter? Is that the idea?

You get in touch with Collado. They are working on it, and try to work it up. (To Mr. Coe.)

MR. COE: Yes.

(Dr. Soong, Mr. Pei, and Mr. Ling leave the conference.)

(Discussion off the record.)

MR. FEHLE: On the transportation question, he has a private deal.

MR. COE: Our letter will say, "Sir, we will accept this schedule of shipments and have every expectation of getting the Army to transport it."

H.M.JR: Now listen, boys, put the old record away on the resistance.

MR. COE: We have, no doubt.

H.M.JR: Put the old record away.

MR. COE: We'll put the heat on the Army.

H.M.JR: Is this the old record again that you gave me?

MR. COE: No, this is Collado. He told me he gave you something. I thought you were talking from parts of it.

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H.M.JR: I thought it was from you, so I didn't read it. (Indicating Memorandum to the Secretary of the Treasury, dated May 16, 1945, prepared by Mr. Collado.)

MR. COE: You better go over it. It might influence you. It's from the State Department. Collado got up the sort of thing--

H.M.JR: I'll look at it here. Here's the letter we got from over there, from Grew. They came through with a good letter.

MR. COE: We will have to draft our letter. We are in agreement with them.

H.M.JR: Let me take a look at the thing.

Have you a copy of this?

MR. COE: Yes.

H.M.JR: Well--

MR. COE: We'll work from it.

H.M.JR: The point is I don't want him saying I am holding up the San Francisco Conference, and therefore, see if you can get the thing out this afternoon. But, look, you boys heard what I said, that I want that in that document, including the two target business, see? And get me up--whenver you have a rough copy, I'll have a look at it, see? And you heard what I said--can you play that record?

MR. ADLER: I think so. The war of resistance is now officially over.

H.M.JR: You practically wore me down.

MR. COE: He meant--just to make sure, you mean that you want some of these general matters to get into the letter, too.

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H.M.JR: Yes, I mean, first we didn't let them have it because we didn't like what they did, and then we say, "All right, we tell you why. We think you did a lousy job, and now we are going to give it to you." We have to have some reason for changing it around.

MR. BELL: Why not say, "In compliance with your request, we are going to meet your schedule, but in meeting it we want to make a few comments?"

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May 16, 1945
3:40 p.m.

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BRETTON WOODS

Present: Mr. White
Mr. O'Connell
Mr. Luxford

MR. WHITE: Brand is going to see you.

H.M.JR: Yes.

MR. WHITE: Have you seen him already?

H.M.JR: No.

MR. LUXFORD: It's good and bad, Mr. Secretary.

(The Secretary holds a telephone conversation with Senator Kilgore, as follows:)

May 16, 1945
3:42 P. M.

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Senator
Kilgore:

Kilgore talking.

HMJr:

Senator, in regard to your invitation to come up and appear before you. That is something I'd like to do very much, but I talked with President Truman about it this morning...

K:

Yes.

HMJr:

...and there's some special reason that he would like to have me withhold saying "yes" until when you come back.

K:

Well, I tell you - probably it is the result of my conference with him yesterday. I told him that there might be some changes in the picture, and, as a matter of fact, I killed all the idea of a press release as to dates...

HMJr:

Yes.

K:

...when I came back.

HMJr:

Yes.

K:

We are still extending the invitation to George to set up the schedule.

HMJr:

Yes.

K:

And then - I want to talk to everybody who is going to testify, when I get back because I think I'm going to find some more stuff over there.

HMJr:

Yes. Well, now, would it be agreeable to you then to leave it until you get back, and then I'd like very much to see you.

K:

That's what I would like to do.

HMJr:

That would be fine.

K:

Now, something else. I wonder, and I will give a pledge of secrecy on it...

HMJr:

Yes.

K:

I would like to talk to your top man in Paris on this foreign stuff.

HMJr:

On the foreign stuff?

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K:

Yeah. Now, I have it cleared with Army.

HMJr:

With who?

K:

With Army.

HMJr:

Yes.

K:

SHAEF.

HMJr:

Yes.

K:

And I've already arranged with Justice today.

HMJr:

Yes.

K:

And I'd like to talk to one of your men who knows a good bit about this

HMJr:

Well, I will get you -- when are you leaving?

K:

I'd leaving in the morning is the trouble.

HMJr:

Well, I will - within the next hour - get you the man's name, and we will send him a cable to cooperate in every way with you.

K:

All right, thanks ever so much.

HMJr:

But between now and five o'clock - will somebody be there?

K:

Somebody will be in my office.

HMJr:

Well, between now and five we will give you the man's name. I don't know who it is, ...

K:

I see.

HMJr:

But I'll also cable him to offer you full cooperation. Now, we have a man in London who is very able - Taylor.

K:

Well, I'll see him too, then. What's his name?

HMJr:

Taylor.

K:

Mr. Taylor. Is he with SHAEF?

HMJr:

No, he's with us. We have these Treasury attaches.

K:

I see. At the Embassy, eh?

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HMJr: At the Embassy. And I think
K: Do you know what his first name is?
HMJr: No, but I'll get that to you.
K: All right.
HMJr: And then I sent another man over there in the Army who was formerly Assistant General Counsel of the Treasury, Colonel Bernstein.
K: Yeah.
HMJr: Who heads the Fiscal section over there with Clay.
K: Yeah.
HMJr: I think he would be useful for you to see.
K: Yeah.
HMJr: I'll get all of those up to your secretary..
K: What I would like to do is talk to these fellows and get a general picture over there.
HMJr: Well, they'll give you plenty.
K: O. K. (Laughs) All right.
HMJr: And I think you will find them very useful because they will give you plenty of dirt.
K: Yeah. O. K. That's what -- I don't want to find it, but I'm looking for it if it's there.
HMJr: They'll give it to you.
K: All right, thanks, and if you will let me have that, I will appreciate it. I'll call you as soon as I get back.
HMJr: Please.
K: And then we'll arrange about this other and in the meantime I'll contact the President. He knows-- I think I know just exactly what he is talking about.
HMJr: Right.
K: All right.
HMJr: Thank you.

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H.M.JR: Will you take that on?
MR. WHITE: That was a Freudian slip.
H.M.JR: Give him Jim Mann in Switzerland, too.
MR. WHITE: We'll give him all the men we have. Is he going to Switzerland?
MR. LUXFORD: Yes, that's where--
MR. WHITE: Kilgore?
H.M.JR: It's our chance to have these people come in and see them. Will you take care of that, Harry?
MR. WHITE: Yes.
H.M.JR: At your service.
MR. O'CONNELL: Well, at the meeting this morning Congressman Wolcott submitted an alternative draft of the amendments to Bretton Woods which is a very far-cry from where he stood when we gave him our amendments. It's entirely unacceptable from our point of view. It proposed to condition our acceptance of membership by having all the other nations agree to two pages of interpretations which he has written here. They are all amendments to the legislation. It's impossible.
H.M.JR: It's out the window.
MR. O'CONNELL: We then went with Mr. Spence--we didn't say to Mr. Wolcott that it was out the window. We said everything else but--we told him it was absolutely impossible to fit what we could do within the framework of what he was proposing we do. We went over at Spence's suggestion and saw Rayburn.
H.M.JR: Dirty Republican.
MR. WHITE: I think so.

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MR. O'CONNELL: We went over to see Kayburn with Spence and told Kayburn what happened, and he agreed Spence should call a caucus of the Democratic members tomorrow morning. We will be there and tell them what amendments we can go for and why we can't go for others and get all the Democrats to agree, and Spence will call an executive session and the party line will be together for the amendments we agreed to, and Kayburn thinks we should do that.

MR. LUXFORD: We will offer ours.

MR. O'CONNELL: We will let Spence offer ours.

MR. LUXFORD: No, he is going to let Barry offer one and Baldwin offer one, and--

MR. WHITE: That's the way to proceed.

H.M.JR: Are you going to be there?

MR. WHITE: Yes.

MR. LUXFORD: We did two minor things. One, since we couldn't get him to go along with the CED proposal, we whipped out language we were putting in at his request. Wolcott wanted us to limit the Fund.

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

MR. LUXFORD: We will go back to what we agreed to before and the provision which we changed to eliminate trading with the Enemy Act.

H.M.JR: There is just this very important thing. I saw President Truman and I let him read this thing about the committee. I said, "Look, Mr. President, I am having a little fun with this. This isn't too important." I said, "It sets me up as the Chairman of this Advisory Committee." He said, "Well, you should be. What's the trouble?" I told him Clayton and Acheson marched up to the Hill and filed a complaint, that they hadn't told me about it, but they had gone up there. He knew about it and he said,

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"What was their reaction?" I said, "well, they told Spence that if they gave it to State, Bretton Woods legislation would go over far and fast," and he was for me being Chairman, and I said "I am not too much in favor of it." He said if it's going to hold up legislation, he will appoint the fellow, and if it doesn't hold up the legislation, leave it as it is.

MR. LUXFORD: We have further word on that.

MR. O'CONNELL: Dean called this noon on another matter and he said he and Clayton were thinking of calling you again on this narrow point and I said they could if they wanted to but we were going to talk to you again about Bretton Woods generally.

H.M.JR: You know where the President stands. If there is any trouble with the committee, take it out and--

MR. WHITE: And he will appoint you.

H.M.JR: The implication was--this is what he said, "You should be the Chairman," and then he said, "well, if it's going to hold up anything, leave it to me and I'll appoint--" he didn't say, "I will appoint you," but having said it first, that's what the deduction would be.

MR. WHITE: That he will make the appointment?

H.M.JR: That he will make the appointment.

MR. O'CONNELL: It won't hold up the legislation.

H.M.JR: He said if it's going to hold up the legislation--he said, "I know all about Bretton Woods and it's getting along fine," but that's clear. In other words, I know where I stand. I told him I am having a little fun out of it, which I am. I like all this. They were afraid to call me. They were going to call--I don't know whether you were in on this--they were going to call up Stettinius, and then they didn't call, and then Stettinius was going to call the President. So we know just where we are.

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MR. O'CONNELL: Well, suppose Dean wants to call you? Is it all right with you?

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

MR. O'CONNELL: You will have enough--

MR. LUXFORD: Does he know what Brand is going to see him about?

MR. WHITE: No.

H.M.JR: Do we understand each other? If the Democrats say--now wait a minute, this is--in other words, if this is going to in any way hold the legislation up, take it out; if it isn't, let it ride.

MR. O'CONNELL: It isn't. It will be--

H.M.JR: That's fair enough.

MR. LUXFORD: Sure.

MR. WHITE: Did you approach him on the speech for the other, or wasn't it propitious?

H.M.JR: Oh, yes, you didn't give me a copy.

H.M.JR: Tell Mrs. Klotz to get Charlie Bell to send out a memorandum to the 9:30 group telling them that when they give me memos for the President--when they give me memos there should always be one carbon copy attached to any memo they give me. (To Stenotypist)

MR. WHITE: There should be two originals and a carbon.

H.M.JR: Two originals?

MR. WHITE: You always wanted an original.

H.M.JR: When it is for the President there are to be an original and two copies, and when it is for me, one

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original and a carbon.

That should go from Mrs. Klotz to Charlie Bell.

MR. WHITE: Did you leave it there?

H.M.JR: I spoke to him about it and he now says he is waiting for General Eisenhower to get it and he thought it was very interesting, but evidently he and Kilgore have got something, see, between them, and I don't know just what, but I said--I left it with him, but he read it.

MR. WHITE: Kilgore is going to England and France. If you think it's worthwhile-- he will get an earful in England-- if you think I might give him a bird's eye view of what he can expect in England, so he won't be taken in altogether too much. If you think it's worthwhile before he goes--

H.M.JR: He's going tomorrow. Why don't you call him up and say you are going to give him the list?

MR. LUXFORD: You are going to give him the list and give him the job.

H.M.JR: Maybe I can give him a little on some of these other matters so he will be a little fortified.

H.M.JR: On what?

MR. WHITE: Germany.

H.M.JR: Now, Brand--

MR. WHITE: All you can do is say to Brand it's new and you will consider it. Only this year in February, I think, we got a letter--you got a letter from the Exchequer which you sent to me to answer. The letter stated there was some misunderstanding about a couple of the provisions in the agreement, and that this was to be expected in view of the very hurried nature in which it was drafted and some other--some such remark, and he wanted to know whether their interpretation was the same as ours.

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H.M.JR: Don't bother posting me because on a thing like this. If you have a memo, I'll say, leave it with me and I'll study it.

MR. WHITE: All right, if you say so, because we asked him to withdraw. That's why I never bothered you. If we could get him to withdraw it--

H.M.JR: Have you got any lawyer?

MR. O'CONNELL: The only fellow I knew of was Gilroy.

H.M.JR: Is he a Holstein man?

MR. O'CONNELL: I talked to the State Chairman. He doesn't know that either, but I talked to Buffalo, and he said he would look at the records in New York tomorrow and he would call me tomorrow.

H.M.JR: Did I say Fitzpatrick--I said he's County Chairman. I don't think I said State.

MR. O'CONNELL: When you first mentioned it to me I understood Fitzpatrick had mentioned to the President that name some months back.

H.M.JR: That's right.

MR. O'CONNELL: That's what I said. One name he was sure he mentioned to the President was Gilroy.

May 16, 1945
4:05 p.m.

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GOLD TO CHINA

Present: Mr. D. W. Bell

Mr. Coe
Mr. Pehle
Mr. Adler
Mr. White
Mr. Friedman
Mrs. Klotz

H.M.JR: What happened to White?

MR. BELL: He's talking on the telephone.

H.M.JR: Read it out loud

MR. COE: I didn't hear you.

MR. PEHLE: Read it out loud.

MR. COE: "Dear Dr. Soong:

"This is to confirm what I told you today. In accordance with your memorandum of May 11, the Treasury is prepared to authorize the shipment of the balance of the \$20 million of gold which is on earmark with the Federal Reserve Bank of New York for the Central Bank of China and to transfer the balance of \$180 million to the account of the Central Bank of China with the Federal Reserve Bank of New York, in three equal monthly installments of \$60 million from May to July 1945."

(Mr. White enters)

MR. BELL: I don't understand. I thought it was quarterly.

MR. COE: No. His first statement follows the language of T.V. Soong's memo of May 11. And we wrote it that way so we know we were agreeing with it.

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H.M.JR: I thought this was to trickle out from now to December.

MR. COE: But this is transferring the balance on the books, the dollars.

H.M.JR: Oh.

MR. COE: The first part relates to the transfer of the dollars from our account to theirs. And that, I may say, you have even less leeway on it than the others, because the form of the agreement says you must do it when they request it.

H.M.JR: Oh, you came over on my side.

MR. BELL: This doesn't mean the transfer of the physical gold to China, does it? It's the balance on it.

MR. WHITE: Remember you didn't want to put the balance over, because they say we have to borrow.

H.M.JR: It is Bell that held this up.

MR. BELL: They would have the two hundred and forty if it hadn't been for Bell. Remember when I kicked about transferring that from New York?

MR. COE: "The Treasury accepts the schedule of gold shipments contained in your memorandum of May 11, 1945 and is making arrangements with the Army to carry out the shipments of the gold according to that schedule. The preliminary arrangements to ship the requested amount for the month of May have already been made. These steps are being taken in accordance with our Financial Aid Agreement of March 1942 and my letter to Dr. Kung of July 27, 1943.

"At this time it seems to me necessary and desirable to point out that the purpose of the \$500 million of financial aid to China, and particularly my agreement in July 1943 to ship gold to China, was to assist in an anti-inflationary program which would strengthen confidence in the Chinese Government and

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its finances and thereby help maintain the Chinese economy. As you know, it is my opinion that the sale of gold by China has not proved effective in combating inflation, and I am doubtful that it will prove effective. Also as I have told you, the manner in which the gold sales have been conducted and the consequent public criticism of them in China are not conducive to achieving the purposes for which our financial aid was granted."

Any comments there?

H.M.JR: No.

MR. COE: "Therefore, I would respectfully ask the Chinese Government to consider carefully the matters proposed to you in my memorandum of May 8, 1945. In particular I would reiterate my suggestion that China constitute a \$500 million fund for combating inflation and stabilizing the currency from its foreign exchange assets. I think that this step would be of considerable short and long-run benefit to China and would inspire confidence in the Chinese Government's handling of its difficult economic situation."

"The Treasury has noted with great interest the intention of the Chinese Government, as stated in your memorandum to the Secretary of State, to effectuate reforms relating to financial and economic matters. We think that the carrying out of these reforms will do more to insure confidence among the people and give a measure of stability to the present economic and financial situation than the gold program."

H.M.JR: Who are "the people"?

MR. COE: I think it should say "The Chinese people."

MR. ADLER: Why not omit "among the people"?

MR. COE: Omit "among the people."

H.M.JR: That's all right. It makes it vague, and they can argue about it twenty years from now. (Laughter)

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MR. COE: "I know that you and your Government will take these friendly suggestions in the spirit in which they are offered. As I told you, we intend to carry out faithfully our financial agreement of 1942. However, the Chinese Government's response to our proposal to institute a \$500 million fund and her conduct of the gold sales program will be important considerations in our financial relations with China."

"This Government has as prime objectives the defeat of Japan and the liberation of China. As an old friend of China, I believe that our faith and confidence in China will be justified."

H.M.JR: It should be "future."

MR. WHITE: They had "future" in, and I thought it important to take it out, because if you put "future" in, it would assume that you're almost making a promise of future financial aid, and this way it's vaguer. If it's continuing relations that we have now, I thought as a little --

MR. PEHLE: This is the argument to stop the gold from getting over there?

MR. WHITE: No.

MR. PEHLE: Not necessarily.

MR. WHITE: I didn't have that thought in mind, but it's an additional thought. (Laughter)

MR. PEHLE: All joking aside, you don't know what the situation will be later on.

MR. COE: You certainly don't.

H.M.JR: Do you like the way it's written?

MR. PEHLE: Me?

H.M.JR: I like it that way, because he can ask, "Did you mean my people or your people?" And I can say, "I don't know." (Laughter)

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MR. WHITE: You can take your choice.

MRS. KLOTZ: He's --

MR. ADLER: It's okay with you, and it's okay with me.

MR. WHITE: Chinese gesture.

MR. PEHLE: Oriental.

H.M.JR: He should know. He's ex-Director.

"This Government has as prime objectives the defeat of Japan and the liberation of China. As an old friend of China, I believe that our faith and confidence in China will be justified."

Hear! Hear!

MR. WHITE: Say, "It will be justified, and it has been."

(Secretary signs letter to Dr. Soong, dated May 16, 1945.)

H.M.JR: It's all right. It's vague enough to come out of the Orient.

MR. BELL: Yes.

MR. COE: Now we have one that's definite to make shipments in case they are still disturbed by this, that they are not going to get it. This is to the Army from you, a formal letter which directs them to ship it.

MR. BELL: Somervell will get a copy of your letter. He just called me again. Apparently, Soong is having the conversations with Somervell.

MR. PEHLE: Somervell. Is that the guy he didn't want to name this morning?

MR. BELL: Apparently, because Somervell has called me twice within the last two days.

H.M.JR: This is all right, but, Mrs. Klotz, when Mrs. McHugh comes in, a copy of this letter here is to be sent to Acting Secretary of State Grew and to Mr. Patterson.

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MR. WHITE: As long as Leo Crowley was in here --

H.M.JR: And Mr. Crowley. Write a letter to the President of the United States.

"My dear Mr. President:

"For your records, in view of our conversation this morning in regard to China, I would like to submit to you two letters for your records, one, a letter from Mr. Grew to me and two, a copy of a letter from me to Mr. Soong.

Yours sincerely,"

Now that in a way accomplishes what you want. It gets before the President of the United States Grew's letter to me and my letter to him, and makes it a part of the President's record, you see? Had you --

MR. WHITE: I don't know.

H.M.JR: It gets it in his records. Don't you want it as everybody else does?

MR. WHITE: You haven't spoken to him about it since the time he told you to handle it.

H.M.JR: This morning.

MR. PERLE: He said, "In view of our conversation this morning."

H.M.JR: Get it from them in view of the thing. I think it's good.

MR. COE: May we have a copy of that Grew letter?

H.M.JR: Do you want to see it?

MR. BELL: I suppose it's all right. Should we call up Somervell and tell him? He wanted a copy of your letter to Soong so he could be -- Who's handling it? Is it Carter or --

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H.M.JR: It's Robert Patterson.

MR. BELL: Well, General Somervell just called me half an hour ago and said, "Can I have a copy of your letter to Soong?"

H.M.JR: That's all right.

MR. BELL: Maybe if we just tell him what we've done --

H.M.JR: Tell him there's one on the way over and will be on Mr. Patterson's desk in the morning.

MR. BELL: And Carter is getting a letter to accelerate shipment.

H.M.JR: And send the President a copy of Carter's letter, and the other letter from State to me -- three letters.

MRS. KLOTZ: I know.

H.M.JR: You call T.V. Soong and say there will be a messenger waiting with my letter to him, because he said he's waiting to leave for San Francisco in the morning. And will you come back?

(Mrs. Klotz leaves the conference)

H.M.JR: That's that, and we'll go on to War Refugee.

MR. COE: One final thing.

H.M.JR: Harry, you can be excused. You want to get up to see Kilgore.

MR. WHITE: Yes, thank you, that's right. My own thought in connection with that is that I hope it won't be wound up now. I'll leave my proxy with DuBois.

(Mr. White leaves the conference)

MR. COE: We want to send all this out to Hurley with a personal note to you from the Ambassador.

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H.M.JR: Wonderful.

MR. COE: He said when he was in, he was following your line.

H.M.JR: I'll go a step further. I think we should cable.

MR. COE: We'll cable the whole thing so he's fully informed.

H.M.JR: It ought to go out tonight.

MR. COE: I think we ought to inform the Chinese Finance Minister too. Adler would if he were there.

H.M.JR: That's up to you, but the cable should go tonight. Are you in on this War Refugee Board?

MR. BELL: No, I don't think so. I haven't been.

H.M.JR: You let Somervell know, and if he insists on a copy, send it to him.

MR. BELL: All right. Frank Isbey wants me to come to Detroit next Tuesday and talk to a bond luncheon. Okay?

H.M.JR: Fine.

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May 16, 1945
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Dear Dr. Soong:

This is to confirm what I told you today. In accordance with your memorandum of May 11, the Treasury is prepared to authorize the shipment of the balance of the \$20 million of gold which is on earmark with the Federal Reserve Bank of New York for the Central Bank of China and to transfer the balance of \$180 million to the account of the Central Bank of China with the Federal Reserve Bank of New York, in three equal monthly installments of \$60 million from May to July 1945. The Treasury accepts the schedule of gold shipments contained in your memorandum of May 11, 1945 and is making arrangements with the Army to carry out the shipments of the gold according to that schedule. The preliminary arrangements to ship the requested amount for the month of May have already been made. These steps are being taken in accordance with our Financial Aid Agreement of March 1942 and my letter to Dr. Kung of July 27, 1943.

At this time it seems to me necessary and desirable to point out that the purpose of the \$500 million of financial aid to China, and particularly my agreement in July 1943 to ship gold to China, was to assist in an anti-inflationary program which would strengthen confidence in the Chinese Government and its finances and thereby help maintain the Chinese economy. As you know, it is my opinion that the sale of gold by China has not proved effective in combating inflation, and I am doubtful that it will prove effective. Also as I have told you, the manner in which the gold sales have been conducted and the consequent public criticisms of them in China are not conducive to achieving the purposes for which our financial aid was granted.

Therefore, I would respectfully ask the Chinese Government to consider carefully the matters proposed to you in my memorandum of May 8, 1945. In particular I would reiterate my suggestion that China constitute a \$500 million fund for combating inflation and stabilizing the currency from its foreign exchange assets. I think that this step would be of considerable short and long-run benefit to China and would inspire confidence in the Chinese Government's handling of its difficult economic situation.

The Treasury has noted with great interest the intention of the Chinese Government, as stated in your memorandum to the Secretary of State, to effectuate reforms relating to financial and economic matters. We think that the carrying out of these

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reforms will do more to insure confidence among the people and give a measure of stability to the present economic and financial situation than the gold program.

I know that you and your Government will take these friendly suggestions in the spirit in which they are offered. As I told you, we intend to carry out faithfully our financial agreement of 1942. However, the Chinese Government's response to our proposal to institute a \$500 million fund and her conduct of the gold sales program will be important considerations in our financial relations with China.

This Government has as prime objectives the defeat of Japan and the liberation of China. As an old friend of China, I believe that our faith and confidence in China will be justified.

Very truly yours,

[Signed] H. Morganthau, Jr.

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

HNW:G:BNF:5A:rl 5/16/45

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May 16, 1945
4:20 p.m.

WAR REFUGEE BOARD

Present: Mrs. Klotz
Miss Hodel
Mr. Luxford
Mr. Gaston
Mr. Pehle

H.M.JR: You rushed me -- so you were to be here by five o'clock.

MISS HODEL: I'm sorry. I just suggested it be before five.

H.M.JR: I haven't seen you since you've gone Hollywood.

MISS HODEL: I'm back in the groove.

H.M.JR: I hear you've got an offer.

MISS HODEL: I got it, but I haven't done anything about it. I'm here to tell you that General O'Dwyer notified me last night when I called him about five fifteen --

(Mr. Luxford entered the conference)

MISS HODEL: ...that he was returning to New York to take the political situation in hand next week, and that he would submit his resignation here as Executive Director effective June 1. He instructed me to tell Mr. Pehle, and I did, and Mr. Pehle thought I should discuss the matter with you. I would also want to report I was able to call back my papers at the Budget Bureau, and we have re-submitted papers that do not commit us to termination, and then I also wanted to tell you about the trouble that's brewing on Oswego. I thought you ought to be informed of what's going on.

H.M.JR: Let's take General O'Dwyer's resignation first. What do you think, Herbert?

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MR. GASTON: I suppose if he wants to, well, you've been planning to release him anyway. You've contemplated that he was going to go.

H.M.JR: Well, the thing President Roosevelt said -- take it up from month to month, see, but --

MR. GASTON: If he is itching to get in the political campaign, I don't think there's going to be much we can do about it. The first of June is pretty soon, isn't it?

(Mrs. Klotz enters conference)

MRS. KLOTZ: You didn't say anything about sending the President a copy of Carter's letter.

H.M.JR: I want that too. I think if he's going to get in this political mess, the sooner we get his resignation the better.

MR. PEHLE: It's going to be a dirty fight apparently.

H.M.JR: Unless somebody disagrees, I think we better take it.

MR. GASTON: I would agree.

H.M.JR: My thought would be, if it's agreeable to John, to make him Acting Director until we can turn around.

MR. PEHLE: I'm willing to do it, Mr. Secretary. I don't want to get involved in this post-war thing.

H.M.JR: Well, just to hold the bag until we see.

MR. LUXFORD: Just to hold the bag (laughter) -- that was a slip of the tongue.

H.M.JR: No. I just meant that, just hold the bag until we know where we are.

MISS HODEL: I think that General O'Dwyer ought to have a Board meeting and make some recommendations. There's an awful lot of stuff that's hanging loose that

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needs some policy determination, and maybe he contemplates doing that as soon as he gets back.

MR. PEHLE: I just don't want to be stuck in this post-war aspect of this thing, but I'm perfectly willing to pinch-hit.

H.M.JR: Make John Pehle Acting Director just to hold the bag. That laugh spoiled it all.

MR. GASTON: He wants you to amend it and say "Hold the fort" instead of "Hold the bag."

H.M.JR: That's what I said. It's just temporary for five or six months. Well, I'm not -- look, he's here, now you talk to him.

MR. LUXFORD: He's holding the bag. (Laughter)

H.M.JR: She doesn't give you a kindly look at all.

MISS HOEDEL: I think we could wind up very quickly.

H.M.JR: She doesn't give you a kindly look.

MR. PEHLE: I don't worry about that. The issue hasn't changed, the basic issue you raised yesterday.

H.M.JR: I'm not going to settle that this afternoon either.

MR. PEHLE: I can understand that, but it ought to be settled right away, if the thing is not going on as a post-war -- I think that a drive should be made to wind it up by June 30 and not go up for any appropriation.

H.M.JR: John, let me just kind of -- I haven't had the time to soak this thing in. The thing that these two wild men were talking about yesterday -- Palestine and all the rest of that thing -- Now, I had dinner last night with Governor Lehman without saying what I had in mind. We talked a little about the business, and he definitely said he wouldn't take on Oswego.

MR. PEHLE: Nobody wants that. That's bad business.

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MISS HOEDEL: Interior would like to have Interior responsible for it if we went out of business.

H.M.JR: Mrs. Lehman is definitely for seeing that everybody who wants to stay in this country should stay. She's very strong on that. She heard Mrs. Roosevelt talk about it, and she put up a real argument that everybody who wants to stay should be allowed to stay. It's outrageously inhuman to send them back, and so let's let it be until I get a little time. It's been one thing after another today. I haven't much time to think about anything.

MR. PEHLE: We'll try to settle the post-war aspect within the next week or so.

H.M.JR: Oh, yes.

MR. PEHLE: I think it's important. You can't very well go down to Congress and ask for an appropriation without telling them what the story is. You can't get anywhere with this.

MR. LUXFORD: If you're going to go into post-war, have O'Dwyer endorse it, too.

MR. PEHLE: If you want to go into the post-war field, have a Director who will carry it in the post-war field.

MISS HOEDEL: It depends on what we do in the field. Our men have been instructed to --

H.M.JR: Miss HoeDEL, will you tomorrow morning get hold of John Pehle? You've met him. You know him. And have a talk with him, and when you're ready, Mr. Gaston, Luxford, DuBois and I will sit down and talk about this thing again.

MISS HOEDEL: On Oswego, I did want to bring to your attention the fact that Congressman Dickstein is going to conduct an investigation on all Oswego projects, starting the first of June.

H.M.JR: And why?

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MISS HOEDEL: With a view to making recommendations to the President that certain people are kept here or permitted to remain here. He's been talking to some of the press and they in turn have come to us, and I understand that yesterday he told them stories about how dreadful the conditions were at Oswego. The food was worse than prisoners of war got, and he got them on -- some newspapermen have been coming to us with facts, and we've had four of them in touch with us today with more coming in tomorrow, and we're being flooded with telegrams from all sources.

H.M.JR: Don't scare John Pehle.

MR. PEHLE: I heard all.

MISS HOEDEL: I wanted everybody to know it's really getting to be hot and rumors started to spread around among the refugees with the resignation of Mr. Smart, the Director of the camp, that they were being shipped home by the end of June, and that's what started all this.

H.M.JR: We have to do something to stop it.

MISS HOEDEL: That's right. It may be that General O'Dwyer will make some recommendations to the Board when he submits his resignation. I don't know what he wants to do about that.

H.M.JR: Is that all?

MISS HOEDEL: Yes.

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NOTE: Pages 137-140 missing.
(Clayton-HW telephone conversation
5/15/45 transferred to pages
47 A-C.)

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May 16, 1945

I made up my mind that I would say to Clayton that I would go throughout without any help from the State Department instead of doing it the other way around, and let him know that I would keep my word, and I did not need anybody to advise me as to how to keep my word, and that I was disappointed that the State Department did not assist me. I figured that the one thing Clayton really was bothered about was the Government's keeping its word. Once he realized that, he was ready to help me keep my word, and I said I was not trading with him. After that, he decided to give me what I wanted.

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May 16, 1945

My dear Mr. Grew:

I would like to thank you for your letter of May 16th in regard to China. I also want to take this opportunity to tell you how much I appreciate the splendid support I received from Mr. Clayton and Mr. Collado in our negotiations with Mr. T. V. Soong.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable Joseph C. Grew,
Acting Secretary of State,
Washington, D.C.

12"

NUMBER OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON, D. C.



DEPARTMENT OF STATE
WASHINGTON

May 18, 1945

MEMORANDUM FOR THE SECRETARY OF THE TREASURY

It is suggested that when you inform Dr. Soong at 11:30 this morning of the decision to deliver gold to China in so far as is possible, in accordance with his time schedule, you take the opportunity to make a strong statement regarding the way China has carried out its financial and anti-inflationary programs. It is further suggested that you indicate that you will "confirm" all of this in a subsequent letter which might include the following points:

(1) The Treasury is prepared to meet his time schedule of gold deliveries in order to carry out the July 1943 commitment.

(2) Nevertheless it is necessary and desirable to point out that the purpose of the \$500,000,000 credit, and particularly of the \$200,000,000 gold commitment, was to assist in an anti-inflationary program which would strengthen confidence in the Chinese Government and its financial situation and which would attempt to maintain the Chinese economic situation.

(3) The sale of gold by China has not proved and is not in our opinion likely to prove a very effective anti-inflationary device. Moreover, the manner in which the gold sales have been conducted and the wide-spread public criticism thereof in China are not conducive to the strengthening of confidence in either the financial situation or the Government itself.

(4) On the other hand, we continue to believe that the establishment of the \$500,000,000 fund for combating inflation and stabilizing the Chinese currency proposed last week would be of considerable

short



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short and long run benefit to China and would inspire confidence in the Chinese Government's handling of the difficult financial situation.

(5) Since, however, the Chinese Government has determined to go forward with the gold sale program, the Treasury believes that it is imperative that there be eliminated the factors which have caused such wide-spread dissatisfaction in its handling.

(6) The Treasury has noted with great interest the intention of the Chinese Government to effectuate various administrative reforms relating to fiscal matters, including stricter budgetary control, re-organization of the tax structure and closer supervision of banking institutions.

These efforts are commendable and important inasmuch as in my opinion the carrying out of the foregoing fiscal and administrative reforms will do more to engender confidence among the people and to give a measure of stability to the present economic and financial situation than the measures of assistance which you have requested. I should like, therefore, to urge as being very definitely in China's best interests that further reforms be effected in governmental administration through the abolition and fusion of superfluous agencies and reduction of personnel; that taxes be placed on a more equitable basis and collection thereof be simplified and made more effective; that expenditures be rigidly restricted and controlled; that effective measures be taken against public and private hoarding; and that such other measures of reform be instituted as will stimulate public confidence and improve the financial position of the government.

Whe

ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON, D. C.



DEPARTMENT OF STATE
WASHINGTON

May 16, 1945

My dear Mr. Secretary:

The Department has given careful attention to the request of the Chinese Foreign Minister, Dr. T. V. Soong, for the delivery during the remainder of 1945 of about \$190,000,000 of gold from the unused balance of the \$500,000,000 credit approved by the Congress in January 1942.

It is the Department's view, which it understands is shared by the Treasury, that the sale of gold by China has not proved and is not likely to prove a very effective anti-inflationary device. Moreover, it believes that the establishment of a \$500,000,000 fund for combating inflation and stabilizing the Chinese currency which you proposed last week to Dr. Soong would, if adopted by the Chinese Government, be of considerable short and long run benefit to China.

The Chinese Government believes, however, that the immediate political and psychological as well as real economic effects of a continued and accelerated gold sale policy will have a vital importance in the critical situation confronting it, and strongly requests the delivery of the gold in question in accordance with the terms of the understanding between the two governments of July 1943. Since there appears to be no doubt that the Chinese Government attaches a greater importance to the immediate delivery of the gold than to the longer run benefits which might result from the establishment of the fund which you have proposed and since the continued

stability

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.



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stability of China and her increasing military efforts in the war against the common enemy are of great concern to the United States, the Department recommends that the Treasury, if transportation is available, deliver the gold to China in accordance with the time schedules put forward by Dr. Soong.

Sincerely yours,

Acting Secretary

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May 16, 1945

My dear Mr. President:

In view of our conversation this morning in regard to China, I would like to submit to you three letters for your records: (1) A letter from Mr. Grew to me; (2) A copy of a letter from me to Mr. Soong; and (3) A copy of a letter from me to General Carter.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The President,

The White House.

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MAY 16 1945

Dear General Carter:

As you know, the Treasury through the services provided by the War Department has from time to time shipped gold to Assam, India, for the account of the Government of China.

The Secretary of the Treasury, after consultation with President Truman, has agreed to transfer \$180 million of gold to China's earmarked gold account in New York for shipment to China during the next eight months. Moreover, we have agreed with the Chinese to ship during the same period an additional \$9 million of gold already held by them on earmark with the Federal Reserve Bank of New York.

It will be necessary therefore for me to make requests from time to time for the shipment by air or by sea of the total amount of about \$189 million of gold during the next eight months according to the attached schedule. It will be noted that 500,000 ounces are to be shipped by air during the month of May in addition to 700,000 ounces by boat during the same month.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Major General A. H. Carter,
Army Service Forces,
Fiscal Director,
Room 4B - 448, Pentagon Building,
War Department,
Arlington, Virginia.

ISB/efs 5/16/45

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SCHEDULE FOR SHIPMENT OF GOLD

<u>Date</u>	<u>Monthly Allocations For shipment</u>	<u>Per thousand Means of Shipment</u>		<u>Equivalent in U.S. currency</u>
		<u>By air</u>	<u>By boat</u>	
1945				
May	1,000,000 os	300	700	35,000,000.
June	1,000,000	500	500	35,000,000.
July	800,000	300	500	28,000,000.
August	600,000	200	400	21,000,000.
September	500,000	200	300	17,500,000.
October	500,000	300	200	17,500,000.
November	500,000	300	200	17,500,000.
December	300,000	100	200	10,500,000.
1946				
January	<u>206,000</u>	<u>106.4</u>	<u>100</u>	<u>7,224,000.</u>
	<u>5,406,000 os.</u>	<u>2306.4 os.</u>	<u>3100 os.</u>	<u>189,224,000.</u>

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MAY 16 1945

Dear Dr. Soong:

This is to confirm that I told you today. In accordance with your memorandum of May 11, the Treasury is prepared to authorize the shipment of the balance of the \$20 million of gold which is on consignment with the Federal Reserve Bank of New York for the Central Bank of China and to transfer the balance of \$180 million to the account of the Central Bank of China with the Federal Reserve Bank of New York, in three equal monthly installments of \$60 million from May to July 1945. The Treasury accepts the schedule of gold shipments contained in your memorandum of May 11, 1945 and is making arrangements with the Army to carry out the shipments of the gold according to that schedule. The preliminary arrangements to ship the requested amount for the month of May have already been made. These steps are being taken in accordance with our Financial Aid Agreement of March 1942 and my letter to Dr. Heng of July 27, 1943.

At this time it seems to me necessary and desirable to point out that the purpose of the \$500 million of financial aid to China, and particularly my agreement in July 1943 to ship gold to China, was to assist in an anti-inflationary program which would strengthen confidence in the Chinese Government and its finances and thereby help maintain the Chinese economy. As you know, it is my opinion that the sale of gold by China has not proved effective in combating inflation, and I am doubtful that it will prove effective. Also as I have told you, the manner in which the gold sales have been conducted and the consequent public criticism of them in China are not conducive to achieving the purposes for which our financial aid was granted.

Therefore, I would respectfully ask the Chinese Government to consider carefully the matters proposed to you in my memorandum of May 8, 1945. In particular I would reiterate my suggestion that China constitute a \$500 million fund for combating inflation and stabilizing the currency from its foreign exchange assets. I think that this step would be of considerable short and long-run benefit to China and would inspire confidence in the Chinese Government's handling of its difficult economic situation.

The Treasury has noted with great interest the intention of the Chinese Government, as stated in your memorandum to the Secretary of State, to effectuate reforms relating to financial and economic matters. We think that the carrying out of these

- 2 -

reforms will do more to insure confidence among the people and give a measure of stability to the present economic and financial situation than the gold program.

I know that you and your Government will take these friendly suggestions in the spirit in which they are offered. As I told you, we intend to carry out faithfully our financial agreement of 1942. However, the Chinese Government's response to our proposal to institute a \$500 million fund and her conduct of the gold sales program will be important considerations in our financial relations with China.

This Government has as prime objectives the defeat of Japan and the liberation of China. As an old friend of China, I believe that our faith and confidence in China will be justified.

Very truly yours,

*cc *newman2000 Lrown (pou210)

(Signed) Henry Morgenthau, Jr.

Dr. T. V. Soong,
Foreign Minister of the Republic of China,
2071 Woodland Drive,
Washington, D.C.

NEW:PC:ISF:SA:1 5/16/45

May 16, 1945

My dear Mr. Crowley:

For your information, I am sending you herewith copy of a letter from Mr. Grew to me, and copies of letters which I have written to Mr.

T. V. Soong and General Carter.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

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

Envelope attached to file

✓ 152
May 16, 1945

My dear Mr. Patterson:

For your information, I am sending you herewith copy of a letter from Mr. Grew to me, and copies of letters which I have written to Mr. T. V. Soong and General Carter.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable Robert P. Patterson,
Under Secretary of War,
War Department,
Washington, D.C.

Envelope stamped Confidential

153
May 16, 1945

My dear Mr. Grew:

For your records, I am sending you herewith copies of letters which I have written to Mr. T. V. Soong and General Carter.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable Joseph C. Grew,
Acting Secretary of State,
State Department,
Washington, D.C.

Envelope marked Confidential

154 ✓

25.

MAY 16 1945

Dear Mr. Brand:

Thank you for your letter of May 8 enclosing an extract from Sir John Anderson's recent Budget Speech dealing with the problem of Britain's external financial position.

I need hardly say that the Chancellor's remarks on this subject are indeed of interest to us here, and we shall find the document useful as an up-to-date and authoritative statement of the position.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. R. E. Brand,
United Kingdom Treasury Delegation,
Box 680,
Benjamin Franklin Station,
Washington, D.C.

LW:djf 5/14/45

UNITED KINGDOM TREASURY DELEGATION

BOX 880
BENJAMIN FRANKLIN STATION
WASHINGTON, D.C.

TELEPHONE EXECUTIVE 9920

May 8, 1945.

REFERENCE

Dear Harry:

I am enclosing you herewith an extract from the Budget speech of Sir John Anderson, the Chancellor of the Exchequer, which deals with the United Kingdom's external financial position. It is, of course, an authoritative statement, and I think may be of interest to you.

Yours sincerely,

R.H. Thorne

Mr. Harry White,
Assistant Secretary of the Treasury,
Room 3434 U.S. Treasury,
Washington, D.C.

UNITED KINGDOM TREASURY DELEGATION

BOX 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D.C.

REFERENCE

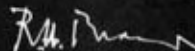
May 8, 1945.

TELEPHONE EXECUTIVE 6800

Dear Mr. Secretary:

I am enclosing you herewith an extract from the Budget speech of Sir John Anderson, the Chancellor of the Exchequer, which deals with the United Kingdom's external financial position. It is, of course, an authoritative statement, and I think may be of interest to you.

Yours sincerely,

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

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PASSAGES FROMSIR JOHN ANDERSON'S BUDGET SPEECH
DEALING WITH UNITED KINGDOM'S
EXTERNAL FINANCIAL POSITION

I should like now to examine some of the major facts in our general financial situation before I turn to the details of finance for the coming year. We have fought this war without stinting any part of our efforts on grounds of cost. Whatever was physically possible as an aid to victory was provided. The limits to our efforts were physical and not financial. We are now near reaping the reward of our single-mindedness but the phase of not counting the cost has to come to an end or we may find ourselves unable to enjoy much of what the victory might have been expected to secure for us.

Every one knows that the war will not be over with the defeat of Germany. It might not be so well realized that a great measure of our present war effort will still be required to finish off Japan as quickly as possible. We have entered upon that task. Every member of the Committee knows that in an expansion of effort and of organization as vast as we have undertaken, all sorts of what I may call vested interests in free spending have grown up. That spending was well justified while it was an essential part of the total war against Germany and Japan, but we need to revise our war policies and decisions, to reduce establishments with the minimum of time lag, to cut away ruthlessly what no longer serves the essential purpose of defeating Japan, whatever good part it may have played in the past.

On this non-essential field Treasury control must now in some form or another immediately assert its effective authority. If we are slow in this we may lose tens, if not hundreds, of millions. Every one, I know, will approve of this policy in general, but its detailed application may not be so popular in all quarters. I therefore appeal to this House for help in the task of severe and searching scrutiny.

In this connexion, it will be particularly necessary to pay attention to expenditure overseas, for it is our overseas financial position which is our main immediate cause for anxiety. In my last Budget statement I told part of the story of the growth of our overseas indebtedness. This indebtedness began to accumulate, owing largely to our military expenditure in the Middle East and India. For five years we alone provided practically the whole cash out-goings for the war over territories from North Africa to Burma. With that expenditure we stopped Rommel in the battle which history may well regard as the turning-point of our military fortunes. Moreover, we have in Burma waged war against the Japanese on a scale which has only recently been surpassed anywhere in the Far East. No one will grudge such expenditure, but to obtain the results achieved we inevitably had to dispense with the detailed control of expenditure which might have checked the prosecution of the war.

The principles of good housekeeping scarcely apply when you are fighting for your lives over three

continents far from home. We threw good housekeeping to the winds, but we saved ourselves, and we hope to save the world. A large part of the area was not only a battlefield, but it was also part of our lines of communication. In modern war it is inevitable that behind the bayonet strength there should be a vast ancillary military organization. That organization is now spread over North Africa, South Africa, East and West Africa, Egypt, the Levant, the Middle East and India, as well as in the territories bordering the Pacific scene of operations, such as Australia and Ceylon.

Because of supply and shipping difficulties, it has been necessary to make large local purchases of supplies and to buy local services for which we have had to pay in many cases very high prices. We have had to borrow local currency for these local purposes. High prices are of course reflected in the size of our indebtedness. Now as we shift our military effort from the territories which were bases against Italy and Germany to the territories which will be the bases against Japan we must take care that consistent with military safety for our lines of communication we reduce local expenditure so far as the operational needs and the welfare of our troops allow. We must be careful not to create in the bases which were used against Germany any of those vested interests in free spending of which I have spoken. When we cease having to fight Germany we must not maintain the overseas purchases that were necessary for the fight.

Let me tell the Committee the total of our war expenditure in the bases of operational lines of communication in Asia and Africa, apart altogether from what we

have spent in North and South America and in Europe. Exclusive of the food and raw materials which we have purchased from these areas and exclusive of the munitions of war and other supplies for the troops which we have sent to these areas we have incurred local cash expenditures estimated at £584,000,000 in 1942, £689,000,000 in 1943, and £716,000,000 in 1944. Nor does there seem to be any prospect of a substantial reduction in those expenditures in the coming year.

It will be seen that it is largely this expenditure which is responsible for the war indebtedness and loss of overseas assets which we have suffered. The total of these expenditures over three years runs to £1,989,000,000. A reference to the White Paper will show that our total disinvestment throughout the world during the same period amounted to almost an identical figure. It follows that, apart from these local war expenditures, our balance of payments, including payment for everything we have imported from the areas now in question as well as from elsewhere, has practically evened over the last three years. There was some growth in the overseas liability that has been incurred otherwise than by overseas local expenditures I have mentioned, and this has been approximately covered by an increase in our resources.

The physical resources of the Empire have, of course, been pooled throughout the war, but on the financial side the arrangements within the sterling area have necessarily taken a somewhat different form from the mutual aid arrange-

ments in force with Canada and the United States. It would have been impossible, for example, for countries like Australia and New Zealand to have provided us on a basis of mutual aid with all our requirements of foodstuffs and raw materials on which so large a part of their whole economy is built.

With these countries the principle was adopted that each member of the Commonwealth in the sterling area would be financially responsible for the maintenance of its own forces wherever they might be serving and also for such supplies as they might need from other parts of the area. It thus comes about that broadly speaking we pay for local war expenditure incurred on our account. In addition each member of the Commonwealth which receives lend-lease from the United States is incurring expenditure in providing reciprocal aid for the United States forces apart from the expenditure on its own war effort. Great, however, as has been the financial burden which they have shouldered in their own way in pursuance of the common task, our partners in the Empire would, I feel sure, be the first to admit that partly as a result of the arrangements I have described, and partly as the result of other factors, their external position has in fact been improved. Indeed, in some cases transformed, whereas our own has become increasingly grave.

Relations between the sterling area and the dollar countries raise a fresh set of problems. The mutual aid that we ourselves accord to the United States

and to our European allies, which is now on a vast scale, is more than matched by the liberality of the American lend-lease and Canada's mutual aid. This does not mean that the whole of our expenditure in these countries is covered in this way. Last year, for example, we incurred United States dollar expenditure--cash expenditure--of the order of a billion dollars on items not covered by lend-lease. These, however, we have met out of various sources of dollar income, including the substantial personal expenditure of the American forces in this country.

Virtually, everything that is required by the American military authorities is provided by us free of charge as mutual aid, and their expenditure in this country is negligible whether on billets, airfields, transport, hospitals, or ambulance supplies, including food obtained in this country. This, of course, does not apply to the personal expenditure of the troops. As is now well known, our liabilities to overseas creditors by the end of last year had reached and they now exceed, £3,000,000,000. Including the expenditure on clearing up arrears and on demobilization, the total is likely to reach at least £4,000,000,000 before we are finished. This liability takes no account of the assets we have sold. The best means of liquidating these financial consequences of the part we have played in the war so as to free the flow of international commerce and to allow to the sterling balances the maximum possible freedom of use, is the outstanding problem of the post-war settlement.

I cannot now enter on a discussion of this settlement, in which others besides ourselves will have a part to play, and which must be undertaken in consultation with the United States and Canada and the holders of sterling. Many factors are relevant and will have to be taken into account in the final reckoning. We have incurred these liabilities as an expression of the burden of the war for the help and indeed on behalf of most of the holders of the balances. It would be utterly contrary to the reputation of this country for fair dealing that we should settle this matter by some unilateral act without preliminary consultation and an attempt to arrive at a settlement which all concerned will be able to regard as reflecting the true facts of the position.

At the same time it would be contrary to the elementary principles of justice and fair dealing between nations that obligations incurred in this way should be treated as an ordinary commercial debt. In any case it need not be thought by anybody, either in this House or elsewhere, that the final burden upon us of the settlement will be light. Whatever means are found for clearing up the past, we shall still be faced with the formidable problem of developing a volume of exports sufficient to pay for what we need from overseas and to meet our financial obligations in the new conditions which will exist after the war.

For the first three years after the war I foresee a very heavy deficit on current account on the balance of payments. In other words, for the imports which will

be absolutely essential to feed our people and to provide raw materials for industry we shall have to incur further indebtedness. How large that indebtedness is and how long it lasts depends on two questions to which in large part we ourselves can provide the answers. The first is the sense of urgency with which we treat the expansion of our export trade, even if that means waiting a little longer before we satisfy our personal wants in full. I do not want on this occasion to speak in detail about the expansion of our exports, but I do want to say, with all possible emphasis, that for the next five years much of the creative intelligence in industry which has come so splendidly to the assistance of the Government during the war will have to devote itself to this issue, and we shall all have to accept the discipline which this urgency involves.

The second question is how far we shall be willing to enforce a strict economy in external cash expenditure. Our overseas cash expenditure will not, of course, come to a sudden end even when the Japanese war finishes. There will be large numbers of troops abroad, and their return will take time and will, of course, cost money. What we must avoid are unnecessary commitments which might be beyond our continuing strength, and we must closely limit external expenditure which does not produce a fairly quick return. In the whole field, if we match prudence with courage and particularly if we curb impatience and recognize beneath any political controversies the need for national solidarity in tackling the fundamental economic issues of the peace, as we have tackled the issues of the war, then I shall have

comparatively little anxiety, but I am anxious on the external side about demands which may come from all sides of the House for expenditure on this or that form of political or personal satisfaction.

We shall have to undertake heavy obligations in the interests of the security of the world. I think everyone will agree that this must remain a prior charge upon our economy, but we must be very careful to see that these obligations are accurately defined, that they represent in fact full but not more than full acceptance of the obligations. We must see to it that our position and power in the world are represented by effective strength which we know we can maintain physically and financially. We must also aid in the reconstruction of our overseas dependencies towards which we have special obligations, thus enabling them to build up their own income in order to improve their own standard of living and to enable their products, some of which are essential for the economy of the world, to be put at the disposal of the world as soon as possible. Beyond these pressing needs all external expenditure will have to be severely limited and to be looked upon in nearly all cases as a luxury to be increased only as we increase our net external income.

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Original of this memorandum was
taken to the President by HM Jr on
May 16th.

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MEMORANDUM FOR THE PRESIDENT

Now that you have approved a set of instructions setting forth the basic policies of this Government with respect to Germany, may I suggest that you take this occasion to inform the American people of what you have done. If there ever were an issue on which the American people should be fully informed, this is one.

There have been so many false rumors as to how this Government intends to deal with the German issue that a clear-cut statement by you on this Government's policy would not only ease the minds of many people in this country but would also reassure those nations which are looking to the United States for leadership.

This might be an appropriate occasion for a radio address by you to the peoples of the world. If you would like me to, I could get a draft of a speech to you within 24 hours.

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ASSISTANT SECRETARY OF STATE
WASHINGTON

May 16, 1945

The Honorable
Henry Morgenthau, Jr.
Secretary of the Treasury

Dear Henry:

It just occurs to me to suggest
that it might be useful if you would send
a note to Colonel Bernard Bernstein to say
that IFOOG 1 has your full backing and
support.

Sincerely yours,

W. L. Clayton

W. L. Clayton
Assistant Secretary

MAY 16 1945

Dear Mr. Secretary:

I append herewith a copy of a letter from M. Flaven, Minister of Finance of the French Provisional Government, who desires to have an examination made of the gold and other valuables found in the German salt mine now under the control of the American Army.

I should be glad if you would accord this permission to the representatives selected by M. Flaven.

Sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable,

The Secretary of War.

Enclosures.

HFM:jls 5/24/45

(TRANSLATION)

REPUBLIQUE FRANCAISE

1800 Massachusetts Ave., N.W.,
Washington 6, D. C.

The Ministry of Finance

May 10, 1945

My dear Mr. Secretary:

Following our conversation of this morning, I herewith confirm the great interest that I would have in obtaining permission for a representative of the French Ministry of Finance and a representative of the Bank of France to examine on the spot the assets of the Reichsbank which are at present under the control of the American Army. I should be very much obliged if you will be good enough, in accord with your suggestion, to give the necessary instructions to that effect.

The practical arrangements relative to such a visit might be made in Paris by agreement between the SHAEF and the French Military Mission concerned with German affairs.

Thanking you in advance, I am,

Very truly yours,

/s/ Louis Flaven

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C
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P
Y

Decatur 7936

REPUBLIQUE FRANCAISE

1800 Massachusetts Ave., N.W.
Washington 6, D. C.

le 10 mai 1945

Le Ministre des Finances

Cher Monsieur le Secrétaire,

Comme suite à notre conversation de ce matin, je vous confirme que j'attacherais un grand intérêt à ce qu'un représentant du Ministère des Finances Français et un représentant de la Banque de France, pussent aller sur place examiner les avoirs de la REICHSBANK actuellement placés sous le contrôle de l'Armée américaine. Je vous serais très obligé de bien vouloir, comme vous me l'avez proposé, donner les instructions nécessaires à cet effet.

Les arrangements pratiques relatifs à cette visite pourraient être faits à Paris d'accord entre SHAEF et la Mission Militaire française pour les affaires allemandes.

En vous remerciant à l'avance, je vous prie de bien vouloir agréer, Monsieur le Secrétaire, l'expression de ma haute considération.

/s/ R. Fievet

The Honorable Henry Morgenthau, Jr.
Secretary of the Treasury.
WASHINGTON

DECATUR 7935

REPUBLIQUE FRANCAISE

1800 MASSACHUSETTS AVENUE, N.W.
WASHINGTON 6, D.C.

Le Ministre des Finances

le 10 mai 1945

Cher Monsieur le Secrétaire,

Comme suite a notre conversation de ce matin, je vous confirme que j'attacherais un grand interet a ce qu'un représentant du Ministère des Finances Français et un représentant de la Banque de France, pussent aller sur place examiner les avoirs de la REICHSBANK actuellement places sous le controle de l'Armée américaine. Je vous serais tres oblige de bien vouloir, comme vous me l'avez propose, donner les instructions necessaires a cet effet.

Les arrangements pratiques relatifs a cette visite pourraient etre faits a Paris d'accord entre SHAEF et la Mission Militaire française pour les affaires allemandes.

En vous remerciant a l'avance, je vous prie de bien vouloir agreer, Monsieur le Secrétaire, l'expression de ma haute consideration.

W. H. H. H.

The Honorable Henry MORGENTHAU, Jr.,
Secretary of the Treasury,
WASHINGTON

FOR APPROVAL



FISCAL ASSISTANT SECRETARY

TREASURY DEPARTMENT
FISCAL SERVICE
Washington

May 16, 1945

MEMORANDUM FOR THE SECRETARY:

A preliminary survey of Procurement accounting indicates clearly the need for (1) more adequate personnel, (2) more space, (3) more equipment, (4) better coordination between divisions with respect to the completeness and accuracy of accounting documents, and (5) formal written accounting procedure.

As a first step in bringing the Procurement accounting up to a current basis, it is recommended that steps be taken by the proper officials of the Treasury Department, in their respective capacities, looking toward immediate action to correct these deficiencies. It is recommended particularly that the Personnel Classification Officer of the Treasury Department make an immediate survey of the classification of accounting and fiscal personnel, with a view to procuring from the Civil Service Commission the approval of grades commensurate with the responsibilities of the positions.

We are now engaged in the taking of an inventory, and our first progress report is in the course of preparation.

APPROVED:

Secretary of the Treasury

✓
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MAY 16 1945

Dear Mr. President:

The Director of the Mint brings to my attention that each new administration, beginning with that of George Washington, has been marked by the production at the Mint of a Presidential medal. These medals bear the likenesses of the Presidents and other appropriate features.

If it suits your convenience to permit the Mint's sculptor, Mr. John Sinnock, to come to the White House in the near future, to make sketches of you as you sit at your desk, he stands in readiness to do so. If, in the meantime, you will please have forwarded to the Director of the Mint a number of pictures, including profiles, enabling the sculptor to make in advance a study of your lineaments, it would greatly facilitate the preparation of the design.

I await an expression of your pleasure in regard to this matter.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The President,

The White House.

NYRosa:W 5/14/45

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May 16, 1945

Dear Arthur:

It seems that I am going to have to write you another letter, and tell you how wonderful the New York Times is.

The War Bond people had brought to my attention the Sunday edition of the Times in which every advertisement was devoted to War Bonds, and I think it was a remarkable job of publicizing the Seventh War Loan. Everybody in the Treasury is delighted.

I also was very pleased with the way you people handled my story out of Buffalo.

With kind regards,

Sincerely yours,

(Signed) Henry

Mr. Arthur Sulzberger,
The New York Times,
New York, New York.



TREASURY DEPARTMENT

WASHINGTON

May 16, 1945.

Dear Mr. President:

About \$4,770,000,000 of Treasury certificates of indebtedness will mature on June 1, and about \$755,000,000 of Home Owners' Loan Corporation bonds have been called for redemption on that date, with my approval.

Subject to your approval, and under authority of the Second Liberty Bond Act, as amended, I propose to offer the holders of these securities an opportunity to exchange them for a like par amount of 13-month Treasury notes, to bear interest at the rate of 0.90 percent. Cash subscriptions will not be invited.

The authorizing act provides that notes may be issued only with the approval of the President. Accordingly, I trust that the proposed issue will meet with your approval. It is my intention to make public announcement of the offering on Monday, May 21.

Faithfully yours,

Wm. H. Clegg
Secretary of the Treasury.

The President,

The White House.

APPROVED: *Harry Truman*

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 16,
1945

TO Secretary Morgenthau
FROM J. W. Pehle

The following is a summary of significant developments in the Surplus Property and Procurement Offices for the week ending April 7, 1945:

SURPLUS PROPERTY:

The Army declared an additional 1,600 reconnaissance cars in the Chicago and Cincinnati regions. These vehicles are non-standard models and the United Nations Relief and Rehabilitation Administration has requested permission to purchase the cars for use in its overseas operations. We are discussing with the War Food Administration the desirability of offering these cars for distribution in rural areas.

New declarations covering approximately 35,000 30-calibre ammunition boxes were received from the Army.

In the Atlanta region 250,000 gallons of hydraulic fluid were sold, on which we realized approximately \$90,000.

Representatives of the Celanese Corporation requested that their firm be permitted to purchase a quantity of fence posts offered for sale in the Surplus Reporter, for use in the construction of a Celanese plant in Mexico. The construction project has been licensed by the FEA and that agency has supported the request of the Celanese Corporation for permission to purchase the fence posts for its own use.

Discussions were held with the regional procurement officials of the Soil Conservation Service for the purpose of outlining our disposal policies and procedures and our plans for the disposal of surplus property to federal and local governments.

- 2 -

Members of our staff met with representatives of the Agricultural Adjustment Agency and the War Food Administration to discuss problems in connection with the distribution of surplus trucks in rural areas. The agencies concerned indicated they were satisfied that our present disposal program is providing equitable distribution of these vehicles and we invited them to collaborate with us in the future in the consideration of problems relating to the distribution of surplus in rural areas.

A report of the sale of certain transit mixers was prepared for submission to the Senate Small Business Subcommittee. The Subcommittee had requested an explanation of the transaction since the property was sold by the Boston regional office for less than the value at which the Army had appraised the property.

Following relaxation by the Army of its inspection standards with respect to surplus tires, our previous sales program was resumed and 40 carloads of repairable tires were loaded for shipment from east and west coast ports to distribution centers. The tires will be sold to tire manufacturers for reconditioning and civilian distribution.

At the urgent request of the Army and with the approval of the WPB, efforts are being made to dispose of large quantities of rayon and nylon salvage in the Boston and Cincinnati regions.

A press conference was held to explain our new synchronized spot sales method for the disposal of surplus construction and farm equipment.

A meeting was held to consider policy with reference to the sales condition which requires that property must be removed at the purchaser's expense - the so-called "where is" policy. The inclusion of this condition as part of our invitations for bids has the effect in some cases of reducing substantially the amount offered. Since it appears that in most cases there are facilities for packing and loading, it was decided that an instruction be sent to all regional offices directing them to modify the condition of the sales contract so that all sales, except in a limited number of special situations, will be f.o.b. point of location of goods.

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The committee on veterans preferences held its final meeting this week and drafted the proposed recommendations on veterans' preferences which are now being prepared in final form.

PROCUREMENT:

Total purchases for the week amounted to \$24,280,090.65, including \$23,900,000 for Lend-Lease (schedule attached) and \$380,090.65 for regular purchases.

Unusual requisitions for the week included 440,000 lbs. of candellia wax for Continental France; 4,000,000 lbs. plasterboard liners for the United Kingdom; 300,000 sq. ft. insect screen for Italy; and \$220,000 worth of radio telephone sets for reestablishing radio telephonic link between France and the United States.

Unusual purchases included 95,680 lbs. of abrasive base paper; 3,000 Roller Bearings for grease boxes on Phosphate Cars; and 23,000 spare rollers for same type of bearing.

Carloadings of Lend-Lease materials totaled 3,443 cars.

Following a contact with the Stores Branch by the Navy Department for assistance in outfitting a new office for over 100 persons with office furnishings, a requisition was received by the Chicago Regional Warehouses and Supply Center on Monday, April 2. Almost all furnishings have been delivered and the Navy Department voluntarily telephoned to express its great satisfaction with the service.

Representatives of E. B. Badger and Co., Foreign Economic Administration and Office of Procurement discussed the question of sending engineers to Russia to assist in putting the oil refinery into operation. It was concluded that before any action could be taken, it would be necessary to have Mr. McCurdy, one of the engineers now stationed in Russia, brought back in order to have the benefit of his advice. FEA was to cable McCurdy to return to the United States.

A proposed revision of WPB Directive No. 2, to be effective after V-E Day, has been submitted for consideration. The proposed revisions are based primarily on former Director

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Byrnes' criteria for selection of contracts for cut-back and termination. The matter is being studied.

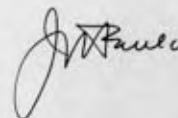
Work is continuing in preparation for the PEPCO hearing on allocations of rate reduction and cost of service in the different consumer classes. Questions for direct cross-examination of the vice president and general manager of PEPCO have been prepared as well as exhibits and the Government's direct case. The hearings will reconvene on April 9, 1945.

ADMINISTRATION:

Individual quota sheets, subscription cards and report blanks have been prepared for the 7th War Loan Drive. Distribution of this material will be completed according to schedule.

Arrangements were undertaken to expand the telephone switchboard in the Central Office by the installation of two additional positions. This improvement will enable us to provide telephone service to all Procurement Division activities in Washington from a central switchboard instead of from three different exchanges as at present.

The preparation of a dictionary of teletype codes was started. This tabulation will be the basis for training stenographers and typists in the use of abbreviated forms for teletype messages, which will result in a saving of costs in this operation. The dictionary is the result of an employee's suggestion.



LEND-LEASE
TREASURY DEPARTMENT, PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF APRIL 7, 1946
(In Millions of Dollars)

	Total	U. K.	Russia	China	Administrative Expenses	Miscellaneous & Undistributed
Allocations	\$5936.4 (5936.4)	\$2583.1 (2583.1)	\$2457.4 (2457.4)	\$172.9 (172.9)	\$18.6 (18.6)	\$704.4 (704.4)
Requisitions in Purchase	\$ 169.6 (160.2)	\$ 20.9 (26.3)	\$ 16.7 (19.4)	\$ 12.5 (1.9)	-	\$119.7 (112.6)
Requisitions not Cleared by W.P.E.	\$ 99.4 (108.4)	\$ 20.1 (19.4)	\$ 33.2 (31.6)	\$.7 (11.1)	-	\$ 45.4 (46.3)
Obligations (Purchases)	\$4822.4 (4796.5)	\$2107.5 (2102.6)	\$2134.4 (2121.5)	\$105.6 (105.2)	\$17.6 (17.5)	\$457.3 (451.7)
Deliveries to Foreign Governments at U. S. Ports*	\$3753.2 (3732.8)	\$1893.0 (1886.6)	\$1627.4 (1613.4)	\$ 30.4 (30.4)	-	\$202.4 (202.4)

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

Note: Figures in parentheses are those shown on report of March 31, 1945.

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FEDERAL RESERVE BANK
of NEW YORK

May 16, 1945.

CONFIDENTIALDear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended May 9, 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,
Assistant Vice President.

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

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TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

May 17, 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 9, 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.

Reports and Analysis Division

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS
(in Millions of Dollars)

Week Ended May 9, 1945

Strictly
Confidential

PERIOD	CANADA (and Canadian Government)										COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)									
	DEBITS					CREDITS					DEBITS					CREDITS				
	Total	Transfers to Official	Others	Total	Proceeds of	Transfers from Official	Other	Net Incr. (-) or Decr. (+)	Total	Transfers to Official	Others	Total	Proceeds of	Other	Net Incr. (-) or Decr. (+)	Total	Transfers to Official	Others	Total	Proceeds of
War Years (a)	Debits	British A/C	Debits	Credits	Sales	For Own A/C	For French A/C	Credits	Debits	British A/C	Debits	Credits	Sales	Credits	Debits	Debits	British A/C	Debits	Credits	Sales
First	331.0	16.6	306.4	504.7	412.7	29.9	38.7	32.4	181.7	31.2	3.9	27.3	36.1	30.0	6.1	4.9				
Second	460.4	-	460.4	466.0	246.2	3.4	123.9	88.5	1.6	72.2	16.7	55.5	81.2	62.9	18.3	9.0				
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	723.6	-	723.6	958.8	47.3	170.4	-	741.3	235.2	197.0	155.1	41.9	200.4	-	200.4	3.4				
Fifth	849.3	1.0	848.3	958.5	38.1	61.4	-	859.0	283.3	298.6	253.0	45.6	287.7	-	287.7	10.9				
1944																				
September	74.5	0.1	74.4	91.8	-	30.4	-	41.4	17.3	5.8	1.0	4.8	7.3	-	7.3	1.5				
October	24.7	-	24.7	84.2	-	7.4	-	16.8	20.3	20.5	1.0	17.5	21.0	-	21.0	0.7				
November	38.8	-	38.8	33.7	-	2.9	-	40.8	14.9	3.4	1.0	2.4	5.6	-	5.6	2.4				
December	41.50	0.7	40.8	32.7	-	-	-	32.7	8.8	3.1	-	1.1	19.6	-	19.6	16.3				
1945																				
January	35.1	-	35.1	91.6	10.0	21.3	-	30.3	56.5	27.4	-	27.4	5.6	-	5.6	21.8				
February	21.8	-	21.8	101.9	-	7.9	-	34.0	70.7	1.5	-	1.9	4.2	-	4.2	3.0				
March	23.5	-	23.5	62.4	-	9.2	-	56.2	15.2	3.3	-	1.3	8.0	-	8.0	7.1				
April	28.4	0.5	27.9	70.8	-	11.1	-	59.7	42.4	1.1	-	1.1	1.7	-	1.7	0.6				
May																				
June																				
July																				
August																				
Week Ended																				
April 16, 1945	9.0	-	9.0	18.0	-	-	-	18.0	9.0	0.1	-	0.1	0.3	-	0.3	0.1				
April 25, 1945	2.1	-	2.1	18.2	-	-	-	18.2	18.1	0.1	-	0.1	0.2	-	0.2	0.1				
May 9, 1945	32.0	-	32.0	17.7	-	2.6	-	15.1	17.3	0.6	-	0.6	1.9	-	1.9	0.1				

Average Weekly expenditures for

First year of war
Second year of war
Third year of war
Fourth year of war
Fifth year of war
Sixth year of war

(through May 9, 1945 1945)

6.2 million.
8.9 million.
10.1 million.
13.9 million.
16.1 million.
9.1 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 \$ 1.2 million deposited by War Supplies, Ltd.
and \$ 11.6 million received from New York accounts of Canadian chartered banks.
(d) Reflects net change on all dollar holdings payable on demand or maturing in one year.
(e) Includes \$51.2 million paid to U.S. Treasurer, in reimbursement for goods acquired by Canada through lend-lease facilities.

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 (CATALAN CREDIT)						
	DEBITS			CREDITS			DEBITS			CREDITS			
	Total	Gov't	Transfers	Total	Proceeds of	Transfers	Total	Gov't	Transfers	Total	Gov't	Transfers	
War Years (a)	Debits	Expendi- tures (b)	Official Canadian Account	Other Debits	Credits	Gold	Debits	Expendi- tures (b)	Official Canadian Account	Other Debits	Credits	Gold	
First	1,793.2	505.6	20.9	1,166.7	1,828.2	1,356.1	32.0	3.9	416.2	+ 35.0	866.3 (f)	1,092.2 (g)	+ 299.0
Second	2,203.0	1,792.2	3.4	407.4	2,189.8	1,191.7	274.0	16.7	705.4	+ 13.2	38.9	8.8	+ 30.1
Third	1,235.6	996.8	7.7	229.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	+ 14.1
Fourth	764.0	312.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	+ 9.3
Fifth	1,197.7	300.4	61.4	835.9	1,369.6	-	-	253.0	1,116.6	+ 171.9	-	-	-
1944													
September	151.0	19.9	50.4	80.7	56.5	-	-	1.0	55.5	+ 94.5	-	-	-
October	127.9	21.0	7.4	99.5	54.7	-	-	1.0	53.7	+ 73.2	-	-	-
November	74.2	45.4	2.9	25.9	32.1	-	-	1.0	91.1	+ 17.9	-	-	-
December	80.4	21.0	-	59.4	91.6	-	-	-	91.6	+ 11.2	56.7	6.5	+ 50.2
1945													
January	148.0	98.7	31.3	18.9	54.2	-	-	-	54.2	+ 94.7	27.4	6.2	+ 21.2
February	21.4	15.7	4.0	19.8	80.5	-	-	-	80.5	+ 59.3	85.8	0.8	+ 85.0
March	79.2	60.3	6.2	35.7	75.3	-	-	-	75.3	+ 30	2.7	1.9	+ 0.8
April	66.6	25.3	11.1	29.6	62.6	-	-	-	62.6	+ 3.0	22.1	1.1	+ 21.0
May													
June													
July													
August													
Week Ended													
April 15, 1945	15.8	6.2	-	9.6	8.0	-	-	-	8.0	+ 7.8	-	0.2	+ 0.2
April 25, 1945	9.0	1.2	-	7.8	6.1	-	-	-	6.1	+ 2.7	0.1	0.1	-
May 2, 1945	16.3	5.7	-	8.2	16.2	-	-	-	16.2	+ 0.7	1.9	0.5	+ 1.4
May 9, 1945	44.7	32.10	2.6	10.0	10.4	-	-	-	10.4	+ 3.3	0.6	1.3	+ 0.7
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)	21.7 million												
See attached sheet for footnotes.													
Source: and Accounting Division													

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) 21.7 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 Outre-Mer included for first time in week ended December 6, 1944.
- (i) Includes \$ 3.1 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports.
- (j) Includes payment of \$27.0 million to account of Commodity Credit Corporation, for the further purchase of American tobacco.

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May 17, 1946
10:25 a.m.

PRE-PRESS

Present: Mr. Gamble
Mr. Gaston
Mr. Shaeffer
Mr. Fussell
Mr. O'Connell
Mr. White
Mr. D.W. Bell

MR. O'CONNELL: Harry and I are supposed to be at a Banking and Currency Committee meeting at 10:30. Could we be excused?

H.M.JR: Sure.

MR. O'CONNELL: This one order in connection with currency transactions -- Dan and I talked about it again and agreed the order should go out.

H.M.JR: Well, Dan can stay behind. Mr. Fussell, I believe --

MR. FUSSELL: Yes. Do you want me to make any speech? You will undoubtedly be asked about taxes. Here is a proposition, Mr. Secretary, that has been drawn up for release and has not been given out. Charlie Shaeffer has copies of it here. The difficulty about it is that it's rather indefinite and probably will raise a considerable number of questions. We feel you can answer better than anybody else can by telling of your conversation with Mr. Plevan--or Coe.

MR. BELL: This press release was agreed to with the French and with the Army and with the Treasury, but it's indefinite as Fussell says, a little vague, and they wanted it that way purposely. The War Department thinks it will help them to get it out, because they can tell the Congressmen and Senators who have made inquiry that the thing is under study. The French are very insistent nothing be said about a change in the

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rate of exchange. I thought maybe if you gave that out and gave a little of the background and like the things that they could use that might be considered by the French --

H.M.JR: I can't do this on a minute's notice.

MR. BELL: This is the thing I've been mentioning to you for a couple of months.

H.M.JR: I'll do it. I'm going to have a meeting at three o'clock this afternoon, where I'm going to take up this question of the Philippines and the French and any other odds and ends. I want Coe, White and Pehle in on these meetings, and you, Dan.

MR. FUSSELL: In connection with this, Colonel Pforzheimer, who is going over tomorrow, is outside and will be available to comment on this thing if you desire him to.

H.M.JR: Let him tell Dan Bell what he wants to tell.

MR. BELL: You don't think you want to give it out?

H.M.JR: No. I want to talk about it.

MR. BELL: I should say we ought to let this go until Monday and not consider it in the meantime.

H.M.JR: You tell Colonel Pforzheimer to see Dan Bell.

MR. BELL: The one on top you ought to give out. The other is questionable.

H.M.JR: Well, I'm not doing it for Basil O'Connor.

MR. BELL: No, but he didn't want to get it tied in with the Infantile Paralysis Program at this time. He thought it would be better later in the game, but you have to announce the time sooner or later, because the minute the people in the Mint begin to work on it, it's going to get out. Now, as to the bond, I don't know whether that should be done now. Ted has some views on it.

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H.M.JR: Well --

MR. BELL: We're working on a model, and whenever you give us some time, why, we would like to discuss it with you, and we'd like also to discuss some statements of the President that could go under his portrait on the bond.

H.M.JR: I don't think that -- I don't want to be rushed into that either. What about it?

MR. GAMBLE: Well, there's no -- I don't think it can do any harm, Mr. Secretary, but before somebody comes out with some idea to memorialize the President, which might interfere with that, I think it's a good idea for you to get a print on it. I'd simply say that thousands of people who contacted you before the Seventh War Loan suggested that you dedicate the Seventh War Loan to the memory of the President, and that for a good many reasons that wasn't deemed the practical thing to do, and you have under consideration now a special bond which would be released in the future War Loan Drive more or less for Franklin Roosevelt.

H.M.JR: Would you like me to do that now?

MR. GAMBLE: Yes, before somebody comes out with something specific, because later in the day I'd like to send over a poster. We have the most beautiful painting of Franklin Roosevelt that was ever made. It's wonderful.

MR. BELL: Ted suggested the eighth this morning. I don't know if we can get ready for the eighth, because the only portrait we have of the President was one taken in 1939. It doesn't look like the President we've seen in the last four or five years.

H.M.JR: This colored photograph the Russian artist did, which he gave us copies of for Christmas, the one with a cloak around him --

MR. GAMBLE: This is a painting which was taken from the portrait. It's the finest thing that's ever been put on canvas.

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H.M.JR: I'd like to see it.

MR. GAMBLE: Everyone who's seen it --

H.M.JR: Herbert, if you don't agree with any of these things, will you talk up, please?

MR. GASTON: Sure. I'm interested. I've seen the picture.

MR. BELL: That's something that I want a conference with you on, to discuss these things. I don't know whether they can make an engraving from a painting or not. I doubt it. I think it has to be the portrait. They don't get the lines in the painting.

MR. GAMBLE: Why don't I send for it and have this group see it. It would only take a minute after the conference is over.

H.M.JR: Sure.

MR. GAMBLE: It's a beautiful job. They ought to see it.

MR. BELL: One time you had a contest among the reporters that come to your office about slogans and so forth, and I don't know whether you want to ask them to get you some quotations from Roosevelt's public papers which they would like to see on a bond, as a sort of contest, and one they'd like. We have one here which is the last sentence in the last speech that he ever wrote. The one at the top.

H.M.JR: The top?

MR. BELL: See, the quotation. It was the Jefferson Day Dinner speech which was prepared, and he never gave. It was the last two sentences in that speech.

MR. SHAEFFER: There are only one hundred and thirty-three refugees in Oswego who want to go back. Gregory is going to ask you how you feel about it.

H.M.JR: That want to go back?

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MR. SHAEFFER: Out of nine hundred, only one hundred and thirty-three want to return to their native lands.

MR. GASTON: There's an item there on the ticker this morning.

MR. FUSSELL: You may be asked about how we're paying the soldiers in Germany. Mr. Coe says it's okay to say we're paying them in military marks, that the Russians and British are doing the same thing. For accounting purposes, the military mark is ten cents in American money. There was no exchange provision.

H.M.JR: Are you through?

MR. FUSSELL: Yes.

H.M.JR: What interests me the most is some war bond stuff.

MR. GAMBLE: At this stage of the game, I think it's a mistake to say too much about the bond drive. We have twenty-five and one-half percent of E bond money, eighteen percent of the individual money.

H.M.JR: Wasn't that in today's New York Times?

MR. BELL: They give that out every night.

MR. GAMBLE: We give it out every night, which is what we have done in the last three drives. We also have seven hundred million corporations. I don't think we ought to mention that. I think you should say we're about where we expected to be in this drive, and that the size of this job is too great to say that we are --

MR. BELL: This follows a pattern in the previous drives.

H.M.JR: Okay. Herbert?

MR. GASTON: I have nothing.

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May 17, 1945
3:00 p.m.

PHILIPPINES
WELFARE OF AMERICAN SOLDIERS IN FRANCE
ECONOMIC ADVISER TO GENERAL CLAY
BREITON WOODS

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

H.M.JR: Is Fussell in on this?

MR. FUSSELL: Somebody told me to come in. I don't know why.

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

MR. COE: We have the French press release to do.

H.M.JR: No. If I do the French press release, I'll let you know.

MR. FUSSELL: Okay.

H.M.JR: I don't want to seem discourteous, but if I do the French press release, I'll let you know. I am starting with the Philippines. I'll let you know.

MR. FUSSELL: Thanks.

H.M.JR: I want to start with the Philippines. Do either of you want anything more? Is there anybody else here that is an attorney besides White?

MR. COE: It depends on what you want.

H.M.JR: I'll tell you exactly what I want to do this afternoon. There are a lot of things hanging fire. Number one is this Philippines thing, isn't it? Somebody shoved that at me.

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MR. COE: That's what we can't figure, sir. We don't know if there was any issue up.

H.M.JR: You have got a memo which has been hanging fire here.

MR. WHITE: On the value of the peso.

H.M.JR: Somebody has had a Philippine memo.

MR. COE: Some time ago you cleared the mission.

H.M.JR: No. Mrs. Klotz will be in in a minute.

MR. WHITE: Maybe it's a major problem about the value of the Philippine peso.

H.M.JR: I want to talk about this. I haven't read it yet, but I sent back to you a week or ten days ago-- five or ten days ago a request from Bob McConnell for an economic advisor to General Clay and I have had no answer from you. It was while White was in Frisco.

MR. WHITE: For Bob McConnell to--

H.M.JR: He wants an economic adviser to General Clay. It's a very important position.

MR. WHITE: They picked--that request has been, I imagine, before you for sometime. They picked--who's that, Sprague, was in to see me the day before yesterday.

H.M.JR: Excuse me, Harry. I just wanted to tell you people what I wanted so if you want anybody else in here, we could get them. I'll be back in a minute.

MR. COE: I think we would like to bring Irving Friedman in on the Philippines.

H.M.JR: That's what I wanted to know. Excuse me, please.

(The Secretary leaves the conference temporarily.)

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(Mr. Friedman enters the conference.)

MR. WHITE: We suggested a good man for them.

H.M.JR: This came about a week or ten days ago. Is it too late?

MR. BELL: I don't know whether it's too late or not. I think I am the one who gave the memo to you and I sent copies to Mr. Coe and they did ask about Sprague, and I said I thought Sprague stood very high in the Treasury, but my worry about Sprague would be his age. I said he's an old man.

H.M.JR: Suppose I call up Bob McConnell and ask him?

MR. BELL: The other fellow they would like to know about whether we had any objection--and I think I told you every place they have gone they have come back with a recommendation of John Williams except Treasury.

MR. WHITE: Every place they have gone, that's probably true.

There's an excellent fellow they could get, a fellow who wrote a book about Germany right after Hitler came in. He wrote a book and Germany and is well-known and understands German economy from a to z, and all that's involved. That's Brady.

What was the title of the book?

MR. FRIEDMAN: "The Structure and Spirit of German Nazism."

MR. COE: He's about the only economist outside that I would know of that we could pick just offhand who would fit in.

MR. WHITE: He would know infinitely more than Sprague because Sprague's chief competence is in the field of financing and banking.

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H.M.Jk: You seem to be a little vague about the memo.

MR. COE: I received a memo from Mr. Bell the other day and I sent him a note to the extent that we have economists we could round up. We have been rounding them up and interviewing them for the Schmidt mission.

H.M.Jk: May I make a little speech, and that's this: I have persuaded Mr. John Fehle to really be my assistant and he is going to sit in on these different things and help me and help whatever group I am working with at that time, see? We'll give him any title you fellows like, but I don't know any better title than "Assistant to the Secretary," and I would like him to get in on that one for Monday--public debt.

MR. BELL: Oh.

H.M.Jk: Any problem I am working on he is going to be in on to make sure that the thing is ready for me, and so forth.

(The Secretary holds a telephone conversation with Bob McConnell, as follows:)

May 17, 1945
3:11 P. M.

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HMJr: Hello.

Mr. Robert McConnell: Hello, Mr. Secretary.

HMJr: How are you?

M: Very well, sir, and you?

HMJr: Oh, I can't complain.

M: Is Mrs. Morgenthau better?

HMJr: She is getting along steadily, but unfortunately she still can't sit up.

M: Oh, that's too bad. I'm glad she's better though.

HMJr: She is better. Bob, the reason I'm calling is to first apologize -- I think you put a request in here a week or ten days ago for recommendation on an Economist to General Clay.

M: That's right.

HMJr: I wondered if that position has been filled?

M: No, sir.

HMJr: It hasn't. Well, now...

M: What's that?

HMJr: We're talking about Don David now. How does he -- he's -- you remember he's the head of the graduate school at Harvard.

HMJr: David?

M: Don David, yeah.

HMJr: I don't know him.

M: He hasn't been approached. I mean -- we are just wondering...

HMJr: Well, I think before -- said I could give you a suggestion.

M: Good.

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HMJr: I think it is a man by the name of Bradley. Brady - they tell me.

M: Brady. Where is he, Mr. Secretary?

HMJr: University of California.

M: Oh, yes.

HMJr: But sometime between now and -- either Bell or White will call you up.

M: O. K.

HMJr: I'm sorry to have been so slow.

M: That's all right.

HMJr: And the fact that we've been slow on this doesn't mean we don't like to be asked.

M: All right.

HMJr: How did he do on the fiscal

M: Fine, Mr. Secretary.

HMJr: Well, what happened was. I asked him to send a cable over to General Clay where there was any hurry. And the word I got back from Hillaring that they - I gather - I think this is correct - I'm doing it from memory - was that they were satisfied to leave things as are with Colonel Bernstein.

M: I see. All right, I don't have to worry about that. That was all right.

HMJr: But I would like to see you.

M: We're getting along fine, sir.

HMJr: And see how you get along.

M: It's a little slow but we are getting....

HMJr: Would you like to drop in around 10:30 tomorrow?

M: That'll be fine.

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HMJr: And then you might tell me what you are doing.

M: All right, sir.

HMJr: Good. Hello?

M: Yes.

HMJr: If we don't have someone named for you by tonight, we will by 10:30 tomorrow.

M: All right. I'll pick it up there from Dan or Harry tomorrow.

HMJr: Right. Thank you.

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H.M.JR: It's this kind of thing, you see, which is kicking around here for ten days. He was here. I would tell him, "Here's this thing. Why haven't the boys done it? Get after them," and so forth. I need a little help. I am sure you will all be delighted. And anyway I want to explain his presence, and he will be here.

MR. WHITE: I don't think they will take Brady but Brady will be far better for the job they have in mind as a general economist than anybody they have named.

H.M.JR: Between now and ten-thirty tomorrow morning, will you please give me a firm recommendation, after talking it over with your people?

MR. WHITE: Yes.

MR. BELL: I wonder what Allan Sproul's brother is going to do over there.

MR. WHITE: He is President of the University of California.

MR. BELL: He's going.

MR. WHITE: I will give you a write-up of this fellow. I know about this John David.

MR. COE: They are just very intelligent men.

H.M.JR: Tomorrow when he comes over at ten-thirty, Dan, White, Pehle, and Coe be here and let's hear what he has to say on this.

There is something that Coe gave me on the Philippines.

MRS. KLOTZ: Yes. What happened to it?

H.M.JR: He doesn't know. I don't know. I know there is something.

MRS. KLOTZ: We checked the signing of it.

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MR. COE: Here's the last one. Maybe this is it. This is the approval of the mission.

H.M.JR: No, no!

MRS. KLOTZ: I'll go and see if I can find it.

MR. WHITE: While she's finding that, have you been brought up to date by Luxford or Joe O'Connell on this morning?

H.M.JR: Mrs. Klotz said he hurried out and was--

MR. WHITE: I mean on the meeting this morning.

MRS. KLOTZ: He was going to tell Mr. Morgenthau and then Congressman Brown called his office.

MR. WHITE: They had a meeting this morning of all the Democrats of the Committee. One was absent, Baldwin. The rest were there, and discussed the amendments which Wolcott submitted and the amendments which were submitted by us, and explained the differences and the difficulties, and they voted; they all agreed that they could not support any amendments which were in effect reservations of those amendments and they would all support the amendments which the Treasury set forth and no more and they were voted out of Executive Session. The amendments were distributed. One was going to submit one, and so forth, and that they would have an executive meeting in which they would give the Republicans an opportunity to discuss their amendments. They don't want to appear to be railroading it through, but they agreed they would not accept any changes and would vote for the amendments which the Treasury presented.

MR. BELL: That does that mean, fourteen to eleven?

MR. WHITE: Assuming, I think, it's fifteen to twelve with Baldwin, and if all the Republicans vote, and the Progressives vote with the Republicans.

H.M.JR: A straight party vote.

MR. WHITE: Unless the Republicans change their mind.

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H.M.JR: Would we have any amendments then, the Democrats?

MR. WHITE: The creation of a Council, the CED amendments, change on the foregathering--

MR. BELL: The Governor?

MR. WHITE: And the Governor.

MR. BELL: They are the same amendments you gave to Wolcott that you would accept.

H.M.JR: Are you disappointed in Wolcott?

MR. WHITE: I am. Yes. I have always been uncertain about him. I don't know what happened. When we left him on Saturday we thought we were in agreement and we thought that he had done his best to get some changes and we met him fully. He seemed quite reasonable when we met him. Yesterday he seemed to have changed, but whether he intends to stick to his proposal or not, I don't know. He has placed himself--he would be placed in a rather, what seems to us, an embarrassing position, and certainly a less fortunate position, because now he will not even have the credit for introducing those amendments. So the position he is in now is opposing these amendments. Whether he will be smart enough to wiggle out of that, or whether he will merely insist on making trouble, I don't know. I confess, I have been uncertain about him. He is an awfully nice guy and it's hard to understand.

MR. BELL: It may be a party issue, because that's the way the Reciprocal Trade Agreements went in the Ways and Means Committee, strictly a party vote.

MR. WHITE: It would be ill-advised, I should think, to make a party issue of this, because of the public response.

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MR. BELL: It indicates what they might do with the rest of the stuff, Dumbarton Oaks and San Francisco and everything else.

MR. WHITE: My guess would be Wolcott would try to modify that position somehow, but I don't know.

H.M.JR: Well, we'll see.

MR. WHITE: If you haven't got that Philippine thing, there is something about the Philippines you may want to raise.

MR. COE: It's not a Philippine matter, but it's a neutral matter. Mr. Secretary, this matter, I assume, now is neutral?

H.M.JR: This is another thing.

MRS. KLOTZ: That's it.

H.M.JR: It's the Philippine matter, but that's been cleared, you say?

MR. COE: Yes, the mission is cleared.

H.M.JR: What I am talking about is one or two weeks old.

MRS. KLOTZ: I'm sorry.

MR. BELL: That must have been the personnel mission.

MR. COE: That was cleared in here.

We worked three or four months ago, the Treasury and all the others worked through Will Clayton's top Executive Policy Committee on an economic foreign policy. It is a pretty good statement on the neutral policy of this Government. A few days ago we got from Grew another rather unsatisfactory, very brief, and obviously hastily drawn on neutral policy. This letter was apparently written in ignorance of the fact that the State Department

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had already with the other agencies promulgated a general policy. Our letter is designed as a come-back to them to ask them whether they really mean to supersede the area or as we think, aren't they allowing the earlier policy to stand.

MR. BELL: A policy on what?

MR. COE: A policy of this Government toward the neutral countries. The Treasury's interest in the earlier document was a safeguard and safe haven program to make sure we didn't have friendly relations, that we shouldn't open up trade until our safe haven objectives were met.

H.M.JR: It's an unnecessary discourtesy when you get a letter from Acting Secretary for me to direct a letter to the Secretary. So, why don't I answer Grew back directly? Here's a letter signed by Joseph Grew, Acting Secretary, and I write, "My dear Mr. Secretary: Reference is made to the--"

MR. PEHLE: That's customary if Stettinius is in town, but if he's not in town--

H.M.JR: If he's not in town? He isn't. Don't you read the papers?

MR. PEHLE: No, but I mean, if he is in town--

H.M.JR: Knowing how they feel over there, he'll take it as a personal affront.

MR. COE: We will change that to Acting Secretary.

MR. WHITE: Just say, "Mr. Acting Secretary."

MR. BELL: That's the usual way, that the letters always come to the Heads of the Department from the other Department regardless of who signs the letter. If we send one to the Comptroller General and I sign it, they will write back to the Secretary. If you send a letter to the Secretary of War and I sign it as

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Acting Secretary, it will come back to the Secretary of the Treasury.

H.M.JR: Is that all right?

MR. BELL: In view of what has gone on before, I think it would be better that you wrote to Grew, but that's the usual departmental custom.

H.M.JR: Let's be unusual.

MRS. KLOTZ: We always are.

H.M.JR: All right. Now, what else have we got?

MR. COE: That's it.

H.M.JR: What unfinished business have you got?

MR. COE: There's a lot of pending business, but none is ready for you, Mr. Secretary.

H.M.JR: Okay.

Now, do you want to do this French thing? I have been sort of fighting it off. Do you want to do it?

MR. BELL: I am not anxious, but yes, I think it ought to be done.

H.M.JR: All right, let's do it, so you won't get hold of John Pehle and say, "As your first day's work, please get Mr. Morgenthau to clean up the French business." This thing can work both ways, you know.

MR. BELL: That's the press release. (Hands Secretary Press Release, dated May 17, 1945, attached.)

H.M.JR: Have you seen it?

MR. WHITE: I haven't--

H.M.JR: Do you agree?

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MR. WHITE: I don't think so. I don't think you have a meeting of minds. France wants to make it appear as a gesture of her gift to the American soldiers, and we want to make it appear as rectifying an injustice. How are you going to get together?

MR. COE: We had a meeting of minds by making it vague.

(Mr. White reads the memo.)

MR. BELL: I think it can be done.

H.M.JR: Well, look, let's--without talking about the press release, what is the French Government willing to do and what is our Army willing to do? I am not up to date on it. Just where do we stand? What does General Hildring do, and what does the French Government do?

MR. BELL: It's not a question of what General Hildring can do, but a question of what the French can do to relieve the situation in France. One thing they don't want to do is to change the rate of exchange or do anything to indicate the French are going to change the rate of exchange. What they are willing to do is to give each soldier a special type of franc and a certain amount to each one of them.

MR. COE: Scrip?

MR. BELL: It was called scrip, yes, but it might be just a special type of franc. We thought they were rather liberal in their attitude to give every G.I.--

H.M.JR: Excuse me. There's a better chair over there, John. The first day I always treat my Assistants like that. The honeymoon lasts one day.

MR. PERLE: I was wondering how long it was going to last.

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H.M.JR: We treat them nice the first day. Excuse me.

MR. BELL: As I said, we thought they were rather liberal in their attitude toward this particular type of franc or toward the soldier. They would give every soldier a handful of these special type of francs to spend, which certainly could be dealt in, otherwise, behind the fence. Why, they would hand them out to the fellow that was going in to town. I think when the experts get over there they won't agree to that.

H.M.JR: I don't like that at all.

MR. BELL: Why not?

H.M.JR: May I backtrack a minute? This is the first I have heard of this. Let me just talk a minute, if I may. In the talk that I had with Plevin and McCloy and Jean Monnet, what they have been saying right straight along, what they wanted to do was when an American soldier came to Paris they kept saying all the time he wants to go to--and to use his words--"The hot spots." He doesn't want to go to the USO the way I want him to go where there would be nice girls," and Plevin said, "What's a nice girl?"

MR. WHITE: Coming from France he doesn't know.

H.M.JR: Monnet tried to explain and couldn't.

MR. BELL: He said he was going to have good girls but not too good.

MRS. KLOTZ: That's wonderful!

H.M.JR: I wanted that, and the one in Rome is a great success. We have them all around this country and the boys like to go to those kind of places. It's been demonstrated for a number of years and I am anxious that they have one in big ports of embarkation where there are going to be thousands of troops sitting around waiting.

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MR. COE: They are agreed to that.

MR. BELL: They agreed to that USO thing.

H.M.JR: When a fellow comes he will have a special ticket to take him to--

MR. BELL: No, that's in addition.

H.M.JR: Is it?

MR. BELL: Yes. Here a man gets one hundred francs, and if he got it in dollars, how many dollars? Two? He got two dollars. Now, if he had gotten two dollars in currency, he could have gone to the market and bought four hundred francs. What they propose to give him in connection with his pay, in addition to the one hundred francs, is a gift of francs from the French Government, and he takes those in to town and spends them along with these other francs. That's just one phase of it.

H.M.JR: I think it's all kinds of trouble.

MR. BELL: I don't want--

MR. WHITE: If they are willing to do that--but I don't think their own people will let them do it to any great extent.

H.M.JR: When did that pop out?

MR. BELL: That came into the Committee meeting we had Friday.

MR. WHITE: And it will have a special black market of its own.

H.M.JR: This is the first I have heard of it.

MR. BELL: I have tried to see you for a week.

H.M.JR: I have done one thing at a time and first we did China and got that out of the way.

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MR. BELL: The first I heard of it was last Friday and I thought it was a good suggestion.

H.M.JR: When did you hear about it?

MR. WHITE: They have been talking about it a couple of days. I think it's a liberal suggestion, but when they get to working it out they will find they have to restrict it. You see, Mr. Secretary, I mentioned some time ago, you remember that, when the problem arose of giving soldiers in Germany leave, we all had the view that those soldiers must not have leave in Germany and there will be a very large number of soldiers.

H.M.JR: I never heard that. That's new.

MR. WHITE: They said they shouldn't be allowed leave in Germany because the temptation to fraternize during German leave would be great, so they were going to send them to contiguous countries--liberated countries--and one spot they would all want to go would be France if they had the time, so this problem would doubtless be an important one, and if they are going to give every soldier that much money--

MR. BELL: What this boils down to is if they are willing to give them some extra francs, when they get to a basis of agreement, they will give it to the boys that have leave in French cities--not average cities--but approved leave. That is what they will come out with. The rate has to be worked out, and they don't want to, in any way, tie it in to fifty to one dollar and they want to keep it away from the rate of exchange.

H.M.JR: Fleven said he didn't want to have two kinds of francs.

MR. BELL: This would not necessarily be two kinds.

MR. WHITE: This would be an additional kind because it would be only a special book only soldiers can use.

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and they would settle it among themselves, but it won't have market value as far as the French population is concerned.

MR. COE: The Army wanted this scheme for a fixed number of coupons per dollar of pay, and the French revised it so there couldn't be an easily ascertained rate of exchange between it and the dollar.

MR. BELL: It might be a book of stamps.

MR. WHITE: The approach is good. Assume they give a reasonable sum and hedge it in with enough--

H.M.JR: Who is going to subsidize the French Government for this?

MR. WHITE: Who is going to subsidize the French Government?

H.M.JR: Somebody has to take the loss.

MR. WHITE: The Government subsidizes itself.

H.M.JR: Don't be funny this afternoon. I'll put it another way. Who is going to pay for the deficit of this?

MR. COE: They are.

MR. WHITE: Just add it to the public debt. Do you want to know whether we pay anything? The French Government is getting dollars at the rate of two for one, and that is a good price for their francs so they--

H.M.JR: May I say this? Now, this comes to me--I would like more study on it. I don't like it.

MR. BELL: Well, of course, a lot of study has got to be put on it in France and that's what the Colonel was here for this morning. He is going over there to study and negotiate with the French for all of these things. This is just one of six items.

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H.M.JR: Well, all right. Would you mind just putting it--my first reaction to it is unfavorable.

MR. PENLE: Is that because of the special franc?

MR. COE: I think you should know that it seemed to me--I don't know if Dan felt that way--it seemed to me because of Plevin's vagueness it was impossible to settle any of these things further. That is, he literally agreed to all of these things in principle, but there wasn't a one that either he or the Army could actually settle. Take your USO thing. He asks, and quite probably, "Where do you want them?" Our Army isn't prepared to say where it wants them. About this scrip, Jack McCloy was the one who was pressing it very hard on this thing but how much they give overall per soldier, where it will be good, for what commodities, you can't settle it over there, so we had to be satisfied with acceptance in principle.

H.M.JR: Every word you say confirms my off-hand opinion that I would not put my name to that release this morning.

MR. WHITE: Not only that, but the release is of a peculiar character. The release gives, as a basis for all this, the arrangement the French Government would like to see the American soldier enjoy the full benefits of his leave. It's all right if that's the basis upon which we are willing to accept it, namely, this is a gift of the French Government, but I thought one of the objectives was that the defense--

(Discussion off the record)

H.M.JR: Look, gentlemen, I am not going to lend my name--I mean, I am not being unkind to anybody--to a half-baked scheme. If the Army and the French Government want to get out a release, okay, but I want to protect my Treasury from having any part in it.

MR. BELL: The only trouble with that release is its vagueness, and it would raise a lot of questions in the newspapers that you can't properly answer.

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H.M.JR: I want to explain to Harry one of the reasons given was this would stop the Congressmen from asking the Army a lot of questions.

MR. BELL: It might the Treasury, too, because I have signed an awful lot of letters.

H.M.JR: Dan, who do you talk to in the Army?

MR. BELL: All of them.

H.M.JR: Who have you talked to about this?

MR. BELL: General Richards and Jack McCloy were in our conference on this.

H.M.JR: Do you want to tell them or do you want me to pick up the phone and tell Jack McCloy?

MR. BELL: I'll tell them. I don't think they are too worried. Jack would like to get out something to say there are discussions on. I don't think he feels too strongly.

H.M.JR: Let him get out a release.

MR. BELL: I don't think he feels too strongly about it.

H.M.JR: When I put my name to something to the American soldier, I want to be able to deliver. Now--

MR. WHITE: Would a release to the effect that negotiations are going on with respect to this matter be adequate?

MR. BELL: That's about all this says, that it's under consideration.

H.M.JR: Harry, don't let's get the Treasury in a position this has been going on for three months. If it was my responsibility and I had been over there in France, I would settle it in twenty-four hours, and

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McCloy has been to France. It could be settled on the ground in twenty-four hours if I was over there.

MR. BELL: They have all these other things they have under discussion.

H.M.JR: When they have something they are ready to do I'll be ready to do it. Does that let you down?

MR. BELL: No.

MR. COE: The French Government wants a release either--

H.M.JR: This doesn't let you down, does it?

MR. BELL: No.

H.M.JR: As the Chinese say, "Am I not saving your face?"

MR. BELL: No, indeed. I am not anxious for a release at all.

H.M.JR: Is that agreeable to you, Harry?

MR. WHITE: Yes. I don't think there should be--

H.M.JR: Mr. Coe, am I saving or unsaving or losing face for you?

MR. COE: No. If the French don't want it, I don't think the War Department is keen about it and they wanted something more definite to announce, too. This was the best we could get.

MR. BELL: This came out of your suggestion that we get out a press release over last week end, but there wasn't enough definite on it to get out a press release, and this was the best they could agree upon.

H.M.JR: But, now--

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MR. BELL: I am satisfied. You can drop it.

H.M.JR: Now, Mr. White. Are you ready or not ready to lead off this discussion? What's bothering Robert Brand, or are we premature?

MR. WHITE: This is not the group with respect to the interpretation.

H.M.JR: This group is not kosher for that?

MR. WHITE: No, they are not the group that would discuss this intelligently. (Laughter) You didn't hear what I followed it with. You smiled too quickly.

H.M.JR: I was afraid what might come afterwards.

MR. BELL: Bow down right then.

MR. WHITE: But I did want to raise the question of the Philippines which the boys have been raising which may become a troublesome problem and I think quickly indicate what the problems are and what general line you want us to take. You remember the peso was valued at fifty cents when the United States Army went in the Philippines, because they said we were going to value it at the old rate. That peso is worth--anybody's judgment I suppose is good, but certainly less than a nickel. Now,--

H.M.JR: Is this the right group to discuss this with you?

MR. WHITE: Yes. We are all beginning at scratch with that. The other--there is a lot of water behind it and it would take too much of your time to bring it up to scratch, so I thought you wouldn't want to start. Now, they have redeemed a bit of that currency. In other words, the Philippine Government stands ready to give fifty cents of American money for every holder of a peso who wants to buy dollars, and as far as we know, there are no restrictions on the price of dollars, because it is regarded as a sort of internal thing.

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Now, the Philippine Government has substantial sums, and the Army is paying for the pesos that it uses in the area, fifty cents a peso, and it pays the soldiers, I presume, pesos. Now, in other words, what is going on is there is an enormous discrepancy between the value which the Army is indicating the peso is worth and what it actually is worth, and somebody is going to be out a lot of money unless something is done soon, and probably it will be the Treasury, because the Philippine Government in its relations to this Government is such that they will expect us to make good.

Now, we are a little reluctant to get into that, because it is a Department of Interior matter, and we have told them about our objections. But what I would like to--

H.M.JR: Is the American soldier the loser on this?

MR. WHITE: If he is getting it, I think he is, and I don't understand why we haven't got more complaints.

MR. BELL: There isn't much there to buy at the moment, and they are not seeing the high prices. They are getting most of their stuff from the P.X's, aren't they?

H.M.JR: If you fellows think it is wrong, why don't you write a letter for me to sign to Secretary Stimson?

MR. WHITE: All right.

H.M.JR: And Forrestal and the Secretary of State.

MR. BELL: They bought a lot of these pesos before they ever went in the Philippines.

H.M.JR: And particularly if the American soldier is being gypped, Harry.

MR. WHITE: We may have to get a little more information. I don't know whether they are getting bonuses or not.

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MR. FRIEDMAN: No, they are being paid at the rate of fifty cents to one dollar.

MR. WHITE: We may have to get a little more information to be ready.

H.M.JR: All right. Does anybody have anything that is not too important and does not take too much intelligence for this group to understand?

MR. WHITE: I'll hear about that for a long time. All right, I'll give it to you. I'll be glad to give it to you. All right, you'll have to call a halt on this. I could begin by reading the letter. Don't you want me to read the letter? I am willing to raise it.

H.M.JR: Your judgment is excellent, Harry.

MR. WHITE: I haven't got the letter anyway.

MR. COE: Mr. Secretary, did you dictate what the President said to you about China?

H.M.JR: My dear fellow, you spoke to Mrs. McHugh. Mrs. Klotz talked to Mr. Morgenthau, and it's in the works. We don't wait so long on that--

(Discussion off the record.)

MR. WHITE: Do you want to raise this other subject that he raised about--does Dan Bell know anything about the Stabilization Board being named as the arbiter of lend-lease military goods? This is the first I have heard of it. I don't know whether you have.

MR. BELL: You mean the Davis Board?

MR. WHITE: The Vinson Board--I mean War Mobilization.

MR. BELL: No, I don't know a thing about it. We are not on that Board, are we?

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H.M.JR: No. I never raised it. I don't know how you feel. I hate boards. Did anything happen this morning?

MR. BELL: No. They have an order--an Executive Order which will give the Federal Reserve Board authority under section 5b under Trading With the Enemy Act to control real estate credit. I don't think it's very important and won't do much good. It might have a little psychological effect, but it goes along with that tax program which they suggested which is not being received with any enthusiasm by Mr. Doughton.

H.M.JR: Okay.

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TREASURY DEPARTMENT
WashingtonFOR IMMEDIATE RELEASE,
Thursday, May 17, 1945.Press Service
No. 46-24

At meetings held with the Secretary of the Treasury at which Mr. Fleven, Minister of Finance and National Economy of the French Government, conferred with representatives of the United States Treasury and War Department, consideration was given to the problems which are of concern to the Secretaries of War and Treasury relating to the welfare of American soldiers in France. Agreement was reached on the principle of a program intended to provide more entertainment facilities and non-rationed goods at special terms to the soldiers.

Mr. Fleven emphasized the French Government's desire to make arrangements allowing the numerous American soldiers who will transit or stay in France during the redeployment or repatriation operation to have the greatest possible opportunities of enjoying their brief stay in France.

It was also agreed that the War Department would appoint a representative to cooperate with the American forces in France and the French Government in Paris for the purpose of working out details of the program immediately. These details will be announced in the very near future as soon as decision has been reached.

oOo

May 17, 1945
4:24 P. M. 210

Mr. Daniel
Bell: Yes.

HMJr: Dan, I meant to tell you when I was over at the White House Wednesday, McKim - I think that's his name isn't it?

B: Yeah, McKim.

HMJr: He was asking about you. He said he wanted to meet you and have lunch with you the way he said.

B: Ahuh.

HMJr: And that he thought you could be helpful. Might I suggest that you don't wait - that you give him a ring and invite him to have lunch with you.

B: Sure. I'll do that.

HMJr: Because I think that some of us -- I'm doing the best we can with Truman, and I think if you would kind of work with McKim, it would be helpful.

B: Yes. Well, I said, you know - you introduced me over there and I said, "Well, let's get together some day for lunch." And he said, "All right, I'll give you a ring." But I'll beat him to it.

HMJr: I gave you quite a build-up.

B: Well, good. Thank you very much.

HMJr: Will you do that?

B: Yeah, I will - right away. I'll get him probably Saturday, I've got a luncheon engagement tomorrow.

May 17, 1945
5:19 P. M. 211

HMJr: Hello.

Operator: Mr. Clayton.

HMJr: Hello.

Mr. Will Clayton: Hello, Henry.

HMJr: Will, I'm sending you a copy of my letter to one T. V. Soong.

C: Yes.

HMJr: The whole thing is finished.

C: Good.

HMJr: I wrote a letter to Mr. Grew thanking him for the help that you and Mr. Collado gave me.

C: Fine.

HMJr: And I've sent the President a copy of the whole correspondence.

C: Oh, that's fine.

HMJr: In my conversation with the President, he said that T. V. Soong admitted to him that their transactions in regard to gold, up to now, had been unfortunate.

C: Yeah.

HMJr: And were a mistake. But under T. V. Soong they would be all right.

C: I didn't get the last.

HMJr: Said they would be all right under T. V. Soong.

C: Oh, I see - for the future.

HMJr: So, I said I hope so.

C: Let's us hope. (Laughs)

HMJr: And I told the President that I had decided - based on the letter, incidentally Soong had given him a copy of my letter but the President couldn't locate it....

C: I see.

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HMJr: I said "based on the letter -- it was the word of the Government, I had decided to let them have the balance of the 190 million dollars worth of gold.

C: Yes.

HMJr: But I subsequently got a letter from State Department which had been helpful to me, but I had made the decision first.

C: Yes, well, that's fine.

HMJr: That's what you wanted me to tell him.

C: That's right, Henry, and that's fine. I'm so glad that we got it all settled.

HMJr: Well, T. V. said he couldn't leave town until he got the letter. I gave him hell in the letter.

C: Yeah.

HMJr: But I also gave him the gold.

C: (Laughs) I imagine that he will feel that it is a fair exchange. He gets the gold so he is willing to take the hell. (Laughs)

HMJr: Well, we put it all in the same letter.

C: In the same package.

HMJr: And if he doesn't like it, he can give me the gold back.

C: Give the whole thing back. Well, you won't get it back. (Laughs)

HMJr: Well, thank you so much for calling.

HMJr: No, it's the other way around. Thank you.

C: O. K., Henry.

HMJr: Goodbye.

May 17, 1945
5:45 P. M.

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HMJr: Fine. Look, we have a very fine war bond picture that Hollywood did for us - it lasts 17 minutes.

Mr. Matthew Connelly: Yes.

HMJr: And I'd like the President to see it the next time he has a picture show over there. How do I do that? Who do I send the film to?

C: Well, Bob Denton has been handling all of that stuff for us over here.

HMJr: Bob Denton?

C: He's with Paramount, I think. But I'll tell you, Charlie Ross can take care of it.

HMJr: Heretofore I would send it over to the usher.

C: Well, he'd be all right, but Charlie can set them up.

HMJr: Charlie Ross?

C: That's right - press secretary.

HMJr: I mean I thought some evening when the President saw - next time he saw a picture.

C: Swell. I know he would be happy to see it, too.

HMJr: Yes. It is master of ceremony by Bob Hope. It is very good.

C: Very good.

HMJr: I'll send it - will you say a word to Charlie Ross?

C: Yeah, I'll talk to Charlie about it so he'll know what it is all about.

HMJr: Thank you.

C: O. K. Thank you a lot.

May 17, 1945
5:47 P. M.

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HMJr: Listen, I saw that War Bond picture that Zanuck did.

Mr. Ted Gamble: Yes.

HMJr: It's excellent.

G: I had been very anxious for you to see it. I thought it was wonderful.

HMJr: I'd like you to write a letter for me to Zanuck.

G: Fine.

HMJr: Now, I just called up Matt Connelly and said I would like the President to see it, and he said he would arrange it if we would send it over to Charlie Ross.

G: Yes.

HMJr: Now, can I leave that part with you?

G: Do they want it before morning?

HMJr: No.

G: Well, we'll have it over there tomorrow morning bright and early.

HMJr: Tomorrow morning to Charlie Ross. So that the next time the President has a picture he'll see it.

G: Fine.

HMJr: All right.

G: All right, sir. I wish you would - as convenience permits - see all of the Bond shorts. You'll like them all.

HMJr: Well, one at a time.

G: All right, sir.

HMJr: O. K.

G: Thank you.

HMJr: All right.

G: Right.

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

OFFICE OF THE
EXECUTIVE DIRECTOR

MAY 17 1945



My dear Mr. Secretary:

I am pleased to send you herewith a copy of the report of the War Refugee Board for the period from April 23 to May 5, 1945.

Very truly yours,

William O'Dwyer
William O'Dwyer
Executive Director

The Honorable,

The Secretary of the Treasury.

Enclosure.

Report of the War Refugee Board
for the period from April 23 to May 5, 1945

OPERATIONS FROM SWITZERLAND

During the last week in April four convoys of trucks brought more than a thousand detainees to Switzerland from the concentration camp at Mauthausen, near Linz. Two columns comprising twenty-eight trucks arrived on April 23 and 24, and a third convoy of fourteen trucks reached Switzerland on April 25. Representatives Katzi and McGlelland cabled us of the arrival of these trucks and advised us that the three convoys were officially reported to have evacuated a total of 781 detainees, most of whom are women of French, Belgian, and Dutch nationalities. The fourth convoy consisting of thirteen prison-of-war trucks arrived on April 30 after a long and difficult trip during which ten persons died. Most of these detainees are French women, and there were reported to be few Jewish women among them. This group of about 300 evacuees was expected to be the last which would arrive from Mauthausen although several trucks which were in the original convoy had not yet returned. The deportees rescued from this camp reported that conditions there were frightful and that the most brutal type of extermination was in progress.

According to reports of two International Red Cross delegates who were at the concentration camp of Theresienstadt on April 7 and of another individual who visited the camp on April 16, more than 20,000 Jewish detainees were there in the middle of April. Included in this number were 8,000 former Germans, 8,000 Czechs from the "protectorate," 1,900 Hungarians, 1,000 Slovaks, 800 Dutch, and about 300 Danes. The latter were said to have been removed from the ghetto on April 15 by Swedish Red Cross trucks. It was indicated that about 40% of the inmates of this camp had been transferred there during the course of the past two or three months, particularly the Czechs and the Hungarians, the latter from Austria. Apparently most of the remaining Latin American document holders and Palestine certificate holders at Bergen Belsen had also been transferred to Theresienstadt. One of the InterCross delegates visited the camp again on April 21 and reported that 4,000 new Jewish internees, most of them apparently from the "protectorate," had arrived since his earlier visit. He described conditions there as good in every respect. A late cable from Representative McGlelland reported that an SS official is said to have given assurance that the status quo at Theresienstadt, the

last large concentration camp remaining in the hands of the Germans, would be maintained and that there would be no last minute extermination of its inmates.

The individual who visited Theresienstadt on April 16 reported that on April 12 he had also visited the camp of Hamburg-Neuengamme, which he described as a relatively good one. He estimated the number of inmates at from 9,000 to 10,000, half of whom were said to be Danes and Norwegians who enjoyed fairly good treatment and were actively assisted by the Swedish Red Cross. The others were reported to be Russians and Poles. This informant also reported that there were close to 30,000 Hungarian Jews on former Austrian territory at the beginning of April, two-thirds of them being forced labor battalions of the Hungarian army, one-third being persons who were deserted there in June 1944. It was estimated that approximately 80% of these Jews were left behind when the Germans withdrew.

According to these visitors to Theresienstadt, four truck loads of relief goods, which left Switzerland on March 29 as reported earlier, were satisfactorily received and distributed. On April 25 Representative McGlelland reported that since March 23 there had been shipped from Board stocks in Switzerland approximately 16,790 parcels destined for Theresienstadt, Landsberg-am-Lech, and camps in the Vienna area. In addition, fuel obtained through the Board's efforts made possible shipments of substantial relief supplies furnished by private organizations. With the development of German territory northeast of the Swiss border into a scene of military operations, it appeared that further shipments of relief supplies might be precluded. Two days later, however, Representative McGlelland cabled that the outlook appeared more favorable and that an attempt would be made by InterCross to dispatch at least one more convoy to Mauthausen and possibly other smaller convoys to Theresienstadt and Landsberg. Plans were also being made to send Board parcels with an emergency InterCross truck convoy to the Bolzano region in northern Italy to carry relief to several thousands of badly undernourished Italian deportees who were escaping across the Brenner pass into Italy during the last half of April under conditions of great physical hardship. Several hundred Jewish deportees who were reported still at the concentration camp of Gries near Bolzano were also to be included in this relief action. Four Swiss commercial trucks, which left Switzerland on April 25 to repatriate Swiss citizens from Austria, carried 8,550 Board parcels and other relief goods to be off-loaded at Landsberg-am-Lech en route.

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EVACUATIONS FROM SWITZERLAND

Plans for the evacuation of the two groups of Bergen Belsen and Theresienstadt refugees were reported by Representative McGlelland to be shaping up satisfactorily, the move being coordinated with military authorities and UNRRA, with Swiss authorities handling all preliminary preparations, including the formation of convoys, the supplying of railroad cars, medical personnel, etc. The two groups include refugees of Dutch, Hungarian, Rumanian, Czech, Yugoslav, Polish, and former German nationalities, and all except those of Dutch nationality are to be evacuated. The destination of the refugees has been changed from Philippeville to southern Italy, and it is expected that their evacuation will be effected in two groups of approximately 1,100 persons each, with possibly a third smaller group later. Preparations in Switzerland for the movement were practically completed on May 1, and it was indicated that the first convoy probably would leave by the middle of next week.

OPERATIONS FROM SWEDEN

It was learned that, instead of approximately 5,000 Danish and Norwegian Jews as indicated in the Board's report for the preceding period, the number of persons in the group which actually reached Sweden was 425. All of these refugees are of Danish nationality, and it was stated that informed sources have indicated that this group comprises the living remainder of approximately 525 Jews originally deported from Denmark, the others having died in concentration camps. The arrival of fifty Norwegian Jews from a concentration camp in Norway was reported on May 3.

A cable from Minister Johnson summarized the report of a Red Cross representative who recently visited Malmö to investigate the condition of 7,000 refugees released from concentration camps in Germany and evacuated by the Swedish Red Cross to Sweden via Denmark with the help of the Danish Red Cross. The majority of these refugees are women released from Ravensbrück, with a small number of men from Neuengamme and other concentration camps; included are 2,000 Swedish Germans or German Swedes, 1,000 Polish men and women, 800 French women, 20 British women, 29 Dutch women, 59 Belgians, 7 women claiming American citizenship, and some 3,000 Danish and Norwegian men and women. Volunteers from various organizations in the city of Malmö, which is serving as a quarantine and receiving center, are caring for the evacuees.

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According to the refugees, only those persons in the best physical condition were released from Ravensbrück, and doctors' statements indicate that the average evacuee patient is at half her normal weight. Two international Red Cross ships were reported to have left Lübeck on April 30 with 1,000 more refugees to be taken to Malmö. Another cable from Stockholm brought the information that about 1,200 Jewesses are among approximately 3,000 women who have arrived in Sweden from Ravensbrück and that the arrival of other women from that camp is expected.

Information from a confidential source indicated that there had been about 50,000 Jews in Bergen Belsen and 6,000 in Buchenwald. (According to another report believed to be reliable, there are 3,000 Jews at Buchenwald, of whom 600 are orphan children.) There were said to be an additional 20,000 in Mauthausen, 20,000 Jewish women in Ravensbrück, and 25,000 Jews in Theresienstadt. The number in smaller concentration camps in southern Germany and in Austria was not indicated.

UNITED JEWISH WELFARE FUND CAMPAIGN

The campaign of the United Jewish Welfare Fund of Los Angeles to raise the funds required for its 1945 programs opened on May 1. In an address delivered at the Hotel Ambassador in Los Angeles to the opening meeting of the campaign, Mr. O'Dwyer, as Executive Director of the War Refugee Board, sketched the progress of rescue and relief work during the early war years and the developments in these activities which resulted from the impetus provided by the United States Government with the establishment of the War Refugee Board. Tribute was paid to the devotion of the private agencies whose resources and energies were directed to meet unparalleled human need and whose organization and facilities find an equally vital need now with the shift of emphasis from rescue work in enemy territory to the task of keeping alive and rehabilitating those who have been saved.

William O'Dwyer
William O'Dwyer
Executive Director

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date May 17,
1945

TO Secretary Morgenthau
FROM Randolph Feltus

The attached squeal comes from a
stuck pig.

R.F.

Regraded Unclassified

SAVE

HEADQUARTERS, ARMY AIR FORCES
WASHINGTON

May 17, 1945

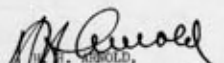


The Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington 25, D. C.

Dear Mr. Secretary:

Many thanks for your letter of May 8th. With the half way mark of VE-Day behind us, the Army Air Forces are wholeheartedly concentrating on our next objective - the total defeat of Japan. When this is achieved I believe that President Roosevelt's great faith in Air Power will again be justified, and, as in the case of the Germans, additional testimony is expected from the Japanese themselves.

Sincerely,


H. H. ARNOLD,
Commanding General, Army Air Forces

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GOVERNMENT HOUSE,
BAHAMAS.

17th May,
1945.

Haldorf Towers
New York, N. Y.

Dear Mr. Morgenthau:

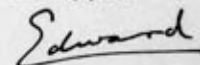
I wish to thank you in behalf of the Duchess and myself for the courtesies extended to us by the Treasury Department in authorizing the free entry of our effects into this Country.

Having resigned from the Post of Governor of the Bahamas, we were leaving Nassau for good and had to evacuate all our personal belongings. The facilities afforded to us by the United States Customs in Miami, Florida, therefore, greatly assisted our transportation problem, and I want to assure you that this gesture of your Department is greatly appreciated.

With my best regards

Believe me,

Sincerely yours



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

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May 17, 1945

My dear Eleanor:

I announced at my press conference today that the next dime would bear the portrait of Franklin. For some reason, which I don't understand, Doc O'Connor didn't want me to say anything about the "March of Dimes", which is all right with me.

I also told the press that we were proposing to put Franklin's picture on one of the bonds for the Eighth War Loan Drive, and that we most likely would have the Eighth War Loan Drive in memory of him. I hope it also can be in celebration of peace in the world, but that most likely will not come that soon.

During my press conference, I got the idea of offering three prizes to the working press for the best suggestion of a quotation of Franklin's, and they seemed to like the idea, *if he went under his picture on the Bond*.

The War Bond people had a painting made of Franklin by Mr. Beall. I am going to withhold my own comment on it as I am sending it to you, and I would like very much to know what your opinion of it is, and whether you approve or disapprove of its use by the Treasury.

I continue to get good news from Elinor, and am going down tomorrow afternoon to spend the weekend with her.

Affectionately yours,

(Signed) Henry

Mrs. Franklin D. Roosevelt,
Hyde Park,
Dutchess County, New York.

SPECIAL

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE May 17, 1945

TO Secretary Morgenthau

FROM Randolph Feltus

Subject: Public Relations Recommendations

Part I

In accordance with your request, I am submitting herewith several suggestions for immediate steps which can be taken to improve your personal relations with the press and public with a view to counteracting organized effort to force you out of office.

We have already seen evidence of attempts to stampede the President into acceptance of your resignation. There will be more of this and, while it may not become serious, a counter campaign would not be wasted in any event for it would become a part of your general public relations program.

I recommend the following specific projects. (These are sketched in broad outline. If you want detailed plans for any of them, let me know)

1. (If you can afford it personally) That you announce appropriately your intention to use your salary as Secretary of the Treasury for the remainder of your present term of office (until 1949) for the establishment of 15 fellowships to be known as the "Franklin D. Roosevelt Fellowships for Returning Veterans." Each fellowship would involve a stipend of \$1000. They would provide for advanced study in money and banking to develop public servants in that field (or some other field in which you have identification).

This project would accomplish several things:

(a) It would show that you expect to remain in office and would stop rumors and conjecture on this point.

(b) It would counteract the propaganda that you are a "cold" person, by showing that you are thinking of the servicemen.

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(c) It would be your tribute to the late President Roosevelt.

There would be many opportunities for publicity in this. The general announcement, stories on the selection committee which would choose the recipients, stories on the recipients each year, etc. etc.

2. Articles and column comment on the accomplishments of your administration as Secretary. These can be planted from time to time.

3. Any event or occasion which recognizes your accomplishment would be of value.

(a) Perhaps it could be arranged for you to be awarded an honorary doctorate by an appropriate university. The citation would call attention to your record.

(b) A foreign decoration might be arranged.

(c) A business group might make a special award to you in recognition of efficient method of handling taxes -- decentralization, etc.

(d) A conservative group might honor you for outstanding service in connection with war finance. (All these things would require finesse in handling, but a good public relations man could plant the seed and direct the course of the ceremony without showing his hand.)

4. You should be identified with the late President Roosevelt's policies wherever possible. Truman has dedicated himself to their continuance. If you become the symbol of the Roosevelt political philosophy, your position with relation to Truman is strengthened. The French idea is good in this connection.

5. You should play up your role as a farmer. For example, an article about your farm - from a practiced farmer's point of view - could be planted in the Farm Journal, Country Gentleman, and Cappers' Weekly.

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A crate of apples to certain key senators and representatives would be appreciated. The senators send each other products of their states and are accustomed to these gifts. These should not be sent while important Treasury legislation is pending.

6. Every effort should be made to ~~make you~~ stress to the public that you are a warm and human person. You naturally have an occupational aura of coldness. Anyone in your position would have this to overcome.

Your manner and personality are anything but cold and aloof. It would not be hard to overcome the occupational stigma that goes with high finance. Baruch did it with his park bench. John D. Rockefeller did it - on advice of public relations counsel - by giving away pocketfuls of dimes. A device can be developed for you.

In this connection you should do more entertaining -- luncheons at the Treasury; dinners and cocktail parties at home. Not high-flown social gatherings. Your guests should be principally press and radio people, senators and representatives. Creative people in literature and the arts should be brought in. They do a lot toward shaping a man's reputation.

7. You should take even more of a lead than you have in helping the destitute abroad. Herbert Hoover, for his own ulterior motives, made a reputation in this way. Dewey is trying it now. You have intense feelings in this connection and can quite legitimately (and in conscience) do what they have done and much more because you are sincere.

8. You should play the Morgenthau Plan on Germany all the way. That is, as far as you can without jeopardizing your relationship with Truman.

9. Taxation - this gets over into Treasury public relations, but your personal conduct in this connection is important.

(a) On taxation you should beat Doughton and George to the announcement of reductions - when you are sure they are coming. Your emphasis should be placed on the little fellow but you should magnanimously recognize the problem of the "struggling" monopoly.

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(b) You should take an active part in the racketeer investigations. The public loves G-men. If you personally went with Irey and his men to New York or Miami and dramatically broke up a black market - tax evasion racket ~~it would~~ *pay publicity, dividend.*

10. Your activity with relation to returning veterans is important. You should make some direct contribution in this field. Perhaps a special war loan drive dedicated to the veteran would be effective.

We should find some device through which you can identify yourself with the American Legion or VFW in a project to help the veteran.

11. Being "from New York" - even New York State - is a handicap with the people from other parts of the country. This can be overcome by showing specific interest in other sections. The following is a device for making you known as a friend of the South and West.

Both the South and West are characterized by regional feeling which often manifests itself in a resentment toward the East and toward the Government. These sections feel neglected by Government and exploited by Eastern capital.

You could conduct a series of regional conferences with business, labor, and other groups to discuss how Treasury can aid those sections in postwar development. You can hear their gripes on taxes, customs, etc. You can work out equitable programs which will please them, help the country, and at the same time help knit together the various sections in support of the Truman administration.

The conferences should be held with all possible attendant publicity.

I confess that I am not familiar enough with Treasury's functions to know specifically how you can help these regions, but there are doubtless many ways.

The feeling of participation such a project would engender on the part of the publics of these regions would make advocates for Treasury's programs in the future.

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The foregoing suggestions are just a few to show the types of activities and the general pattern for developing favorable public attitudes. There are many more ways of accomplishing the desired result which can be brought out with further analysis of the problem in the light of imagination.

SPECIAL
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE May 17, 1945

TO Secretary Morgenthau
FROM Mr. Feltus

Subject: Public Relations Recommendations

Part II

I

In accordance with your request, I am submitting herewith my suggestions for improvement of the Treasury's public relations. This, of course, necessarily involves recommendations for the improvement of your own personal public relations, because in the public mind, you, personally, and the Treasury are one and the same.

I must preface my recommendations by stating, as I have verbally, that I am not a candidate for a position in the Treasury after my present Bretton Woods assignment expires.

I ask that you keep this document and conversations concerning it confidential. This is necessary, from my point of view, because in order to be helpful to you, I must expose your associates - and, for that matter, you personally - to the frankest analysis. I shall deal with personalities only to the extent necessary to point up the public relations problems of the Treasury. That is to say, it may be essential at times to discuss personal deficiencies of certain Treasury personnel insofar as these deficiencies affect public relations policy.

Likewise, I trust that you will accept the criticism I may direct at you personally as my attempt to give sound professional advice. In this connection, I might point out that the public relations counsel is not unlike a physician in that he must diagnose the case before he can prescribe treatment.

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II

Just as was the case with Bretton Woods, it is essential that certain policy determinations be reached before any program of public relations for you and the Treasury can be launched with any hope of success.

We must determine the objectives which the program will seek to gain and the basic policies to be pursued in working toward those objectives.

Let us assume that the general overall objective is to develop a better understanding of Treasury by the general public and by Treasury's special publics with a view to securing support of these publics for Treasury's policies and programs.

(At this point it might be helpful to define Treasury's special "publics". They are: Congress, the White House and other executive departments of the Government, the financial world, and other special groups with which Treasury deals in the course of its work. Two of Treasury's special publics, war bond holders and taxpayers, are so large as to amount to the general public for all practical purposes.)

Specific objectives of Treasury's public relations program are the stimulation of public interest and crystallization of public opinion in support of Treasury policies and projects, such as tax programs, bond drives, legislative matters, etc. (Public opinion in these instances may mean general public opinion - which is nearly always desirable - or special public opinion as discussed above.)

In order to determine the basic policies which should govern all attempts to mold public opinion in support of the Treasury, it is necessary to consider the Treasury in relation to other parts of our society.

Treasury cannot pursue a course unrelated to that of the Administration in general, nor can it divorce its actions from political considerations, national or international.

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Thus the important underlying objectives governing all Treasury action should be full employment and full production at home and close international cooperation abroad. To assure accomplishment of these all-important purposes, it is necessary to have a strong Democratic party. Thus, Treasury must always work in this direction.

(If you accept this telescoped reasoning, you will see why my recommendations will always be based on the Treasury and the Secretary as elements in a political compound as well as instruments for public service. To serve fully, the Treasury must be ever mindful of its political functions; it must never treat its own operations as complete within themselves, but as parts of a much larger whole. I am sure you agree with this, for I have seen you work in this way.)

III

Treasury should have a modern public relations division. This should be headed by a public relations counsel responsible directly and only to the Secretary. He should have all the rank necessary to give him authority and should serve as a policy man. He should understand the techniques and mechanics of public relations - how to use all media - but should not be hog-tied with mechanical functions. He should be given an adequate staff, with as high-salaried personnel as possible.

I might say here that nothing could be more erroneous than to assume that the newspaperman is necessarily a good public relations man. Knowledge of the mechanics of the newspaper profession and of the psychological attitudes of the press fraternity is essential, but the public relations man must have far more than this. He must, first of all, have an intellectual understanding of the social, political and economic problems of our society. He must be a practical politician as well as a craftsman in the techniques of public relations.

Under such an individual, there should be established the following sections:

1. Press and Periodicals
 2. Radio
 3. Publications, speeches and graphics (including photography)
 4. Motion picture
- (Perhaps 2 and 4 can be combined)

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The director should have an assistant in charge of research who would work with research staffs in various Treasury bureaus. Each of the sections should be headed by a top flight specialist.

I have not attempted to go into detail with relation to procedure. If you wish, I can give you a breakdown of the functions of each of the proposed sections.

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May 17, 1945

My dear Senator Berry:

Please accept my sincere thanks for your letter of May 9 in which you refer so feelingly to our departed leader, President Roosevelt, and to the ties of close friendship which bound many of us to him; and also for speaking in such complimentary terms of the unprecedented record of the War Bond program of the Treasury Department.

The Secretary of your International Union, Mr. Joseph C. Orr, has been most thoughtful in sending us at frequent intervals the figures of the War Bond record of your Union. We consider them so admirable that we recently sent the Union, through Mr. Orr, a Treasury citation. We feel that our War Bond program represents a new triumph of American democracy and are glad to acknowledge that a considerable part of its success has been due to the spontaneous and unflagging cooperation of Organized Labor.

Sincerely,

(Signed) H. Mergenthau, Jr.

Hon. George L. Berry,
President,
International Printing Pressmen
and Assistants' Union of North America,
Pressmen's Home, Tennessee.

JLM:MM



INTERNATIONAL PRINTING PRESSMEN & ASSISTANTS' UNION of NORTH AMERICA

A PROGRAMMATIC AND HUMANITARIAN ORGANIZATION OFFERING SERVICE AND
PROTECTION TO ALL FREEDOM WORKERS OF NORTH AMERICA, OPERAT-
ING A TECHNICAL TRAINING SCHOOL, HOME FOR DEPENDENT-AGED
MEMBERS, SANATORIUM, THE AMERICAN FREEDOM
OLD AGE PENSION AND DEATH BENEFITS

HEADQUARTERS
PRESSMEN'S HOME, TENNESSEE
OFFICE OF GEORGE L. HERRY, PRESIDENT

May 9, 1945

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

My dear Mr. Secretary:

Things are happening with such great rapidity that one
can hardly anticipate the occurrences of the tomorrow.

I know of your devotion to our departed friend and there
presents the possibility of your retiring and I want to
send this message to you so as to meet any eventuality.

I want to whole-heartedly congratulate you upon the
splendid manner in which you have conducted the war drives
and the sale and disposition of War Bonds and Stamps. It
has been, in my judgment, an unprecedented record.

We have endeavored to meet this inspiring leadership of
yours by doing the best that we can and so, as a compliment
to your leadership, I wish to say that on May 1, 1945, we
had purchased \$8,117,032.23 in War Bonds and Stamps. For
a little organization, I submit that this is not bad.

With good wishes to you, believe me to be

Sincerely,
George L. Herry
President.

GLB-lhc

Handwritten note:
L. Herry's office
A. Herry - 4/1/45

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT 237

TO : Secretary of the Treasury

DATE: May 17, 1945

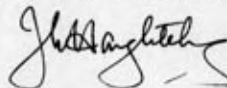
FROM : James L. Houghteling

SUBJECT:

I attach herewith an answer to a letter which you recently received from George L. Berry, President of the International Printing Pressmen and Assistants' Union of North America. The drafting of this letter was somewhat difficult, because ex-Senator Berry was, before his retirement from politics, a constant and severe critic of the present administration.

The War Bond record of his International Union has been creditable although not outstandingly so. I have my doubts how much of its record should be credited to the efforts of President Berry.

However, the Labor Section never looks a gift horse in the mouth.



Attachment



THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

May 17, 1945.

TO THE SECRETARY:Press Conference

You might wish to announce that the Mint is in process of making a new dime with the likeness of President Roosevelt on it. It will be around the first of next year before this new coin can be completed and made available to the public.

(Note: Basil O'Connor is hoping that you will not mention the Mile of Dimes Campaign at this time if you have to announce the new coin. We should announce it because it cannot be worked on in the Mint without it becoming generally known.)

Roosevelt Bond

You might also like to announce that the Treasury is giving consideration to a Roosevelt War Savings Bond for the next War Loan. It will take several months to engrave it and have it in production. In this connection we are giving some consideration to a short statement of President Roosevelt to be printed on the face of the bond under his portrait. Maybe the newspaper representatives would like to suggest some statement taken from the President's official statements.

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May 17, 1945

My dear Mr. President:

I am enclosing herewith several newspaper clippings as a result of your statement on taxes. In case they have not already been brought to your attention, I am sure you will find them very encouraging.

Sincerely yours,

(Signed) Henry

The President,
The White House.

The Evening Star

MAY 17 1945



Odysseus and the Siren

The News

MAY 17 1945

MR. TRUMAN ON TAXES

FEDERAL taxes must not be reduced until Japan is beaten, says President Truman. He is right. Welcome as any relief from the present tax rates will be, when it can be given safely, the time for it is not yet. So long as huge spending on war has to continue, sound Government fiscal policy and good faith with the millions of people who own War Bonds must be the first consideration.

That calls for high taxes. And for drastic cuts in non-essential spending, on which Mr. Truman and Congress are making an encouraging start.

The President, as we understand it, has not ruled out the tax-law amendments, already agreed to by the Treasury, which are intended to permit corporations to use certain reserve funds for reconversion. These amendments will not reduce the ultimate wartime tax liabilities of the corporations affected, but should enable them to get ready sooner to provide peacetime jobs and pay taxes on peacetime earnings.

Mr. Truman's statement implies that tax reductions will be in order when Japan is defeated—as, of course, they will be. A law providing for these reductions should be drafted now, and held ready to go into immediate effect at the end of the war, so that business and industry, knowing what to expect, can plan with assurance to expand, produce and employ.

The Washington Post

MAY 17 1945

No General Tax Cuts

President Truman's declaration that there can be no reductions in corporate and individual income taxes until the war with Japan is over will, doubtless, give a boost to the Seventh War Loan Drive. For many bondholders will be encouraged to buy more when they hear that the President has spoken out boldly in favor of heavy taxes as a means of supporting the credit of the Government. In voicing approval of an interim corporate relief program the President has not been inconsistent, since that program provides chiefly for advancing the date of tax refunds and earlier payment of credits promised under existing tax laws. This would be done with a view to making cash available for reconversion use when it will be most needed.

When the war with Japan is over, some reductions in both corporate and individual tax rates may be considered desirable as a means of stimulating postwar business activity even before Government expenditures have been reduced to peacetime levels. But to inaugurate general reductions in tax rates while the war is still in progress would dangerously postpone attainment of a balanced budget.

For nearly 18½ months of the current fiscal year the Government deficit exceeded 40 billion dollars—2 billion dollars more than the deficit for the corresponding period of the fiscal year 1944. During the fiscal year beginning July 1 there will be some reduction in Government outlays for war purposes; nevertheless, the deficit will be tremendous even at the present tax levels. Our gross public debt now exceeds 235 billion dollars, and the Seventh War Loan Drive, aimed at obtaining a minimum sum of 14 billion dollars, will soon be added to that total. The President does well to remind us at this time, therefore, that millions of individual holders of victory bonds must be protected in their right to cash them.

The Treasury will have to urge more drive—~~may~~ be some postwar drives, after the appeal to patriotism has lost much of its wartime fervor and the people may not be earning as much as they are now. The market for Government bonds will be immeasurably stronger in future if we follow a policy of continuing to tax heavily while the war continues, instead of anticipating future reductions in expenditures by lowering tax rates prematurely.

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Submitted at the Secretary's request.
Memo from O'Connell on tax refunds

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

TO Secretary Morgenthau
FROM Joseph J. O'Connell, Jr.

Date
May 17, 1945For your information

You will recall that our experience in processing the 16 million or more individual claims for refunds of overpayments of 1943 taxes was not a very happy one. We had at first hoped that all of the refund claims could be processed within a matter of six to eight months, but the thing stretched out until, last January, you approved a change in the procedure then being followed so as to permit the then unsettled claims, some 6 million in number, to be paid without pre-audit.

It was at that time understood that since the problem of handling the refunds based on 1944 tax payments by individuals was of equal or greater size and presented substantially the same administrative problems, the situation would be watched closely and a decision reached fairly early as to whether the original system of making refunds only after audit could be stepped up enough to justify its retention.

The Commissioner's staff has been following the matter very closely and it has now become apparent that it will not be possible to do the job soon enough if such refunds are made only after checking. Because of this it is now contemplated that some 24 million refund claims will be handled and the necessary refunds actually made without first checking the credits claimed by the taxpayer with the reports of employers as to amounts of tax withheld.

Although this means that a certain number of errors will be made, resulting in overpayments in individual cases, a later check will be made which will enable us to correct them. In any event, this procedure will make it possible to complete this group of approximately 24 million refunds of overpayments of 1944 taxes by September 30, 1945. Following the original plan would take months longer and in all

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- 2 -
probability result in the job running over into next year. This, as you know, was what happened last year and should be avoided at all costs.

At one stage in our discussions it was suggested that a public statement of our adoption of the new procedure would be desirable to put taxpayers who get refunds on notice that the amount paid them is tentative only and that a check may reveal an overpayment. It was decided, however, that a preferable method of handling this matter would be to have each refund accompanied by a statement putting the taxpayer on notice that if a later check reveals an overpayment he will be called upon to return it.

The new procedure for handling this problem is already being set up, based on the informal clearance you gave me last week and which I passed on to Commissioner Nunan.

Joseph J. O'Connell

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THE WHITE HOUSE
WASHINGTON

May 17, 1945

The Honorable

Secretary of the Treasury

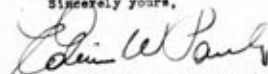
My dear Mr. Secretary:

I refer you to the report entitled
INFORMAL POLICY COMMITTEE ON GERMANY, INSTRUCTIONS
FOR THE UNITED STATES REPRESENTATIVES ON THE
REPARATIONS COMMISSION, Copy No. 30, and to Paragraph
4-D.

In accordance with our last meeting it
was agreed that I would discuss paragraph 4 in its
entirety with Justice Robert Jackson. I have
done this; likewise have discussed the matter with
Judge Sam Rosenman and I am attaching you copy of
a communication which I have received from Justice
Jackson and concurred in by Judge Rosenman.

I have suggested to William L. Clayton
that he might want to call a meeting to rediscuss
this in the light of Justice Jackson's memo before
my departure on Sunday.

Sincerely yours,

United States Representative
Allied Reparations Commission

Enclosure

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AT
✓

TOP SECRET

MEMORANDUM FOR HENRY W. PEARCE, UNITED STATES
REPRESENTATIVE ON THE REPARATIONS COMMISSION.

Re: DRAFT OF INSTRUCTIONS.

A part of this draft affects the trial of war criminals.
Section 4 from this point of view is open to serious objections.

Section 4 provides that "compulsory labor service should be required only from war criminals and individuals definitely determined by appropriate process to be members of the Gestapo, the S. S., the Reichsheimwehr, the S. S., leaders of the S. S., or leading collaborators, sympathizers of and participants in the Nazi party or administration."

This subjects persons to compulsory labor service for mere membership in these organizations. That would make it feasible to conduct trials concerning the conspiratorial character of these organizations or the guilt of their membership. The only purpose of a trial is to determine whether these organizations are of such a structure and character that membership should warrant punishment. All of this is prejudged by the instrument in question. 4 should not go farther than to read substantially as follows:

"Compulsory labor should be required only from convicted war criminals and that for the period and in accordance with the conditions of their sentence."

Beyond this, it is not my business what may be done about reparation through use of labor. But as I said to you, I think the plan to impress great numbers of laborers into foreign service, which means herding them into concentration camps, will largely destroy the moral position of the United States in this war. As Harriman pointed out to us, the treatment of this labor is bound to be "appalling" by American standards. In a year or two, there will come drifting out of Russia tales of oppressive treatment of this labor, which I fear will be all too well-founded, and which in my judgment will arouse sharp condemnation by American sentiment, with serious results to those who have favored it. I feel sure that President Roosevelt's commitments at Yalta did not contemplate the sort of thing that is now being considered. What the world needs is not to turn one crowd out of concentration camps and put another crowd in, but to end the concentration camp idea.

Respectfully submitted,

/s/ Robert H. Jackson

I concur - /s/ Samuel I. Rosenman

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HEADQUARTERS, ARMY SERVICE FORCES
OFFICE OF THE FISCAL DIRECTOR
WASHINGTON 25, D. C.

17 May 1945.

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

Dear Mr. Secretary:

I greatly appreciate your letter of 14 May in which you extend your good wishes upon my assumption of the Governorship of the Soldiers' Home and thank me for my services in connection with the War Bond Program in the War Department.

May I take this opportunity to express my thanks to Mr. Gamble, to Mr. Bartelt and the other members of the Interdepartmental War Savings Bond Committee for their outstanding cooperation and assistance to me and my associates in the War Department in connection with the War Bond Program.

Sincerely yours,

W. R. Gurney
W. R. GURNEY
Major General
Chief of Finance.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 17, 1945

TO Mr. D. W. Bell, Mr. Ted Gamble
FROM Secretary Morgenthau

I told Ned Brown that after the Seventh War Loan before we made any arrangements with any bankers in any States on how we would handle work with the banks, I would sit down with Mr. Brown, Mr. Dan Bell, and Mr. Gamble and discuss our relationship with the bankers in the States.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 5/17/45

TO Mr. Fitzgerald
FROM Mr. Russell

The following have accepted invitations to lunch with the Secretary on Monday, May 21, at 1 p.m.:

Samuel W. Bell,
Chairman, Standing Committee Correspondents
(New York Herald Tribune)

Charles J. Mack,
President, White House News Photographers' Assn.
(N-G-M)

William Costello,
Acting Chairman, Executive Committee, Radio Correspondents' Assn.
(Columbia Broadcasting System)

Gilbert W. Stewart, Jr.
Chairman, Executive Committee, Periodical Press
(News Week)

At Bell

Gamble

Gaston

Russell

Stewart

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 17,
1945

TO Secretary Morgenthau
FROM J. W. Pehle

The following is a summary of significant developments in the Surplus Property and Procurement Offices for the week ending April 14, 1945.

SURPLUS PROPERTY:

Spot sales of construction equipment resulted in the disposal of inventories at 22 different locations within the New York and Washington regions and the realized value of such disposals amounted to approximately \$238,380.

A five-day conference was held with the regional directors and their deputies in charge of surplus disposal. This meeting provided a forum at which problems of the regional directors were presented for discussion and at which policies and procedures issued from the central office were clarified.

A report of estimated declarations and disposals for the fiscal year 1946 was prepared and submitted to the Surplus Property Board for its use at a hearing before the House Appropriations Committee.

The New York regional office was requested to report to the OPA the results of the sale of miscellaneous residual goods held in Philadelphia last week so that the OPA might spot check to determine whether any of the merchandise reaches undesirable markets.

An analysis of motor vehicle sales in the various regions was made with a view to initiating corrective measures which will provide equitable distribution of such equipment among all the states.

A study was made of our inventories of goods which are in short supply in this country and plans are in progress for expediting appropriate distribution of these goods.

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Information regarding surplus wooden troughs, which have been the subject of public controversy in California, was furnished to Fulton Lewis, Jr., at his request. In his ensuing radio broadcast he mentioned the fact that these troughs were declared to us by the Army and made no further reference to the Treasury.

A number of investigative reports were reviewed to determine what action, if any, should be taken. A number of individuals and firms were recommended for inclusion on the Refer List, and several new investigations were initiated.

A plan has been worked out for the disposition of armored scout cars which have been declared surplus by the Army. Because of the special type of vehicle involved, the usual method for selling motor vehicles was modified to combine the best features of that procedure with those of the synchronized-spot-sale program.

PROCUREMENT:

Total purchases for the week amounted to \$30,064,286.60, including \$29,700,000.00 for Lend-Lease (schedule attached) and \$364,286.60 for regular purchases.

Carloadings of Lend-Lease materials totaled 3,963 cars; active contracts totaled 14,642; and net tons of material exported during month of March, 1945, totaled 515,056 tons.

Unusual requisitions for the week included 650,600 lbs. yarn, wool, spun, machine knitting, for civilian relief in Liberated Areas; 8,000,000 lin. yds. cotton sheeting for China; 20 each self-propelled steel crane barges with 20 sets of spare parts for France; and 2,770 lbs. common straight pins, usual size, for Algeria, Tunisia and Morocco.

Unusual purchases for the week included 242 net tons of low carbon steel galvanized woven wire fencing for Russia; 60,000 cc typhus vaccine for Czechoslovakia; 3,000,000 multi-wall paper bags, 5 ply, to be used for packaging super phosphate fertilizer.

The District of Columbia Public Utilities Commission reconvened the hearings on the allocation of the reduction of PEPCO rates ordered as a result of the 1944 rate case. Cross examination of some of the officers of PEPCO and the presentation of the Government's case resulted in a request by PEPCO for an adjournment for at least 30 days, which the Commission granted.

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ADMINISTRATION:

A list of Lend-Lease requisitions on which delivery has been completed, covering the United Kingdom and Russian programs, was prepared and submitted to the FEA for the use of that agency. A copy of this list will be furnished our Finance Division for the purpose of recapturing unobligated funds.

Our organization for the 7th War Loan Drive has been established. A meeting of the Bond Advisory Committee has been held and plans are being made for a vigorous drive to make the campaign a success.

The interviewing of applicants for positions with the Office of Complaints and Investigations was continued.



LEND-LEASE
TREASURY DEPARTMENT, PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF APRIL 14, 1945
(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	\$5936.5 (5936.4)	\$2579.2 (2583.1)	\$2457.4 (2457.4)	\$182.9 (172.9)	\$18.6 (18.6)	\$698.4 (704.4)
Requisitions in Purchase	\$ 162.8 (169.8)	\$ 21.5 (20.9)	\$ 15.7 (16.7)	\$ 1.4 (12.5)	-	\$124.2 (119.7)
Requisitions not Cleared by W.P.B.	\$ 90.1 (99.4)	\$ 16.6 (20.1)	\$ 30.1 (33.2)	\$ 2.7 (.7)	-	\$ 40.5 (45.4)
Obligations (Purchases)	\$4852.1 (4822.4)	\$2113.6 (2107.5)	\$2147.4 (2134.4)	\$105.8 (105.6)	\$17.9 (17.6)	\$467.4 (457.3)
Deliveries to Foreign Governments at U. S. Ports*	\$3773.8 (3753.2)	\$1902.2 (1892.0)	\$1638.8 (1627.4)	\$ 30.4 (30.4)	-	\$202.4 (202.4)

*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 7, 1945.

APR 18 1945

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Current Developments in the
High-Grade Security Markets

May 17, 1945

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE MAY 17 1945

TO Secretary Morgenthau

FROM Mr. H. A. H.

Subject: Current Developments in the High-Grade Security
MarketsSUMMARY

(1) Since the first week in May, prices of Government securities have lost some of the ground gained earlier this year (Chart I). The market is still well above the level which the Federal Reserve has agreed to maintain. Certificate prices have also declined about three-fourths of the way between the high prices (low yields) of April 7 and the low prices of last December (Chart II).

(2) Current market quotations on outstanding issues indicate theoretical premiums of about 1/2 point on the Seventh War Loan 1-1/2's and 2-1/2's and a premium of over 3/4 point on the 2-1/4's.

(3) Since the Sixth War Loan, there has been a substantial shift of bank holdings of Governments from short-term to medium- and long-term issues (Chart III).

(4) Profits of insured commercial banks in 1944 were 18 percent above 1943 and higher than in any previous year. Interest and dividends on securities -- mostly Governments -- were the largest single item in bank earnings, amounting to \$1,090 million.

(5) In March and April there was a general decrease in the larger denominations of paper money in circulation for the first time since our entry into the war. Total money in circulation continued to increase, however.

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Secretary Morgenthau - 2

I. In Last Two Weeks Prices of Governments Lost
Part of Recent Gains

Since the first week in May, prices of Government securities have declined on balance. Unrestricted taxable bonds in the 2 percent area have been particularly weak, having declined on the average about 12/32 from their all-time highs, which were reached in the majority of cases during the week preceding V-E Day. Declines in the prices of restricted taxables in the same period averaged only about 3/32. Partially tax-exempt bonds fell, on the average, about 6/32. However, the market is still well above the level which the Federal Reserve System has promised you that it will maintain.

Recent changes in the prices of taxable securities are reflected in Chart I, which shows the prices of the securities offered in the Sixth War Loan from the first day they were traded.

The improvement in the market for certificates of indebtedness, which had been in progress since the beginning of this year, was reversed early in April. Yields have risen materially (the market has fallen in price) since the low yields on April 7. By the end of last week, the certificate market had lost about three-fourths of the improvement it had registered between the date of your letter to Chairman Eocles on the subject last December and April 7. (Chart II.) (On April 7, the market was a little better than the September 1, 1944, level mentioned in your letter to Chairman Eocles.)

Under Secretary Bell has discussed the recent developments in the certificate market with Mr. Rouse, who told him that the Open Market Committee expected to hold certificates at approximately their present level through the Seventh War Loan drive, after which they expect the market to rise.

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Secretary Morgenthau - 3

II. Pricing of Seventh War Loan Issues

The following table compares the theoretical premiums on the Seventh War Loan issues, based on yesterday's market, with those based on the market immediately preceding the announcement of maturities, and on April 20, the date covered in our previous memorandum reporting on the pricing of these issues.

Issue	Theoretical premium		
	April 2	April 20	May 16
1-1/2's of 12/15/50	12/32	25/32	14/32
2-1/4's of 6/15/59-62	19/32	19/32	27/32
2-1/2's of 6/15/67-72	16/32	10/32	16/32

III. Bank Holdings of Medium- and Long-Term Bonds
Increase Sharply

The sharp rise in the prices of Treasury bonds in the 2 percent and unrestricted 2-1/2 percent areas during the first quarter of 1945 was primarily the result of bank purchases in the market.

Banks reporting their holdings to the Treasury ^{1/} bought, net, during this period about \$1,200 million of the 2 percent bonds that had been issued in the Sixth War Loan; about \$195 million, net, of other medium-term issues; and about \$340 million, net, of long-term issues. The total of the purchases of these issues by these banks -- \$1,735 million -- is a very substantial one for so short a period in which no new securities were being offered to the market by the Treasury.

^{1/} Some 7,400 banks report each month. They own 95 percent of the Government securities owned by all commercial banks in the country.

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Secretary Morgenthau - 4

Large banks, which as a group had deposit declines during this period, financed these declines and their purchases of medium- and long-term issues mostly by selling short-term securities. (Chart III.)

Smaller banks which as a group had deposit increases during this period (as funds were transferred to them from the large banks referred to above) used the funds so obtained to buy medium- and long-term issues.

The supply of Sixth War Loan 2's in the market during this period came primarily from mutual savings banks, dealers, and other investors who had made greater purchases of Sixth War Loan issues than they wanted for permanent holding.

IV. Bank Profits Hit New High in 1944

Figures on earnings and expenses of all insured commercial banks, released last Thursday by the FDIC, indicate that net profits after taxes of such banks were 18 percent higher than 1943 and higher than in any year since the beginning of deposit insurance in 1934. (Figures for the same group of banks prior to 1934 are, of course, not available; but a comparison of the trend of insured bank profits with that of member bank profits indicates that 1944 was also an all-time high for the profits of all banks.) Earnings for the year amounted to 9.7 percent on total capital.

Interest and dividends on securities of \$1,090 million was the largest single item in the current operating earnings of insured commercial banks. This figure, which compares with \$509 million in 1941 before war financing had become an important factor in bank earnings, represents 49 percent of current operating earnings. The corresponding percentage in 1941 was 29. In contrast to this experience, interest and discount on loans decreased from \$548 million in 1941 to \$681 million in 1944. (This represents a decrease from 49 to 31 percent of current operating earnings.) These figures reflect a significant change in the nature of the commercial banking business and the source of commercial bank earnings. Traditionally, the term commercial banking has implied a process of making short-term loans to business; and, as recently as 1942,

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Secretary Morgenthau - 5

interest and discount on loans represented a larger percentage of current operating earnings by insured commercial banks than interest and dividends on securities.

The increase in bank profits is the result of the large volume of Government securities absorbed by commercial banks in financing the war. This increase would have been greater but for the increase in income and excess profits taxes paid by banks. It should be noted, in this connection, that the wartime profits of banks, unlike those of other business, are likely to continue, and even increase, after the war. With the repeal of the excess profits tax, and at reduced rates of corporation income tax, postwar bank earnings -- derived largely from Government securities -- will probably be much larger than they are today.

The rise in bank earnings on securities would have been greater if interest rates had not been kept at a low level and bank holdings of Governments restricted to short-term, low rate issues. The rise has been speeded in the past year or so, however, by the shift of emphasis in bank investment policy from short-term, low rate Governments to medium-term Governments bearing higher rates of interest. The market movements in 2 percent and unrestricted 2-1/2 percent Treasury bonds referred to in the preceding section are a manifestation of this shift of emphasis.

V. Decrease in Large Denomination Currency

In March and April, 1945, there was a general decrease in the larger denominations of paper currency for the first time since our entry into the war. There have been sporadic decreases in some of the larger denominations during the period; and the behavior of \$5,000 and \$10,000 bills has been quite erratic. In March and April, however, considerable decreases occurred as shown in the following table:

Denomination	Change during		In circulation April 30
	March	April	
(In millions of dollars)			
\$100	-51	-56	4,210
\$500	-21	-23	527
\$1,000	-29	-33	932

Fifty dollar and \$20 bills increased in both months.

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Secretary Morgenthau - 6

The increase in large denomination currency has attracted considerable attention in the past year or two. It has been attributed to black market operations and tax evasion as well as to the preference on the part of some people to hold savings in the form of currency. No satisfactory statistics are available to test the relative importance of these and other reasons for the increase. It is interesting, however, that the usual seasonal decrease in circulation which occurs in January of each year has persisted during the war period in the cases of coin and currency of small denominations.

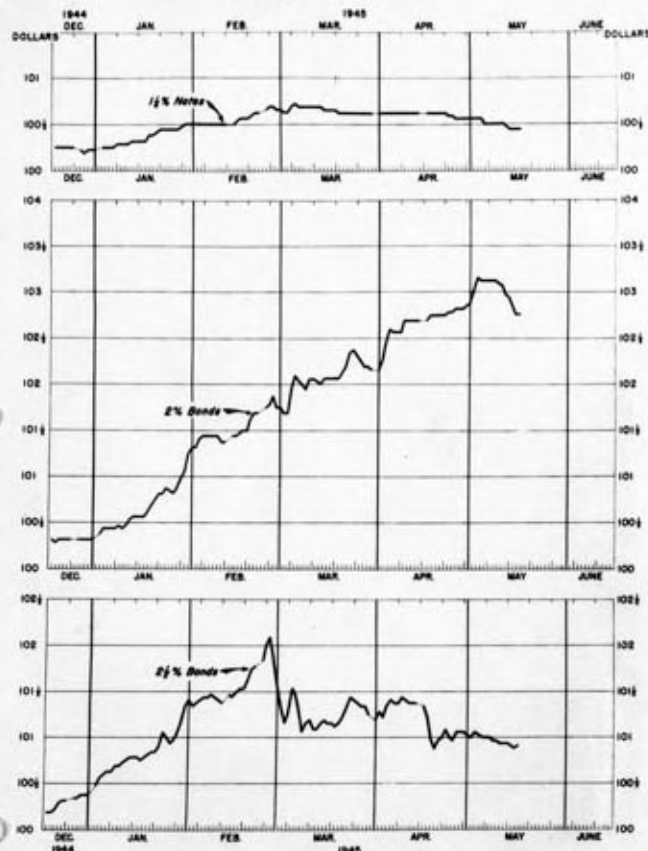
In recent months there has been some talk in the press of official plans to curb black market operations and tax evasion by recalling large denomination currency--plans which, in our opinion, would have a greater adverse effect in disturbing confidence in the currency of the United States than their probable favorable influence in checking illegal operations. These rumors appear to have had some effect, even though no action has been taken, in reducing the volume of large denomination currency. Newspapers have reported in several localities a marked upswing in the volume of such currency returning to banks and a reluctance on the part of bank customers to take large bills when cashing checks.

While the volume of large denomination currency has decreased, there appears as yet to have been no significant change in the upward trend of total money in circulation. The increase in money in circulation for the year ending May 9 amounted to \$4.6 billion.

Attachments

Chart I

PRICES OF MARKETABLE TREASURY NOTES AND BONDS
ISSUED IN 6th WAR LOAN

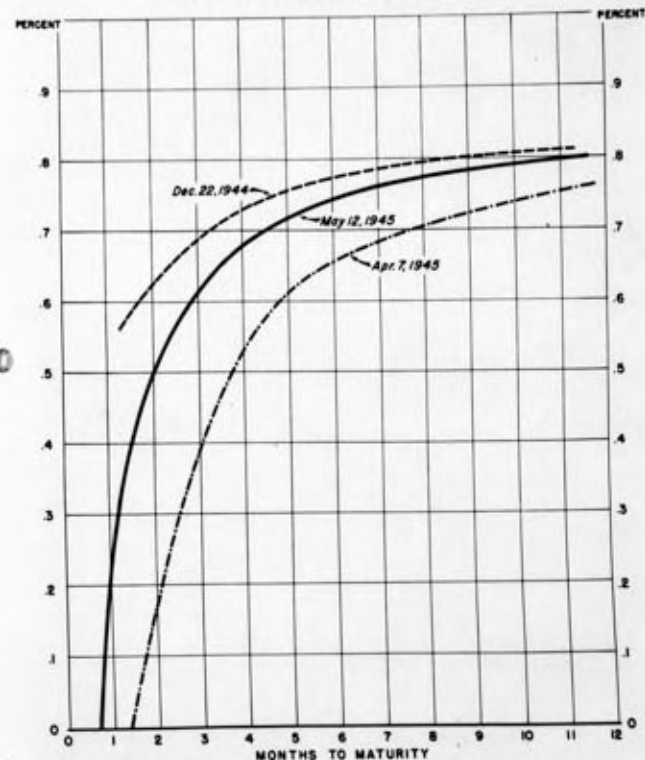


Office of the Secretary of the Treasury
Division of Research and Statistics

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Chart II

YIELDS OF CERTIFICATES OF INDEBTNESS ON SELECTED DATES
Based on Mean of Closing Bid and Asked Quotations



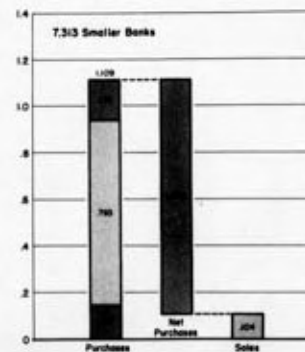
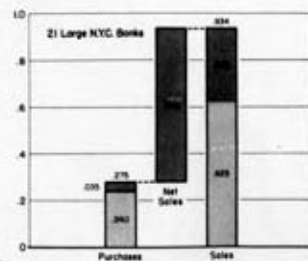
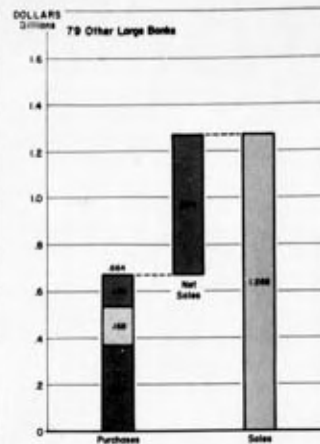
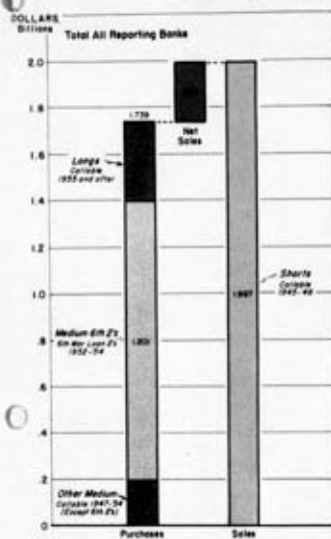
Office of the Secretary of the Treasury
Division of Research and Statistics

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Chart III

COMMERCIAL BANKS' MARKET OPERATIONS, DEC. 31, 1944 - Mar. 31, 1945
In Various Sectors of the Market

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Office of the Secretary of the Treasury
Division of Research and Statistics

F-583

May 18, 1945
9:48 A. M.

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HMJr: Hello.

Mr. Winthrop
Aldrich:

Good morning, Mr. Morgenthau.

HMJr:

Hello, Mr. Aldrich. How are you?

A:

I'm very well. Fred Dailey there told me about his talk with you.

HMJr:

Yes.

A:

And I thought I ought to come in and see you, and I wondered when I could do that.

HMJr:

Well, are you planning a trip to Washington?

A:

Yes. I thought I would come down on Monday if you could see me.

HMJr:

Well, I tell you - would Tuesday be just as good?

A:

What?

HMJr:

Would Tuesday be just as good?

A:

Oh, yes, surely. I don't think it makes any difference at all as far as I know. I'm not in my office, but I think I ought to see you pretty promptly and I'd be glad to come down there, rearrange the day if you can see me then.

HMJr:

Well, will Tuesday at 3 o'clock be all right?

A:

Yes.

HMJr:

Is that a good time?

A:

Well, any time. I'll just be coming down to do that.

HMJr:

Well, then I'll look forward to seeing you Tuesday at 3 o'clock.

A:

Yes. Now there is one particular thing I'd like to speak to you about that has come up since Fred talked to me - as a matter of fact he talked to me night before last.

HMJr:

Yes.

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O A:(cont)

with us that if the gold doesn't arrive within a certain period of time - say, six weeks - they will repurchase the gold from us, you see? Now that would be -- if there is any delay in the shipment they will agree to repurchase it from us.

HMJr:

Well....by the time you come down here Monday - Tuesday, I will have cleared it with our lawyers, and I will ask them to take it up with the State Department, and I'll have an answer for you.

A:

All right. I told them we would do this subject to the approval of the Treasury Department and the State Department.

HMJr:

Well, by the time you come down - if you want me to - or unless you would rather speak to Clayton yourself.

A:

Well, no, I'd be glad to have you talk to Clayton, but I'll have to talk to him after I've talked to you.

HMJr:

That's all right.

A:

Because I want to get a direct clearance from the State Department as well as from the Treasury Department.

HMJr:

You're wise.

A:

But I'd be glad to have you talk to him in advance, if you are going to see him right away, you just tell him I've just talked to you about it. It's a perfectly simple transaction of the -- the important thing is this - that we won't have more than two million dollars at risk at any one time although there may be - in any one shipment at any one time - although all three ships may be on the ocean at one time. Six million dollars is our commitment, but they expect it to be revolving. You see? So in that way they will build up their balances here.

HMJr:

Well, off-hand it sounds all right, but you never know what attorneys will say.--You being one yourself.

A:

Yeah. Well, I will bring down a perfectly specific memorandum about it.

HMJr:

Good.

A:

And then we can talk about it.

HMJr:

Good. Thank you.

A:

Bye.

May 16, 1945
9:48 A. M.

264

HMJr: Hello.

Mr. Winthrop
Aldrich: Good morning, Mr. Morgenthau.

HMJr: Hello, Mr. Aldrich. How are you?

A: I'm very well. Fred Dalley there told me about his talk with you.

HMJr: Yes.

A: And I thought I ought to come in and see you, and I wondered when I could do that.

HMJr: Well, are you planning a trip to Washington?

A: Yes. I thought I would come down on Monday if you could see me.

HMJr: Well, I tell you - would Tuesday be just as good?

A: What?

HMJr: Would Tuesday be just as good?

A: Oh, yes, surely. I don't think it makes any difference at all as far as I know. I'm not in my office, but I think I ought to see you pretty promptly and I'd be glad to come down there, rearrange the day if you can see me then.

HMJr: Well, will Tuesday at 3 o'clock be all right?

A: Yes.

HMJr: Is that a good time?

A: Well, any time. I'll just be coming down to do that.

HMJr: Well, then I'll look forward to seeing you Tuesday at 3 o'clock.

A: Yes. Now there is one particular thing I'd like to speak to you about that has come up since Fred talked to me - as a matter of fact he talked to me night before last.

HMJr: Yes.

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A: And that is this - that the Bank of the USSR has asked us to - they asked us first to make them a loan against gold.

HMJr: Yes.

A: And we can't do that on account of the Johnson Act.

HMJr: Yes.

A: But we are advised by our lawyers, and I think it is pretty fair they are correct, that we can buy gold from them f.o.b. Vladivostok, the title passing to us in Vladivostok. You see?

HMJr: Yeah.

A: And we have -- what they have asked us to do is send a revolving fund of six million dollars.

HMJr: Yeah.

A: We buying gold in Vladivostok which is shipped to San Francisco.

HMJr: Yeah.

A: I told them we would do that provided we could first get the approval of the State Department and the Treasury.

HMJr: Yeah.

A: And I thought I would take up - I don't know Will Clayton is back, but I thought I would take it up with the State Department the same day I took it up with you.

HMJr: Well, Will Clayton is coming in here in ten minutes.

A: Well, that is what it is. A perfectly simple transaction of our purchasing gold from the Bank of USSR in Vladivostok--Two million dollars on each shift

HMJr: Yeah.

A: And the gold will have to be insured in Russian companies.

HMJr: Yeah.

A: And the way we cover a possibility of loss is that it is insured in the Russian companies, and they agree

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A:(cont)

with us that if the gold doesn't arrive within a certain period of time - say, six weeks - they will repurchase the gold from us, you see? Now that would be -- if there is any delay in the shipment they will agree to repurchase it from us.

HMJr:

Well....by the time you come down here Monday - Tuesday, I will have cleared it with our lawyers, and I will ask them to take it up with the State Department, and I'll have an answer for you.

A:

All right. I told them we would do this subject to the approval of the Treasury Department and the State Department.

HMJr:

Well, by the time you come down - if you want me to - or unless you would rather speak to Clayton yourself.

A:

Well, no, I'd be glad to have you talk to Clayton, but I'll have to talk to him after I've talked to you.

HMJr:

That's all right.

A:

Because I want to get a direct clearance from the State Department as well as from the Treasury Department.

HMJr:

You're wise.

A:

But I'd be glad to have you talk to him in advance, if you are going to see him right away, you just tell him I've just talked to you about it. It's a perfectly simple transaction of the -- the important thing is this - that we won't have more than two million dollars at risk at any one time although there may be - in any one shipment at any one time - although all three ships may be on the ocean at one time. Six million dollars is our commitment, but they expect it to be revolving. You see? So in that way they will build up their balances here.

HMJr:

Well, off-hand it sounds all right, but you never know what attorneys will say.--You being one yourself.

A:

Yeah. Well, I will bring down a perfectly specific memorandum about it.

HMJr:

Good.

A:

And then we can talk about it.

HMJr:

Good. Thank you.

A:

Bye.

BRETTON WOODS

Present: Mrs. Klotz
Mr. O'Connell
Mr. Luxford
Mr. White
Mr. Clayton
Mr. Acheson

H.M.JR: This is what I thought I would do. I've got all my papers here. If they come at me, see, and say I didn't keep faith--and I've got this Executive Order and all this and that--I'll say, "Look, boys, let me tell you what really happened, and I've got all the figures, and that sometime last August the President appointed a committee to handle Germany of Stettinius--"

MR. WHITE: Stimson.

H.M.JR: "...Stimson and myself, and you fellows gave me the brush-off," and I think they did an outrageous thing to President Roosevelt when the man was so sick that he didn't know what he was doing. The State Department whisked this thing through on March 10, and this other thing -- it's one of the black pages of history, what the State Department did. I'll just let them have it. If they want to attack me and say I didn't keep faith with the State Department, I've got the whole thing here. But I'm going to start in by saying these are my two friends. Of course, they had nothing to do with it. But I've got all the material.

MR. WHITE: Of course, you whisked some things through at a later time.

H.M.JR: No. No. No. This comes before.

MR. WHITE: He was sicker later when he got some things.

H.M.JR: No. No. Then he read all our documents and approved them, but this is a black page in history.

May 18, 1945
10:00 a.m.

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MR. WHITE: You mean they should put --

MR. LUXFORD: I wouldn't budge from your position. You've got them tactically in a beautiful position.

H.M.JR: I'll take it for granted.

MR. WHITE: Don't they think you ought to be Chairman? What do they object to? Doesn't Stettinius think you ought to be Chairman?

H.M.JR: I don't know. I'm not ticking too well this morning. I've got all the material here. I'm going to listen. Anyway --

(Discussion off the record)

(Mr. Acheson and Mr. Clayton enter the conference)

This is a big day for me with my two friends from the State Department calling on me, and I might say, my only two friends, with Stettinius away. So, what's this?

MR. ACHESON: This is about the amendments.

H.M.JR: Oh, that's what it is.

MR. ACHESON: One part of the amendments.

H.M.JR: Well, I just couldn't imagine that (laughter), and, therefore, not knowing what it was, I asked my three associates to be here.

MR. CLAYTON: You thought you'd be on the safe side.

MR. WHITE: None of us could guess.

H.M.JR: Well, well, well. (Laughter) All right. Those amendments, well, well, well.

(Discussion off the record)

H.M.JR: Where were we?

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MR. ACHESON: We were talking about the amendments, and we were coming to this one that fixes the chairmanship of the Council. It says the Secretary of the Treasury should be the Chairman, and we have been having some talk with your associates, and we were trying to induce them to induce you not to have that thing come up in the bill but say the President would appoint the Chairman, so there wouldn't be any possibility of an unseemly interdepartmental wrangle about this thing, and the other day, Joe, Luxford and I -- I've forgotten which--told me I better take it up with Spence and Wolcott.

H.M.JR: Would you fellows sit up here so I don't get crosseyed? I don't want to miss any signals. (Laughter)

MR. ACHESON: So I spoke to Spence about it, and he said that he wished we could work this thing out at this end of the Avenue, instead of putting it in the committee, and he said, what I felt very strongly, for me not to talk to Wolcott about it. It would give him an idea, and at that time he hoped that Wolcott was going alone, but he wasn't too sure, and he said at any rate it wouldn't do any good to put ideas in Wolcott's mind because of the trouble he might start. So yesterday we went up before the caucus of the Democratic members, and they got into a good deal of confusion about what they were going to do, and some wanted to take one course and --

H.M.JR: As to what?

MR. ACHESON: Not as to this--this wasn't mentioned--but as to whether they would put in these particular amendments we'd agreed on or whether they'd do something else, or whether they'd have another bill, and the thing began to get a little confused, and Patman stepped up and said, "Let's agree for the caucus to put in all these amendments and vote down all the Republican amendments." It was very clear to me that if I came forward with any talk about this chairmanship, they'd say, "Well, the departments aren't in agreement on it," and that would cause confusion. I asked Spence whether he agreed, and he said he did, and for heaven's sake not to do anything, and I didn't do anything, and I think we ended up by an agreement in the caucus to go ahead on these amendments, and it looks to me as though they're in good shape. Now, Will and I wanted to come over and urge you to fix

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this if you would so it would say that the President would appoint the Chairman and relieve us of the embarrassment that we're under.

H.M.JR: Was that embarrassment?

MR. ACHESON: Well, the embarrassment is when we talked to Ed about it, Ed believed very strongly that this should be--the President should appoint the Chairman and then the thing could be worked out in the Executive Branch without involving the Congress in this thing, and he instructed Will and me to try to do that. My judgment is we can't bring it before the Committee without endangering things, and I just don't want to do it before the Committee. I think it's an unwise thing to do, and so to do what our Chief has told us to do, we appeal to you and not to the Committee, and that's why we're here this morning.

H.M.JR: Well, who does Ed think should be Chairman?

MR. ACHESON: I don't think Ed wants to argue about who should be Chairman. I think he wants to leave it up to the President. I think he would make an argument that he should be Chairman, but I don't think he would make a bitter argument or cause any trouble about it. I think he does not want to freeze it in the legislation.

MR. CLAYTON: That's the point here. We think it's very inadvisable to freeze it in the bill. It may be in future years that the question as to whether this man or that man should be Chairman may revolve around some considerations of the personalities that may be involved at that time, and not so much a question of the Department, but the men at the head of the two Departments. There are all kinds of questions that may arise in the future that seem to argue in favor of not freezing the thing in a law, because when you do that it's not easy to get it changed.

MR. WHITE: After that little speech, we ought to dress you up a little more like a diplomat. What you're objecting to is freezing it with the Secretary of the Treasury, not to the freezing.

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MR. CLAYTON: Yes. I don't think it should be frozen in a statute.

H.M.JR: Well, I differ with you. I think that anything that has to do with finance vis-a-vis governments, should be the Secretary of the Treasury. It's been that way now ever since I've been here, and any financial matter that should be taken up with another government should be taken up by the Secretary of the Treasury. Certainly, if the Chairman of the Debt Commission, and Mr. Hughes was a member of it and Mr. Mellon was Chairman, and when they took up the question of trying to settle debts with the foreign governments, the Secretary of the Treasury was Chairman, and it's been this way now for eleven years, and I don't see why it should be changed. I think it would be unfortunate to take the thing up with the Committee, but certainly Ed Stettinius can talk to Mr. Truman about it as I have, and if he isn't satisfied with the thing--but I think it would be very unfortunate to muddy the water up there, and being completely frank with both of you people, I'll tell you of my conversation with President Truman. I told him that this matter was up, the objection of the State Department, and his answer to me was that he'd like it left this way unless it would hold up the legislation on the Hill. If it would hold up the legislation on the Hill, then to change it--I mean if in any way it would retard the passage of the bill--if it didn't, to leave it this way.

MR. CLAYTON: Of course, we haven't spoken to him about it--

H.M.JR: Well, I did.

MR. CLAYTON: ...and haven't presented our point of view about it to him.

H.M.JR: Well, this is an important matter, and we might just as well have it out on this occasion as any other. We might just as well settle who's going to represent the President of the United States in negotiations with other foreign governments on financial matters. We might just as well settle it. This is a good time.

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MR. CLAYTON: This Bretton Woods thing brings up a lot of new questions and a lot of new procedure, something that's entirely different from anything we've ever had before. We've stood side by side and shoulder to shoulder with you on this thing and have worked and fought on it, I guess, just as hard as was possible for us to do.

H.M.JR: One hundred percent.

MR. CLAYTON: and in view of the fact that the Secretary of State is out in San Francisco and terribly busy and involved with all the affairs of the Conference, and in view of the further fact that this Executive Order that President Roosevelt signed before he went to Yalta was never put into effect, and I believe you handed the papers in connection with it to President Truman and said in the meantime he might read it, and when the Secretary of State got back, he might talk to him about it. All of that is unfinished business, so we felt it would be right to leave this question of the Chairmanship one of Executive decision rather than legislative decision.

H.M.JR: Yes, but look. Now mind you, I'm just considering you in this case as messengers and not as people who are doing the policy things, and what I'm going to say now to you only if you don't mind--if you've got some nicer term--is there a better term than a meeting of transmittal to the Secretary of State?

MR. WHITE: Emissaries.

H.M.JR: Whatever it is. It's nothing personal, because I wouldn't have my relationship with you two men changed for anything. If you are going to bring up this question of this other Order, I think it's unfortunate, because the history is this: Sometime last August or September the President appointed the Secretary of State, war and myself to deal with Germany. And when somebody doesn't like a Committee, he tries to do away with it. But at that time Mr. Stimson wanted it very much, and that Committee has never met. It's sort of gone out of existence, but on the return of Stettinius from Yalta, first he gives the President of the United States a letter to write for all of us to cooperate with him, and then following that, before we know what it means, comes another letter sort of putting us in a very subordinate position just as consultants,

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not even having the standing of a committee. Well, I took it on my shoulders to take on a fight on the March 10th order. It was quite obvious, the method by which it had been handed the President. He didn't know what was in it. He said he had never seen it. And Stettinius was tired when he sent it to him, and he hadn't read it. Well, that whole thing is not, I would say, one of the pages in the history of the State Department to which they can point with pride. I went along subsequently with the State Department, although I felt they had pulled a fast one on me, because I found myself in a position with you as an individual, I could work with you, and I didn't care whether you were chairman or I was chairman or whether I was on the Committee or not. When they suddenly put over a Secretariat on us and when the thing even goes to war and Navy and comes back, they don't even know -- there's nothing in the records to show the Treasury had any part in it. Then all of this business with Grew, acting as Secretary, an informal committee, and all that I've taken because we were getting somewhere, and I'm interested in results and not in whether I'm on a committee that's informal or I'm not on a committee, or whether the Navy completely disregards the fact that we're even on it, but I figured we were getting somewhere, and I could work with you as an individual on Bretton Woods. We were getting results, and that's what counts, but looking to the future and also the Steering Committee in which you and I were interested in the legislation and which you suggested, that has just disappeared into smoke. We had one meeting at which Mr. Grew sparred with me as to where the meetings were going to take place, and I said if you want to be diplomatic, they're going to take place here. And so my experience as far as formal committees go, since going to Quebec, have been most, most unfortunate. I can work with you men. I feel my whole relationship has been most happy, and we had something to show for it. We got results, and I wouldn't want to change that relationship for anything in the world, but there's this undertow of people who are constantly undermining the Treasury and constantly building up a record of putting the Treasury in a subordinate position with State, where it is a matter of money dealing with other governments. Now, I'm going to have a showdown with Stettinius and the President, and this is as good a time as any, and I want a formal answer, and I want a freezing, and I want you to tell that to Stettinius. I feel that knowingly

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or unknowingly he has permitted people in the State Department to gradually build up a case that the Treasury is going to be in a subordinate position in regard to dealing with foreign governments, and I want it settled now. This is as good a time to settle it as any, and there's only one person who can settle it, and that's the President of the United States. I told you truthfully my conversation with him, and if the President says he wants it left open, it's all right with me, and if he says -- I find it wise in matters like this to know where I stand opposite the President-- to leave it alone unless it's going to retard the legislation, that is the way he wants it. It's all right, but I think this whole performance, Stettinius telling me that this man had cleared the story on Quebec and the Morgenthau plan with Matthews, I mean, it's an outrageous thing. Imagine, step by step, I find myself in the position, when the war and Navy come through on this very fine piece of work, that when you look in history the Treasury doesn't exist. I mean, Will, it's just inch by inch. Now, so many things have happened in six to eight months to put us in a subordinate position on this ground that I want the thing settled by President Truman, and I can't be any more frank, and I would keep repeating and repeating that if this would in any way jeopardize my relationship with you two men, -- that's important, because with your assistance I've been able to get results in a thing in which I'm most interested, and I would not permit anybody to change it. I haven't cared what my position is, you know, vis-a-vis you, recognizing you as chairman of this Committee, and working with you, and there's been no trouble with you as to who goes through the door first.

MR. CLAYTON: I don't think there's any need to be any trouble at all about it. I don't see any reason or any occasion in any of this matter to make any changes in relationships. Dean and I are with you on Quebec. Of course, that's something I know nothing about. I wasn't here, and I wasn't in the State Department at the time. As regards the March 10 directive which the President initialed, I knew nothing about that until it was shown me after it had been initialed, but I do think that I don't quite understand your reference to the fact that you were in only an advisory capacity on the Committee, because the Committee was formed in the Secretary of State's office and under the instructions of the President

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that the State Department was to take the lead in working out these matters that had been agreed upon at Yalta, and I was made Chairman of the Committee to represent the State Department, but you indicated at that time, I think, that Harry White would represent the Treasury Department. The Treasury Department was part of the Committee.

H.M.JR: Can I read you the two letters?

MR. CLAYTON: Yes.

H.M.JR: This is from the President, March 12:

"My dear Mr. Secretary:

"I'm, of course, anxious to see that the decisions we reached at the Crimea Conference should in the light of current developments be carried forward as expeditiously as possible in conjunction with our Allies. I have, therefore, charged the Secretary of State with the responsibility for implementing the Crimea decisions exclusive, of course, of those dealing with purely military matters and I am enclosing for your information a copy of a memorandum which I sent him on February 28. Mr. Stettinius will, I know, wish to tell you personally of those decisions of the Conference which are of interest to you in connection with your duties."

Then here comes the memorandum from the President to the Secretary of State:

"MEMORANDUM FROM THE PRESIDENT TO THE SECRETARY OF STATE

"I desire that you, as Secretary of State, assume the responsibility for seeing that the conclusions, exclusive of course of military matters, reached at the Crimea Conference, be carried forward. In so doing you will, I know wish to confer with other officials of this Government on matters touching upon their respective fields. I will expect you to report

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to me direct on the progress you are making in carrying the Crimea decisions into effect in conjunction with our Allies." Signed FDR.

Then I got something from Stettinius that isn't here, but it's to confer with Stettinius. I've no -- there's nothing.

MR. CLAYTON: You will recall, Mr. Secretary, that in the Office of the Secretary of State on about the 12th of March, a committee was formed to try to work out their government's policy with reference to the post-defeat treatment of Germany. I was made chairman of that committee and Treasury, War, Navy and FEA were made members of the committee, and you were asked at that time to indicate who would represent Treasury, and you said Harry White. Later when Harry was away, you represented Treasury, and we worked together very effectively and got the thing buttoned up. I don't know. I may be wrong, but it seems to me that in the matter of working out this Government's policy with reference to the post-defeat treatment of Germany, it's primarily a State Department matter, because the State Department is charged with the policy and administration of our relations with foreign nations. And I would think that it would be primarily a State Department --

H.M.JR: I agree with you.

MR. CLAYTON: ... function.

H.M.JR: I agree with you that these post-war matters which we have been discussing are primarily a State Department matter, but the position which I'm taking is that when we get on purely financial matters such as Bretton Woods or loans, any purely fiscal, financial matters, the Treasury versus Treasury, that it's the responsibility of the Secretary of the Treasury. See? That's -- and there we would do it in consultation with the Secretary of State. So I didn't ask for this Advisory Committee. Forget it. I think it was your suggestion.

MR. O'CONNELL: Federal Reserve Board suggested it.

H.M.JR: I didn't ask for it, and I didn't -- to be

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completely honest, it never occurred to me that anybody would. It was no trick of mine, because I'm no trickster. It wasn't put in this way, and I wasn't conscious that I was Chairman of this Committee. I want you to believe me. The State Department raised the question so we weren't trying to inch in. The first time I knew I was Chairman was when they told me you were going to go up on the Hill. I asked to see the thing. That's the first time I knew about it, so there's nothing on my part to trying to use this time to settle this question. You see? And I recognized fully the State Department's function, but I want the State Department and the President to realize my responsibility in the financial field. I say the Secretary of the Treasury, and I want that settled, because there are so many things going on that are purely financial matters. I think that the Secretary of the Treasury, whoever he may be--it should be his responsibility as it has been certainly during all of Mr. Roosevelt's time. You take, for instance, this question of when we were working out the tripartite agreement. We worked it out. The State Department people sitting with me constantly in my office heard it twice. They sat here day and night, and knew every single move I made, and advised me. Merle Cochran of the State Department was at the other end in Paris. Butterworth of the State Department was at the State Department end in London on loan to me, but I carried out those negotiations, and they worked out very happily, using State Department people in other countries on loan to me in the capacity of Financial Attaches, with Herbert Fels sitting at my elbow constantly advising me, keeping the Secretary of State informed, and we had all kinds of transactions. Now, suddenly--I'm not the aggressor on this thing. I'm just following a policy which I've been carrying out since I've been here, and all of a sudden the State Department raises this question, and I think that various little straws to the wind--they're sort of, to use the vernacular, inching in on me on this thing, and let's get it settled, but I think it would be a grave mistake to throw it, as you have, to the committee.

MR. AGESON: As I have not.

H.M.JR: As you have not. I think your policy has been a wise one, because if it gets up there, it will hold up the legislation, and I think it's far too important.

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Bretton Woods is much more important to settle than this particular question. But I want you to know that Stettinius is raising it, and I haven't, but I wasn't conscious of its being raised.

MR. CLAYTON: Of course, it's raised when somebody puts in the Secretary of the Treasury Department as Chairman of the Council. That I don't know. Of course, I accept one hundred percent your statement that you had nothing to do about it, and knew nothing about it, but that--

MR. LUXFORD: Originally it was in the Federal Reserve Bank draft.

MR. WHITE: And I think it's always fair to say those of us who have worked on this--

H.M.JR.: Get me a copy of that.

(Mr. Luxford leaves the conference temporarily.)

MR. WHITE: ...would have taken it for granted. I'm not sure of every country. Certainly every major country I know of has its Minister of Finance who deals with those problems, and in the history of the United States it has been the Secretary of the Treasury, which the Secretary points out doesn't mean he operates on his own any more than he has in the past, but just the same, it's his responsibility to carry on discussions and negotiations on clear foreign policy. Without anybody's questioning the State Department, it has been the practice in the past, and it's the practice in all other countries for questions which involve predominately financial matters--there are no such things as purely financial questions, but obviously, in dealing with foreign countries on predominately financial questions, you would deal with the Treasury. Now, the Secretary's position is that it's in the interest of both Departments--and I certainly would subscribe to that, though we haven't discussed this before at all--it's in the interest of both Departments to have a clear-cut line as to what the President wants on that, because I think the Treasury can adapt itself either way, and in the same way the State Department can, but in the interest of the Secretaries of State and Treasury, it ought to be clearly understood who has the responsibility for what jurisdiction, and if there's going to be departure from customary procedure, then I think it should be thoroughly indicated.

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MR. CLAYTON: I didn't come here, Mr. Secretary, prepared to argue the question as to whether the Chairman of the Committee should be the Secretary of the Treasury or the Secretary of State, and I don't think that's really something that we should argue at this time. We only came here to suggest that as a principle, it was not a good idea to have it frozen in the bill. Now, I would like to say, since the matter has been brought up, I would like to say this, that I dare say that most of the questions that will come before this Bank at any rate, that we propose to set up as a result of Bretton Woods, as to whether you'll make this big loan or that big loan for reconstruction or for development to this country or that corporation, organization, located in this country or that country, that most of the considerations surrounding a decision in that matter on which we would want our representative to state the position and cast a vote for the United States, would involve predominantly questions of national foreign policy rather than financial questions.

(Mr. Luxford re-enters conference)

MR. WHITE: That's a direct violation of the requirements of both institutions. Mind you, I wouldn't say there won't be some political considerations, but there are provisions in both institutions stating the decisions as to whether or not loans should be granted or withheld shall not be political in character but shall be economic. I don't say that shall necessarily follow, but the intent was to avoid political considerations in the operations of the Fund, not in the operations of the Export-Import Bank, because that's a national instrument, but in the operation of an international instrument.

MR. CLAYTON: Regardless of what's in there, you may be absolutely sure that political considerations will have great weight.

MR. WHITE: I'm sure of that. Insofar as they do, will, they're in violation of the Act which we have subscribed to.

MR. CLAYTON: Not only on the part of this country, but any other country.

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H.M.JR: I just--

MR. CLAYTON: I have nothing else to say.

H.M.JR: I just wanted to show them that the Federal Reserve Board suggested this.

MR. CLAYTON: I accept your word.

MR. WHITE: Our position was, before the Federal Reserve Board suggested this, not to have any committee in the bill, and you remember, Dean, when we discussed it.

MR. ACHESON: Yes.

H.M.JR: Harry, let's--Stettinius has raised this question, and let him take it up with the President and get the thing settled.

MR. CLAYTON: Okay.

H.M.JR: That's that.

MR. CLAYTON: That's all right with me.

H.M.JR: You've done your Boy Scout deed for today.

MR. ACHESON: It's no question of my stirring up the legislation. I'm not going to do that.

H.M.JR: No, I'm sure you wouldn't.

MR. ACHESON: I've been very careful not to.

H.M.JR: He can raise it with the President.

MR. CLAYTON: Fine.

(Discussion off the record.)

(Mr. Clayton and Mr. Acheson leave conference.)

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MR. WHITE: I didn't realize you were going to touch on that, Mr. Secretary, and I'm very glad you did, and I think it was a very excellent presentation. I thought you were going to fight the issue head-on. I'm very happy you didn't. You did it very nicely.

(Secretary shakes Mr. White's hand)

MR. WHITE: Put that in the record. I don't get many of those.

H.M.JR: Stick around. You'll get a few more.

MR. WHITE: It's important you get control because from what the bankers are telling the Senators, one of the reasons they want control over this thing is that they have in mind utilizing these international funds to further their particular foreign policy. For example, Burgess told one of the Senators that one reason why they're opposed to these organizations is that, in the control of this Government, that those funds will be used to strengthen left-wing governments. Now, do you know whom they call left-wing governments? France, Greece, Yugoslavia, Czechoslovakia Governments. They would take the Polish issue, for example, and they would say that the Lublin Government doesn't get any help. That's the sort of thing they envisage which is contrary to the purposes of this thing.

H.M.JR: I'll tell you what you fellows do. Go back and see if you can't draft a letter along that line to go to Truman and say:

"Dear Mr. Truman:

"I just want to let you know that Mr. Clayton and Mr. Acheson called on me this morning to give me a message from Mr. Stettinius along the following lines:"

MR. LUXFORD: I told them so and so.

H.M.JR: They spoke to Mr. Spence and Mr. Spence said not to bother him with this thing, that this should be settled down here. Now this is taking on bigger proportions than I thought, and it's a question --

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MR. WHITE: It is assuming graver importance--

H.M.JR: ... and I feel it might just as well be settled now as any time, not in any way interfering with the legislation, because nobody up there gives a damn, but you might just as well settle whether the Secretary of the Treasury is going to continue in the future as he has in the past --

MR. WHITE: ... and ask any other Minister of Finance --

H.M.JR: ... to deal with other Secretary's of the Treasury in constant consultation with State. I think that ought to be done at once. See? Now, who's going to do it? I think it ought to be done at once.

MR. WHITE: I'll do it.

H.M.JR: I'll give it to him in Cabinet meeting.

MR. WHITE: You're quite right. They are inching in on it. Your illustration wasn't the happiest one, but it served its purpose.

H.M.JR: Give me that handshake back.

MR. WHITE: You want to call him an Indian-giver.

H.M.JR: At seven-thirty last night I called up. I have all my papers on my desk to prepare for this thing. You fellows know who is coming in. Did you prepare anything happy or unhappy for me?

MR. LUXFORD: We knew you could do it, Mr. Secretary.

MRS. KLOTZ: Yes.

MR. WHITE: Alibis are not in order, but I didn't have the slightest idea you were seeing them, Mr. Secretary. In the second place, even if I had, I wouldn't --

MR. LUXFORD: I knew Joe was going to be here.

MR. O'CONNELL: I knew Acheson and Clayton were coming in at ten o'clock this morning yesterday afternoon, didn't you?

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H.M.JR: What is a lawyer who tries the cases? A Barrister? I'm the Barrister and you fellows are--

MR. O'CONNELL: Solicitors.

MR. WHITE: We're the also-rans.

MR. O'CONNELL: You were solicitor and barrister both in this case.

MRS. KLOTZ: You've been everything.

MR. LUXFORD: The cases you prepare yourself are the best.

H.M.JR: What happened at the end? Clayton showed his hand--what he said right at the end. He didn't agree, and this is a matter which is larger than foreign affairs and all the rest.

MR. WHITE: All that bull about leaving it unfrozen.

H.M.JR: But he came out with it.

MRS. KLOTZ: You dragged it out of him.

MR. WHITE: I like the way you appraise these two guys, because this is the fellow who's fighting for it. Dean Acheson isn't interested because he's not going to stay. He's the fellow under whose control economic affairs are, and he sees in those two jobs the major thing, so your appraisal almost flooded him, but I hope you didn't believe it.

H.M.JR: Choked him.

MR. WHITE: Choked him.

H.M.JR: Flooded comes afterwards. All right.

May 18, 1945
11:00 A. M.

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HMJr: Hello.

Mr. Will Clayton: Hello, Henry. This is Will.

HMJr: Yes.

C: I have a letter from Mr. Pauley enclosing a communication from Judge Jackson.

HMJr: Yeah.

C: ...following Mr. Pauley's conference with him as we requested at one of our last meetings.

HMJr: Yeah. I meant to speak to you about that. Pauley sent me one, too.

C: Yeah.

HMJr: And I forgot to mention it.

C: Well, now, Pauley suggested we should - it may be advisable to call a meeting of the Committee.

HMJr: Right.

C: ..to discuss the matter, and I think it is. Pauley and his group are leaving on Sunday. Would it suit you to hold a meeting at 4:30 this afternoon?

HMJr: Gee, you couldn't make it earlier so that I could get away?

C: Well, I've got to go to a very important meeting at the Pentagon meeting at 2:30, and I think it's going to last a couple of hours, but I might be able to get away in time to hold it at four. Would four be -- would that be -- are you leaving town?

HMJr: I'm going down to see my wife.

C: I see, yes. Well...

HMJr: Four o'clock would help.

C: Would four o'clock make it all right for you?

HMJr: Yeah. I'll make it all right.

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C: All right, then I'll call the other members to meet in your office at four o'clock.

HMJr: That would be very nice.

C: Fine. Thank you.

HMJr: Thank you.

May 15, 1945
11:33 A. M.

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HMJr: Hello.
Miss Hannah: Hello.
HMJr: Mr. Morgenthau speaking.
H: Yes, sir.
HMJr: Tell Mr. Clayton when he is free that I've gotten a message from Mr. Leo Crowley that there doesn't seem to be much prospects of getting cotton for China, and I think that Mr. Clayton and I and some of the others better get up a memorandum to President Truman and go over and see him next week.
H: I see, sir.
HMJr: ...about it.
H: I see. All right, I'll give him that message, Mr. Morgenthau.
HMJr: If you please.
H: Thank you, sir.

May 15, 1945 287
11:46 A. M. ✓

HMJr: Hello.
Operator: Mr. Pauley.
HMJr: Hello.
Mr. Edwin Pauley: Hello.
HMJr: Morgenthau speaking.
P: Yes, how are you this morning?
HMJr: Fine. How are you?
P: Fine, fine.
HMJr: I've just heard from Clayton and he said he would call a meeting for four o'clock, I don't know whether he told you or not
P: Yes.
HMJr: ...at my office.
P: I thought we had better have Jackson there.
HMJr: Oh.
P: Don't you?
HMJr: I think it would be helpful, but now in reading Jackson's letter. This is- the last sentence "I feel sure that President Roosevelt's commitment at Yalta did not contemplate this sort of thing." Well, everybody else in town has seen these minutes on Yalta except myself - I don't think Clayton has ever seen them.
P: I know that Jackson hasn't seen them, but I have seen them.
HMJr: You have?
P: Yes.
HMJr: Well, I just think that if the argument is going to be based on what Roosevelt's commitments are, to be moderately intelligent, I think....
P: There's no commitment - there is not even any discussion on it.-- other than the use of labor. There is nothing in there other than all those documents that you've seen.

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HMJr: Yeah.

P: And I've read every word of the transcript. Other than that one statement - the use of labor - it is a very short statement, that's all there is about it.

HMJr: I see.

P: In other words all of the discussions resolve themselves into that finalized form of memorandum which was signed by Churchill, Roosevelt and Stalin.

HMJr: Yes.

P: Well, I have some definite ideas about that thing, namely that this all right - to do it the Jackson way if they are going to convict five million men, that is fine. That takes a big load off of me, but if they are going to have 100 thousand men, well it obviously isn't going to work, that's all. So then we are faced with another entire problem of what do we do from there on.

HMJr: Yes. Well, I'll be glad to listen.

P: Well, I think you ought to do more than listen. I think you ought to pitch in there with your ideas.

HMJr: I'm going to talk with my men before you people come over and we'll try to make up our mind what line we should take. I haven't had a chance to do it yet. Well, I'll look forward to seeing you at four o'clock.

P: Fine.

HMJr: I hear you are getting away in a day or two.

P: Getting away Sunday.

HMJr: I see. O. K.

P: I'll see you there.

HMJr: Thank you.

P: Bye.

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May 18, 1945
3:40 p.m.

VISIT WITH THE PRESIDENT

Present: Mr. White
Mr. Luxford
Mr. O'Connell

H.M.JR: What I want to say is this: I gave the President of the United States this memo of May 18, 1945. He read it carefully, waved it in the air and said, "This is all right and I'll tell Stettinius this is what I want." (Laughter)

MR. WHITE: I'll send it to Stettinius and he can commit hara-kiri. Where did you get this?

H.M.JR: I said, "This is something that is wholly being fought by the State Department," and I said, "I hate to bother you." So he said, "No, you leave that to me. I'll tell Stettinius."

MR. WHITE: Did he read it while you were there?

H.M.JR: Oh, yes.

You would have come in five minutes of two yourself, but there was something in it I didn't like.

MR. LUXFORD: I understand you took it out.

H.M.JR: I want two minutes with Harry White. I don't know who is coming in on reparations.

MR. LUXFORD: You know what the precise demand is.

H.M.JR: You can come back in if you want to.

MR. LUXFORD: I just told Joe.

H.M.JR: I want two minutes alone with Harry.

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May 18, 1945MEMORANDUM FOR THE PRESIDENT:

I hesitate to bother you again about the chairmanship of the Advisory Council on Bretton Woods but recent developments suggest that I should in the interest of good government and orderly administration. There have been the following developments on this issue which have much broader implications than appear on its face:

(1) Acheson and Clayton saw Chairman Spence of the House Banking and Currency Committee and he suggested that they try to resolve their differences with the Treasury and that he personally thought that the Secretary of the Treasury had a good case for being Chairman of the Council.

(2) The Democratic caucus of the House Committee agreed unanimously to vote down the Republican amendments and support the Treasury amendments - including the Secretary of the Treasury as Chairman of the Council (Spence privately counseled Acheson of State not to raise the chairmanship issue at the caucus and Acheson cooperated fully).

(3) Acheson and Clayton discussed the matter with me today. Pursuant to my discussion with you, I told them I would drop the whole matter in a minute if the House Committee raised the slightest question about it, but since the Committee had not raised any question, I was going to stick to my guns unless you counseled otherwise.

As I indicated to you when we discussed this subject, I was originally more amused than concerned about State's attempt to grab the chairmanship of the Council. However, in the light of their serious persistence, I now am troubled, because I detect in this matter an attempt to gain control of the negotiation of all financial and monetary problems with foreign governments.

During the eleven years I have been Secretary of the Treasury I have always taken the position - with President Roosevelt's support - that the Secretary of the

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Treasury should represent the President and the United States in all financial and monetary dealings with foreign governments. I have, of course, always insisted on having State Department advisers working directly with me in these negotiations so that our financial and monetary policies would be coordinated with our foreign policies. This, also, has been the prevailing policy of foreign governments for our negotiations were generally with Ministers of Finance or Heads of Central Banks - rather than with the foreign office. This policy has been singularly successful as the following illustrations will suggest:

- (1) Negotiation of the Tri-Partite monetary accord with Great Britain and France in 1937 (adhered to subsequently by the Netherlands, Belgium and Switzerland).
- (2) Negotiation of all the bilateral stabilization agreements between the United States and other countries.
- (3) Negotiation of \$500,000,000 Chinese loan.
- (4) Negotiation of Bretton Woods Agreements with 44 other countries.

Neither is this policy something that originated with the Roosevelt Administration. During and following World War I, the Secretary of the Treasury was in charge of all our negotiations with foreign governments over both the loans extended and the subsequent war debt settlements. In more cases than not this procedure was explicitly provided for by Congress in the enabling legislation.

It is my considered opinion that the Secretary of the Treasury should be charged with specific responsibility for conducting these financial and monetary negotiations - working, of course, in close cooperation with the State Department.

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Inasmuch as the Committee seems perfectly satisfied with the following amendment, I believe that this is as an appropriate time as any for you to settle this jurisdictional problem which has been raised solely by the State Department:

"NATIONAL ADVISORY COUNCIL ON INTERNATIONAL
MONETARY AND FINANCIAL PROBLEMS"

"Sec. 4. (a) There is hereby established the National Advisory Council on International Monetary and Financial Problems (hereinafter referred to as the Council), consisting of the Secretary of the Treasury, as Chairman, the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System and the Chairman of the Board of Directors of the Export-Import Bank." (Underscoring added).

AFL:HDW:nrd - 5/18/45

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May 18, 1945
3:45 p.m.

REPARATIONS

Present: Mr. D. W. Bell
Mr. White
Mr. Coe
Mr. Glasser
Mr. DuBois
Mr. Pehle

H.M.JR: Coe, you know I can't operate this way. I was just told this afternoon that Schmidt is leaving for Germany and I should see him, and I can't operate that way. If I should see Schmidt, I should know more in advance. You knew he was going. I get word in an hour Schmidt is going to Germany and I should see him.

MR. COE: I said, if you wanted to see him.

H.M.JR: I should see him, but I can't operate like that.

MR. WHITE: He's leaving Sunday.

H.M.JR: I'm leaving today.

Mr. White has a cable in regard to Argentina's Finance Minister. I have no copy of it. He also has a letter from Mr. Brand, the British Treasury Representative, and I have no copy of that. Both of these matters he's going to see through up to the point that he wants help when he will inform me about it.

Joe, go ahead. But to start you boys off you have to get one good laugh over something with me. Here is a letter from Will Clayton: "Dear Henry, --get this! "It occurs to me to suggest it might be useful if you would send a note to Col. Bernstein to say IPCOG-1 has your full backing and support." (Laughter)

I think it's one of the funniest things I've ever seen since I've been in Washington.

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MR. BELL: I don't get it.

MR. WHITE: Tell him you'll be glad to do that thing if he'll send a similar letter from Stettinius to Murphy saying it has their full backing.

MR. COE: They talked to me about that and they said in essence that they said they thought our people in the field might wrangle with one another, and I said I felt sure Bernie would know that the Secretary was fully behind this but that State ought to get that, too.

H.M.JR: I'll do it. Tell him to send it to Robert Murphy. I couldn't miss that. I really thought it was funny.

MR. DuBOIS: What this really is, as we see it, Mr. Secretary, is an effort by Jackson to block forced labor altogether. His letter, if you read it, makes it very clear that he's really essentially opposed to labor in any form being used. Now this is one of his techniques of attempting, as I see it, to sabotage the whole program.

H.M.JR: Robert Jackson?

MR. DuBOIS: That's right, together with Sam Rosenman. Sam Rosenman concurred in this memorandum, and incidentally, if you had read Sam Rosenman's latest report on liberated areas, he, in effect, says that you have to build up Germany. You've got to, or you're going to have chaos in Europe.

H.M.JR: He told me they're going to starve, and you have got to get coal mines going, and so forth.

MR. DuBOIS: His report goes much further. The technique he uses is saying that nobody should be used for forced labor unless they're actually convicted, which means that he will have the control of what people can be used.

H.M.JR: Who will?

MR. DuBOIS: Jackson. Because that will mean that nobody can be used until he convicts them.

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MR. PEHLE: And sentences them.

MR. DuBOIS: For forced labor, and they can then only be used pursuant to the sentence he metes out.

H.M.JR: Let me just--this is very, very much off the record, see?

On this Bretton Woods thing, this has direct bearing, we are just innocuously putting in the fact that I should be chairman of this advisory committee suggested by the Federal Reserve. You know about that, and Clayton and Acheson came over this morning and put up this big argument about it, and I stuck by my guns and wrote this letter which I'll make available to you. You might just as well fight it out now and have this thing settled. That's what I told them, that--(indicating memorandum to the President dated May 18, 1945).

Joe O'Connell was here, and Luxford and White. The President read it very carefully, waved it in the air and said: "I'll settle that with Stettinius." He said "You're in charge." So, that puts the Secretary of the Treasury in charge of all fiscal things via foreign people. Now, knowing that the President we have is backing it, I think we can be certainly as aggressive as we have been, that's all, always being--what should I say--

MR. WHITE: Within our own field. Of course, I'm not defining our field, but--

MR. BELL: That's what I was going to ask.

H.M.JR: Our pastures have no fences, but we always stay in our own pasture.

MR. BELL: Sometimes the other pasture is a little greener.

H.M.JR: Well, anyway, I think this, if I might say this, Pauley has taken that position. I don't know how the thing will work. I told this to Pauley and asked if we should sort of sit back, and he said "No, I want you

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to talk back," so let's sit back and see how this thing goes, because this is what Pauley said to me on the phone: "If Jackson has his way, there's no use in my going over on the Reparations Commission, because there will be nobody to put to work. He said "If I get one hundred thousand men and Jackson gets five million, there's no sense in my going."

MR. BELL: I don't see that was any of Jackson's affair, just reading this.

H.M.JR: Pauley insisted that Jackson see this thing. So, do you mind just waiting a little until I get the feel of the thing and just see where we go before we turn loose our rockets?

MR. WHITE: Time rockets is a good thing to describe what the Treasury can do at times. You mean you're not going-- is Jackson going to be here?

H.M.JR: Oh, yes.

MR. WHITE: You're only going to listen to him.

H.M.JR: Until I get the feel of this thing.

MR. WHITE: Maybe you can get a little more the feel of it before he comes, because it's a kind of subtle and needs a little preliminary discussion among the boys.

H.M.JR: You've got ten minutes. I think you ought to discuss it here. Have you any more to say?

MR. DuBOIS: Yes. I think it would be helpful-- there are two things to bear in mind, Mr. Secretary, that is, in the first place the document as we have it drawn doesn't purport to affect the treatment of prisoners of war. The only reason I mention that is the Russians already have two or three million prisoners of war and you can be sure they will keep their prisoners of war and use them, and there's nothing that we can do one way or another that's going to prevent that; so that from that standpoint this document could be something, I suppose,

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which you're not going to fight and die on, only except to the extent that it seems to me that it's going to look to the Russians as though we're trying to sabotage the whole labor program. Now, I think it's the feeling of all of us we shouldn't bring in prisoners of war discussions unless somebody else raises it, because Jackson will say we rely exclusively on prisoners of war if you raise that issue, although he may raise it himself. Aside from the problem of prisoners of war--

H.M.JR: Wait a minute. Let me ask you a couple of questions. It's getting too involved for me. What does Jackson propose to do with prisoners of war?

MR. DuBOIS: He doesn't talk about that.

MR. PEHLE: It's not a punishment problem. In other words, we work German prisoners of war not to punish them, but under the Geneva Convention that's the normal result of being a prisoner of war.

H.M.JR: What does Jackson want to do?

MR. PEHLE: He hasn't raised it on prisoners of war, but forced labor. The Reparations document provides as punishment forced labor. He said you don't decide except by trial. This doesn't provide for any trial. This provides if you're a member of the Gestapo you can be sent for forced labor.

H.M.JR: Which does?

MR. PEHLE: The reparations document. He objects and says: (a) You've got to decide whether membership in the Gestapo is enough, and you've got to have a trial, and when you get through making it, he says he's objecting to getting forced labor. He said we fought this war to get rid of forced labor and that's the same as concentration camps.

H.M.JR: Just a second. I'm afraid his position will be upheld by Secretary Stimson. I don't know.

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MR. PEHLE: It's the sort of thing Stimson would be sympathetic with.

H.M.JR: Although Stimson has approved and signed the Reparations document.

MR. WHITE: Except the approach from Jackson's viewpoint befores the issue. If the reparations problem is treated not as a punishment problem, but a question whether France, or Russia, or Czechoslovakia, can require German labor to reconstruct those countries as a reparations problem, they can say they want two million workers. They can go a step further within the realms of reparations and say they want some carpenters, some plumbers. They can go a step further and say: "We think it's in the interest of both countries that that labor comes from the SS and Nazis." That's not a punishment crime. That's merely a part of the reparations problem in the same way you want certain machines from Germany in the interest of both countries, so you can say I want certain labor. Once you get it over in the punishment angle then Jackson has a stronger case for saying you have got to try them and give them punishment.

H.M.JR: So that we don't all get mixed up, I think if it's agreeable to Bell and White, that we should let Joe do it. I'll call on Joe.

MR. WHITE: Yes. I'll go further than that. If it's going to be chiefly a question of listening, and as long as I certainly don't need to be here--because I'll get the story from them--and if you want to have a show-down at this time, why, bring it in.

MR. DuBOIS: I don't know, it might be helpful if Harry--

H.M.JR: I think it would be a mistake for too many of us to go in.

MR. WHITE: Joe can bring me up to date.

H.M.JR: No, Coe and Glasser have been in there right along and--

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MR. PERLE: I can get posted from Joe.

H.M.JR: All right. How about you, Dan?

MR. BELL: I don't need to stay; I can get it the same way. I agree that it ought to be as few as possible. I'll stay if you want me to.

H.M.JR: You've been in on the other meetings.

MR. BELL: I would think that Harry ought to stay more than I.

H.M.JR: You have been in on the other meetings.

Copy sent to Col.
McCarthy by Mr. Coe.

May 18, 1945
4:00 p.m.

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REPARATIONS

Present: Mr. Glasser
Mr. Coe
Mr. DuBois
Mr. Pauley
Mr. Marshall
Mr. Luthringer
Mr. Despres
Mr. Riddleberger
Mr. Clayton
Lieutenant Bancroft
Commander Richardson
Mr. Cox
Mr. Downey
Colonel Chandler
Colonel Brownell
Mr. McCloy
Justice Jackson
Mr. Fowler
Mr. Bard

H.M.JR: Couldn't we do a little preliminary sparring, Mr. Clayton?

MR. CLAYTON: I have a memo which Justice Jackson sent to Mr. Pauley after Mr. Pauley had discussed with him the memo which this committee had agreed upon as instructions to the United States representative on the Reparation Commission. The memo has to do with one of the labor clauses of the memo of instructions which we drew up. I think perhaps the best thing to do, Mr. Secretary, would be just to read the Justice Jackson communication.

It's called "Memo for Edwin W. Pauley, United States Representative on the Reparation Commission, Redraft of Instructions.

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"A part of this draft affects the trial of war criminals. Section 4 from this point of view is open to serious objections. Section 4d provides that, 'Compulsory labor service should be required only from war criminals and individuals definitely determined by appropriate process to be members of the Gestapo, the SS, the SSS, leaders of the S.A., or leading collaborators, supporters of and participants in the Nazi Party or Administration.'

"This subjects persons to compulsory labor service through membership in these organizations. That would make it farcical to conduct trials concerning the conspiratorial character of those organizations or the guilt of their membership. The only purpose of a trial is to determine whether these organizations are of such a structure and character that membership should warrant punishment. All of this is prejudged by the instrument in question. 4d should not go further than to read substantially as follows: 'Compulsory labor should be required only from convicted war criminals, and that for the period and in accordance with the conditions of their sentence.' Beyond that it is not my business what may be done about reparations through use of labor, but as I said to you, I think the plan to force great numbers of laborers into foreign service which means herding them into concentration camps will largely destroy the moral position of the United States in this war. As Harriman pointed out to us, the treatment of this labor is bound to be appalling by American standards. In a year or two there will come drifting out of Russia tales of oppressive treatment of this labor which I fear will be all too well founded and which in my judgment will arouse sharp condemnation by American sentiment, with serious results to those who have favored it.

I feel sure President Roosevelt's commitments at Yalta did not contemplate the sort of thing that is now being considered."

(Justice Jackson and Mr. Fowler enter the conference.)

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JUSTICE JACKSON: I'm sorry to be late.

MR. CLAYTON: Mr. Justice, we are just reading this communication which you sent to Mr. Pauley.

"In a year or two there will come drifting out of Russia tales of oppressive treatment of this labor which I fear will be all too well founded and which in my judgment will arouse sharp condemnation by American sentiment, with serious results to those who have favored it.

"I feel sure President Roosevelt's commitments at Yalta did not contemplate the sort of thing that is now being considered. What the world needs is not to turn one crowd out of concentration camps and put another crowd in, but to end the concentration camp idea.

"Respectfully submitted, Robert H. Jackson."

Would you like to add anything to that, Mr. Justice, at this time?

JUSTICE JACKSON: No.

MR. CLAYTON: Well, the matter is open for discussion, gentlemen.

MR. McCLOY: You will recall that when this directive was being discussed we took the position that this was a matter that had to be referred to--should be referred to Mr. Justice Jackson, as of course it ties in with this directive. The directive has been approved by the Joint Chiefs of Staff. However, that's on a point which is not a military point, and I don't imagine there would be any difficulty in changing it any way that we wanted to.

The language that Justice Jackson used, I venture to say suggestions might possibly be made to fit a little better the context, the particular language, than you suggested, but that's only a detail. We can come to that.

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JUSTICE JACKSON: The point is, as far as I'm concerned, if these people are to go for their membership in the organizations, there is no use of our trying to say what type of organizations or anything else. It's all settled as far as we are concerned, and I am glad enough to have it settled and be out of it, but that's--

MR. PAULEY: The practical problem you face in this regard is that--I certainly would like to see all labor that is used as a matter of reparations be those who are convicted by some legal authority, such as that that Justice Jackson is bringing about. That would certainly relieve me of many headaches and would seem the orderly way to go about it. It is one thing, however, if you are going to convict one hundred thousand people. It's another thing if you are going to convict five million. Well, perhaps that would meet the demands of those who will use labor as reparations. If you convict one hundred thousand people you know that it won't, so that it comes down to a practical problem of what to do after that.

MR. CLAYTON: I think you pretty well stated it.

H.M.JR: Isn't there one other thing, Mr. Pauley, from the standpoint of this Government? The only reparations we can look forward to is the work we might get out of these people?

MR. PAULEY: It seems to me the largest item of reparations to be expected is labor.

MR. McCLOY: Haven't we taken the position we don't want labor?

MR. CLAYTON: I don't think that the Secretary meant to imply that we did.

H.M.JR: I meant for Europe.

MR. CLAYTON: You didn't mean for the United States?

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H.M.JR: I meant for Europe.

MR. CLAYTON: That's what I understand.

MR. McCLOY: As a practical matter, the plan of prosecution of war criminals embodies this indictment and the conviction of these, particularly of these vicious organizations. That plan has been approved by the highest authorities. It was discussed at San Francisco with Mr. Molotov and Mr. Eden. Mr. Molotov said he would have to give it further consideration, but the conversations we had when Judge Rosenman was there, for what it is worth, he indicated that was a pretty good idea. President Roosevelt and President Truman approved the concept of bringing and trying these organizations, and I think we have got to modify that existing approval, or modify the directive.

MR. CLAYTON: Do I understand you to say that President Roosevelt and President Truman approved the idea of trying these organizations as organizations?

MR. McCLOY: Yes, that was part of the plan submitted by Judge Rosenman to both President Roosevelt and President Truman.

MR. CLAYTON: And then if you find that the organization was an organization of war criminals, let us say the--

MR. McCLOY: Gestapo.

MR. CLAYTON: ...all you have to do is find a certain individual--as a member of the organization he is guilty.

MR. McCLOY: If he's voluntarily a member and didn't act under duress.

MR. CLAYTON: Is that your understanding?

JUSTICE JACKSON: Yes. Of course how many people you will actually net as a result of that is a question

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depending on the thoroughness of identification and thoroughness of your controls in Germany and the police work that would have to follow the conviction of the organizations. I have no idea that at a maximum it would net anything like the figures of labor that are being talked of for reparations. Of course, reparations labor without any reference to criminal elements is not a concern of mine, but taking these organizations that took the maximum responsibility doesn't begin to solve that problem, and there will be great difficulty with identification as people go underground. These organizations will attempt to go underground, and how far they will be successful you can't say, but I dare say a great percentage of them will never be identified.

MR. McCLOY: The SSS organization--

H.M.JR: Without questioning your good faith, but I don't understand. We sat here four or five continuous days as a committee and nobody during that time said that President Roosevelt or President Truman had agreed this was the way these people should be tried. Nobody ever raised it. Nobody ever said that.

COL. BROWNELL: You will remember Mr. McCloy was not here at that time, and I know Mr. Lovett didn't know, and I certainly didn't know myself.

H.M.JR: Who signed for the War Department?

COL. CHANDLER: Mr. Lovett, and at my suggestion-- I knew there was some such document, but I didn't know what it was--he suggested that Justice Jackson and Mr. McCloy better be consulted. I didn't know what that was about.

H.M.JR: I still don't understand that such a document--the State Department or somebody wouldn't know about it.

MR. McCLOY: The State Department was aware of it. The State Department signed it.

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MR. CLAYTON: Secretary Stimson signed for the War Department. Mr. Lovett took the document to him to sign.

MR. McCLOY: Mr. Stimson said, "Well, this is subject to checking it with Justice Jackson."

COL. BROWNELL: The understanding was at that time that it was to be shown to Justice Jackson.

H.M.JR: I still say it's most unusual that such an agreement exists and this committee wasn't informed of it and there was no evidence of it before this committee.

MR. CLAYTON: Well, Mr. Secretary, the last few minutes is the first time I ever heard of it.

MR. PAULEY: Well, we get down practically to this, that paragraph 4--rather, it's the directive to our representative, Justice Jackson--and that is the basis that he is proceeding on, namely, to convict those people outlined in paragraph 4 and 4d. Now, all of those people are certainly subject to be used as labor in reparation payments. Now, suppose that is not enough. Suppose that the other countries feel that they must have more German labor? Then where do we go from there? We end everything compulsory there and then you must rely on some voluntary system.

Now, do you want to advocate a reconstruction corps taking the place of it on a Selective Service basis, such as they did with their military, starting in 1935? I believe that's right, isn't it? And how can you do that until Germany is returned to some sort of local government, whether it be an overall local government or in divisions, or is there going to be such a thing as voluntary labor in regard to reparations? I have serious doubts there could be such a thing as voluntary labor unless living and food conditions would be so bad in Germany somebody would want to get out, and that would be a matter of

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laws and private arrangements between other countries.

(Mr. Bard enters the conference.)

MR. PAULEY: I think the only thing, with the President and Justice Jackson having agreed that they will prosecute all those people that we enumerate in 4d--that just finishes that, doesn't it? There is nothing much more we can talk about except the next step.

H.M.J.R: Where is the document President Truman agreed on? I can't understand Mr. Stimson signing it knowing that this document existed.

JUSTICE JACKSON: I have copies of it. I don't have them here. The original document was by the War, State, and Justice Departments outlining their plan for trial. As I understand it, it was taken by the President to Yalta and there generally it was agreed upon. It was then passed to Foreign Ministers to carry out. The first I knew of it was when I was asked to undertake the job and did it because it seemed to me a feasible way of getting at this problem.

MR. McCLOY: I think it's--no doubt it's a fixed national policy if not an international policy that we indict these organizations and try them as such. The original document was signed sometime long before Yalta, or considerably before Yalta, by the Secretary of the Navy, War, and Secretary Stettinius, and was sent by Secretary Stettinius to the President, carried by him to Yalta, and approved by him. It was not thoroughly discussed, as I understand, at Yalta, but was thrown on the table as something to consider, and then Judge Rosenman was appointed and talked to President Roosevelt about it not very long before his death, and before he went to London he got the President's approval--President Roosevelt's approval on it, and then when he came back after President Roosevelt's death, he submitted it to President Truman, who went over it again, and he thought this was the

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right line, and sent him out to San Francisco to discuss it with Molotov and Eden. I was present when they discussed it with Molotov and Eden, and both Molotov and Eden expressed informally their view that this idea of indicting these organizations was a good idea. They liked that, and Eden practically agreed to it then and there, and then there were some discussions with Judge Rosenman, Sir Millikin and also the Frenchman and Russian whose names I can't recall, who worked over it, and they came to an agreement on the working level. The papers are in the hands, or were in the hands of Judge Rosenman. The more formal papers and the original document signed by Mr. Stettinius--we have a photostatic copy of it, I know.

MR. FOWLER: Mr. Chairman, Mr. Crowley couldn't come. He asked me to apologize. There is very little difference here, and we can dispose of it quite readily. In order to make that a little clearer, if you don't mind, I would just like to refer a moment or two to the deliberations of the committee both in the drafting and in the approval stage. As initially submitted to the top committee, the provision, as you will recall, about labor was a rather loose one, and I have a draft here in which is stated our disinclination to claim reparations in the form of labor. It said labor shall be recruited and then it lists some of these groups and referred rather loosely to those elements of the population who have cooperated in financing and building up the Nazi machinery, and Mr. Crowley, who was in attendance at the meeting, registered strong objection to the language on the ground that it was too loose and too general and did not identify those individuals who would be treated in a punitive fashion with any notion of guilt, so, therefore, the drafting committee resumed its session, and at that time we made a point which was that two forms of distinguishment should be clearly drawn between compulsory and voluntary labor service and that compulsory labor or service outside Germany should be required only as a punitive measure and that compulsory labor service should be required only from individuals definitely determined by appropriate

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process to be war criminals or included in these defined categories of organizations, and I think the drafting committee and the top committee both perhaps indulged the assumption that these organizations were so well identified in the public mind of the United Nations as criminal organizations that we, as Americans, Justice Jackson, could afford to go by our principle of opposing guilt by association; we could make an exception at least in the case of--

JUSTICE JACKSON: You don't need to go that far but--

MR. FOWLER: ...make an exception in these organizations, and so we approved this draft as we have it here, which incorporates the principle that compulsory labor is to be a punitive measure and that it is to be compelled from war criminals and individuals definitely determined by appropriate process to be members of these organizations.

Now, if the War Crimes Commission is going to set about immediately to the trial of the organizations as organizations, and there will be followed some appropriate process in determining given individuals to be members of a given organization and as such, war criminals, it seems to me that the language proposed here as a practical matter in the light of that background of what the War Crimes Commission is to set about doing--it really adds up to exactly the same result.

MR. CLAYTON: May I say--

MR. PAULEY: I can't see how anyone can object to the suggestion of Justice Jackson's to the amendment of that paragraph. I think we all ought to agree on that--period. But where do we go from there, if that's insufficient?

JUSTICE JACKSON: I assume that would be insufficient from what studies I have made of it. I have no idea that convictions would yield anything like the bulk of labor that is being considered. There is one other thing that concerns my work and that is this, whether having convicted these

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people, the United States has any responsibility when their sentence is served, whether there are any provisions on the manner in which they will serve. I cannot let--I would disassociate myself from it instantly if this became a project, the primary purpose of which is to get labor for Russia, and we just can't let a trial that is supposed to be on the level of an ascertainment of the facts about this thing to make our case for history become smeared, as I think it would be smeared if it's already adjudged that these people are going into Russian service and that we are merely going through the forms of a trial for the purpose of shoving them there. It would be discredited so badly to begin with as a judicial proceeding, if it is to be done I ought not to be doing it. So, I think that you have a little more responsibility when we convict and sentence a man to see that he serves that sentence under conditions and is released at the time that is provided for in the sentence.

MR. DuBOIS: I think that raises a much more fundamental issue here, and that is that at Yalta it was agreed that we should have labor service. What is your idea of what form that labor service should take? We know that Russia wants a number of laborers. A Gallup Poll recently showed eighty-two percent of the people in this country were in favor of sending three or four million workers to repair the devastation in Russia. In the light of what you say, how do you feel?

JUSTICE JACKSON: I don't know that that's my problem, but I'll tell you how I do feel. I don't give a damn what the Gallup Poll says because I have seen sentiment change over night in this country. If you are going to decide on the basis of the Gallup Poll, you will be out on the worst limb, if I'm any judge. You let stories get out of Russia and let the press come out and say these people are being denied certain rights--when you take four or five million people out of Germany you are hitting at a lot of interests outside of Germany. You'll see sentiment change, so I would pay no attention to Gallup Polls.

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Now, the question of the number and amount of labor and how it should be recruited is a very great problem. If you put that on to a local government, I should expect that government to fall before it could carry through a program of recruiting a great amount of labor to foreign countries. You will have to carry it out yourselves.

MR. DUBOIS: Apart from Gallup Polls it was agreed at Yalta that we should have labor service. The problem now is how we are going to carry that out. Originally, we discussed here, as Mr. Fowler said, recruiting labor and giving priority to these particular groups. You could presumably draft them as you draft men for the Army, but we thought it might be more acceptable from the public relations standpoint if we picked on these particular groups.

Now, I frankly don't see personally why this is necessarily inconsistent with the problem of war crimes. I think that it's in a sense a different problem. We have said there that we have agreed at Yalta that labor services should be furnished to the various countries. We could have said men between the ages of twenty-five and thirty should comprise that labor front.

We could have classified, well, say, just mechanics, and so forth should go. Instead, we felt from the standpoint of public relations in this country and Germany itself that it might be more desirable to take these particular types of organizations from which to select the labor. It's well known that they are murder gangs.

It doesn't follow that, it seems to me, because we say it is desirable to pick the SS group and the Gestapo group for this particular purpose--that doesn't mean you can not also convict the SS and Gestapo of war crimes. The two aren't necessarily inconsistent.

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JUSTICE JACKSON: But what is the point to convict them if they're going to serve the same sentence without conviction as with it?

MR. DUBOIS: It doesn't necessarily mean they serve the same sentence. We could put a reservation in here that this is without prejudice to any conviction that you may give. That can be put in here, if that is the only problem. They can serve, first, labor in Russia and then serve your conviction, or, first serve your sentence and then go to labor, but this wouldn't necessarily prejudice any conviction you may get.

MR. BARD: Suppose you convict the Gestapo as a whole? Does that mean they can be taken as a whole or do you have to cover each individual case?

JUSTICE JACKSON: You cover each. What we've planned would be roughly this: You would first hold your inquiry as to the nature of this organization, its purposes, plans, methods, structure, lines of responsibility, and you would then make your findings. See? If we are successful, it's a criminal organization. It constitutes conspiracy on a very wide plane. The action of every person within the general plan binds everybody always just like you convict them in violating the Narcotic Act by conspiracy, or any other Act. There's nothing very novel about that procedure except you've got a lot of defendants who aren't present. You can't round them up and have them in court, so our plan, in order to overcome that difficulty, is that the findings made by this Commission shall be conclusive in every other court as to the nature of the organization. So if we get a finding that it is or the Gestapo is a criminal organization, all they have to do is to pick up people who are members and bring them before a military tribunal of some kind -- a very summary one. Are you a member? You have the question open whether you have the right identification. I suppose if the individual had any plausible claim that he had been subjected to duress, you'd have to give that some hearing, but you'd have no questions open except those incident to his own membership.

MR. BARD: Is that consistent with this little paragraph which says compulsory labor should be required only from convicted criminals?

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JUSTICE JACKSON: We consider them convicted by the two steps. You wouldn't be able to pick up-- you'd have the two steps to take in order to reach the individuals subject to the sentence.

MR. BARD: Mr. Pauley, what position are you going to be in when you get over there and the court hasn't convened, and there are a million and a half or two million already serving in labor in Russia? That's what you're going to find. This is all fine but we've got to be realistic about it. They're going to be there and they're going to be serving in Russia when the time comes.

MR. CLAYTON: As a matter of fact --

MR. PAULEY: I think, irrespective of what I'd do about it, that's going to be ineffective. They've already done it.

H.M.JR: What I don't understand is this: Let's leave Russia out of the picture for a minute. I don't quite understand. Here this Commission is going to sit, and I'd like it explained to me if I don't understand it. For instance, by the way, where are you going to have these hearings? Where are you going to do this thing? Then let's say you convict three or four of these organizations. Then, does that apply only to those members who are within that part of the territory of which General Eisenhower is in control?

JUSTICE JACKSON: Not if we can get the other people to cooperate with us. That's why we're trying to get a four-power tribunal. Just where it will sit will, of course, depend on who comes in and on the military judgment -- where it ought to sit for security reasons. We'll assemble a big gang of these people, and you have problems which I won't attempt to solve. I should rely entirely on the judgment of Eisenhower or whoever delegates where we should sit, and the time of sitting will depend on how quick Russia and England and France can come in. We're pressing as hard as we know how.

H.M.JR: Well, I just am trying to get information. Supposing these things might drag on for months? I don't

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know how long a trial like that would take. Supposing two or three months pass and there is no decision? As I understand it, there's no decision definitely on who's going to be represented and what country is going to be represented on the Reparation Commission. That hasn't been settled. Suppose this drags on for months. In the meantime, irrespective of Russia, are we going to assist countries like Poland, France, Belgium and Holland, Denmark and Yugoslavia? Are they going to get labor from Germany, or is it that these people just stay in prison camps during this period of first setting up the Crimes Commission, and second, during the prior period.

JUSTICE JACKSON: It's a little hard to answer that because I don't know how many of the members of these organizations are now in prison. Undoubtedly, the forces that have been taken to Russia include a great many of them. The time of trial may very well be much delayed. If it's too much delayed, it's our thought it becomes plain that this is going to drizzle out, and we'd ask the President to set up a Commission to determine what should be done with those prisoners that are in our custody, and we'd present our case and make an historical record of what this is all about and proceed on our own. It's quite conceivable that we may never get an agreement. We ought to be past that point but you know --

H.M.JR: You're not.

JUSTICE JACKSON: ...how easy it is for things to fall through.

MR. CLAYTON: So far as compulsory labor service is concerned, I think we only ought to be realistic enough to recognize that what we are discussing here is a set of rules that would govern our own actions in respect to our own district, our own zone, and nothing else.

MR. McCLOY: And it's also an instruction to Mr. Pauley to state what the American point of view is.

MR. CLAYTON: You pointed out they've taken them wholesale out of the Russian zone, and there's nothing we can do about it as a practical matter except to try to insist on these rules and see if we can get them across. Now, Mr. Justice, I'd like to ask you if this

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language would meet your approval. "Compulsory labor service should be required only from war criminals and individuals definitely determined by appropriate process to be members of any organization or organizations determined by appropriate process to be a war criminal organization. Such service should be required only for the period of the sentence of such individuals."

JUSTICE JACKSON: There's a very vague term in there, "appropriate process," and if our Russian brethren assume that to mean just grabbing, it would be a little difficult.

MR. CLAYTON: We've construed it for ourselves in our own zone. As I said a moment ago, I think that we are really just talking about rules to govern ourselves in our own zone, as a matter of --

JUSTICE JACKSON: The rest can do as they damn please.

MR. FOWLER: Mr. Chairman, I don't know whether it's in order, but I believe that there isn't a great difference here. It's a known fact that in the document here we are assuming that the War Crimes Commission is going to endeavor to make it a matter of proof, and as these organizations are subjected to trial and determinations are made, they would naturally be incorporated within the meaning of the language Justice Jackson proposed. Therefore, I would suggest that if it be in order, that the Committee accept the language suggested or the language that you read, whichever seems more preferable, and I say that because that is thoroughly consistent with the position that we have taken in the working committee all along, and I believe it's generally in line with the position that was concluded.

JUSTICE JACKSON: I liked the language Mr. McCloy has rather better than either my own or this. I think it's a little more specific than this and avoids misunderstanding, and it is more comprehensive than mine.

MR. McCLOY: "Compulsory labor service should be required only from those judicially convicted as war criminals, including individuals determined by appropriate judicial process to be members of European Axis organizations, official or unofficial, which themselves have been adjudicated to be criminal in purpose or activities."

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MR. CLAYTON: That sounds all right to me.

JUSTICE JACKSON: A little less capable of misunderstanding.

MR. McCLOY: Now, as I understood it, we were going to limit this labor to those who are criminal in some aspect. I think Mr. Crowley meant that -- I wasn't here -- unless they were criminals he wouldn't have anything to do with it. That doesn't mean when you get over there you won't find a lot of German people going to camps in Siberia, but there's our national position to present.

H.M.JR: Is this wholly devoted to Germany?

MR. McCLOY: This is only the German paper.

H.M.JR: This doesn't --

MR. McCLOY: This is an amendment of the reparation's paper to Germany. Then if we can't get an agreement, if this Government can't get an agreement on the plan forwarded by Judge Rosenman and now being carried out by Justice Jackson, we can go ahead and apply unilaterally this policy, and say, after you've convicted them, here, there are so many. We've got probably one hundred and fifty or two hundred thousand SS troops in our hands today. We'll gradually accumulate some more. I wouldn't be surprised if in the American zone alone under American custody at the moment we have as many as three hundred thousand people. Say these people are convicted and we're going to make them available to the French under these rules -- these are the sets of conditions for labor in France, or if they want to subscribe to the same rules, Russia, or Holland, or whatever it is. We'll do our best to make them comply to those rules. At least our position will then have been clear. At Yalta, as I understand it -- I wasn't at Yalta -- we had to swallow pretty hard over their slave labor clause, and we were afraid that it would affront American public opinion if it was put down as a general clause, the elements of it to be worked out later. As a result of further meetings, and always at the back of the minds of the people who were negotiating it -- at least on the American side -- was the thought that there would be some rules prescribed under which this labor would be employed, so that it wouldn't deteriorate -- so at least we would do, as far

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as we could, those things which would be necessary to see that it didn't deteriorate to the sheer concentration camp aspect of Europe as it had in Germany.

MR. CLAYTON: Well, Mr. Justice, it appears that the only real difference of substance between us is that we assumed here in writing this Section 4d that the organizations named therein were war criminal organizations, and your court is going to try them and find out whether they are or not; that's the principal difference.

JUSTICE JACKSON: Yes.

MR. CLAYTON: If that's the only difference, it seems to me that Mr. McCloy's language in the draft there corrects it.

MR. McCLOY: Then from there it's up to Mr. Pauley to determine whether the Russians will take it.

MR. PAULEY: I move we get that out of the way; we accept that and get that done. Then let's go on from there.

MR. CLAYTON: Is there any discussion? Mr. Secretary, have you any point of view?

H.M.JR: Just for the record, you put the Treasury down for not voting either way.

MR. CLAYTON: On this question of the substitution of this clause that Mr. McCloy has read?

H.M.JR: Yes.

MR. BARD: I'd like to ask if the way your draft reads means that each one of these people has got to be handled on an individual basis?

MR. CLAYTON: That's what our draft provided too, Ralph. Our draft provided that too.

JUSTICE JACKSON: This is not going to be a separate criminal trial. You bring these fellows in -- if we've got a couple hundred of them in camp, we can process them pretty fast. If they admit they're voluntary members

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of the organization, that is that. If they deny it, we put the burden on them to prove the facts.

MR. BARD: You'd sentence them to a three year period or five year period.

JUSTICE JACKSON: The plan of the sentence was that all sentences would be subject to the approval of the Supreme or the Control Commission, because even after you have determined the question of guilt or innocence, and the character of the organization, you have policy questions involved in it instead of sentence -- uniformity of sentence -- that seem to indicate that that better be subject to review rather than to be left to --

MR. BARD: What I mean is you say that as an organization it's a criminal organization, and you bring ten thousand of these SS troops -- you find that they are members of the SS troops and each one of these ten thousand can then get individual sentences of a certain period of time. That would be impracticable.

JUSTICE JACKSON: Oh well, there would be a general sentence for persons who voluntarily become members, and the only thing you would refer to the second hearing, the second stage, would be "Are you a member?" "Did you join voluntarily?" If he had any real defense, the burden of proof is on him.

MR. DOWNEY: Then a blanket sentence would be given.

MR. CLAYTON: But in our language, Ralph, as you notice, it provides that individuals who have been definitely determined by appropriate process to be members of these named organizations would deserve it, so we assume that each individual would have to be found to be a member of an organization.

MR. BARD: Yes, but that --

MR. McCLOY: That would be a processing -- it wouldn't be just putting them through the mill. And you'd have a notary, or whatever it is, there to take it down. And if that's all you have to say, we find you're a member --

JUSTICE JACKSON: We put the burden on them.

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MR. McCLOY: Unless they're convincing --

MR. CLAYTON: Jack, would you mind reading one more time that clause?

MR. McCLOY: "Compulsory labor service should be required only from those judicially convicted as war criminals, including individuals determined by appropriate judicial process to be members of European Axis organizations, official or unofficial, which themselves have been adjudicated to be criminal in purpose or activities."

MR. CLAYTON: Any further discussion?

MR. BARD: From our view point --

MR. McCLOY: After Justice Jackson puts the Gestapo on the stand and has indicted them like the American Sugar Company or whatever it was, then he says, "By God, you're guilty."

MR. BARD: The SS troops in their set-up were the most patriotic organization in Germany. It was not criminal when it was formed. It's criminal according to our conception.

MR. RIDDLEBERGER: Mr. Secretary, we might make one point there. Insofar as these organizations mentioned by name here are concerned, there was certainly no compulsion on the part of any German to become a member. Quite the contrary. It was a privilege. It was a boast of Hitler that it was a rare privilege to be a member of the SS, and you could only join after you had demonstrated your complete devotion and fanaticism on the part of principles. Perhaps in the judicial sense, Mr. Justice, we have pre-judged the guilt of these organizations, but I think we did it bearing in mind the fact that their guilt could be easily established.

MR. FOWLER: As a matter of fact, we discussed a number of other organizations that we didn't include here that you might.

MR. McCLOY: You might very well indict the General Staff.

MR. FOWLER: Sure.

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MR. McCLOY: I think that's a very good thing to indict.

JUSTICE JACKSON: Of course the question has been raised as to the Nazi party. You run into some difficulty there you don't have in connection with some of the other organizations, but there may be other organizations that could be included in this.

MR. McCLOY: Bear in mind that S. R. is an enormous organization.

MR. RIDDLEBERGER: Not any more after 1943. It lost most of its power, and the SS really took over. It was very large.

MR. CLAYTON: Anything else, Ralph? Joe? Mr. Pauley, have you anything else?

MR. PAULEY: Where do we go from there?

MR. CLAYTON: We haven't finished on this. I wondered if you had anything else to say on this suggested substitute? Mr. Secretary, we have always acted by unanimous vote.

H.M.JR: Well, I don't want to.

MR. CLAYTON: You understand it, don't you?

H.M.JR: I understand it, but as I said, I don't want -- what do they do? Do they excuse themselves?

MR. McCLOY: We are still ahead of the court, Mr. Secretary, because you are just not voting.

H.M.JR: It's wholly unrealistic and we are just going at this thing -- I don't know, I'm not a lawyer. I might -- can anybody give me an example in the history of the world where you have found an organization guilty? Has any court ever convicted an organization?

JUSTICE JACKSON: You have quite a number of anti-trust cases where you have convicted trade organizations.

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H.M.JR: Individuals.

JUSTICE JACKSON: But I agree with you that there is much to be unconventional about this. If there isn't, there is no sense in doing it.

H.M.JR: The other day a man was brought up, and I saw this some place -- it wasn't a burgomaster -- and he was asked if he was a Nazi and he said, "No, I am not a good Nazi. I ran a black market on the side." So I just for many reasons am afraid that -- I want to be excused from voting because I think this is wholly an unrealistic approach, so I can't get in on a discussion as to technicalities or legal procedures. In the meantime, the Army is going to call for people to harvest the crop and mine coal and everything else, and so for many reasons, personal and otherwise, I would like to be excused from voting either way, as I said.

MR. PAULEY: I don't see any difference in the thing, in the 4d we had and this other except that you have a judicial body determining who shall serve.

MR. McCLOY: That's the point.

MR. PAULEY: And in our 4d we said heretofore that compulsory labor service should be required only from war criminals and individuals definitely determined by appropriate process, and now we have the appropriate process. That's the only difference, as I see it, Mr. Secretary.

H.M.JR: As I understood it, Mr. Pauley, in this directive we were saying people who were members of this particular organization were guilty, and therefore we could ask them to go to work, and now we are going to -- I'd like your advice. I said, if I understood this previous directive, it was that we said that people of these organizations are guilty.

MR. McCLOY: They are already guilty.

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H.M.JR: And that therefore anybody who is a member of them would be called upon to do a certain amount of labor.

MR. McCLOY: That's right.

H.M.JR: And now we are going to say that if we find these organizations guilty of any crime, that each person has to be found and also found guilty.

MR. McCLOY: No, just mere identification as a member which you would have to do in any case.

H.M.JR: Is this international body going to do that?

MR. McCLOY: No, there will be an appropriate--

H.M.JR: Wait a minute. After they find the organization is guilty, this Crime Commission--now wait a minute, under civil liberties and everything else you have got to give each man a hearing.

MR. McCLOY: There would be a hearing of a limited character only to determine his membership in a criminal organization.

H.M.JR: How many can you process?

MR. McCLOY: I think we can process a very substantial number.

H.M.JR: You are saying that today?

MR. McCLOY: I know today we have got--

H.M.JR: But is the Crime Commission going to set down rules and regulations under which each individual is going to get a hearing?

JUSTICE JACKSON: They will make findings as to general organizations and turn them over to Eisenhower, and from there on they would have to catch these people and give them a chance to say whether they are not and why they are not. If they are successful in getting

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records, of course that would be very helpful. There are various ways under consideration for getting identification. It would be difficult to identify people who were members. It depends on how helpful people in Germany are about it, whether they take the attitude of covering them up, or whether some of them can be induced by appropriate means to disclose their neighbors.

MR. DUBOIS: Who will give them that hearing, Mr. Jackson?

JUSTICE JACKSON: The military.

MR. CLAYTON: I think this is highly important, and I didn't understand it before. If I understand Justice Jackson correctly, he is now saying his court will pass on the guilt of these organizations as organizations; that then his court will have nothing further to do with identifying the individual members of these organizations, but that they turn that function over to the military.

JUSTICE JACKSON: That's right.

MR. McCLOY: I would suggest, Mr. Jackson, we could cut out that word "judicially" in the first part.

MR. FOWLER: That would be exactly, in effect, what we had.

MR. McCLOY: No it wouldn't, because you are talking about individuals determined by appropriate process. That process may not be strictly judicial-organizations which themselves have been adjudicated. That means by judicial process to be criminal in purpose and activities. It may be only a processing you put there.

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MR. FOWLER: Except the prejudging point.

COL. BROWNELL: It means appropriate process would provide for membership and provide for adjudication of guilt. It's--

MR. CLAYTON: I think this is highly important. We ought to get it very clear.

H.M.JR: It's the same word.

COL. BROWNELL: That's the same word we had before.

MR. McCLOY: The adjudication that these are guilty.

MR. DuBOIS: They've got "adjudicate" here.

MR. FOWLER: It means instead of you and I and the rest of us sitting around the table saying these named organizations are guilty that the War Crimes Commission is going to do that in an orderly, formal, judicial process, and perhaps include other organizations that we haven't dared to mention here because we didn't have enough.

MR. McCLOY: We picked these fellows out when we drew this thing, saying these are the most obvious fellows.

MR. CLAYTON: We'd probably come out at the same point, Mr. Secretary. Now since that has been changed a little, we'd probably come out at the same point in the end by the way it reads. Now it certainly would in all probability include several other organizations that we didn't name.

H.M.JR: The only thing, the word that bothered DuBois is the word "adjudicated."

MR. DuBOIS: That's the gist of it.

MR. CLAYTON: That relates only to the organizations, you see.

MR. DuBOIS: The real difficulty it seems to me on

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the whole thing is the idea that you have to adjudicate the SS--that's all that you're now talking about--in the light of the facts as being a guilty organization. The facts of history speak for the fact that that is a murder gang, and now to suggest that you have to have a trial to establish the character of the SS, I could understand that, Mr. Clayton, but to talk about having to have a trial to establish an agent of the SS or Gestapo, I don't understand it. I'd like to ask Mr. Justice what he feels his trial would bring out that hasn't already been brought out, and that the world doesn't already know.

JUSTICE JACKSON: Well, in the first place when someone says, "We already know," I've always said, "For God's sake give me the evidence," and I don't get it. Now, if you're going to have a record, you've got to have something besides current rumor, newspaper reports, and that sort of thing. We'll get the record and make the record, so far as--

MR. McCLOY: That would be much more valuable.

JUSTICE JACKSON: There's much more difficulty in establishing a lot of these things in a way that you're going to have them recorded for the practical value of the world for the future if somebody writes the history of this thing, than in simply saying it's all true and we know it.

MR. BARD: It's consistent with our Constitution and our way of doing business.

MR. McCLOY: It's the way you get the value of the business.

MR. DuBOIS: Let me point this out, just for example. Suppose a court should come out and find that the SS was not this type of organization. I guarantee you that records or no records, the decision of that court would be so condemned in the eyes of the world that the court might as well fold up. I'm saying that to attempt to determine that the SS is such an organization is in effect a farcical trial.

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MR. McCLOY: No more farcical than if a man came in the room this minute and we all saw him murder the Secretary of the Treasury.

H.M.JR: Why pick on me. (Laughter)

MR. McCLOY: We all know, by God, that he'd still have to have a trial.

JUSTICE JACKSON: We all knew it was a farcical thing.

H.M.JR: I hope that wasn't a Freudian slip. (Laughter)

JUSTICE JACKSON: We expected conviction of the saboteurs, and they went through a trial, and there was a record to show why those people were executed. You want to execute them for the right reasons, if you want to do anything for the future peace of the world. If we stand for the things we've been saying we stand for, we can hardly refuse to make an inquiry. It's difficult for me to see why you can hesitate to record here the evidence and make it available--the record of its rise and the barbarism and all that--to have it available, and this is the only real official way to do it. Now, as far as I'm concerned, that decision is passed. It's a political decision as to whether you should execute these people without trial, release them without trial, or try them and decide at the end of the trial what to do. That decision was made by the President, and I was asked to run the legal end of the prosecution. So I'm really not in a position to say whether it's the wisest thing to do or not.

H.M.JR: Could I have five minutes?

(The Secretary, Mr. Bell and Mr. McCloy leave the conference.)

MR. CLAYTON: If you pick up the argument as you make it, let us say all right, we know the Gestapo, the SS--we know what they have done, and what's the use of a trial? Where do you stop with that? Suppose there are twenty organizations, and some are more or less guilty than others. Where are you going to stop with this process of determining, before you have a trial, which are guilty and which are not?

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MR. DuBOIS: I agree there's a problem--where are you going to draw the line? But you take--I'm speaking only of the SS and the Gestapo. It seems to me that what we know speaks so loud that the rest becomes sort of an anti-climax. I'd like to ask you, Mr. Justice, whether there's any doubt in your mind as to what decision the court will reach.

JUSTICE JACKSON: There is no doubt in my mind the facts will show this was a barbarous organization. I think there might be doubt as to whether they will say it's a crime under international law. You know there are difficulties about that, but one of the difficulties is that everybody in this town says, "Well, we know it." I say where's your evidence. Get your files. I'm told there are--in one section they had a great many cases. I get the cases. Well, they haven't a bit more than we've got on this table. I tell you, in making a record of this thing so that the man to write the story of this twenty years from now can bank on it, and saying that we know it, are two different things, and if it isn't worth while writing--but I have been assigned to the job of writing it, and so that's back of me, and for heaven's sake, if you've got any reliable information, give it to us.

MR. GLASSER: Mr. Justice, do you think we ought to let the labor reparations wait until you have completed the record, or is it your idea that we really can't go ahead with labor reparations until you have finished your accumulation of evidence, which may take a considerable period of time.

JUSTICE JACKSON: I don't see how you can put people in the position of serving a sentence until the case is completed.

MR. GLASSER: Well, I gather that the theory is that this is reparations and that they're not serving sentence, that Germany has been asked to supply labor service as reparations. Now, we are imposing a criteria on the Germans for their selection, as Mr. DuBois pointed out. We might have picked those men who have blue eyes or other criteria, but we feel that this is the best criteria in the interest of world peace, future security of the world. On that

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basis they're not serving their sentence but they are accomplishing the duty of the German people. The Germans have this duty to fulfill, and they are fulfilling it, and they're the ones that have been picked.

JUSTICE JACKSON: As a pure proposition of reparations, if you want to take them, that's perfectly all right with me. All that means is that I drop them out of the trial, because I can't be in a position of trying somebody to see whether they'll be subjected to punishment. They have already been subjected on the assumption they're guilty, but if you make the assumption that they're guilty on the basis--

MR. DuBOIS: That point could be taken care of, Justice. I take it that this thing could be sort of written--whatever is done in the way of reparations wouldn't prejudice also trying of war criminals. Again, Mr. Clayton, it is in here, when we take these people as labor that doesn't necessarily mean that they have to meet all the traditional tests of having been determined to be a war criminal. I think when we started out here, before we had the draft, it wasn't even limited to these people. In other words, again, coming back to the point, you can take men between 25 and 30. Instead we said that we should take those groups. At least what we know is a reasonable enough basis to use these people in this way. We're not executing or shooting them--what we know is a reasonable enough basis to choose these people, to pick them.

MR. CLAYTON: It is true we did start out without the conditions we later adopted, but it's just this idea--the value of these meetings is getting different individuals together who have an interest in the matter to express their points of view out of which we get something that makes more sense than if any one of us did it by ourselves.

MR. HARD: I don't see how that--what bothers me is, is it entirely practical? You need people to get out coal right now, not six months from now when they make their decisions about these things. You need people now to raise crops, and you're not going to get anybody's support for at least six months. In the meantime they sit around and do nothing and twiddle their thumbs, and people are starving to death and going without something to eat.

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JUSTICE JACKSON: Don't misunderstand me as to putting these people to work under the American command in Germany all you want to.

MR. CLAYTON: In Germany.

MR. BARD: As prisoners of war.

MR. CLAYTON: As prisoners of war, certainly.

JUSTICE JACKSON: Then you're doing nothing for me, and it's foolish.

MR. CLAYTON: I anticipated that that would be done right along, because I have probably told you if you talked with them, that they figure that the three principal coal-producing areas in Germany which ordinarily produce one hundred fifty million tons of coal a year would only produce in the next twelve months around fifty million tons, in other words, one-third of normal; and that's a tragic thing, because you know fuel is one of the very critical things in Europe. The reason is manpower, labor, they said. The mines are all in pretty good condition. It's a question of putting people down. They've taken a lot out that they've had in there and they have left and gone home, the French, Belgians, Dutch, and Poles, and so forth. And now they better take these Germans, the Army, and put them in there under Army administration and see that they do this work and mine that coal, and I imagine that Eisenhower will certainly do it.

JUSTICE JACKSON: Of course. The thing they're talking about is putting these fellows to work on crops and mining coal under American command. That's one thing--it doesn't worry me greatly if you send some people into France. France can't run a slave system consistently with a free economy. They would help them a little bit, and it would taper off, and they would go back, and they won't be very successful in making use of them. England the same, if they use some of them. One country that can consistently take these people and press them to slavery and set up a slave system on this thing is Russia who has got the system to make this work, and I tell you every man connected with that venture will eventually have the condemnation of the American people, because the stories that have come out of there will make their hair stand.

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MR. FOWLER: The main thing we ought to also keep in mind is this program we have for Germany. We've also got a lot of good stuff in it, and the important thing is a position you can maintain over a long sustaining period of time in order to achieve results. And I think we've got to think about what we all know, that these public opinions--there's always a tendency to run a lynch mob the night after the woman's body is discovered, and in three or four months it's an entirely different state of mind. I think we maybe ought,--and that's been our position all along--to do this thing in such a way that you're going to bolster it up and be able to maintain it as a matter of right and justice, against the swings of opinion wherever they may come from over a long period of time.

(The Secretary, Mr. Bell and Mr. McCloy reenter the conference.)

H.M.JR: Mr. Chairman, I think it's unfortunate that we didn't have the advantage of having a study in advance of all the documents which were available. It's so hard when one has so many things to do closer to the Treasury than this. But I fear by not voting it might be misinterpreted that I was not in favor of this new resolution. I want to say that I am in favor of this resolution because inasmuch as the President of the United States has decided to set up a Crimes Commission and it's the way to adjudicate these various organizations, if there's no misunderstanding, I'll say we are in favor of this revised statement.

MR. CLAYTON: That's fine. Thank you, sir. I'd like to say what you said about not having an opportunity to examine the documents, and so forth. It's entirely correct, but I had to call this meeting rather hurriedly, and did so the minute I saw Mr. Pauley's letter, because he's leaving on Sunday and so his time is very short.

H.M.JR: Well, I don't think that this document had been around at the time previous to President Roosevelt's going to Yalta. It's difficult when at a discussion certain people have seen this, and certain people have seen the minutes of the Yalta Conference, that neither you nor I have, and neither you nor I have seen this Rosenman paper.

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MR. CLAYTON: That's right.

H.M.JR: And I think it's difficult to work under those circumstances. We're talking about the lives of a great many people and the peace of the world.

MR. CLAYTON: That's right.

H.M.JR: It's difficult to give careful consideration with guns to your heads. It's pretty hard to act under those conditions. I'm not accustomed to participating in committee work on that basis.

(Mr. DuBois leaves conference temporarily.)

MR. CLAYTON: I think if we adopt the substitute paragraph read by Mr. McCloy for paragraph 4(d) in our original document and we do that unanimously, now we should get, I think, a little paper written up which carries the action of this committee, and I take it we should sign it and send it to the President just as we did the other papers. We ought to do that certainly tomorrow.

(Mr. DuBois reenters the conference.)

H.M.JR: Mr. Bell can sign for me because I won't be here tomorrow.

MR. CLAYTON: I see. We'll get a paper written up and it will just take one page, and send it all around for signature, so that we'll then have it in order and present it to the President sometime tomorrow so that he can give it to Mr. Pauley. Well, has anything else come before the meeting?

MR. McCLOY: I think Mr. Pauley has a point.

MR. PAULEY: This, of course, leaves this Commission exactly nowhere, practically. The big problem we're going to have is that, of course, I have no idea in advance how many people are going to be convicted as war criminals, but I have a feeling that there are not going to be as many as other countries will want for labor. Well, what shall the American, the United States representative do about that? What shall our attitude be in the amendment

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that was just adopted? It covers practically all compulsory labor, doesn't it? That's its intention.

MR. McCLOY: It did before that.

MR. CLAYTON: It did before that.

MR. PAULEY: Now, do we just say period, that's all, or do we have suggestions that we give, as a reconstruction corps, or what? Personally, I don't think there will be such a thing as voluntary labor if we carry out the spirit of the letter of this agreement, namely, in making more or less uniform the living conditions throughout Europe. And yet I'm in a very awkward position. Everybody is going to want something that we're not going to be able to participate in doing.

MR. BARD: If Eisenhower does what we think he's going to do, he'll take care of all these demands with war prisoners--all legitimate demands, with prisoners of war, and that question won't come up to you for several months. In the meantime, it will be taken care of on that basis. It will be done just by ordering ten thousand here or three thousand here, or so forth. That's what's going to take care of this situation.

MR. PAULEY: How many war prisoners do we have?

MR. McCLOY: About a million and a half, I think.

MR. PAULEY: That are now in Germany?

MR. McCLOY: As I get it, you've been instructed as the American representative on the Reparations Commission to take a position that we're against slave labor as such, and that the type of reparations labor that is to be made available, so far as this country is concerned, we'd have negotiations with our conferees over there, but that's the American position. And compulsory labor would be only on the basis of--

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(Discussion off the record.)

MR. McCLOY: We have adopted in a limited form this idea of reparations labor. There will be, as Mr. Bard points out, a substantial amount of war prisoner labor that will take up some of the immediate labor requirements. We are sending some of the war prisoners into mines. We can do that under legal process, but our position is we want to regularize the reparations labor so that we don't get into the concentration camp idea.

MR. CLAYTON: Can you send war prisoners into France to demine the land, for example?

MR. McCLOY: That's again the Geneva Convention, I think, but we can send them into the mines in France.

MR. CLAYTON: I see. Well, it seems--

MR. McCLOY: Or agriculture or something like that.

MR. CLAYTON: It seems to me Mr. McCloy is right. What we have adopted here is a set of conditions under which, as I understand it, we would consent to give up individuals from the American zone for forced labor or service outside of Germany and that we would try to get these conditions adopted for all the other zones.

MR. FOWLER: Well--

MR. McCLOY: I want to point out it's not by reason that we just adopted it, because the provisions we had before posed the same thing.

MR. FOWLER: Mr. Chairman, in the discussions of this in the informal committee, we agreed that there would be many opportunities to promote a system of voluntary labor, the payment of which would be borne by the German people as a whole. The conditions and incentives for making-- for offering themselves as available could be made such that there would be considerable advantage and considerable

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opportunity to build up those voluntary labor corps if conditions are going to be as bad in Germany as are indicated, and a man's family is going to be entitled to a little extra rations, or he has no job in Germany. He has a chance to, if he wants to, volunteer under prescribed terms and conditions specific periods of service, with specific wages and working conditions to go outside. There ought to be plenty of opportunities to develop a system to be paid for by the German people as a whole.

MR. PAULEY: The Russians practically have already stated that they are going to want a minimum of five million men for five or more years. Now, are they war prisoners, and are those convicted sufficient for them to get that many?

MR. FOWLER: The answer to that is if the Russians are willing to agree to handle those individuals, to offer terms and working conditions and agree with the other United Nations as to a handling of those individuals that will go into that work, that offers an opportunity and an incentive for the individuals to go; that then there is going to be a reasonable chance of them taking advantage of this labor which would be paid for not by the Russians but by the German people as a whole.

MR. PAULEY: Practically, for some reason or other, that doesn't just ring a bell with me that the Germans are going to go by some incentive plan into Russia to work.

MR. FOWLER: That depends a lot, I think, on the evidences of bona fide and good faith that the Russians would be willing to assure--

MR. CLAYTON: But, Mr. Pauley, if we approach the matter on some idea that if the Russians and French couldn't get under these conditions as many laborers as they want, whether we should attempt something else,

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that would really mean a reconsideration of these conditions, so that it seems to me having adopted these conditions, if we all agree--

MR. PAULEY: That's perfectly satisfactory if you say that finishes it. Period. That's all I want to know.

MR. CLAYTON: I think that's the situation it's in at the moment.

MR. PAULEY: Okay.

MR. RIDDLEBERGER: There's another question.

MR. BARD: You're under no obligation to force this on them. As I understand it, you don't want to be in any position of that kind.

(Discussion off the record.)

MR. COE: Mr. Pauley is going to have to send back to the President for further instructions pretty soon.

MR. DESPRES: There's a question of the possibility of allowing the Russians to have the prisoners of war-- some of the prisoners of war that we are holding who could be used for labor so long as--

MR. McCLOY: ...they observe the Geneva Convention.

MR. PAULEY: They were not a party to the Geneva Convention.

MR. McCLOY: Before we turn them over we can exact from them that they observe the Geneva Convention.

MR. CLAYTON: That's something for the military to decide. We don't need to decide that here if they are prisoners of war.

MR. McCLOY: That's something else.

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MR. CLAYTON: I don't think that's anything for us.

MR. McCLOY: That's an established policy of our Government that we don't let them go unless we get assurance that the Geneva Convention is going to be followed.

H.W.JR: All right.

MR. CLAYTON: If there is nothing else--thank you, sir.

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May 18, 1945

MEMORANDUM FOR THE SECRETARY'S FILES

Meeting in the Secretary's Office
May 18, 1945
5:30 p.m.

Present: Secretary Morgenthau
Assistant Secretary Clayton
Messrs. Scheuer and Wilbauer of FEA
Messrs. Coe, Miller and Friedman

The Foreign Economic Administration representatives described the difficulties of getting cotton textiles for China and stated that the Army had agreed to endorse 15 million yards monthly for three months as a direct military requirement but this action does not insure that any such amount will be released for shipment to China.

Secretary Morgenthau suggested that Judge Patterson be brought into this picture. It was agreed that a meeting would be held in the Secretary's office Tuesday morning at 11 o'clock with Under Secretary Patterson, Mr. Clayton and Mr. Crowley present.

Frank Coe

FC

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May 16, 1945

George Haas

Secretary Morgenthau

I see according to Wall Street Journal that canned corn and canned tomatoes will not last all through the summer. I wonder if the War Food Administration isn't urging that farmers plant these. I wish you would make inquiries today because we could still plant either sweet corn or tomatoes on our farm this summer if there is going to be a real shortage - if there is a need for it. You might ask them which of the vegetables they are urging the farmers to grow - in which there is the greatest shortage in canned goods. Is it true that there will be no canned tomatoes and canned corn by the end of the summer? I'd also ask them about string beans.

Finished

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5/16/45

D. W. Bell

Secretary Morgenthau

The President told me today that he would like to have us do some work on seeing how we could cut the appropriations of the Navy. *Finished*

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May 18, 1945

Joe O'Connell

Secretary Morgenthau

I think it would be wise for you to go up to see Senator Barkley today and tell him what has happened in regard to the tax legislation during the last week. Tell him about the meeting we had with George and Doughton, and tell him about the meeting we had yesterday with Rayburn and show him a copy of that little 4-page leaflet that was to come up at the committee. I don't think he was present at the committee meeting. Tell him that Rayburn is going to bring the matter up the next time they see the President and we hope that we get his support.

Finished

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May 18, 1945

My dear Lt. Putzell:

This is to acknowledge receipt of your letter of May 17th with which you enclosed a statistical study dealing with the "Public Gas Supply in Northwest Germany". I am looking forward to reading this pamphlet, and wish to thank you for sending it to me.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Lieut. (jg) E. J. Putzell, Jr.,
Office of Strategic Services,
Washington, D.C.

CONFIDENTIAL
OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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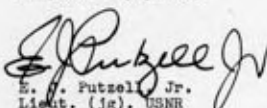
17 May 1945

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

My dear Mr. Secretary:

Submitted herewith as of possible interest to you is a detailed statistical study, prepared by our Research and Analysis Branch, dealing with the "Public Gas Supply in Northwest Germany".

Respectfully yours,


E. J. Putzell, Jr.
Lieut. (jg), USNR
Acting Executive
Officer

Enclosure

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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17 May 1945

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Officer

Enclosure

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OFFICE OF STRATEGIC SERVICES
RESEARCH AND ANALYSIS BRANCH

**PUBLIC GAS SUPPLY
IN NORTHWEST GERMANY**

(An area including the Prussian provinces of Sachsen,
Westfalen, Hannover, Schleswig-Holstein, and the states
of Thüringen, Hamburg, Oldenburg, Braunschweig,
Bremen, Anhalt, Lippe, and Schaumburg-Lippe)

R. and A. No. 1762.2

17 April 1944

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OFFICE OF STRATEGIC SERVICES

RESEARCH AND ANALYSIS DIVISION

PUBLIC GAS SUPPLY
IN NORTHWEST GERMANY

(The area including the Rhine Province of Germany, the Ruhr, and the states of North Rhine-Westphalia, Lower Saxony, and Schleswig-Holstein.)

U. S. A. 1945

17 April 1944

This document contains information which is classified as "Secret" under the provisions of the Espionage Laws of the United States. It is to be controlled, stored, handled, transmitted, and disposed of in accordance with the provisions of the Espionage Laws of the United States.

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Public Gas Supply in Northwest Germany

I. PRINCIPAL TRANSMISSION NETWORKS

A. INTRODUCTORY NOTE.

Many communities in Northwest Germany obtain their entire public gas supply from pipe lines which carry the gas to them from a distance. Other cities, although having gasworks or coke plants in their immediate vicinity, are situated on transmission lines and hence can draw part of their normal supply—or greater quantities in emergency—from these lines. Thus, although the supply of public utility gas is generally considered to be a purely local problem, it cannot be treated as such in Northwest Germany.

The principal networks extend beyond the limits of Northwest Germany as defined for this study. As a result it is necessary to describe them without reference to these boundaries, except insofar as detail concerning the outside sections of the networks can be omitted without distorting the picture. The most extensive system of transmission lines is the Rheinland-Westfalen network, which carries the surplus gas of the coke industry of the Ruhr. A second system, handling much smaller quantities of gas, is the Central German network. These two systems are given separate consideration below. In addition there are a number of still smaller networks radiating from large city gasworks such as those of Hamburg, Halle, and Erfurt. As both the source of supply and the bulk of the consumption in such developments are within the central cities themselves, these networks are described in connection with the local supply of the large cities concerned.

Map 30-79 shows these transmission lines in Northwest Germany the completion of which is confirmed by published German sources. Ambitious projects existed for the interconnection and extension of these lines to form a single integrated system. One such project, providing for the supply of gas to Berlin from the coke plants of the Reichswerke Hermann Göring in the Salzgitter area, would probably have involved the construction of a connection between the two principal networks near Selzgitter.

A number of different companies are involved in the operation of each of these networks. To present a clearer picture of the actual structure of the networks, however, the physical facilities are here described primarily for each network as a whole with only brief references to ownership. The role of the individual companies is outlined subsequently.

B. THE RHEINLAND-WESTFALEN NETWORK AND RUHR COKE-OVEN GAS.

1. Importance.—For the gas supply of the Rheinland-Westfalen area, coke-oven gas is more important than gas produced in local gasworks. This is a result of the fact that a large percentage of the German coke industry is concentrated in this area, at the Ruhr coal mines. In order to provide a profitable outlet of the byproduct gas for the coke plants, a system of interconnected gas-transmission pipe lines was developed by RUHRGAS AG and other companies. The greater part of this surplus gas is piped to industrial plants, which use it for their heating processes. Large quantities also go to cities, however, and there are only a few city enterprises in the area which produce their own gas. Most of the municipal "gasworks" are merely distributing agents for gas purchased from coke plants.

Thus, while in Germany as a whole gas purchased from coke plants amounts to only about one-fourth of the total amount distributed by city gasworks, the situation in Rhein Provinz and Westfalen is radically different. Table 1 shows the relation between gasworks and coke-plant production for city supply in these two provinces in 1936, leaving out of account the even greater quantities of coke-oven gas which were sold directly to industries.

TABLE 1.—Proportion of coke-oven gas distributed by municipal enterprises in Rhein Provinz and Westfalen in 1936

	Total amount of gas distributed	Amount produced by gasworks	Amount produced by coke plants	Percentage of total purchased
Rhein Provinz.....	300,000,000	100,000,000	200,000,000	33
Westfalen.....	200,000,000	100,000,000	100,000,000	50

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In Westfalen, 70 percent of the public utility gas distributed comes from coke plants—a greater proportion than in any other part of Germany. The Rhein Provinz, with 65 percent, is a close second. Practically the entire supply of coke-oven gas comes from the Ruhr. The situation in the two provinces differs from that in the rest of Germany in that local gas supply is largely dependent on (1) the coke industry, which produces the gas and (2) the pipeline system, which brings it within each of cities not actually in the coke-producing area. Furthermore, as a result of the expansion of the Ruhr network beyond the boundaries of the two provinces, the same situation exists in certain cities of the provinces of Hannover and Hesse.

To be sure, "city gas supply" is not entirely synonymous with "domestic" or "nonindustrial" gas supply. Of the total amount of city gas delivered annually in Westfalen, 60,000,000 cu. m. goes to industry; of that in Rhein Provinz, 160,000,000 cu. m. (1936) there still remains, however, roughly three hundred million cubic meters of coke-oven gas used for domestic purposes and street lighting, a figure which is insignificant only when compared with the huge quantities of gas produced and consumed by the Ruhr industries themselves.

Particularly in the case of Westfalen, it is necessary further to point out that coke-oven gas supply is not synonymous with supply from any great distance. It is estimated that about half of the city gas distributed in Westfalen is produced at coke plants located within 15 kilometers of the city served, about a quarter more is manufactured by ordinary city gasworks, and only about a quarter is actually transported over a distance greater than 15 kilometers.

2. Source of Gas: the Ruhr Coke Plants.

a. Quantity of Gas Available.—The quantity of gas produced by coke plants in the Ruhr exceeds the sum of coke plant production outside the Ruhr and gasworks production in all Germany. Table 2 shows this in detail for the 5 years 1933-37.

TABLE 2.—Concentration of German gas production in the Ruhr area¹

Year	Gas production of coke plants in the Ruhr	Gas production of coke plants in the rest of Germany	Gas production of gas works in all Germany	Year	Gas production of coke plants in the Ruhr	Gas production of coke plants in the rest of Germany	Gas production of gas works in all Germany
	Million cubic meters	Million cubic meters	Million cubic meters		Million cubic meters	Million cubic meters	Million cubic meters
1933	2,581	1,208	2,400	1936	2,481	1,401	2,594
1934	2,581	1,208	2,400	1937	2,481	1,401	2,594
1935	2,581	1,208	2,400				

Less than half of this huge supply was distributed outside the coke plants, however. In spite of a trend toward the use of blast-furnace gas and producer gas in place of coke-oven gas for the heating of coke ovens, over half the output of byproduct coke-oven gas was still consumed by the coke plants themselves in 1937, leaving only 5,870,000,000 cu. m. of the total for outside the distribution. Table 3 shows in detail the quantities produced and their utilization for the years 1930-37. The table also shows the upward trend of coke-oven gas production during the years 1930-37. The last also shows the upward trend of the movement, initiated in the late 1920's, when the Ruhr coke industry recovered from its deep post-1929 slump. This 1920's, for the large-scale utilization of byproduct gas outside the coke plants themselves. This movement consisted primarily in (1) the integration and expansion of existing transmission lines to form a unified gas network, and (2) the gradual replacement of outmoded ovens with more modern types which permitted the use of fuels cheaper than coke-oven gas for underfiring.

TABLE 3.—Availability of Ruhr byproduct coke-oven gas for use outside the coke plants themselves¹
(Million cubic meters, rounded off at 1,000,000 cu. m.)

	1930	1931	1932	1933	1934	1935	1936	1937
Total production of coke-oven gas	10,914	7,586	6,473	7,967	8,200	8,769	11,401	10,914
Of total production:								
(a) Used for underfiring	8,800	5,104	2,808	5,126	5,699	6,329	8,791	8,800
(b) Distribution gas	1,613	2,482	3,665	2,841	2,501	2,440	2,610	2,482
(c) Wastage	41	0	0	0	0	0	0	0
Of the available gas:								
(d) Used in the coke plants	3,127	1,391	1,011	1,021	1,029	1,127	1,339	1,100
(e) Fuel gas for industries	119	88	81	79	79	89	102	109
(f) For heavy gas-engine motive	254	367	318	318	318	318	318	318
(g) For other purposes	2,060	1,644	2,336	1,500	1,500	1,500	1,500	1,500
(h) Delivered outside the coke plants								

¹ Data lacking.

² Type of utilization is not indicated for the following quantities: 1930-1931, 1933-36, 1937-38, and 1939-1941.

³ On the basis of incomplete data for 1938 in the case of large gasworks, otherwise for the year ended 1938 for which information is available.

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b. Number, Location, and Size of Plants.—In 1937 there were 84 coke plants in operation in the Ruhr, all but 4 located at coal mines. Coke and gas production were concentrated to a considerable extent in the larger plants, while the production of purified gas was even more concentrated, as shown in table 4.

TABLE 4.—Relative size of Ruhr coke plants in terms of coke production, gas production, and gas purification in 1937

Annual coke production per plant (1,000 metric tons)	Number of plants	Share of group in total coke production	Proportion of group's gas production	Share of group in total gas production	Annual coke production per plant (1,000 metric tons)	Number of plants	Share of group in total coke production	Proportion of group's gas production	Share of group in total gas production
More than 500	2	12	42	42	50 to 100	22	22	22	22
100 to 500	11	25	40	40	10 to 100	38	38	38	38
50 to 100	35	35	35	35	Less than 10	13	13	13	13

¹ The low figure is explained by the fact that some of these extremely large plants deliver a considerable proportion of their gas production to blast furnaces without purifying it.

It was estimated in 1938 that new construction would alter the proportions for that year as shown in table 5.

TABLE 5.—Estimated relative size of Ruhr coke plants in terms of coke production, gas production, and gas purification in 1938

Annual coke production per plant (100 metric tons)	Number of plants	Share of group in total coke production	Proportion of group's gas production	Share of group in total gas production	Annual coke production per plant (100 metric tons)	Number of plants	Share of group in total coke production	Proportion of group's gas production	Share of group in total gas production
More than 5,000	2	12	42	42	50 to 100	22	22	22	22
1,000 to 5,000	11	25	40	40	10 to 100	38	38	38	38
500 to 1,000	35	35	35	35	Less than 10	13	13	13	13

Only about half of these coke plants are known to be connected either with the net work or directly with city gas systems. The individual plants are described in annex B (p. 26). Most of them are located within the area between Duisburg-Hamborn on the west and Dortmund on the east, near the cities of Duisburg-Hamborn, Oberhausen, Essen, Gelsenkirchen, Recklinghausen, Bochum, Castrop-Rauxel, and Dortmund. Outlying plants are located on the left bank of the Rhine near Moers and to the northeast of the Ruhr district near Hamm, Ahlen, and Hannover. They are located at coal mines and are owned and operated by the companies which own the mines.

c. Raw Material.—The coke plants normally carbonize coal from the mines at which they are located. In some instances a central coke plant also uses coal from other mines belonging to the same company. They ordinarily use bituminous coal with a moderate content of volatile substances and good coking properties. Mixtures of "leaner" coal and gas coal have been added successfully on a small scale.

German coking coal differs from American coal used for this purpose in having a higher moisture content (12-13 percent as against 4-5 percent in American coal), because, in contrast to American practice, the coal is usually washed.

d. Equipment.—German coke-plant equipment is less standardized than American. An old but detailed comparison of the two is in the American edition of Glund's *International Handbook of the By-Product Coke Industry*, New York, 1932. The trend in recent years has been toward the building of larger units, with particular emphasis on the "combination" type of regeneratively heated oven (Verbundofen), which can be heated either with coke-oven gas or with gases of lower calorific value (from blast furnaces or from separate producer-gas generating units using coke or inferior coal).

The coke plants recover the byproducts tar, ammonia (generally as ammonium sulphate), using coke or inferior coal.

Many of them also have tar distilleries and benzol refineries, and a smaller number have other special processing plants. The further processing of gas which is to be distributed outside the plant is carried on at the coke plants. Although in many instances the necessary equipment is owned or financed by the companies which control the pipe lines rather than by the mining companies which own the coke plants, operation is in the hands of the coke plants themselves.

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Most of the plants used the standard "dry" iron-oxide process to purify the gas (remove hydrogen sulphide), but some large plants used "wet" processes such as the Thyssen process. In 1937 about 77 percent of the gas purified was treated by the dry process, while it was estimated that new construction would raise this figure to 80 percent.

RUHRGAS constructed a special plant in Gelsenkirchen-Horst to separate sulphur from the exhausted purification mass from its member coke plants. This plant produced 7,492 tons of sulphur in 1936, at which time plans were made to double the capacity of the plant.

In addition to the normal purification process for any public-utility gas, gas intended for long-distance transmission is further purified to remove constituents which interfere with transmission. For this final purification, RUHRGAS plants employ a process developed at the Mathias Stinnes plant. After compression the gas is passed through a bath of special oil heated to 180° C., and then refrigerated.

3. **The Network.**—Map 30-79 shows the lay-out of the main lines of the Rheinland-Westfalen network. From its center in the Ruhr district the network extends east as far as Hannover, west to the left bank of the Rhine and as far as Aachen, north to the Dutch border, and south to Frankfurt a. M.

The net includes the following main lines:

a. **Hannover Line:** Hamm-Bielefeld-Hannover (RUHRGAS).—This line is fed by coke plants near Hamm and also by one plant near Hannover. (See annex A, 8. *Hamm Group*; 9. *Hessfeld Plant*; and 10. *Obernkirchen Plant*.)

The main line, which is 180 kilometers long, came into operation in 1930. It was planned to construct it of 400-millimeter pipe, of sufficient strength to bear 30 atmospheres pressure. It was expected to operate the line at only 4 to 5 atmospheres at the start, but sufficient compression equipment was to be provided for 12 atmospheres. About 50,000,000 cubic meters of gas per year were to be supplied to the Hannover end of the line, 35,000,000 from the Hamm plants and 15,000,000 from the plant near Hannover. The quantity of gas actually distributed in Hannover in 1937 corresponded closely to these plans.

A medium-pressure line of earlier construction (Trier) supplies Münster from one of the Hamm plants, and another line (VEW) crossed the main line to supply Soest from Althen. Short branches fed by the main line supplied the towns of Neubeckum (VEW), Schötmar, Bad Salzuflen, Bad Oeynhausen, and Vlotho (WFG).

b. **South Westfalen Line:** Dortmund-Flottenberg-Siegen-Wissen a. d. Siep-Wetzlar-Frankfurt a. M. (RUHRGAS).—This line is fed by coke plants near Dortmund, including the Harns, Minister Stein, Greisbau, and probably the Waltrup plants. (See annex A, 7. *Dortmund Group*.)

This line is of particular importance for the iron works of southern Westfalen. It also supplies the towns of Schwerte, Hehenlimburg, Althen, Werfeld, Olpe, Weidenau, Siegen, and part of the city of Flottenberg. Sales to towns are handled by WFG.

It was planned to construct the Dortmund-Wissen line of different sizes of pipe ranging from 700 to 400 millimeters in diameter, as follows:

Dortmund (Hansa plant) to Nachrodt, 38 kilometers, 700-millimeter diameter.

Nachrodt to Flottenberg, 33 kilometers, 600-millimeter diameter.

Flottenberg to Siegen, 67 kilometers, 600-millimeter diameter.

Siegen to Wissen, 31 kilometers, 400-millimeter diameter.

The line to Siegen was to operate at 5.2 atmospheres at first, with compression equipment provided for 7 atmospheres.

The section beyond Siegen was not commenced until 1936. Its completion is indicated by a single 1938 map and confirmed by the great increase in total length of the RUHRGAS network between 1936 and 1939. Plans made much earlier (about 1928) for such a line provided for an intermediate compressor station at Neuhäge (48 kilometers north of Siegen) to raise the pressure past that point to 20 atmospheres. To avoid having to raise gas distributed in Siegen itself to such a pressure, there was to be a second pipe line from Neuhäge to Siegen.

There is a branch (VEW and WFG) eastward from this line through Iserlohn and Menden to Meschede, with offshoots—not shown on map 30-79—to Fröndenberg and Wickede. The 36.9 kilometers from the main line to Histen was to be of 500-millimeter pipe.

c. **Main West Line (Right Bank):** Gelsenkirchen-Oberhausen-Duisburg-Düsseldorf-Köln (RUHRGAS with THYSEN).—Fed by the coke plants in the Essen-Gelsenkirchen area (Prosper, Emil, Nordstern, Zollverein, Alma, Mathias Stinnes, Friedrich Ernestine, König Wilhelm, Consolidation), this line receives additional supplies from the coke plants near Ham-

1 Compressor raising the different segments of the grid are indicated in parentheses by abbreviated designations. The role of the individual compressor is indicated below.

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born and also from Oberhausen. (See annex A, 4. *Essen-Gelsenkirchen Group*; 3. *Oberhausen Group*; and 2. *Duisburg-Hamborn Group*.)

It was planned to construct this line of different sizes of pipe, varying from 800 to 500 millimeters in diameter, as follows:

Gelsenkirchen to Hückingen, ca. 43 kilometers, 800-millimeter diameter.

Hückingen to Lierfeld, 25 kilometers, 700-millimeter diameter.

Lierfeld to Hilden, 7.5 kilometers, 600-millimeter diameter.

Hilden to Köln, 26 kilometers, 500-millimeter diameter. Beyond Duisburg it was planned to operate this line at 3 atmospheres pressure at first; it was calculated that at this pressure it would carry about 350,000,000 cubic meters a year, or at 10 atmospheres, 1,200,000,000 cubic meters.

Numerous minor lines (RUHRGAS, formerly RWE), some of which are indicated on the map, stem from or intersect this main line. Most of them were constructed prior to the main line, some as early as 1911. They were fed by some of the Essen-Gelsenkirchen plants. In the late 1920's there were about 300 kilometers of these lines, of a maximum diameter of 400 millimeters, operating at pressures up to 2.5 atmospheres and handling about 75,000,000 cubic meters annually. During 1939 they were overhauled to bring them up as far as possible to modern technical requirements.

d. **South THYSEN Line:** Hamborn-Oberhausen-Mülheim-Wuppertal (THYSEN).—This line is fed by the coke plants in the Duisburg-Hamborn area. (See annex A, 2. *Duisburg-Hamborn Group*.)

Parts of this and the north THYSEN line have been in operation since 1910. In the late 1920's these lines were operating at pressures up to 2.5 atmospheres and handling about 100,000,000 cubic meters a year.

e. **North THYSEN Line:** Hamborn-Rickelt-Berken-Berghard (THYSEN as far as Berken; VEW beyond).—This line is fed by the same coke plants as the south THYSEN line. There are branches to Ennenrich (THYSEN), Vreden, Gronau, and Ochtrup (VEW).

f. **Left Bank Line:** Moers-Urdingen-Neuss-Köln-Jülich-Eschweiler-Aachen (RUHRGAS with THYSEN to Köln; THYSEN beyond).—This line is fed by the coke plants of the Rheinpreussen and Friedrich Heinrich mines near Moers and also from the Aachen area. (See annex A, 1. *Moers Group*.)

It was planned to build the 23 kilometers segment of this line from the Rheinpreussen mine to Krefeld of 400-millimeter pipe.

The extension of the jointly owned segment of this line into the Bonn area was started in 1936; a 1938 map shows it to have been completed as far as Königswinter.

g. **Interconnection of Lines.**—(1) **Collection Line:** Dortmund-Ostrop-Basselt-Herne-Gelsenkirchen (RUHRGAS).—This (23 kilometers) line not only links the south Westfalen line and the main west (right bank) line at their sources but also serves the purpose of collecting additional supplies of gas from coke plants in the area. (See annex A, 5. *Recklinghausen Group*, and 6. *Bockum-Castrop Group*.) It was planned to build this line of 900-millimeter pipe.

From the middle of this line a VEW line branches to the vicinity of Hagen, with secondary branches into the area south of Bochum. This branch is fed by coke plants in the area northeast of Bochum. (See appendix I, 6. *Bockum-Castrop Group*.)

(2) **Other Connecting Lines.**—Connecting lines have been constructed in order to make it possible to meet peak requirements in any one region by drawing on the supplies of coke plants normally serving other areas. The most important of these connecting lines are the Dortmund-Gelsenkirchen Line, described above; a Dortmund-Hamm Line (completed in 1935), which links the South Westfalen Line and the Hannover Line at their sources, and a Hückingen-Urdingen line (built in 1935) which links the western line with the left bank line.

Through these three lines and the junction between the western line and the two THYSEN lines near Hamborn, all the main lines of the Rheinland-Westfalen network are linked with each other. By the completion of the Hückingen-Urdingen link it was planned to create a system with three or possibly four great sources of supply: the mining areas around Aachen, Moers, and Gelsenkirchen and possibly a big coke plant in Köln (only a project in 1932).

To insure adequate interconnection, RUHRGAS has a system by which individual coke plants are joined into groups, of which there were six in 1937. Coke plants within a group were able to draw on each others' supplies and, with the exception of the Hamm group, the groups also pooled their resources with one another.

4. **Transmission.**

a. **Types of Pipe Used.**—Most of the transmission pipe lines of the Rheinland-Westfalen network are of steel, joined by welding, but some of the lines, particularly the older ones, are joined by couplings *Reinverbletzen*. Of the RUHRGAS lines, about 80 percent (1,123 kilo-

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¹ Friedrich Heinrich, Elector of Mainz, Elector of Brandenburg, Frederick, Ewald Forstmann, King Ludwig, Eric, Louis XIV, Robert Mises (Hannover), Harns, Minister Stein, Heinrich Robert, Radford, Radford, Oberkirchen.

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gas-transmission companies which operate the Rheinland-Westfalen network. Table 6 shows the relation between total deliveries and deliveries made through such companies, singling out the quantities handled by the two largest companies in the area.

	1984	1985	1987		1985	1986	1987
Total delivered outside the prime plants.....	4,407	5,226	6,879	Through STEELCO	1,524	2,907	3,522
Amount delivered through gas-transportation companies.....	3,281	3,799	3,961	Through TAT STEEL	521	792	1,111

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b. *Proportion of Coke-Oven Gas Delivered to Plants in the Same Combine as the Coke Plants.*—A large proportion of Ruhr coke-oven gas, whether delivered immediately to the consumer or indirectly through gas-transmission companies, is consumed in plants which belong to the same combine as the coke plant where the gas is manufactured. Large concerns such as *Vereinigte Stahlwerke* and *Messummeisenwerke* have own or control both coke plants which produce gas and heavy industrial enterprises which consume it. Some of these consuming plants are located near the coke plants, while the gas is transported to the others through the network.

Published statistics distinguish between the quantities of gas delivered from coke plants to such related plants and the quantities delivered to consumers outside the combine, as shown in table 7. In this table the proportion of each which is carried by the gas-transmission companies is also indicated.

TABLE 7.—Proportion of Ruhr coke-oven gas delivered to plants in the same combine as the coke plant, 1935-37¹

	1935	1936	1937		1935	1936	1937
Delivered to plants in the same combine	2,802	2,547	2,902	Sold to consumers outside the combine	1,018	1,080	1,200
Through gas-transmission companies	1,196	1,264	1,152	Through gas-transmission companies	1,007	1,028	1,113

¹ The statistics for total sales and deliveries and for direct sales and deliveries in each category are as published, while those for sales and deliveries through gas-transmission companies are obtained by subtraction.

TABLE 8.—Trends in deliveries of four gas-transmission companies¹

	1932	1934	1935	1936	1937	1938
Sales direct to industries:						
RUHRGAS	911	1,017	1,478	1,420	2,120	2,411
THYSEN				87	969	1,000
WFG				41	154	144
VEW	None	None	None	None	None	None
Sales to municipalities:						
RUHRGAS	162	162	166	201	209	247
THYSEN				25	26	170
WFG				17	11	17
VEW	30			41	34	72
Total for each company:						
RUHRGAS	1,073	1,179	1,644	1,621	2,349	2,658
THYSEN	862	73	87	112	1,065	1,180
WFG	31	40	58	58	182	166
VEW	31			61	68	113

¹ These figures are compiled from figures pertaining to the individual companies. No attempt should be made to compile totals from them, as such totals raised by 15-20 percent the figures given by general industrial sources for deliveries from coke plants through gas-transmission companies. The reason for this is not clear.

TABLE 9.—1938 deliveries of four gas-transmission companies¹

	RUHRGAS	THYSEN	WFG	VEW
Sales direct to industries:				
Iron producing industry	261	(1)	(2)	(1)
Iron working industry	245	(1)	(2)	(1)
Chemical industry	245	(1)	(2)	(1)
Glass and ceramics	42	(1)	(2)	(1)
Metals working industry	42	(1)	(2)	(1)
Other industries	14	(1)	(2)	(1)
Total:	1,428	802	41	None
Sales to municipalities:				
Industries in towns directly supplied	(1)	(1)	(1)	(1)
Towns (overseas) in towns directly supplied	(1)	(1)	(1)	(1)
Towns in towns directly supplied	(1)	(1)	(1)	(1)
Towns indirectly supplied	(1)	(1)	(1)	(1)
Total:	202	225	12	45
Grand total sales:	1,630	1,027	53	45

¹ As in the case of table 8 no attempt should be made to derive totals from the figures here given for individual companies.

² Data lacking.

³ Indirect sales sales not observed under the two main headings.

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Thus it may be seen that over half of the gas handled by the gas-transmission companies is merely transported for such combines, not actually bought and resold. The companies, however, do not ordinarily distinguish between the two types of transaction in reporting the quantities of gas they deliver to industrial and municipal consumers.

c. *Industrial versus Municipal Delivery.*—Only a small proportion of the coke-oven gas is distributed through municipal gas supply companies. Most of it, whether transmitted through the network or delivered to nearby plants, is consumed by industrial enterprises. Table 8 is a compilation of delivery data for four gas-transmission companies, showing the predominance of such delivery directly to industry in the case of each company except VEW, which handles comparatively small quantities of gas. Table 9 gives a more complete break-down of delivery data for the year 1938, showing the dominance of heavy industry within the field of industrial consumption, while even the municipal sales include considerable quantities sold to industrial consumers within the towns served. Table 10 shows that the same relationship between industrial and city consumption holds good for deliveries made directly from coke plants to local consumers.

TABLE 10.—Industrial versus municipal consumption of gas supplied by coke plants directly to consumers

	1935	1936	1937		1935	1936	1937
Delivered to industry	1,003	1,080	1,200	Delivered to others			
Delivered to municipal "partners"	113	80	201				

d. *Role of Individual Long-Distance Gas Supply Companies.*—(1) *RUHRGAS (Ruhrpaz AG, Essen).*—Ruhrpaz AG, the largest gas-transmission concern in Germany and the owner of the most extensive long-distance transmission network, was founded in 1926 as a joint undertaking of the mining companies of the Ruhr district. Backed by 90 percent of the mining interests of the area, the company has the task of disposing of the surplus gas produced as a byproduct in the coke plants of its founders and shareholders. The company's pipe-line properties include not only the most important lines of the Rheinland-Westfalen network, which were constructed by the company, but also lines purchased by the company from an older public utility company, RWE (Rheinisch-Westfälisches Elektrizitätswerk AG, Essen), which has since assumed a subordinate role.

RUHRGAS not only obtains gas from its shareholders but also makes a large proportion of its deliveries to shareholders (principally steel companies). It reserves the right to supply them directly even in areas where municipal gas supply is monopolized by other companies. Thus in some such areas RUHRGAS controls the main transmission lines but the other companies operate the branches which serve municipalities; in other instances supplies for RUHRGAS shareholders are regularly transported through the lines of other companies.

Table 11 indicates in detail the development from 1933 through 1938 of RUHRGAS sales to different types of industrial consumers and to municipalities. The continuing dominance of the iron and steel industry is readily seen. The most rapid increase is in sales to the nonferrous metal industry.

TABLE 11.—Sales and consumer groups of the RUHRGAS AG, 1933-38

	1933	1934	1935	1936	1937	1938
Iron producing industry:						
Iron working industry	260	269	294	321	446	511
Chemical industry	260	219	260	141	179	1,000
Glass and ceramics	10	41	44	40	40	130
Metals working	10	21	21	14	14	14
Other industries	14	21	21	14	14	14
Industries total:	1,013	1,117	1,478	1,621	2,120	2,658
Municipal partners (domestic and industrial gas):						
Grand total:	1,027	1,138	1,673	1,935	2,194	2,800

¹ Of total 16,000,000 cubic meters sold via the VEW, RWE, and WFG networks.

² Of total 16,000,000 cubic meters sold via the VEW, RWE, and WFG networks.

³ Of total 16,000,000 cubic meters sold via the VEW, RWE, and WFG networks.

⁴ Of total 16,000,000 cubic meters sold via the VEW, RWE, and WFG networks.

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(2) **THYSSEN** (*Thyssen's Gas und Wasserwerke GmbH, Hamburg*).—The THYSSEN gas company is the second largest distributor of gas in the Rheinland-Westfalen area. It operates in close connection with RUHRGAS. In addition to those lines which were built jointly by the two companies, it operates the older lines which extend north and south from the former Thyssen-owned mines in the Duisburg-Hamborn area. In 1926 these mines were transferred to Vereinigte Stahlwerke AG (which subsequently set up the Gelsenkirchener Bergwerks-AG to administer all of its coal mine properties), but the Gas und Wasserwerke GmbH remained in possession of the Thyssen family.

Sales figures for THYSSEN are included in tables 9 and 10 above.

(3) **VEW** (*Vereinigte Elektrizitätswerke Westfalen AG, Dortmund*).—VEW is concerned primarily with the supply of electricity in Westfalen but also operates gas and water supply plants in the area. Owned entirely by cities, communes, and other public bodies, the company supplies gas to cities and towns rather than to individual industrial enterprises.

VEW does not own an integrated pipe-line network. The long-distance pipe lines in the area are owned by RUHRGAS and THYSSEN. But in order to obtain the right to construct these lines, RUHRGAS had to concede to VEW (and to WFG)—which represents the communal interests—the exclusive delivery right to all consumers in the area except those which were shareholders of RUHRGAS. On the other hand, RUHRGAS was recognized by these companies as practically their sole supplier of gas. Accordingly, it is the function of VEW to "tap" the RUHRGAS, THYSSEN and WFG lines and to carry the gas to nearby communities. In 1931 VEW pipe lines had a total length of 266 kilometers, and they must have been extended considerably since that time.

In 1939 the company distributed gas on the basis of 74 concessions contracts (i. e., directly and 5 supply contracts (i. e., indirectly). The latter covered the cities of Hagen, Hagen-Eckesey, Hattingen, Kamen, and Soest; the former, the cities of Bochum, Castrop-Rauxel, Recklinghausen, Wanne-Eickel, Wattenscheid, and cities and towns in the following districts (*Landkreise*): Ahaus, Arnberg, Beckum, Borken, Ennepe-Ruhr, Iserlohn, Lippstadt, Lüdinghausen, Meschede, Recklinghausen, Soest, Steinfurt, Unna, Warendorf, Wiedenbrück.

VEW sales statistics are included in tables 9 and 10, above. In 1939 sales reached a new high, but the exact figure is not known.

(4) **WFG** (*Westfälische Ferngas AG, Dortmund*).—The WFG pipe-lines consist primarily of branches from the main RUHRGAS lines of the network. Thus from the main southern line it supplies the cities of Schwerte, Hohenlimburg, Altena, Werdohl, Olpe, Siegen, Weidenau and part of the city of Plettenberg. It built the line branching east from this line, by which it feeds the VEW lines supplying Menden, Hermer, Frondenberg, Wickede, and the Kreis Meschede. From the main eastern line it supplies Bad Oeynhausen, Bad Salzuflen, Vlotho, and Schölar.

WFG handles much larger quantities of gas than VEW, but still only a fraction of the amounts piped through the RUHRGAS net, as shown in detail in table 12. The total load carried by WFG includes not only WFG sales but also large quantities carried by WFG for RUHRGAS, which pays WFG a compensation for this service. Presumably all the gas carried for RUHRGAS goes to industrial consumers. As early as 1922 there were contracts obligating WFG to supply through its network plants belonging to RUHRGAS shareholders in Hohenlimburg, Altena, and Hütten.

TABLE 12.—Amounts of gas sold and gas loads served by Westfälische Ferngas A. G., 1931-41

Year	Total load served	Load served for RUHRGAS	Total sales	Sales to—				Number of customers
				Communes	Industries	Railroad	VEW	
	Millions cubic meters	Millions cubic meters	Millions cubic meters	Millions cubic meters	Millions cubic meters	Millions cubic meters	Millions cubic meters	
1931	18.1	1.4	(1)	(1)	(1)	(1)	(1)	(1)
1932	18.1	1.4	(1)	(1)	(1)	(1)	(1)	(1)
1933	18.1	1.4	(1)	(1)	(1)	(1)	(1)	(1)
1934	18.1	1.4	(1)	(1)	(1)	(1)	(1)	(1)
1935	18.1	1.4	(1)	(1)	(1)	(1)	(1)	(1)
1936	18.1	1.4	(1)	(1)	(1)	(1)	(1)	(1)
1937	18.1	1.4	(1)	(1)	(1)	(1)	(1)	(1)
1938	18.1	1.4	(1)	(1)	(1)	(1)	(1)	(1)
1939	18.1	1.4	(1)	(1)	(1)	(1)	(1)	(1)
1940	18.1	1.4	(1)	(1)	(1)	(1)	(1)	(1)
1941	18.1	1.4	(1)	(1)	(1)	(1)	(1)	(1)

1 Only in the case of the 1931, 1932, and 1933 figures is there a direct statement that load was carried by RUHRGAS A. G. In the other years the figures were derived by subtraction (total load minus sales), without there being definite evidence that the RUHRGAS load accounts for the entire difference. 1938 and 1940 are the only years for which all three figures (total load, load carried by RUHRGAS, sales) are available. The RUHRGAS load figures for 1931 and 1932 do not agree with those in the RUHRGAS statistics (q. v.).

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WFG's own sales go to four groups of consumers—indicated in table 12—of which individual industrial consumers make up the largest group. The number of these grew from 95 in 1935 to 184 in 1938, and their consumption during the same years increased even more. Among them are some very large consumers, such of which buys a quantity of gas almost equal to the entire output of all municipal gasworks in south Westfalen combined.

Sales to communes are not nearly on the same scale as sales to industries; the number of communes supplied rose from 12 in 1935 to 15 in 1938. These are small towns averaging little more than a million cubic meters annual consumption.

Since 1931 WFG has been supplying the Bethel Institution near Bielefeld (a large asylum; presumably now evacuated). In 1937 these sales amounted to 5,700,000 cubic meters.

Finally, WFG sells gas to VEW for distribution through the latter company's mains.

C. CENTRAL GERMAN NETWORK.

1. **Importance and Scope.**—The term Central German network is here used to describe the system of gas transmission lines in Central Germany which is physically connected with the large gas-and-coke works at Magdeburg-Rothensee and controlled by a group of financially interconnected companies. Unlike the Rheinland-Westfalen network, this system is dependent upon coal imported into the region. In contrast to the billions of cubic meters of gas delivered annually by the Ruhr coke plants, the Magdeburg-Rothensee plant produces less than a hundred million cubic meters a year, supplemented by smaller quantities purchased from other sources. The general policy of the owners of the network is not to supply the entire gas needs of large cities but to supplement local production in large places, taking over the entire supply in areas where the demand is smaller.

The network consists basically of (1) a line from Magdeburg to Leipzig, (2) a branch from this line near Dessau westward to Gieslar and thence southward, (3) a "ring" connection from Magdeburg-Rothensee to the middle of this westward branch, (4) an offshoot northeast from Magdeburg to termini at Tangermünde and Genthin, and (5) shorter branch lines from these as indicated in part on map 30-79.

2. **Sources of Supply.**—The principal source of supply for the Central German gas network is the *Grossgaserei Mitteldeutschland* at Magdeburg-Rothensee, northeast of Magdeburg. The plant is located at the crossing of the Elbe River and the Mittellandkanal, where special harbor and railway facilities are available for a group of plants consisting of the gas-and-coke works, an electric power plant, a zinc factory, and a brown-coal hydrogeneration plant.

The gas-and-coke works imported bituminous coal either by rail or by water, normally from the "Westfalen" mine in Aachen. It had storage space for 35,000 tons, overhead transport facilities for 100 tons per hour, and a reinforced concrete coal tower with a capacity of 3,000 tons, with mixing and grinding equipment.

The plant as completed in 1930 had two batteries, each consisting of 30 Hinselmann Combination coke ovens. Each oven was 12,500 millimeters by 450 millimeters by 4,000 millimeters, and had a capacity of 17.5 tons coal per charge. Normally the plant used 1,200 tons of coal per day. The ovens could be heated either with part of the coke-oven gas (40-43 percent of the amount manufactured being required) or with producer gas from a central generating plant. The plant could deliver from 65,000,000 to 100,000,000 cubic meters a year, depending upon how much of the coke-oven gas was thus consumed for underfiring. The plant was so planned that its capacity might be doubled by the construction of the requisite ovens and gas-processing equipment alone, as the coal and coke-handling apparatus and the building housing the by-product recovery equipment were large enough for this purpose as originally constructed.

There were two exhausters, each having a peak hourly capacity of 28,000 cubic meters. Both were turbo-exhausters, one driven by electricity and the other by steam.

After the recovery of byproducts and purification, the gas was led to a large dry-disk gas-holder of 100,000 cubic meters in capacity.

There were two turbo-compressors, each with a capacity of 3,500 cubic meters per hour, and two high-pressure piston-type compressors, each with a capacity of 4,000 cubic meters per hour at 10 atmospheres.

In the late 1930's, when sales from the Magdeburg-Rothensee plant approached the rated capacity for production with coke-oven gas underfiring, the rising demand for industrial gas in this area prompted efforts to increase the supply available for the network. Difficulties and delays were met in expanding the plant's own facilities, but during 1938-39 a new central generating plant was put into operation, presumably releasing for network distribution considerable quantities of coke-oven gas formerly employed within the plant for overfiring. Meanwhile part of the load had been taken from the network by an arrangement with the Grossgaserei's largest single consumer, the city of Magdeburg, which agreed to meet a larger proportion of its own needs through increased production in its local gasworks.

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New sources of supply were also sought. An agreement was made with ASW (A.G. Sächsische Werke) for the purchase of large quantities of brown-coal gas, beginning with 50,000,000 cubic meters a year, from a new plant at Böhlen, south of Leipzig. This plant was to employ a Lurgi process, earlier tested at a Hirschfeld plant which supplied gas to the city of Zittau. This process aimed principally at the production of light oils for use as synthetic fuels and of low-temperature tar, but differed from other such processes in that city gas rather than low-temperature coke was the principal additional product. As employed at Hirschfeld (presumably the same at Böhlen) the process used oxygen under pressure and the gas was purified at high pressure, ready for transmission.

Somewhat farther afield, the Reichswerke Hermann Göring coke works in the Salzgitter area was another potential source of gas. One agreement was announced concerning the delimitation of separate supply areas for the Reichswerke and the owners of the Central German network and another arranging the purchase of gas from the Reichswerke for the Central German network.

Another source for emergency supplies was the gasworks of the city of Leipzig. Leipzig itself, in contrast to the group of nearby towns in Land Sachsen (Saxony) supplied by the Central German network, was independent of the network until 1938, but in that year the imminent completion of a connection to the Central German network was announced, with a view to increasing the security both of the network and of the Leipzig gas supply. The city probably did not plan to draw on the network for its regular supply, for new ovens had been constructed at the gasworks the year before.

From whatever sources the additional quantities of gas were obtained, GAMANAG—the company responsible for selling gas from the network—was able to report greatly increased sales during the initial years of the war, reaching about 130,000,000 cubic meters in 1940 with some further increase during 1941. No report as to 1942 or 1943 is available.

3. Transmission and Distribution.—The approximate extent and direction of the principal transmission lines is described above and shown on map 26-79. Further connections have probably been constructed. The east-west branch from Dessau to Goslar may have been employed as a segment of the projected line from the Reichswerke Hermann Göring to Berlin; in any case it seems probable that a connection Salzgitter-Goslar would have been constructed to enable the utilization of gas from the Reichswerke for the Central German network itself.

The main line from Magdeburg-Rothensee to Leipzig was designed to deliver gas to the company supplying the Sachsen towns at the Leipzig end of the line, at a pressure of three atmospheres. The east-west branch was probably constructed by the linking together of several older and smaller regional networks. The so-called "ring" connection from Magdeburg-Rothensee via the more northerly route to the vicinity of Blankenburg in the Harz was constructed during 1934, apparently largely to insure security of supply to the older east-west branch. It was made of steel pipe, 350-millimeters internal diameter, joined with couplings. It is not known what pressures the lines other than the Magdeburg-Leipzig line were designed to carry, except that they were "high pressure" as compared with local lines.

As to storage facilities, it is known that the main plant at Magdeburg-Rothensee had a single dry-disk type gasholder of 100,000 cubic meters capacity. The gasholders of the cities and towns served presumably provide further capacity. Noteworthy among these is the new 50,000-cubic meters telescopic gasholder at Magdeburg. Some information is also available for the area close south of Magdeburg, where they were: (1) Gasholder stations at Barby, Biere, Bahrendorf, Egelin, Wanzleben, and probably at Schönebeck; (2) the same at Köthen; and (3) gasholder stations at Hecklingen (former gasworks near Stassfurt), Güsten, Bernburg, Westorf, and Fördertedt. As the historical development of other parts of the network was similar, proceeding from small regional networks based on local gasworks such as those at Schönebeck and Hecklingen to the purchase of gas for these networks from the centralized network, it is probable that this relatively wide dispersion of storage facilities is fairly typical of the network as a whole.

4. Consumption.—The amount of gas sold by GAMANAG increased slowly from 32,000,000 cubic meters in 1933 to 74,000,000 cubic meters in 1938, then more rapidly to about 130,000,000 in 1940, with an unspecified increase during 1941.

No statistics are available distinguishing the amount of gas furnished to industrial consumers. It is known, however, that the increasing demand which prompted the search for new sources of supply in the late 1930's was largely for gas to be sold at low wholesale rates, presumably in large measure for industrial uses. To judge from one report of anticipated sales, however, no gas was sold directly to industrial consumers, all of it being sold either to cities or to public utility holding companies.

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Dessau is the only city of more than 100,000 population which is known to have purchased its entire gas supply from the Central German network, and even at Dessau it is not clear that the local gas-producing equipment was actually removed. In the case of Magdeburg, the local gasworks continued to produce part of the city's supply. Bitterfeld was supplied from Delitzsch, which in turn obtained some gas from the network. Of the other cities of over 50,000 in the Central German area, Halle and Erfurt were centers of independent developments of their own, while Braunschweig, Eisenach, Gotha, Halberstadt, Helmstedt, Jena, and Weimar manufactured their own gas, and only Hildesheim depended on coke-plant gas.

On the Magdeburg-Leipzig pipe line, no cities other than Dessau and Zerbst are definitely known to have been entirely dependent on the network except for a group of places in Land Sachsen near Leipzig. In 1933 these places consumed about twelve million cubic meters—a figure probably considerably below present consumption, to judge from later data available for the general area in which these places are located. Supplementary quantities of gas were supplied to Wolfen and Delitzsch.

A group of places close south of Magdeburg, formerly supplied by a gasworks at Schönebeck, is now completely dependent on the network. The towns on the line extending northeast from Magdeburg depended entirely on the network. Of the places located on the main westward branch of the Magdeburg-Leipzig line, Köthen, Calbe (and towns supplied from Calbe), and Nienburg are completely dependent on the network. The network supplied some of the demand of the Wernigerode plant, from which Ballenstedt, Blankenburg, Bad Suederode, Gernrode, Ruder, and Ilseburg had previously drawn their supplies, but the Wernigerode gasworks was kept in operation for a time at least. The network partially supplied the Goslar gasworks, which had served another group of communities. Osterode was probably similarly supplied in part. Of the towns on the "ring" pipe line from Magdeburg-Rothensee to the vicinity of Blankenburg, Wanzleben, and Egelin had been dependent on supplies from Schönebeck even before the construction of the new line; Halberstadt, on the other hand, though close to the line, maintained its own production. Quedlinburg and Ocherdeleben had had gasworks but no information is available on them since the construction of the line.

5. Ownership.—Control over the Central German network is exercised by a number of companies, some controlling sources of supply, one taking care of bulk sales, some owning sub-networks, and others controlling local distribution in communities or groups of communities. The small enterprises involved are generally owned entirely or in part by large public utility holding companies, whose properties extend beyond both the area and the industry here under consideration. Notable among these are DCGG (Deutsche Continental Gas-Gesellschaft, AG, Dessau), AGAG (Allgemeine Gas AG, Dessau), THUGA (Thüringer Gasgesellschaft, Leipzig), and ASW (AG Sächsische Werke, Dresden). DCGG holds a majority of the stock of AGAG, and there is an agreement for close cooperation between the two companies. THUGA is in part (29.64 percent) owned by ASW, which, unlike the other three, is state-owned (100 percent of stock being held by Land Sachsen).

DCGG holds a controlling interest both in Grossgaserei Mitteldeutschland at Magdeburg-Rothensee and in GAMANAG (Gasversorgung Magdeburg-Anhalt, AG, Magdeburg), the company responsible for sales from this and other plants connected with the same network. DCGG also owns gasworks in Dessau and Wolfen and controls the supply area centering at Blankenburg in the Harz. AGAG owns the gasworks of Calbe, Köthen, and Nienburg (Sax.). THUGA owns the closed-down gasworks at Schönebeck and Hecklingen and a controlling interest in a company (Gasund Stromversorgung Mittelsachsen AG, Calbe) which handles sales of gas from the network to the area formerly served by these plants. It also owns the Delitzsch gasworks and controls the company which supplies Bitterfeld from Delitzsch (Gasversorgung Industrieharke Bitterfeld GmbH) as well as the Wittenberg public utility company (Licht- und Kraftwerke Wittenberg GmbH, Wittenberg). ASW has no direct interest in the area here under consideration but enters the picture through its subsidiaries. One of these supplies brown-coal gas to the network. Another subsidiary (Landesgasversorgung Sachsen AG, Leipzig) was jointly responsible with GAMANAG for constructing the Leipzig sector of the network. Co-owner with ASW of this subsidiary is ENAK (Energie AG Leipzig, Markkleeberg), which purchases gas from the network for a group of gasworks near Leipzig.

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II. LOCAL GAS-SUPPLY ENTERPRISES

A. IMPORTANCE OF LOCAL MANUFACTURE.

Although a relatively high proportion of the public-utility gas consumed in Northwest Germany is carried from the point of manufacture to the point of consumption, by transmission networks, the bulk of public supply for household use, street lighting, and small industry is manufactured in local gasworks situated in the community where the gas is distributed. In 1936, 322 gasworks in the area manufactured 790,223,000 cubic meters of gas, as compared with 289,318,000 cubic meters of byproduct coke-oven gas purchased by local gas-supply enterprises. Substantial quantities were furnished by large gasworks to smaller gasworks, as in the case of the Central German Network; about 70,000,000 cubic meters per year were involved in such intergasworks transactions.

B. TYPES OF LOCAL "GASWORKS."

As shown in detail in annex B, "Index of Gasworks in Northwest Germany," the various gasworks in the area differ from one another not only in size and in detailed production methods but also in their basic character. Some of the enterprises which are termed gasworks¹ no longer manufacture any gas at all, while others obtain part of the gas they distribute from outside sources. Thus, in addition to independent manufacturing gasworks (e. g., Osnabrück), the following types may be distinguished: (1) Manufacturing gasworks which in addition purchase coke-oven gas (e. g., Bremen), (2) manufacturing gasworks which in addition purchase gas from other gasworks (e. g., Magdeburg), (3) large manufacturing gasworks which supply small purchasing gasworks (e. g., Halle), (4) purchasing gasworks which obtain their gas from a nearby coke plant (e. g., Dortmund), (5) purchasing gasworks which obtain their gas from larger gasworks (e. g., Harburg-Wilhelmsburg). In some instances two companies supply different sections of a single city (e. g., Hagen). In other instances gas manufactured in a single gaswork is distributed by one or more other companies which have their headquarters in the same city, but which are maintained as separate entities for administrative and financial reasons. The Hamburg gasworks is in a category of its own by virtue of the large quantities of gas distributed, the number of sources of supply, and the extent of the areas served.

General statistical sources on German local gas-supply enterprises distinguish only between manufacturing gasworks and those which purchase all of their gas. Table 13 shows (1) the number of gasworks of each type, (2) the amount of gas handled by each type, and (3) the

TABLE 13.—Manufacturing and purchasing gasworks in the individual States and Provinces of Northwest Germany in 1936

State or Province	Manufacturing gasworks					Purchasing gasworks				
	Number	Output ¹ (1,000 cubic meters)	Percent of output			Number	Output ¹ (1,000 cubic meters)	Percent of output ² purchased from—		
			Manufactured	Other gas works	Coke plants			Other gasworks	Coke plants	
Aachen	2	35,368	100	None	None	2	1,741	None	None	None
Bremen	4	24,367	100	None	None	2	2,383	None	None	None
Bresen	1	48,330	100	None	None	1	344	None	None	None
Dortmund	1	345,361	100	None	None	1	344	None	None	None
Duisburg	36	67,999	100	None	None	15	46,491	100	None	None
Essen	1	5,715	100	None	None	2	1,260	None	None	None
Frankfurt	None	None	None	None	None	1	35,771	None	None	None
Leipzig, Schöneberg-Lippe	None	None	None	None	None	1	370	None	None	None
Leipzig	None	None	None	None	None	1	370	None	None	None
Magdeburg	40	235,674	100	None	None	20	36,478	None	None	None
Munich	40	46,058	100	None	None	11	1,070	None	None	None
Stuttgart	36	47,528	100	None	None	11	11,719	None	None	None
Wuppertal	32	85,725	100	None	None	10	108,425	None	None	None

¹ Almost manufactured plus amount purchased from other sources.

² Amount purchased from all sources.

³ According to the confidential report of the Wirtschaftsgruppe Gas- und Wasserwesen.

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proportion of this amount which is manufactured, purchased from other gasworks, and purchased from coke plants in each state and province of Northwest Germany. It shows that the prevailing type of gas supply varies greatly from province to province within the area under consideration.

Note.—The table includes only gas handled by gasworks; it excludes direct sales by coke plants to private consumers.

No attempt should be made to total the figures for output, as there is duplication (1) between the amounts manufactured by gasworks and those obtained from them by purely purchasing gasworks in the same state or province, and (2) between the amount produced by manufacturing gasworks in one state or province and the amounts purchased from them by manufacturing gasworks in another state or province. Duplication resulting from sales in the same category and in the same state or province has been excluded.

C. RAW MATERIALS.

Manufacturing gasworks in Northwest Germany consumed a total of 1,038,700 tons of coal and 348,290 tons of coke in 1936; the city of Hamburg alone used 548,100 tons of coal (28 percent of the total amount of the area) and 107,700 tons of coke (30 percent).

Of the total coal consumption, 75.8 percent or 1,471,400 tons were obtained from the Ruhr. However, cheap and easy water transport permitted the cities of Bremen and Hamburg, some of the Rhine towns, and localities in Schleswig-Holstein to obtain considerable quantities of gas and coking coal from England. Table 14 below, indicates that Bremen obtained 33,700 tons or three-quarters of its supply of coal from sources other than the Ruhr (probably, almost exclusively from England), while Hamburg manufacturing plants obtained at least one-half (273,800 tons) of their supply from other sources. The gas plants in Province Sachsen and Thüringen probably found it cheaper to procure coal from Silesia and Land Sachsen.

TABLE 14.—Raw materials used by manufacturing gas works in Northwest Germany in 1936

State or Province	Number of manufacturing gas works	Total coal used	Coal from the Ruhr used	Coal used	Gas produced
Aachen	2	1,800 tons	1,800 tons	1,800 tons	1,800 tons
Bremen	4	11.1	11.1	11.1	11.1
Bresen	1	48.3	48.3	48.3	48.3
Dortmund	1	345.4	345.4	345.4	345.4
Duisburg	36	67.9	67.9	67.9	67.9
Essen	1	5.7	5.7	5.7	5.7
Frankfurt	None	None	None	None	None
Leipzig, Schöneberg-Lippe	None	None	None	None	None
Leipzig	None	None	None	None	None
Magdeburg	40	235.7	235.7	235.7	235.7
Munich	40	46.1	46.1	46.1	46.1
Stuttgart	36	47.5	47.5	47.5	47.5
Wuppertal	32	85.7	85.7	85.7	85.7
Total	222	1,038.7	1,471.4	568.2	790.2

Difficulties of transportation, a shortage in rich coking coal, and the complete elimination of English coal have undoubtedly forced the gas plants to make adjustments. Most of the coal now used in Hamburg and Bremen probably comes from the Ruhr and the Silesian mines. Larger plants usually obtained their supplies from various sources and had the mixing and grinding equipment for using mixed coals; smaller plants with limited equipment usually drew supplies from a single source and used local coal wherever practicable. The war situation therefore permitted easier adjustment on the part of the large gasworks; the smaller and medium-sized gasworks have had either to install equipment for crushing and mixing different coals or adjust their processes to changed conditions and rely more than ever on local coal.

Brown coal is not used extensively by the plants in the area under consideration. Its use requires special, complex equipment and involves special processes. Lignite and brown-coal briquettes are never used exclusively at any plant and brown-coal gas is always mixed with ordinary coal gas. The Dessau, Merseburg, and Jena gas plants manufacture and distribute some brown-coal gas. Dessau obtains some surplus brown-coal gas from a Scherer (low temperature carbonizing plant) and mixes it with coal gas. In each case the brown-coal gas forms only a small part of the total gas manufactured. The Jena plant, for example, used 3,704 tons of coal and 490 tons of brown-coal briquettes in 1934 and 1935.

Adding water gas to coal gas is an almost universal practice here as in the rest of Germany. A number of gas works add sewage gas from local sewage-treatment plants to the coal gas they manufacture. Halle, Eisenberg, Hamm, Posenitz, and Schöningen are among the cities doing this. In the latter two, sewage gas constitutes 15 percent and 6 percent, respectively, of the total gas distributed. There is, however, no evidence that the quantity of sewage gas used in admixture elsewhere ever exceeds the smaller of these figures.

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D. EQUIPMENT.

Neither an inventory of the equipment of German gasworks nor any study of such equipment emphasizing the area covered by this report has been located. Such information as is available concerning individual plants is included in Annex B, Index of Gasworks in Northwest Germany. General information on usual types of German equipment is available in the CAD Handbook, R & A 1323, chapter XB, Public Works and Utilities.

It does seem clear, however, that throughout Germany the normal carbonizing unit in large and medium-sized plants is the so-called "chamber oven," intermediate in size between the industrial "coke oven" and the small, old-fashioned "retort." Frequently these chamber ovens are vertical or inclined, rather than horizontal. They are not standardized.

About half of the manufacturing gasworks in the area, however, are very small plants, producing less than 500,000 cubic meters per year; such plants probably still depend on retorts rather than "chamber ovens."

A number of plants in the area have installations and equipment for special processes. The Hameln gasworks use a special process for removal of carbon monoxide from the commercial gas; the Nordhausen plant uses a different process for the same purpose, which removes also carbon dioxide; the Tiefstack plant at Hamburg uses a purification process by which the amount of hydrocyanic acid in gas is reduced.

E. CONSUMPTION.

The total gas output¹ for Northwest Germany in 1936 was 1,073,501,000 cubic meters, of which 876,210,000 cubic meters represented gas delivered to consumers and 196,991,000 cubic meters gas used by manufacturing plants or wasted in transmission and distribution. (See table 15 below.)

TABLE 15.—Consumption of city gas in Northwest Germany in 1936

(Includes gas handled by gas works, both producing and distributing, but excludes direct sales by coke plants to private consumers)

State or Province	Total number of gas works	Total gas output ¹	Gas used in gas works and wasted in distribution	Gas available for delivery to consumers	Gas delivered to industry and trade ²	Gas delivered to households and public buildings	Gas delivered for street lighting
		1,000 cubic meters	1,000 cubic meters	1,000 cubic meters	1,000 cubic meters	1,000 cubic meters	1,000 cubic meters
Adolfsh.	1	19,362	3,708	15,654	5,927	9,727	1,073
Braunschweig	20	26,477	5,436	21,041	9,168	11,873	4,400
Lower Sax.	1	45,201	5,990	39,211	9,580	29,631	9,630
Hamburg	6	111,143	15,153	95,990	76,137	19,853	20,000
Hannover	22	111,428	15,109	96,319	28,729	67,590	18,000
Lippe, Schaumburg-Lippe	1	10,000	1,000	9,000	5,000	4,000	500
Lübeck	1	32,774	3,000	29,774	9,000	20,774	1,000
Mecklenburg	14	114,000	15,000	99,000	25,000	74,000	10,000
Niederrhein	44	175,000	25,000	150,000	25,000	125,000	10,000
Sachsen, Provinz	11	175,000	25,000	150,000	25,000	125,000	10,000
Schleswig-Holstein	11	175,000	25,000	150,000	25,000	125,000	10,000
Thüringen	11	175,000	25,000	150,000	25,000	125,000	10,000
Wendland	11	175,000	25,000	150,000	25,000	125,000	10,000
Total	144	1,073,501	196,991	876,510	228,534	647,976	96,987

¹ Production and purchases.² That is, industry and Gewerbe—local industry and small business.

Of the total gas distributed, 223,634,000 cubic meters or about 21 percent was supplied to small businesses and local industries, 553,969,000 cubic meters or 63 percent to households and public buildings, and 98,907,000 cubic meters or 16 percent for street-lighting purposes.

Table 16, below, indicates little change in the years 1935-37 in deliveries to industry in the area. An increase from 19 percent to 23 percent of the total gas distributed is due to industrial expansion in individual areas, but never constitutes a marked deviation from the area average. Braunschweig consumed a greater proportion of gas for industrial purposes than any other state or province in the area, (as high as 40 percent of the total consumed in the state). Lippe, Provinz Sachsen and Schleswig-Holstein averaged about 15 percent.

Figures for gas used in manufacturing plants themselves show marked fluctuations in the different states and provinces. In Hamburg, for example, 26 percent of the gas output was used in plants or wasted in transmission; in Westfalen only 3.9 percent was used, and in Provinz Sachsen and Thüringen 31 percent was consumed or wasted by producing plants. These examples of a metropolitan gasworks, a coke-producing region, and a group-gas region, respectively, show heavy use of gas for the production of coke in areas where there are no coke-plants, especially in the case of the Grönsaer in Magdeburg-Rothensee. (See IC, above, Central

¹ That is, the gas handled by gasworks, both manufactured and purchased, but excluding gas sold by coke plants to private consumers.

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German network.) Small plants in Westfalen, on the other hand, do not find it profitable to compete with the Ruhr coke plants.

Another partial explanation for the larger quantities of gas consumed or wasted in the "group-gas" area is to be found in increased transmission wastage, due to increased length of pipe-line from the nets centered in Magdeburg, Erfurt and Halle to the many localities they serve.

TABLE 16.—Consumption of gas in local industries and small businesses in Northwest Germany, 1935-37

State or Province	Gas delivered to industry and trade (1,000 cubic meters)			Total gas consumption		
	1935	1936	1937	1935	1936	1937
	Percent	Percent	Percent	In thousands of cubic meters	In thousands of cubic meters	In thousands of cubic meters
Adolfsh.	20	21	20	18,000	18,410	20,000
Braunschweig	21	24	20	25,000	26,111	30,000
Lower Sax.	18	18	20	27,000	28,111	30,000
Hamburg	17	18	20	247,000	249,111	270,000
Hannover	17	18	21	145,000	145,000	145,000
Lippe, Schaumburg-Lippe	17	18	14	5,000	5,000	5,000
Lübeck	18	20	21	18,000	18,000	18,000
Mecklenburg	18	21	21	18,000	18,000	18,000
Niederrhein	18	21	21	18,000	18,000	18,000
Sachsen, Provinz	18	21	21	18,000	18,000	18,000
Schleswig-Holstein	18	21	21	18,000	18,000	18,000
Thüringen	18	21	21	18,000	18,000	18,000
Wendland	18	21	21	18,000	18,000	18,000
Average of total	18	21	20	187,579	1,073,501	1,217,476
Total for the Reich	187,579	881,530	988,020	8,708,555	8,732,000	9,468,511

¹ Lüneburg is included in Schaumburg-Lippe figures.

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ation. No gas-production statistics have been located.
b. Osterfeld coke plant.
Ownership: Guethoffnungshütte Oberhausen, AG.
Location: Oberhausen-Osterfeld.
Ovens: 160 (Combination, large-chamber).

4. ESSEN-GELSENKIRCHEN GROUP (Alma, Consolidation, Emil, Friedrich Ernestine, König Wilhelm, Mathias Stinnes, Nordstern, Prosper, Zollverein). These plants supply the main western (right bank) line of the Rheinland-Westfalen network.

a. Alma (Rheinle/Alma) coke plant.
Ownership: Gelsenkirchener Bergwerks-AG.
Location: Gelsenkirchen.
Ovens: 186 (126 built in 1927).

Capacity: 1,188,000 metric tons coal per year.
Gas production: No separate gas-production statistics have been located. In 1930 the plant's gas-handling equipment included an exhaustor (for 108,000,000 cubic meters per year), purification equipment (for 105,000,000 cubic meters per year), compression equipment (for 96,000,000 cubic meters per year), and naphthalene-removal equipment (for 120,000,000 cubic meters per year). The purification plant was expended in 1933.

Remarks: This plant used coal from the Pluto, Holland, Bonifacius, and Zollverein mines owned by the same company and located in the same city. There is probably also a coke plant at the former Rheinle mine near by, which is administered jointly with the Alma. A plant there, consisting of 80 regenerative Otto ovens built in 1907, supplied the city of Gelsenkirchen with gas as late as 1929, and probably was maintained in operation for that purpose, to judge from a 1938 listing of a "Gasanstalt Rheinle" under the Gelsenkirchener Bergwerks-AG in Gelsenkirchen.

b. Consolidation coke plants.
Ownership: Mannesmann Rohrenwerke.
Location: Gelsenkirchen.
Ovens: 385 or 442.

Capacity: 2,070,000 metric tons coal per year.
Gas production: 387,830,000 cubic meters in 1937. The mine's gas-processing equipment included: Koppers Thylox plant for purification, built 1934 (capacity 800,000 cubic meters per day); Koppers plant to remove naphthalene and dry the gas, built 1935 (capacity 480,000 cubic meters per day); Koppers "Stufenwascher" plants for recovery of benzol and ammonia, built 1937 (capacity 800,000 cubic meters per day).

c. Emil coke plant.
Ownership: Hoesch AG.
Location: Essen-Altenessen.
Ovens: 156.

Capacity: 547,000 metric tons coal per year.
Gas production: No separate gas production figures for this plant have been located. In

Capacity: 1,520,000 metric tons coal per year.
Gas production: No gas production statistics have been located. The plant had Koppers equipment to remove naphthalene and dry the gas, built in 1937, with a capacity of 1,500,000 cubic meters per day.

1938 the plant had 4 gas compressors and a purification plant. The capacity of its gas-processing equipment in 1930 was:
Purification, 60,000,000 cubic meters per year.
Compression, 132,000,000 cubic meters per year.
Naphthalene-removal, 120,000,000 cubic meters per year.

d. Friedrich Ernestine coke plant.
Ownership: Gewerkschaft des Steinkohlenbergwerks Friedrich Ernestine (controlled by RWG).
Location: West-northwest of Essen.
Ovens: 120 or 60.

Capacity: 917,000 metric tons coal per year.
Gas production: 33,657,667 cubic meters "illuminating gas" in 1937.

e. König Wilhelm (Wafelsack) coke plant.
Ownership: Gebrüder Stumm, GmbH.
Location: Essen-Borbeck.
Ovens: 85 or 125.

Capacity: 231,000 metric tons coal per year.
Gas production: 17,239,681 cubic meters "illuminating gas" in 1936; 36,000,000 cubic meters "coke-oven gas" in 1937, with little increased coke production.

f. Mathias Stinnes coke plants.
Ownership: Gewerkschaft Mathias Stinnes.
Location: Between Essen and Gelsenkirchen.
Ovens: 155 or 194.

Capacity: 869,000 metric tons coal per year.
Gas production: 112,559,000 cubic meters "illuminating gas" in 1937.

Remarks: At the beginning of the war one of the two plants (at shaft I/II) had lain idle since 1930. It was at this plant that the RUHR-GAS process for special additional purification was developed.

g. Nordstern coke plant.
Ownership: Gelsenkirchener Bergwerks-AG.
Location: Gelsenkirchen-Horst, on north side of Rhein-Herne Canal.
Ovens: 192 or 96 (built in 1927) or 600 (1942 report).

Capacity: 2,120,000 metric tons coal per year.
Gas production: No gas-production statistics have been located. The plant's gas-processing equipment in 1930 included an exhaustor for 138,000,000 cubic meters per year, purification equipment for 120,000,000 cubic

meters per year, compression equipment for 88,000,000 cubic meters per year, and naphthalene-removal equipment for 120,000,000 cubic meters per year. The purification plant was expended during the late 1930's.

Remarks: The plant used coal not only from the Nordstern mine but also from the Graf Melike and Zollverein mines.

The dimensions of the ovens built in 1927 were: 12.44 meters long, 6 meters high, 0.45 meters wide. Each was capable of producing 9,910 cubic meters of gas per day.

At this plant was located the largest gas-holder in the world, a dry-type holder of 600,000 cubic meters capacity. See under "Transmission & Distribution" above.

h. Prosper coke plant.
Ownership: Rheinische Stahlwerke.
Location: Bottrop.

5. RECKLINGHAUSEN GROUP (Emscher Lippe, Ewald Fortsetzung, König Ludwig). These coke plants supply gas to RUHRGAS (Gelsenkirchen) and also to VEW.

a. Emscher Lippe coke plants.
Ownership: Gewerkschaft Emscher Lippe (stock held by Friedrich Krupp AG).
Location: Datteln (Westfalen).
Ovens: 190 or 348 (only 186 of these being operated in 1938).

Capacity: 887,000 metric tons coal per year.
Gas production: No gas-production figures have been located. The plants had two Koppers Thylox purification plants, built in 1934 and 1937, for 240,000 cubic meters and 102,000 cubic meters per day respectively, and also Koppers plants to dry the gas and remove naphthalene, built in the same years and for the same capacities. (This equipment is described in *Gas- und Wasserfach* 1937, p. 356.)

b. Ewald-Fortsetzung coke plant.
Ownership: Bergbau AG Ewald-König Ludwig.
Location: northeast of Recklinghausen.
Ovens: 380 or 200 (Koppers).
Capacity: 1,970,000 metric tons coal per year.

Gas production: No separate gas-production figures for this plant have been located. The plant has Koppers Thylox purification equipment, built in 1932 and 1937, for 740,000 cubic meters per day; Koppers equipment, built in 1937, to dry the gas and remove naphthalene, with a capacity of 500,000 cubic meters per day; Koppers "Stufenwascher" benzol-recovery equipment, built in 1937.

6. BOCHUM-CASTROP GROUP (Bruchstrasse, Erin, Graf Schwerin, Hannibal, Hannover, Lothringen, Robert Müser). These plants supply RUHRGAS and VEW. The lines served are probably the RUHRGAS collecting line Dortmund-Gelsenkirchen and the RUHRGAS-VEW line to Hagen and vicinity and the Bochum area.

a. Bruchstrasse coke plant.
Ownership: Gelsenkirchener Bergwerks-AG.
Location: East of Bochum.

Ovens: 270.
Capacity: 1,860,000 metric tons coal per year.
Gas production: The company, which owned one other smaller coke plant, produced 196,405,215 cubic meters in 1937. The plant had (1938) purification equipment for 350,000 cubic meters per day and compression equipment for 26,000 cubic meters per hour. It had a 160,000 cubic meter gasholder.

b. Zollverein coke plant.
Ownership: Gelsenkirchener Bergwerks-AG.
Location: Essen-Katernberg.
Ovens: 54.
Capacity: 270,000 metric tons coal per year.

Gas production: No gas-production statistics have been located.
Remarks: The plant uses coal from Zollverein and Beudanticus mines.

For 1,900,000 cubic meters per day; a compressor with a capacity of 25,000 cubic meters per hour at 12 atmospheres; and a group of 8 gas-producers.

Remarks: Together with the König Ludwig plants, the plant produced 332,400,000 cubic meters of sulphur gas and 242,600,000 cubic meters of fuel gas in 1937.

c. König Ludwig coke plants.
Ownership: Bergbau AG Ewald-König Ludwig.
Location: Recklinghausen.
Ovens:

Shafts I/II-92 or 80 (Hinselman regenerative).
Shafts IV/V-114 or 140 (86 Still regenerative, 22 Still Combination, 32 Koppers Combination).

Capacity: 809,000 metric tons coal per year.
Gas production: No separate gas-production figures for these plants have been located. Gas-purification equipment, expanded in 1938, includes equipment for special purification by refrigeration. The compression plant has one piston-type compressor with a capacity of 25,000 cubic meters per hour at 12 atmospheres and two others each having a capacity of 3,000 cubic meters per hour at 7 atmospheres.

Remarks: For gas production of the group of plants. (See *Ewald Fortsetzung* above.)

Bruchstrasse, Erin, Graf Schwerin, Hannibal, Hannover, Lothringen, Robert Müser). These plants supply RUHRGAS and VEW. The lines served are probably the RUHRGAS collecting line Dortmund-Gelsenkirchen and the RUHRGAS-VEW line to Hagen and vicinity and the Bochum area.

Ovens: 2 batteries of 36 each (Otto regenerative Combination; dimensions 450 x 4,500 x 13,590 millimeters).

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Capacity: 310,000 metric tons coal per year.
Gas production: No separate gas-production figures have been located. The plant was equipped to replace at least some coke-oven gas with producer gas for underfiring. There was gas-purification equipment. Upper calorific value of the gas reached 4,800-5,200 calories per cubic meter.

Remarks: Plant is described in considerable detail in M. Simonovitch, *Manuel de la Cokerie Moderne*, Liège, 1937, pp. 739-740.

b. *Eris* coke plant.
Ownership: Gelsenkirchener Bergwerks-AG.
Location: Castrop-Rauxel.

Ovens: 120 or 100 (40 Still regenerative Combination, 60 Otto regenerative Combination).
Capacity: 887,000 metric tons coal per year.

Gas production: No separate gas-production figures have been located. The plant uses a special process for gas-purification, employing a potash solution under pressure. In 1930 the plant's gas-processing equipment included: exhauster for 108,000,000 cubic meters per year; purification plant for 105,000,000 cubic meters per year; compressors for 60,000,000 cubic meters per year; and naphthalene-removal plant for 120,000,000 cubic meters per year.

c. *Graf Schuerin* coke plant (or plants?).
Ownership: Bergbau AG Löhningen.
Location: Castrop-Rauxel.

Ovens: 210 or 150.
Capacity: 525,000 metric tons coal per year.

Gas production: No separate gas-production figures have been located. Together with the Löhningen and another smaller plant (President—not definitely known to supply any gas for outside use), this plant produced 271,622,000 cubic meters of gas in 1937 (149,331,000 cubic meters fuel gas and 122,271,000 cubic meters surplus gas).

d. and e. *Hansa* and *Hannover* coke plants.
Ownership: Friedrich Krupp AG.
Location: Bochum-Hövel.

Ovens: 173 or 148.

7. DORTMUND GROUP (Dortfeld, Griesenau, Hanna, Minister Stein, Öpel, Waltrop). These coke plants supply the South Westfalen Line of the Rheinland-Westfalen network (except for Dortfeld and Öpel, which supply the city of Dortmund).

a. *Dortfeld* coke plant(s).
Ownership: Essener Steinkohlenbergwerke AG.

Location: Dortmund-Dortfeld.
Ovens: 100 or 285.
Capacity: 530,000 metric tons coal per year.

Gas production: 118,518,000 cubic meters in 1937. A 1928 contract, still in effect in 1938, provided for delivery of gas to the Dortmund gasworks from these plants, with a peak daily delivery of 100,000 cubic meters. A connection with the adjoining Öpel coke plant

Capacity: 737,000 metric tons coal per year.
Gas production: 20,800,000 cubic meters "illuminating gas" in 1937. The plants supplied the cities of Bochum, Wanne-Eickel, and vicinity. In the late 1920's gas was supplied at medium-pressure (up to 1 atmosphere) through 15 kilometers of transmission pipe line.

f. *Löhningen IV* coke plant.
Ownership: Bergbau A. G. Löhningen.
Location: Bochum-Gershe.

Ovens: 190 or 180.
Capacity: 928,000 metric tons coal per year.

Gas production: No separate gas-production figures have been located. The plant supplies a short RUHRGAS pipe line with gas for delivery to the cities of Witten, Herne, and Langendreer, and presumably also to the VEW lines supplying the Hagen area and the district south of Bochum. This pipe line, under a different ownership, was in operation prior to the construction of the principal RUHRGAS transmission pipe lines. At that time the plant had compression and purification equipment sufficient to handle 90,000 cubic meters of gas per hour.

Remarks: For gas production of the *Zeisberg*. (See *Graf*.)

g. *Robert Maser* coke plant.
Ownership: Harpener Bergbau AG.
Location: northeast of Bochum.

Ovens: 205 (65 Otto large-chamber, 70 older, others probably of more recent construction).
Capacity: 1,220,000 metric tons coal per year.

Gas production: No separate gas-production statistics have been located. In 1930 the plant's gas-processing equipment included: exhauster for 66,000,000 cubic meters per year; purification plant for 60,000,000 cubic meters per year; compressor for 36,000,000 cubic meters per year; and naphthalene-removal plant for 120,000,000 cubic meters per year.

h. *Zeisberg* coke plant.
Ownership: Harpener Bergbau AG.
Location: northeast of Bochum.

Ovens: 130 ovens (2 batteries, built 1931).
Capacity: 1,020,000 metric tons coal per year.

Gas production: No separate gas-production statistics have been located. The plant had gas-purification and gas-compression equipment. In 1930 this included: exhauster for 72,000,000 cubic meters per year; purification

was constructed to insure adequate supply of gas to the customers of the company.

i. *Griesenau* coke plant.

Ownership: Harpener Bergbau AG.
Location: northeast of Dortmund.

Ovens: 130 ovens (2 batteries, built 1931).
Capacity: 1,020,000 metric tons coal per year.

Gas production: No separate gas-production statistics have been located. The plant had gas-purification and gas-compression equipment. In 1930 this included: exhauster for 72,000,000 cubic meters per year; purification

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plant for 66,000,000 cubic meters per year; compressors for 72,000,000 cubic meters per year; and naphthalene-removal plant for 120,000,000 cubic meters per year.

c. *Hansa* coke plant.
Ownership: Gelsenkirchener Bergwerks-AG.
Location: Dortmund-Huckarde.

Ovens: 290 or 130 (Koppers).
Capacity: 2,019,000 metric tons coal per year.

Gas production: In 1930 the plant could supply up to 570,000 cubic meters per day and had the following gas-processing equipment: exhauster for 108,000,000 cubic meters per year; purification plant for 105,000,000 cubic meters per year; compressor for 150,000,000 cubic meters per year; and naphthalene-removal plant for 120,000,000 cubic meters per year. A 175,000 cubic meter gas holder was built at this plant in 1933/34.

d. *Minister Stein* coke plant.
Ownership: Gelsenkirchener Bergwerks-AG.
Location: Dortmund-Eving.

Ovens: 130.
Capacity: 1,010,000 metric tons coal per year.

Gas production: No separate gas-production statistics have been located. In 1930 the plant's gas-processing equipment included exhauster for 108,000,000 cubic meters per year; purification plant for 105,000,000 cubic meters per year; compressor for 150,000,000

cubic meters per year; and naphthalene-removal plant for 120,000,000 cubic meters per year. In 1933 and 1934 two Koppers Thylox gas-purification plants were built, for 500,000 and 400,000 cubic meters per day, respectively. Equipment for special purification by refrigeration of the gas was expanded in the late 1930's. There was a special type of Koppers benzol-recovery plant using wash-oil under pressure in a "bell-washer" 12 meters high and 3 meters in cross-section. A 175,000 cubic meter gas holder was built at the plant in 1933/34.

e. *Öpel* coke plant.
Ownership: Essener Steinkohlenbergwerke AG.
Location: Dortmund-Kley.

Ovens: 45 (Combination).
Capacity: 203,000 metric tons coal per year.

Gas production: 56,415,000 cubic meters in 1937. The plant was connected to the *Dortfeld* plants. (See above.)

f. *Waltrop* coke plant.
Ownership: Hibernia AG.
Location: Waltrop (north-northwest of Dortmund).

Ovens: 125.
Capacity: 290,000 metric tons coal per year.

Gas production: No information has been located.

8. HAMM GROUP (Heinrich Robert, Radbod, Sachsen). Of these coke plants, Heinrich Robert and Sachsen supply the Hamm line of the Rheinland-Westfalen network, while Radbod supplies the cities of Hamm and Münster.

a. *Heinrich Robert* (formerly *Wendel*) coke plant.
Ownership: Heinrich Robert AG (formerly Wendel & Co.).

Location: Herringen (southwest of Hamm).
Ovens: 200 (50 Koppers regenerative, built 1909; 50 in 1911; 100 in 1912).

Capacity: 457,000 metric tons coal per year.
Gas production: No separate gas-production statistics have been located. In 1930 the plant's gas-processing equipment included:

exhauster for 36,000,000 cubic meters per year; gas-purification plant for 30,000,000 cubic meters per year; compressor for 36,000,000 cubic meters per year; and naphthalene-removal plant for 60,000,000 cubic meters per year.

b. *Radbod* coke plant.
Ownership: Hoesch AG.
Location: Bockum-Hövel (northwest of Hamm).

Ovens: 132 or 100.
Capacity: 447,000 metric tons coal per year.

Gas production: No recent gas-production figures have been located. In 1930 the plant produced 16,521,624 cubic meters of "illuminating gas" and 9,041,908 cubic meters

of unpurified gas. In 1938 the plant had a purification plant and 5 compressors. 1930 compression-capacity was 21,000,000 cubic meters per year.

c. *Sachsen* coke plant.
Ownership: Gewerkschaft Sachsen (stock held by Masfeld AG).

Location: Hoesen (north of Hamm).
Ovens: 95 (25 built 1937/38; 70 built 1925/26).

Capacity: 538,000 metric tons coal per year.
Gas production: No gas-production statistics have been located. In 1930 the plant's gas-processing equipment included exhauster for 36,000,000 cubic meters per year; purification plant for 30,000,000 cubic meters per year; compressor for 36,000,000 cubic meters per year; and naphthalene-removal plant for 60,000,000 cubic meters per year.

d. *Westfalen* coke plant.
Ownership: Gewerkschaft Westfalen (stock held by Deutsche Continental Gasgesellschaft).

Location: Ahlen.
Ovens: 80 or 160 (Koppers regenerative; 40 being replaced in 1938 by modern ovens).

Capacity: 640,000 metric tons coal per year.
Gas production: No separate gas-production

* Built by C. H. Fuchs, Dortmund.

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statistics have been located. The coke plant fed a VEW line to Soest, which crossed the Hannover line of the network. Ownership: Gesamtbergamt Obernkirchen GmbH. Location: Obernkirchen (near Hannover). Ovens: 60.

Capacity: 777 (ca. 200,000 metric tons coke per year). Gas Production: 75,269,439 cubic meters in 1937. The plant had purification and compression equipment, in 1930, for 18,000,000 cubic meters per year. It supplied gas to the Hannover line of the Rheinland-Westfalen network.

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ANNEX B

INDEX OF GASWORKS IN NORTHWEST GERMANY

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INDEX OF GASWORKS IN NORTHWEST GERMANY

LEGENDS

- * Type of plant: M (manufacturing), P (purchasing)
 * Statistics published in 1935 (figures for 1933 or 1932-34)
 * Statistics published in 1939
 * Figures for 1932 or 1932-33
 * ** figures earlier than 1932
 * † later than 1939 information

Abbreviations of companies

- AGAG — Allgemeine Gas-Aktien-Gesellschaft, Dessau
 CV — Centralverwaltung v. Gas-, Wasser- u. Elektr. Werken, GmbH, Bremen
 DOGG — Deutsche Continental Gas-Gesellschaft, Dessau
 GAFESAH — Gasfernversorgung Saale in Halle GmbH, Halle
 GAMANAG — Gasversorgung Magdeburg-Anhalt AG, Magdeburg
 OLDAG — Stromversorgung AG, Oldenburg-Ostfriesland
 RURGAS — Rurgas AG, Essen
 RWE — Rheinisch-Westfälisches Elektrizitätswerk AG, Essen
 THUGA — Thüringer Gasgesellschaft, Leipzig
 THYSEN — Thyssen-Werke Gas u. Wasserwerke GmbH, Duisburg-Hamborn
 VEW — Vereinigte Elektrizitätswerke Westfalen AG, Dortmund
 WFG — Westfälische Ferngas AG, Dortmund

Approximate translations of German titles*

- Beigeordnete: Associate to the mayor
 Betriebsinspektor: Plant supervisor
 Betriebsbetriebsinspektor: Chief technical supervisor
 Betriebsbetriebsinspektor: Plant technician
 Betriebsbetriebsinspektor: Plant manager
 Betriebsbetriebsinspektor: Plant manager or director
 Betriebsbetriebsinspektor: Plant chemist
 Betriebsbetriebsinspektor: Plant engineer
 Betriebsbetriebsinspektor: Advisory board
 Betriebsbetriebsinspektor: Office chief

*Based on the most part, on direct translations and are intended for general guidance only. Information on the functions of such of these officers was uncertain.

Beigeordnete: Municipal representative in plant administration
 Dipl.-Ing.: Graduate of engineering school or Institute of technology
 Gasinspektor: Official in charge of control of gasworks
 Gaswerksverwalter: Administrator of gasworks
 Gaswerksleiter: General director
 Geschäftsführer: Business manager of plant
 Handlungsgehilfe: Person employed to transact business for gasworks
 Installationsmeister: Master craftsman in charge of plant equipment
 Ingenieur für Ausendienst: Engineer in charge of distribution and transmission
 Ingenieur für Instandhaltung: Engineer in charge of plant operations
 Ingenieur der Zählerabteilung: Engineer in charge of gasmeter section
 Kaufmännischer Leiter: Business director
 Leiter: Director
 Maschinenmeister: Master craftsman in charge of machinery
 Oberingenieur: Chief engineer
 Obermeister: Chief master-craftsman
 Obermeister: Supervisor installations and repairs
 Prokurist: Official with power of attorney for firm
 Rechtsanwalt: Attorney-at-law
 Regierungsbaumeister: Government architect
 Bauarchitekt: Auditor
 Rohrmeister: Master craftsman concerned with maintenance of grid-system
 Stadtbaumeister: Municipal architect
 Stadtinspektor: City inspector
 Stellvertreter Direktor: Deputy director
 Stellvertreter Geschäftsführer: Deputy business manager

Städt. technischer Direktor: Director of technical operations at plant
 technischer Leiter: technical director
 technischer Sachbearbeiter: technical expert
 technischer Sachbearbeiter: Chief city technical inspector
 technischer Leiter: technical director
 technischer Werkführer: Chief technical foreman
 Verbandsvorstand: Chairman of an association
 VDI: Verband Deutscher Ingenieure
 Verwaltungsspektor: Administrative director
 Werkführer, Werkmeister: Chief foreman

INDEX OF GASWORKS IN NORTHWEST GERMANY

City	Name or Previous	Population	Type of plant	Amount of gas produced in 1935 (million cu. m.)	Investment	Owner	Name
Aachen	Städt.	4,500	M	400	Kremer, F., Gaswerks-Ingenieur	Oppe, H. Werks-Leiter AG.	Transmission to a municipality.
Aachen (W. Rhein)	Werkst.	3,300	P	100	Loth, J., Gasmeister	VEW	Supplied by THYSEN, Church Ind., Transm. station, 1935.
Aachen	Werkst.	90,000	P	1,000	Friedrich, E., Gasmeister	VEW	Supplied by the W. Rhein gas-plant at AACHEN.
Aachen	Schwerw. Indust.	2,000	M	100	Corn, H., Betriebsleiter	Leibniz, Gaswerke Aachen	Transm. to a municipality.
Aachen	Werkst.	3,100	M	117	Hilgen, Betriebsleiter	City (Municipal) Gas u. Wasserwerk	Supplied by VFW from RHEINISCH-WESEN.
Aachen	Werkst.	17,000	P	100	Prings, L., Gaswerks-Ingenieur	City	Gas distributed 1935 to 1936, 2,410,000 cu. m. (1935) 2,410,000 cu. m. (1936) 2,410,000 cu. m. (1937) 2,410,000 cu. m. (1938) 2,410,000 cu. m. (1939) 2,410,000 cu. m. (1940) 2,410,000 cu. m. (1941) 2,410,000 cu. m. (1942) 2,410,000 cu. m. (1943) 2,410,000 cu. m. (1944) 2,410,000 cu. m. (1945) 2,410,000 cu. m. (1946) 2,410,000 cu. m. (1947) 2,410,000 cu. m. (1948) 2,410,000 cu. m. (1949) 2,410,000 cu. m. (1950) 2,410,000 cu. m. (1951) 2,410,000 cu. m. (1952) 2,410,000 cu. m. (1953) 2,410,000 cu. m. (1954) 2,410,000 cu. m. (1955) 2,410,000 cu. m. (1956) 2,410,000 cu. m. (1957) 2,410,000 cu. m. (1958) 2,410,000 cu. m. (1959) 2,410,000 cu. m. (1960) 2,410,000 cu. m. (1961) 2,410,000 cu. m. (1962) 2,410,000 cu. m. (1963) 2,410,000 cu. m. (1964) 2,410,000 cu. m. (1965) 2,410,000 cu. m. (1966) 2,410,000 cu. m. (1967) 2,410,000 cu. m. (1968) 2,410,000 cu. m. (1969) 2,410,000 cu. m. (1970) 2,410,000 cu. m. (1971) 2,410,000 cu. m. 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INDEX OF GASWORKS IN NORTHWEST GERMANY—Continued

City	State or Province	Population	Type of plant	Annual output in plant	Director	Owner	Notes
Bismarck	Samoa	4,700	M	300	Villemann, F., Betriebsleiter	City	
Braunschweig	Samoa	2,000	M	80	Wittmer, S., Betriebsleiter	Municipality and CV, Braunschweig	
Bückeburg	Schleswig-Holstein	10,011	M	844	Schäfer, E., Dipl. Ing., Direktor	City (Schleswiger Gas-Gesellschaft) and S. G. I.	Transmission to 2 localities. On RUIBORG
Bielefeld	Westphalia	7,000	M	1,200	Blum, E., Direktor; Rappach, H., Ingenieur	City (Hörsingwerk)	Transmission to 2 localities.
Bielefeld-Münster	Prov. Sachsen	20,000	F	1,000	Lüchow, Kaufm. Leiter	GAMAGAG	Supplied by GAMAGAG.
Bielefeld-Münster	Westphalia	5,700	F	300	Wolfschläger, O., Gasmeister	VEW	Supplied from north THYSEN line.
Bielefeld	Samoa	1,500	M	800	Schäfer, G., Direktor	City (Hörsingwerk)	
Bielefeld (a.d. Ruhr)	Prov. Sachsen	12,000	F	600	Blum, O., Direktor	AGAG	Supplied by Gelsenkirchen, Aachen, Essen, and West Branch of Ruisberg (largest pipeline of GAMAGAG). Transmission to 4 localities.
Bielefeld-Münster	Westphalia	10,000	F	1,000	Schäfer, J., Gasmeister	VEW	Supplied by (1) Hof, (2) Münster, (3) Bielefeld, (4) Hamm, (5) Hamm, (6) Hamm, (7) Hamm, (8) Hamm, (9) Hamm, (10) Hamm, (11) Hamm, (12) Hamm, (13) Hamm, (14) Hamm, (15) Hamm, (16) Hamm, (17) Hamm, (18) Hamm, (19) Hamm, (20) Hamm, (21) Hamm, (22) Hamm, (23) Hamm, (24) Hamm, (25) Hamm, (26) Hamm, (27) Hamm, (28) Hamm, (29) Hamm, (30) Hamm, (31) Hamm, (32) Hamm, (33) Hamm, (34) Hamm, (35) Hamm, (36) Hamm, (37) Hamm, (38) Hamm, (39) Hamm, (40) Hamm, (41) Hamm, (42) Hamm, (43) Hamm, (44) Hamm, (45) Hamm, (46) Hamm, (47) Hamm, (48) Hamm, (49) Hamm, (50) Hamm, (51) Hamm, (52) Hamm, (53) Hamm, (54) Hamm, (55) Hamm, (56) Hamm, (57) Hamm, (58) Hamm, (59) Hamm, (60) Hamm, (61) Hamm, (62) Hamm, (63) Hamm, (64) Hamm, (65) Hamm, (66) Hamm, (67) Hamm, (68) Hamm, (69) Hamm, (70) Hamm, (71) Hamm, (72) Hamm, (73) Hamm, (74) Hamm, (75) Hamm, (76) Hamm, (77) Hamm, (78) Hamm, (79) Hamm, (80) Hamm, (81) Hamm, (82) Hamm, (83) Hamm, (84) 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INDEX OF GASWORKS IN NORTHWEST GERMANY—Continued

City	State or Province	Population	Type of plant	Annual output in 1,000 cu. ft.	Director	Owner	Notes
Schöningen	Brandenburg	18,110	M	373 (total plant 51 average 1940)	Eupfendorf, A., Gasmeister	City (Stadt. Gas u. Wasserwerk)	Some sewage gas from city sewage treatment plant.
Schöner	Lippe	5,901	F	138	Roth, H., Betr.-Leiter	City (Stadt. Betriebsamt)	Supplied by WFO from the RUHRGAS Hannover line.
Schwabisch Rad	Schwab. Gebiete	5,023	F			City*	Supplied by "Gaswerk Lohbeck."
Schwelm	Westfalen	25,336	F	1,438	Mey, W., Betriebsl.; Schulte, T., Gasmeister	City (Stadt. Gas u. Wasserwerk)	Supplied by RUHRGAS. Distribution 1934-35: Total, 25,000 cu. m.; meter sales, 1,135,000; street light, 26,000.
Schwerte (Ruhr)	Westfalen	18,645	MF	827	Kilber, H., Dipl.-Ing., Werkleiter; Wollmann, F., Werkmeister	City (Stadt. Gas u. Wasserwerk)	Supplied by WFO from RUHRGAS South Westfalen line. Have own production 1935.
Seelen (Hart)	Brandenburg	7,434	M	328	Kotzeb, E., Dipl.-Ing., Betriebsleiter	City (Stadt. Gas u. Wasserwerk)	
Sepehr Rad	Schwab. Gebiete	5,284	M	388	Timm, H., Ing., Betriebsleiter	City (Stadt. Licht u. Wasserwerk)	
Sepehr	Westfalen	40,390	F	3,375	Papp, L., Dipl.-Ing., Direktor	City (Stadt. Werke)	Supplied by WFO from RUHRGAS South Westfalen line. High pressure spherical gas holder 50.00 cu. m. capacity; second largest in Germany (1935); meter, 30 km. (1935). Local production discontinued in 1935. Distribution 1934-35: Total, 3,450,000 cu. m.; meter sales, 1,000,000; street light, 890,000. Supply area, 65,000 population; meter sales, 6,500 (1935).
Sepehr	Westfalen	25,115	F	3,172	Cebulka, E., Dipl.-Ing., Direktor; Gies, F., Kaufmann, Leiter	City (Stadtwerke)	Supplied by VEW from Westfalen side plant to Altkreis. Distribution 1935: Total, 1,145,000 cu. m.; meter sales, 1,021,000; street light, 83,000.
Seltene	Hannover	5,300	M	430	Ramm, C., Betriebsleiter	City (Stadt. Gas u. Elektrizitäts-Werk)	
Siedershausen	Thüringen	11,900	F	752	Bachwald, E., Direktor	City (Stadt. Werke)	Supplied by Gasversorgungs-Gesellschaft Aus Eichsfeld, Nordhausen. Transmission to 1 locality.
Siegersburg	Thüringen	20,250	F	4,988	Tietz, J., Dr.; Rosenwacher, A., Direktor	Licht u. Kraftwerk Siegersburg, GmbH. (subsidiary of THÜGA).	Supplied by Ferngaswerk Franken Thüringen GmbH, Sonstfeld b. Coburg. Transmission to 17 localities.
Siepe	Hannover	4,508	M	107	Lehmann, H., Betriebsleiter	City (Stadt. Gas u. Wasserwerk)	
Siepehild	Westfalen		F	107 (1935) Lippe, F., Gasmeister		1935 VEW	(1935) Supplied by RUHRGAS.
Siepe	Hannover	10,575	M	1,430	Meyer, E., Direktor	City (Stadt. Betriebsamt)	
Siedershausen	Schwab. Gebiete	4,508	F	388	Bauer, W., Betriebsleiter; Wilk, H., R., Stadt-Ingenieur	City (Stadt. Gas u. Wasserwerk)	Supplied by Gasversorgungs-Gesellschaft, Göttingen from Göttingen side plant at Sepehr.
Siedershausen	Westfalen	6,775	F	381	Kricheldorf, R., Gasmeister	VEW	Supplied by Nord THÜRINGEN line. Transmission to 3 localities.
Siedershausen	Brandenburg	4,300	M	345	Hewel, W., Gasmeister	City (Stadt. Gas u. Wasserwerk)	

Sepehr	Prov. Sachsen	15,731	F	900	Kretsch, H., Leiter	GAMAGAS	Supplied by GAMAGAS, and Gas- u. Stromvers. Mittelhessen AG, Kassel.
Sepehr	Thüringen	5,300	F	430	Kretsch, B., Direktor	Gasversorgungs-Gesellschaft, GmbH. (subsidiary of and operated by AGAG)	Supplied by Ferngaswerk Franken Thüringen GmbH, Sonstfeld b. Coburg.
Sepehr	Prov. Sachsen	20,594	F	2,352	Polak, Dr.-Ing., Geschäftsführer; Reuter, C., Geschäftsführer; Mählert, F., Ing. & Gaswerk; Richter, J., Gasmeister	Altkreis Gaswerk u. El.-Werk, GmbH. (operated by THÜGA)	Probably supplied by GAMAGAS.
Sepehr (b. Lohbeck)	Hannover	3,907	M	120	Hoppe, Gasmeister	City	
Sepehr (b. Lohbeck)	Schwab. Gebiete	5,075	F	130	Hartwig, O., Betriebsinspektor	Municipality (owned by CV)	Supplied from Lohbeck.
Sepehr	Thüringen	981	M	300	Sandmann, J., Direktor; Kahlmann, O., Kaufmann	DOGO	
Sepehr	Westfalen	3,539	F	15	(1935) Schubert, F., Gasmeister	(1935) VEW	(1935) supplied by THÜRINGEN.
Sepehr	Prov. Sachsen	15,340	M	1,430	Kretz, O., Direktor; Rosenwacher, E., Betriebsinspektor; Wollmann, F., Ing. & Gaswerk; Richter, J., Gasmeister	Gasvers. Thür. Wald GmbH. (subsidiary of THÜGA)	Supplied by Gasversorgungs-Thüringen AG, Erfurt. Transmission to 3 localities.
Sepehr, Rad	Thüringen	4,102	M	330	Kretz, W., Direktor	AGAG	Transmission to 3 localities.
Sepehr	Hannover	5,408	F	261	(1935) Hirsch, Inspektor	(1935) Nord-Gasversorgungs-Gesellschaft, CV	Supplied from Bremen.
Sepehr	Prov. Sachsen	5,432	M	108	Schulz, H., Betr.-Leiter	AGAG	
Sepehr	Prov. Sachsen	10,575	F		Gies, H., Betr.-Leiter	GAMAGAS (Gasversorgungs-Thüringen)	Supplied by GAMAGAS.
Sepehr, Rad	Prov. Sachsen	5,539	M	**120	Tietz, Ing., Betriebsinspektor; Fietz, H., Gasmeister	City (Stadt. Gas u. Elektrizitäts-Werk)	
Sepehr	Prov. Sachsen	15,340	F	330	(1935) Kretz, H., Dipl.-Ing., Direktor; Rosenwacher, E., Gasmeister	(1935) DOGO	(1935) supplied by GAMAGAS.
Sepehr	Schwab. Gebiete	5,075	M	300	Ramm, E., Gasinspektor	City (Stadt. Gaswerk)	
Sepehr	Prov. Sachsen	17,700	M	1,800	Reich, Direktor	Licht u. Kraftwerk, Ferngaswerk, GmbH. (subsidiary of THÜGA)	
Sepehr	Thüringen	5,300	M	330	Gebhardt, A., Direktor; Becker, A., Gasmeister	City (operated by THÜGA)	
Sepehr	Oldenburg	5,500	M	300	Dyck, Betr.-Leiter des Gas- u. Wasserversorgungs- u. Elektrizitäts-Werks; Fietz, Gasmeister	City (Stadt. Wasserwerk)	
Sepehr	Bremen	5,500	M	377	Fietz, H., Dipl.-Ing., Direktor; Vohmer, E., Verwalt.-Inspektor	City (Stadt. Licht u. Werke)	
Sepehr (Aber)	Hannover	12,300	M	1,500	Fietz, W., Ing., Direktor	City (Stadt. Werke)	
Sepehr	Hannover	5,112	M	140	Schulz, G., Betriebsleiter	City (Stadt. Gas u. Elektrizitäts-Werk)	
Sepehr (Wass.)	Westfalen	5,500	F		Bitt, F., Betr.-Leiter	City (Stadt. Gas u. Wasserwerk)	Supplied by WFO from RUHRGAS Hannover line.
Sepehr (see Mühl)	Westfalen	5,500	F	400	Bitt, Dr. Betriebsleiter, u. Leiter d. Gas u. Wasser, u. Gasmeister	Municipality	Supplied by RUHRGAS.

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ANNEX BB

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GEISENKIRCHEN (Westfalen)

(Population: 317,568)

The town has two distributing plants: (a) The Städtische Gas Wasser und Elektrizitätswerke, municipally owned and operated, which supplies the older part of the city and (b) the Rottbäuser gasworks in the southwest section of the city, originally owned exclusively by the RWE, now a mixed ownership concern, which supplies the newer section of the city.

According to 1926 and 1932 sources, both gasplants were at that time supplied by the Rheinische coke plant of the Geisenkirchener Bergwerks AG, which is situated in the southern part of the city. A 1938 source lists no coke plant at the Rheinische mine, but it does list the Gasanstalt Rheinische, which suggests that this former coke plant or at least its gas plant was kept in operation to supply the city itself. The Geisenkirchener Bergwerks, however, does own several other mines in the city (Alme, Nordstern) which may very well have been used to supply the city gasworks. (See grid system.)

During the occupation of the Ruhr, the French controlled the Rhein-Elbe mine and the city got a limited supply of gas (ca. 16,000 cu. m. per diem) from the Consolidation coke plant in Bismarck-Ost and went back to the Rheinische supply before the end of the occupation.

A former producing gasworks, located north of the Schalke railway station was used (1926) only as a distributing center for the municipal company. Its installations include gasholders, the city pressure regulator and a water gas plant of the Pintsch type with oil carburation, built in 1907.

In 1933, low-pressure mains of the municipal gasworks totalled 348 km. Sources of 1934 and earlier mention also 17 km. of high-pressure main. A 1925 description of the net work indicates that its pipelines are predominantly of the Mannesmann Stahlmuffenrohre type (steel pipes with sleeve-type joints) especially built to resist shock from mining operations.

In 1934, the gas plant supplied 12,571 houses, 48,772 consumers and 50,257 meters in a supply area of 330,000 population. The 1937 figures show that 13,176 houses and 52,684 meters were supplied.

In 1934, the gasworks distributed 22,587,000 cu. m. of gas, of which 16,130,000 cu. m. went to households and industry, 3,440,000 cu. m. was used for street lighting and 2,530,000 cu. m. were wasted in transmission. In 1937, the plant distributed 24,250,000 cu. m. of gas, of which 17,342,000 cu. m. went to households and industry, 3,874,000 cu. m. for streetlighting, and 2,611,000 cu. m. were wasted in transmission.

The second gas plant, situated in the section of Rothhausen, now a mixed ownership concern, controlled and operated by the RWE. In 1937, the plant supplied 2,356,000 cu. m. of gas to 2,413 houses and 6,976 meters in a supply area of a population of 100,000. The plant furnished long-distance gas to one commune with a population of 74,000. Of the total distribution of gas, 1,416,000 cu. m. represented meter sales, 530,000 cu. m. were distributed for streetlighting purposes and 369,000 cu. m. were wasted in transmission.

HALBERSTADT (Pr. Sachsen)

(Population: 57,187)

The municipally owned and operated gasworks is situated on the outskirts of the city. As late as 1937, the gasworks manufactured its own gas, although supplies could have been obtained from the Magdeburg-North Harz "ring" line of the Central German Grid, which passes close by Halberstadt.

In 1934-35 the plant used 12,539 tons of coal, obtaining a yield of 393 cu. m. per ton of coal. Some of the gas (312,000 cu. m. out of 4,929,000 cu. m.) was used to heat ovens.

The plant had 72 km. of low-pressure pipeline and furnished gas to 4,150 houses, 15,222 consumers, 14,317 meters, and one neighboring commune (population 2,200), in a total supply area of 53,000 population. In 1937, 4,480 houses were supplied and there were 15,033 meters in a supply area of 55,000.

In 1934-35, 4,317,000 cu. m. of gas were distributed, of which 3,272,000 cu. m. went to households and industry, 377,000 cu. m. for street lighting, and 574,000 cu. m. were wasted in transmission.

In the same year (1934-35), the plant manufactured 7,954 tons of coke, 503 tons of tar, 23 tons of ammonia. The gas plant used 12,539 tons of coal and got a yield of 393 cu. m. of mixed gas per ton of coal. In 1937, 637 tons of tar and 29 tons of ammonia were obtained.

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Distribution figures for 1937-38 are unavailable. However, the report of the city gasworks for that year indicates a rise of 7 percent in gas sales over the preceding year, attributed partly to the decrease in rates beginning 1 November 1936 and partly to the extension of the city and the consequent increase in the number of consumers. In 1938-39, gas sales increased 12.8 percent.

The change in laws governing taxes by municipally owned utility corporations which eliminated refund of taxes, had a decisive effect on the financial situation at the Halberstadt gasworks. This may account for the fact that in 1940-41, although gas sales increased 9.5 percent, the gas plant suffered a financial loss.

HALLE (Pr. Sachsen)

(Population: 220,092)

The municipally owned gasworks of Halle supply gas to the city, to 6 small communities directly, and to other communities through a separate company, the GAFESAH. The total quantities delivered by the plant rose from 14,431,000 cu. m. in 1932-33 to 18,100,000 cu. m. in 1937, of which probably somewhat over 1,500,000 cu. m. were sold through the GAFESAH. In 1934-35, the plant used 25,928 tons of coal and 88 tons of other fuel to produce 13,765,000 cu. m. of coal gas and 134,000 cu. m. of water gas. Statistics for that year do not indicate the use of any of this gas for even-heating, but some of the ovens were equipped for alternative heating by coal gas.

The Halle gasworks located at Holzplatz, was equipped with 10 vertical-chamber ovens, a water-gas plant, 6 steam boilers, and 2 waste-heat boilers (1938). A successful process was subsequently developed by which ordinary coal-gas ovens were adapted for the production of gas from brown coal, to be mixed with coal gas to form city gas. The city-owned brown coal mines probably furnished this part of the plant's raw materials. Small quantities of sewage gas were also added to the city gas supply. From the spring of 1936 on, some of this sewage gas was used instead as motor fuel for municipal vehicles, but in 1937-38, 476,000 cu. m. were still available for the gasworks.

At the gasworks, a benzol plant, employing the "Benzonben" (activated carbon) process, capable of handling 50,000 cu. m. of gas per day, was put into operation in August 1935. The crude benzol thus extracted was redistilled and purified by the use of iron chloride. As a result, the output of pure benzol was increased from the 1934-35 figure of 83 tons to 230 tons in 1937. In the latter year other byproducts included 1,498 tons of tar, 56 tons of ammonia (NH₃), and presumably somewhat more than 1934-35 coke production of 17,277 tons.

There were at least 3 gasholders at the gasworks and at least 5 located elsewhere. One telescoping holder, built in 1938-39, had a capacity of about 35,000 cu. m. There were 17 km. of high-pressure feeder mains in 1934-35, with 256 km. of low-pressure mains, as well as 184.8 km. of mains for long-distance supply. (These "long-distance" mains operated at pressure of only 50-60 mm. water, however. They do not include the GAFESAH mains.) In 1934-35, 9,655 of houses and 44,865 gas meters were connected. (Most of the meters were dry type). Of the gas delivered, 1,978,000 cu. m. were used for streetlighting and 1,430,000 cu. m. were lost in course of distribution. These proportions had not changed greatly by 1937, but the number of houses connected increased to 11,350 and the meters to 49,520. In 1937, a new type of rate (Grundpreis-Regelverbraucher) was introduced, resulting in an overall reduction of about 10 percent for domestic consumers.

The plant was a part of the Werke der Stadt Halle AG, a completely city-owned company which supplied Halle with gas, electricity and water as well as operating the street railway, brown coal mines, etc. The company was capitalized at 16,000,000 RM. The gasworks itself, during the years 1934-35 to 1937-38, had receipts rising from 2,568,000 RM. to 3,250,000 RM. of which 2,085,000 RM. to 2,276,000 RM. were from the sale of the gas itself. The plant had about 200 employees.

Outside the city, gas from the Halle plant was distributed to the city of Ammerndorf and the rural communes of Lettin, Dornitz, Borsdorf, Dolau, and Wormitz-Böllberg. In addition, the gasworks supplied GAFESAH (Gasfernversorgung Saale G. m. b. H.). This company was owned by the DGGG (17.5 percent), the Provinzialverband, and the Werke der Stadt Halle AG. Its supply area was in the southern and eastern part of the province of Sachsen and included three AGAG- or DGGG-owned distributing plants at Kiebitz, Hellra-Manfeld, and Merseburg-leben, as well as numerous smaller places, some of which were supplied from Leipzig or Merseburg rather than Halle. Its sales totalled 1,812,000 cu. m. in 1937. A new company was formed in

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There may possibly be a connection to the Central German grid at Sandersleben or Hettstedt, as it was reported in 1939 that the Hettstedt plant had been closed down as a result of a contract with GAMAAG.

(Population: 1,711,877)

Production.—The city is served by a net fed by four powerworks, situated at Grashbrook, Tiedstack, Barmbeck, and Altona. The four plants together produced nearly 220,000,000 cu. m. of gas in 1934-35. Of this total, the Grashbrook plant produced nearly 35 percent, the Tiedstack plant nearly 30 percent, the Barmbeck plant nearly 25 percent, and the Altona plant more than 10 percent.

The four gasworks together consumed 488,275 tons of coal (of this 58,530 at the Altona plant), 14,689 tons of briquettes and 16,958 tons of coke in 1934-35, the latest year for which this information is available. The three larger plants together produced 150,731,000 cu. m. of coal gas and 43,026,000 cu. m. of water gas, while the Altona plant produced 25,045,000 cu. m. of coal gas. The three large plants used 21,485,000 cu. m. of gas for oven-heating.

The Tiefstack plant had Döhrle inclined-chamber ovens with a capacity of 6 tons each. It had a Fintsch-Hillebrand gasifier (installed in 1935) for the distillation of water-gas from brown coal with a daily capacity of 50 tons of brown coal briquettes and a yield per ton of coal of 1,805 cu. m. of water gas of 2,600-2,750 cal. cu. m. By 1940, an average of 40 tons of lignite briquettes per day was used and surplus water gas was given to another Hamburg gasworks. In 1940, conversion of this plant for the use of peat was planned.

The gasworks has a trial plant which can be separated from the collection main for experimental purposes.

The Altona plant, according to an old (1928) description, had three groups of inclined chamber ovens, built in 1912-13, 1918, and 1927. (See Altona in the series of *Monographie deutscher Städte* edited by Erwin Stein, published at Berlin-Friedrichs in 1928, for full description.)

Distribution.—The Grashbrook, Tiefstack, and Barmbeck gasworks were connected with one another by a high-pressure ring, and there was also a connection to the Altoma plant, which

and Ahtona. There were 257 km. of transmission pipelines. In 1934, when a new main was laid to supply the shipyards of the Finken veld area from the Kõhli district, the pipeline was carried across the two arms of the Elbe (Kõhli arm and Kõhli arm) by means of siphons (Düker) of special cable-type (cable) lead-pipe, 110 mm. internal diameter, tested at 2 atmospheres pressure when laid. It was suggested at this time that further use of siphons for river-crossings would aid in the security of gas supply in the event of the destruction of bridge-crossings by air-attack. It is not known whether this development was actually carried out. Other siphon-crossings had been constructed in the past, but such use-to-date methods.

Consumption—Gas is used extensively in Hamburg industry and city services. The gas works supplied gas for street lighting in 1938, 82 percent or 1,066 km. of a street net of 1,300 km. was lighted by gas) and is used extensively in Hamburg public buildings and undertakings. The Gasgesellschaft Groß-Hamburg, founded in 1933 fostered cooperation between the gas works and trade and industry by financing plants using gas and encouraging new uses for gas and the sale of appliances, and attempted to improve relations between consumers and it and by sponsoring technical schools for salesmen and mechanics.

In 1937, the Hamburg gas plants supplied 88,018 houses, 402,642 meters and 46 neighbors. The Hamburg gas plants supplied 18,914 houses, 67,010 meters and 46 neighbors. In 1937, the Hamburg gas plants supplied 88,018 houses, 402,642 meters and 46 neighbors. In 1937, the Hamburg gas plants supplied 88,018 houses, 402,642 meters and 46 neighbors.

In 1937, 209,084,000 cu. m. of gas were distributed by the three Hamburg plants; in 1938, 217,097,000 cu. m. were represented in inter sales; 23,504,000 cu. m. were used for streetlighting and 14,660,000 cu. m. were wasted in transmission. Altona distributed 33,875,000 cu. m. of gas for the year ending 31 March 1938, indicate an increase in gas distribution of 10.5 per cent. The increase in deliveries to industry in the city

Figures for the year ending March 1932 showed an increase in gas sales of 25 percent, principally to an increase in the supply area (the creation of the Hansestadt April 1, 1932) and to the absorption of other neighboring towns and communes, e. g., Be-

March 1940 figures show an increase of 3.4 percent in total gas sales, 11.8 percent in domestic consumption, 11.9 percent increase in trades and industry and a decrease of 11.8 percent in other uses.

in domestic consumption, 1934-35 indicate the manufacture by the three F

Hypocypres.—Hypocypres figures for 1934-35 indicate the manufacture of crude benzol at Hamburg plants of 284,138 tons of coke, 17,945 tons of tar and 3,041 tons of crude benzol. The Altona plant in 1934 manufactured 41,850 tons of coke, 2,196 tons of tar and 118 tons of crude benzol. Hypocypres figures for 1937 show 21,930 tons of tar and 3,837 tons of crude benzol from the three Hamburg plants and 2,653 tons of tar and 599 tons of pure benzol for the Altona plant. These three Hamburg plants and 2,653 tons of tar and 599 tons of pure benzol for the Altona plant supplied 58 neighboring communes (population 1,400,000).

In the 1934-35, the three Hamburg gas plants supplied 33 neighboring communities 379,000 cu. m. of long-distance gas. In 1937, 46 communities (population 155,000) were supplied with gas, for which no figures are given.

*There is an unexplained discrepancy of nearly 1,000,000 cu. in. between sales listed by the milk works and purchases recorded by the government. The government made small purchases from still another source. To judge from the milk production figures so high as 70,000 tons, the milk works must be producing more than 100,000 tons.

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HANNOVER (Hannover)

(Population: 470,950)

The Städtische Betriebswerk gasworks, a city-owned enterprise, located at Linden, is connected by a high-pressure main to the Ruhrgas grid. In 1932, the gasworks supplied 15,433 houses, 102,383 consumers and 105,933 meters in a supply area of 370,000. In 1937, the gasworks supplied 18,289 houses and 116,243 meters in a supply area of 385,000 population.

The statistics for 1934 indicate that 42,806,000 cu. m. of gas were distributed; of this, 85.4 percent went to households and industry, 10.2 percent for street lighting and 3.5 percent was lost in transmission. The 1937 figures show a considerable increase: figures had risen to 50,527,000 cu. m. of gas distributed, of which 41,851,000 cu. m. went to households and industry, 4,356,000,000 for street lighting and 3,879,000 cu. m. were wasted in transmission.

In addition to local distribution in 1932, the gasworks supplied 10 communes with 1,039,000 cu. m. of gas via transmission lines; in 1937, 8 communes were supplied with a population of 24,000.

In 1932, the company had 515 km. of local distribution pipelines. It owned the first compressed-gas fuelling stations for motorcycles, city transport and streetcleaning. In 1935, 37 buses were operated by this compressed illuminating gas, which in addition to coal gas, contains a mixture of methane, obtained from sewage. The gas is stored in steel containers, each holding 1,000 liters at 300 atmospheres. A 1936 report indicates capacities of 70 cu. m. per hour to 180 cu. m. per hour for the two filling stations then in existence. Compressed gas was also made available to household consumers in the outskirts of the city to obviate the necessity of laying new pipes.

In addition to the city gasworks, there is a local gasworks at Linden, which was sold in 1938-39 to the city of Hannover by the DCGG who operates the plant. This Gasanstalt supplied an area of 169,000 inhabitants in 1937—5,919 houses, 32,083 meters; it supplied gas to 9 neighboring communes which had a population of 14,900. There was some production of byproducts: 783 tons of tar and 47 tons of ammonia.

JENA (Thüringen)

(Population: 70,573)

The municipally owned and operated gasworks is situated between the Saale River and the railway, northeast of the Saale railway station. The plant manufactures its own gas exclusively.

About 1934-35, the Jena gasworks introduced a new process whereby brown coal was used in the production of part of its city gas. The use of brown coal briquettes with gas coal necessitated the construction of special furnaces with 6 vertical coal chambers, each having one adjacent coke chamber. The latter operate permanently as water gas generators.

During 1934-35, the plant used 8,704 tons of coal and 490 tons of briquettes. The process in use at the plant resulted in a yield of 600 cu. m. of gas with a calorific value of 4,600-4,700 cal. cu. m. per metric ton of coal-mixture.

In 1934-35, the gas plant had 120 km. of low-pressure mains. In 1935, it distributed gas to 4,840 houses, 14,770 consumers and 15,002 meters in a supply area of 61,000 population; one neighboring commune (population 1,400) was supplied. Statistics for 1937 show little change in consumers: 5,291 houses, 16,367 meters, in a supply area of 65,000.

There was some fluctuation in gas distribution. In 1932-33 (before the brown coal process was introduced on more than an experimental basis), 6,155,000 cu. m. of gas were distributed (4,472,000 cu. m. of coal gas, 1,683,000 cu. m. of water gas). Of this amount 88.9 percent was supplied to households and industry (13,312 meters and 4,076 houses), 10 percent was lost in distribution and 1.1 percent was used for plant purposes.

In 1934-35, the plant distributed 4,783,000 cu. m. of gas, of which 3,857,000 cu. m. went to households and industry, 427,000 cu. m. for street lighting purposes, 417,000 cu. m. were wasted in distribution, and 82,000 cu. m. were used for plant purposes.

Byproducts figures for 1932 show a yield of 9,242 tons of coke, 574 tons of tar and 33 tons of pure benzol. Figures for 1934 show a decided decrease in coke (4,823 tons), due to some extent to increased absorption for production purposes, and a similar decrease in the yield of benzol (2 tons of pure benzol and 0.4 tons of crude benzol in 1935), due to the use of light oils in the new manufacturing process.

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KIEL (Schleswig-Holstein)

(Population: 273,735)

The municipally owned Stadtwerke Kiel (before 1937 known as the Städtische Licht und Wasserwerke Kiel) runs a gasworks in the suburb of Wik, on the Kaiser-Wilhelm (Nord-Ostsee) Canal. It manufactures most of its gas.

In 1934-35, the plant used 89,772 tons of coal and 11 tons of coke and got a yield of 262 cu. m. of gas per ton of coal. In addition, the plant used 850,000 cu. m. for plant heating purposes.

The installations of the gasworks include a rotary compressor and a three-lift telescopic gasholder of 50,000 cu. m. capacity, of the wet type, protected from freezing damage by systems of circulating warm-water and steam-heating.

In 1934-35, the plant had 209 km. of low-pressure pipeline, 57 km. of high-pressure pipe-line and 18.5 km. of long-distance mains. It supplied gas to a total supply area of 235,000 population: 12,104 houses, 55,953 consumers, 9,953 meters and three neighboring communes with a population of 12,000.

In 1937, 13,835 houses and 65,853 meters were supplied in an area of 252,000 population. In addition, gas was distributed to 2 communes with a population of 7,100.

In 1934-35, gas distribution amounted to 31,738,000 cu. m., of which 29,964,000 cu. m. went to households and industry, 232,000 cu. m. for streetlighting purposes and 1,471,000 cu. m. were lost in transmission. Neighboring communes got 277,000 cu. m. Most of the gas distributed was manufactured in the plant; a negligible amount (101,000 cu. m.) was brought in from the outside.

Sales figures for 1937 are unavailable, but judging from the increase in byproducts (see below), there must have been a considerable increase over 1934-35. Statistics do indicate that gas output in 1936-37 was 14 percent higher than those of the preceding year, and yet there was only an increase of 7.3 percent in the sale of gas. The rest was used for heating.

In 1936-37 also, the gasworks produced 23.2 percent more coke, 21 percent more benzol and 18.8 percent more crude tar than in the previous year.

In 1934-35, byproduct figures were: 50,336 tons of coke, 2,900 tons of tar, 530 tons of pure benzol and 203 tons of ammonia. The 1937 figures show the manufacture of 4,820 tons of tar, 223 tons of ammonia and 957 tons of pure benzol.

LÜBECK (Schleswig-Holstein)

(Population: 154,811)

The Städtische Werke, municipally owned and operated, gets its gas from the Herrenwyk plant of the Hochtiefwerk Lübeck A.-G., north of the town beside the river Trave.

The city manufactures some gas in addition to its outside purchases until about 1931, when its benzol producing apparatus was reported as no longer functioning. Figures for 1931/32 indicate that the city's supply was exclusively gas purchased from outside sources.

The 1934/35 figures show that the plant had a total length of 274 km. of low-pressure mains, 89 km. of high-pressure pipes (7 only 3 km. in 1933-34) and 132 km. of long-distance pipeline.

The gas-plant uses a very effective system of under-water siphons (Düker). There are 15 mains supplying the city; the first of these were built ca. 1928 and were still in service in 1941. Their internal diameter ranges from 75 mm. to 200 mm.; they are laid in dredged trenches and are made of lead or lead pipe with steel covering.

For protection against corrosion, they are coated with a special synthetic resembling synthetic rubber. Two mains, built in 1941 are coated with a combination of wood, lead, jute, and asphalt; two mains, built in 1941 are coated with a special synthetic resembling synthetic rubber.

In 1934-35, the gasworks supplied gas to 14,855 houses, 35,916 consumers, 34,884 meters and 9 neighboring communes (population 21,000), in a total supply area of 160,000 population. Total gas distributed in 1934-35 amounted to 18,728,000 cu. m., of which 16,414,000 cu. m. were sent to households and industry, 1,350,000 cu. m. for street-lighting and 964,000 cu. m. were wasted in transmission. In addition, 1,154,000 cu. m. of long-distance gas were supplied to surrounding communes.

In 1937, 20,954,000 cu. m. of gas were distributed, of which 24,868,000 cu. m. went to households and industry, 1,579,000 cu. m. for streetlighting and 866,000 cu. m. were lost in transmission. Long-distance gas was supplied to two communes, population 14,800.

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Tanks for low-pressure city gas for bus fuel were built in 1943. These were situated, not at the end of the busline as the bus authorities would have wished, but at places suitable for distribution from the mains. One type of tank was connected to the high pressure mains and had a capacity of 400 cu. m. an hour.

MAGDEBURG (Province of Sachsen)

(Population: 336,838)

MAVAG (Magdeburger Versorgungsindustrie A.-G.), the municipally owned gas, electricity, and water supply company of the city of Magdeburg, produces part of its gas in a separate local gas plant but purchases the major portion via GAMANAG from the nearby Grossgaserei Mitteldeutschland at Magdeburg-Rothensee.

In 1934 the MAVAG plant produced 5,843,000 cubic meters of coal gas and 4,236,000 cubic meters of double gas or water gas, consuming 21,265 tons of coal; the major portion of its supplies, 19,793,000 cubic meters, was purchased. By 1937 the company disposed of 37,381,000 cubic meters in all. The proportion produced by the city plant is not known, but the circumstance that tar production exceeded the earlier figure by two-thirds suggests that a greater quantity of gas was produced. Fully 1,316,000 cubic meters was consumed within the plant for heating ovens and 97,000 for other purposes, while 1,174,000 was wasted in the course of distribution during 1937. Byproducts included 1,449 tons of tar, 48 of ammonia, and 7 of pure benzol (1937), and 14,698 tons of coke (1934).

During 1938 MAVAG made an agreement with GAMANAG to use its own local production equipment to a fuller degree in order to ease the great demands being made upon the grid. MAVAG benefitted financially by this agreement.

As the gasholders available in 1935 were antiquated, the construction of a new 50,000 cubic meter holder of the telescopic type with three lifts was commenced in that year. There were 13 kilometers of high-pressure mains and the low-pressure distribution net, within the city amounted to 417 kilometers (of which 77 kilometers were "medium-pressure"). In 1943, when 6,650 houses and 63,647 gas meters were connected. There was a marked increase by 1937, to 12,000 houses and 68,875 meters.

Street lighting accounted for 3,159,000 cubic meters of the 1937 consumption. This was a marked increase in consumption over 1933, when about 85 percent of the streets in Magdeburg were lit by gas.

A small separate company owned largely by THUGA, called Gas- und Stromversorgung Magdeburg-Südost A.-G., was operated in the southeast part of the city, handling in 1937 1,351,000 cubic meters of gas, all of which was purchased from some outside source, doubtless either GAMANAG or MAVAG. It delivered gas to 1,363 houses and 5,222 meters, plus 180,000 cubic meters of gas used for street lighting.

WESERMÜNDE (Hannover)

(Population: 112,831)

The municipally controlled Stadtwerke Wesermünde (gas, electricity, water) operates a gasworks which manufactures its own gas exclusively. In September 1939, when the city of Bremerhaven was incorporated into the city of Wesermünde, the Stadtwerke Wesermünde took over the Bremerhaven Städtische Werke, which also included a gas plant.

In 1934-35, the Wesermünde plant used 20,431 tons of coal and obtained a yield of 403 cubic meters of gas per ton of coal. In addition, the plant used 348,000 cubic meters of its own manufactured gas for plant heating purposes.

The installations of the Wesermünde plant included (1935) Didier inclined vertical chamber ovens; chamber ovens were ordered for the Bremerhaven plant in 1934.

In 1932-33 the Wesermünde plant had 113 kilometers of low-pressure mains; in the following year 10.95 kilometers of mains and distribution lines were laid to supply a gas distributing plant in the Leherhoide district, thus bringing the total length of mains to 124 kilometers.

Figures for 1934-35 indicate that the Wesermünde plant supplied 5024 houses, 21,920 consumers and 21,660 meters (of which 8,127 were of the slot-meter type) in a supply area of 77,000. In 1937, the number of houses had increased to 5,390. (Other figures are lacking.)

Total sales of gas for 1934-35 amounted to 7,871,000 cubic meters of which 6,157,000 cubic meters represented meter sales, 908,000 cubic meters streetlighting sales and 788,000 cubic meter wastage in transmission. A 1935 report shows 1.6 percent increase in sales over

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CONFIDENTIAL

the preceding year, good sale of byproducts and new constructions amounting to 300,000 RM financed from current means.

Byproduct figures for 1934-35 show 13,840 tons of coke, 1,040 tons of tar, 58 tons of pure benzol, and 42 tons of ammonia. Statistics for 1937 show little change: 1,063 tons of tar, 33 tons of ammonia and 81 tons of pure benzol.

The Bremerhaven plant figures for 1934-35 indicate that 3,362,000 cubic meters were manufactured and distributed, of which 2,691,000 cubic meters went to households and industry, 434,000 cubic meters for streetlighting and 88,000 cubic meters were lost in transmission. Byproduct figures were 5,940 tons of coke, 422 tons of tar and 21 tons of benzol.

The 1940 report, the first one after the union with the Stadtwerke of Bremerhaven (population, 26,790), showed an increase of gas sales of 2.3 percent; in 1941 there was an increase of 0.5 percent in gas sales.

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May 18, 1945

My dear Mr. Secretary:

The War Department, at the request of General Eisenhower, has asked the Treasury Department, as a matter of urgency, to send financial experts to assist SHAEF in work necessary to the institution and effective administration of its financial program in Germany. Because of the importance which the theater commander places on this operation, I am arranging for the immediate assignment to the Finance Division of SHAEF of a group of Treasury people who have assisted in the development and administration of this country's wartime financial controls.

My ability to fulfill the request of the War Department is limited by the fact that a large number of our employees who have had seasoned experience in the type of work for which SHAEF is requesting immediate assistance are at present in the armed services. Attached is a list containing the names of several former employees of the Treasury Department who are among the best qualified to meet SHAEF's urgent needs and who are now serving with the Navy. As you may know, the War Department has agreed to release a number of specially qualified men for this work as has the Coast Guard.

I am not unmindful of your letter to me of February 7, 1945, concerning the policy of the Navy Department with respect to the release or loan of commissioned officers of the Navy to other Governmental departments and Agencies, with which I expressed full sympathy in my letter to you of February 15, 1945. I am bringing this matter to your attention, however, because of the urgent need for men of these qualifications and with the thought that changed conditions may make it possible for some of the men on the attached list to be assigned to this important work in Germany.

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The Treasury Department does not have up-to-date information concerning the positions which these men are presently holding in the Navy and I would not like this request to apply to any persons who are assigned to combat duty.

Will you be good enough to look into this and let me know whether any of these men can be made available. 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,

/s/ H. Morgenthau Jr.
Secretary of the Treasury

The Honorable

The Secretary of the Navy.

OASchmidt:mhw 5/17/45

347

Bronfenbrenner, Martin (Lt.) 297761
Box 166 Comdt. Navy 128,
Fleet P.O., San Francisco, California

Kirby, John J. (S/2/c)

Mermis, Joseph A. (Ensign)
Advanced Base Navy 926
Fleet Post Office, San Francisco, California

Moore, Lawrence C. (Lt., J.E.)
Presently in Italy

Murphy, Joseph H. (Ensign)
Fleet Post Office, San Francisco, California

Parker, Paul C. (Lt., J.E.)
Fleet Post Office, San Francisco, California

Proctor, James M., Jr. (Lt., J.E.)

Schwartz, Robert J. (1st Lt.) 038286
Headquarters Squadron 35
Marine Aircraft Group 35
Marine Corps Air Station
El Centro, California

Schwartz, Richard C. (Lt., J.E.)

347

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Schwartz, Richard C. (Lt., j.g.)



TREASURY DEPARTMENT

WASHINGTON 25

May 18, 1945.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS:

(1) The Treasury Department is issuing the following instructions to financial institutions in the United States:

United States Treasury Department
Office of the Secretary
May 21, 1945

Instructions to Financial Institutions in the United States

Pursuant to Section 110(a) of the Act of October 6, 1917 (40 Stat. 417), as amended, and other authority vested in me by law, the following instructions are hereby issued:

(1) Commencing with transactions occurring in the month of June, 1945, every financial institution in the United States shall file monthly reports on Form FD-1 concerning each deposit or withdrawal, or other payment or transfer, effected by, through, or to such financial institution which involves United States currency in amounts or denominations which, in the judgment of the financial institution exceed those deemed necessary to the legitimate and ordinary conduct of the business, industry, or profession of the person or organization concerned. The fact that a transaction involves \$1,000 or more of United States currency in denominations of 100 or 100,000, or involves \$1,000 or more of United States currency in any denomination shall be deemed to necessitate the filing of a report on Form FD-1, unless in the judgment of the financial institution the transaction is representative with the legitimate and ordinary conduct of the business, industry, or profession of the person or organization concerned.

(2) Reports on Form FD-1 shall be filed in duplicate, on or before the 15th day of the month following that in which the reported transactions occur, with the Federal Reserve Bank of the district in which the reporting financial institution is located. All information called for in such form shall be furnished.



- 2 -

(3) No financial institution shall effect any transaction with respect to which a report is required unless the person or organization with whom such transaction is to be effected has been satisfactorily identified.

(4) As used herein "financial institutions" shall mean banks, trust companies, savings banks, private bankers, investment bankers, building and loan associations, and securities and commodities brokers.

H. Morgenthau, Jr.
Secretary of the Treasury

(2) You are hereby directed, as fiscal agents of the United States, to transmit the foregoing Instructions, together with an appropriate supply of Form TCR-1, to financial institutions within your district. In your discretion, you may circularize institutions other than banks and trust companies through appropriate associations or professional organizations. You should time the transmittal of the Instructions so that their delivery to all financial institutions will be effected not earlier than May 29, 1945 nor later than May 31, 1945. You should have printed such quantities of the Instructions as you deem necessary. Copies of Form TCR-1 for your initial mailings are being shipped to you by this Department. Additional copies which you may need on the basis of a six months' supply should be ordered from the Administrative Assistant to the Secretary of the Treasury.

(3) Reports filed with you under the foregoing Instructions shall be held by you and delivered or otherwise made available to authorized representatives of the Treasury Department upon demand.

H. Morgenthau, Jr.
Secretary of the Treasury



TREASURY DEPARTMENT

WASHINGTON 25

May 21, 1945.

Instructions to Financial Institutions in the United States

pursuant to Section 52(a) of the Act of October 6, 1917 (40 Stat. 445), as amended, and other authority vested in me by law, the following instructions are prescribed:

(1) Commencing with transactions occurring in the month of June, 1945, every financial institution in the United States shall file monthly reports on Form TCR-1 concerning each deposit or withdrawal, or other payment or transfer, effected by, through, or to such financial institution which involves United States currency in amounts or denominations which, in the judgment of the financial institution exceed those commensurate with the legitimate and customary conduct of the business, industry, or profession of the person or organization concerned. The fact that a transaction involves \$1,000 or more of United States currency in denominations of \$50 or higher, or involves \$10,000 or more of United States currency in any denominations shall be deemed to necessitate the filing of a report on Form TCR-1, unless in the judgment of the financial institution the transaction is commensurate with the legitimate and customary conduct of the business, industry, or profession of the person or organization concerned.

(2) Reports on Form TCR-1 shall be filed in duplicate, on or before the 15th day of the month following that in which the reported transactions occur, with the Federal Reserve Bank of the district in which the reporting financial institution is located. All information called for in such form shall be furnished.

(3) No financial institution shall effect any transaction with respect to which a report is required unless the person or organization with whom such transaction is to be effected has been satisfactorily identified.

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W. M. T. A. C.
Secretary of the Treasury



SECRET

copy to Cap 351
5/19/45 ✓

18 May 1945

Honorable Lee T. Crowley
Administrator, Foreign Economic Administration
Washington 25, D. C.

Dear Mr. Crowley:

I refer to your letter of 5 April 1945 suggesting that appropriate arrangements should be made to initiate and enforce, through the Allied Commission and through the Italian Government, a comprehensive program for the accomplishment of all Safe Haven objectives in Italy.

As you stated in your letter that similar letters were dispatched to Mr. Stettinius and to Mr. Morgenthau, the War Department has consulted with the State and Treasury Departments on the matter since receiving your letter which presumably due to some delay in transit only reached the War Department on 20 April. In view of the present Allied policy that the Italian Government should assume more responsibility for various financial and economic matters, the State Department has advised the War Department that it is considered to be more appropriate that this matter be handled through diplomatic channels rather than through the channels of the Allied Commission. A copy of letter to you of 11 May from the Acting Secretary of State expressing this opinion has been furnished the War Department. The War Department concurs in the State Department view. However, should it later be determined that action on the part of the Allied Commission is desirable, the War Department should be further advised.

Copies of this letter are being sent to Mr. Stettinius and to Mr. Morgenthau.

Sincerely yours,

(SIGNED) JOHN J. MACLOW

Assistant Secretary of War

SECRET

COPY FOR Secretary of the Treasury

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Assistant Secretary of the Treasury

Date May 18 1945

To: Mrs. McHugh

Copy of telegram received.

H.D.W.

Mr. White
Room 3434

COPY

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Buenos Aires
To: Secretary of State, Washington
DATED: May 11, 1945
NUMBER: 956

TOP SECRET

PRIORITY

The new Finance Minister, Alonso Irigoyen, has sent me word through Assistant Military Attache Davis that, in view of measures taken by the Argentine Government against the Axis, he feels very strongly that our Government ought now to unblock assets of Banco de la Provincia and Banco de la Nacion; that, in connection with unblocking, he is willing to undertake any commitments with respect to banks which the United States Government may require, and he would like to bring about unblocking through a personal telephone conversation with his friend Secretary Morgenthau, if unblocking can be arranged.

Except for the very obvious comment that Alonso Irigoyen's method of approach and his proposal itself reveal a perhaps natural desire to enhance his personal prestige at the start of his career as Finance Minister, I submit the foregoing without any further remarks.

FEED

DC/LMAS:AN
5-14-45

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COPI

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Buenos Aires
 To: Secretary of State, Washington
 DATED: May 11, 1945
 NUMBER: 956

TOP SECRET

PRIORITY

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REED

DC/L:MAS:AN
 5-14-45

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MAY 18 1945

CC:LAR:PAV
 A-398871

Through the Bureau of the Budget
 Attorney General
 Division of the Federal
 Register.

My dear Mr. President:

I am submitting herewith for your consideration, with the recommendation that they be approved, a proposed Executive Order authorizing the inspection by the Office of Price Administration of certain corporate financial data on income and declared value excess profits tax returns made for taxable years ending after June 30, 1943, and before July 1, 1944, and also a proposed Treasury decision amending the regulations governing such inspection. Under Executive Order 9258, dated October 26, 1942, the Office of Price Administration was permitted to inspect similar data on income and declared value excess profits tax returns for taxable years ended after June 30, 1941, and before July 1, 1942, and under Executive Order 9430, dated

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- 2 -

March 7, 1944, such inspection was permitted with respect to returns for taxable years ended after June 30, 1942, and before July 1, 1943. The Office of Price Administration now desires to obtain such data with respect to corporation returns filed for taxable years ended after June 30, 1943, and before July 1, 1944. Authority for such additional inspection must come from a specific Executive Order.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The President,

The White House.

PAV/MEW 4-6-45

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(T. D.)

TITLE 26 -- INTERNAL REVENUE

CHAPTER I -- BUREAU OF INTERNAL REVENUE

SUBCHAPTER E -- ADMINISTRATIVE PROVISIONS
COMMON TO VARIOUS TAXES

PART 458 -- INSPECTION OF RETURNS

SUBPART F -- INSPECTION OF CERTAIN RETURNS
UNDER THE INTERNAL REVENUE
CODE

Regulations covering the inspection
of corporation statistical transcript
cards by the Office of Price Adminis-
tration.

TREASURY DEPARTMENT,
Washington 25, D. C.

TO COLLECTORS OF INTERNAL REVENUE
AND OTHERS CONCERNED:

Treasury Decision 5173, approved October 26, 1942 [Sec. 458.308, Title 26, Code of Federal Regulations, Com. Sup. 7, as amended by Treasury Decision 5336, approved March 7, 1944, is hereby further amended by striking out "for any taxable year ending after June 30, 1941, and before July 1, 1943" in the first sentence, and inserting in lieu thereof "for any taxable year

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ending after June 30, 1941, and before July 1, 1944". (I. C. , 1945, and sections 55 (a) and 603, 53 Stat., 29, 111; 26 U. S. C., 1940 ed., 55 (a), 603.)

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury.

Approved:

The White House.

PAY/NEW 4-6-45

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EXECUTIVE ORDER

INSPECTION BY THE OFFICE OF PRICE
ADMINISTRATION OF CORPORATION
STATISTICAL TRANSCRIPT CARDS PRE-
PARED FROM INCOME AND DECLARED
VALUE EXCESS PROFITS TAX RETURNS

By virtue of the authority vested in me by sections 55 (a) and 603 of the Internal Revenue Code (53 Stat. 29, 111), it is hereby ordered that corporation statistical transcript cards prepared by the Bureau of Internal Revenue from corporation income and declared value excess profits tax returns made under the Internal Revenue Code, as amended, for any taxable year ending after June 30, 1943, and before July 1, 1944, shall be open to inspection by the Office of Price Administration; such inspection to be in accordance and upon compliance with the rules and regulations prescribed by the Secretary of the Treasury in Treasury Decision

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5173, approved October 26, 1942, relating to the inspection of similar cards by the Office of Price Administration, and the amendments approved March 7, 1944, and this date.

This order shall be published in the Federal Register.

THE WHITE HOUSE,

, 1945.

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CC:LAR:PAV
A-898871

MAY 18 1945

Through the Bureau of the Budget
Attorney General
Division of the Federal
Register.

My dear Mr. President:

I am submitting herewith for your consideration, with the recommendation that they be approved, a proposed Executive Order authorizing the inspection by the Office of Price Administration of certain corporate financial data on income and declared value excess profits tax returns made for taxable years ending after June 30, 1943, and before July 1, 1944, and also a proposed Treasury decision amending the regulations governing such inspection. Under Executive Order 9258, dated October 26, 1942, the Office of Price Administration was permitted to inspect similar data on income and declared value excess profits tax returns for taxable years ended after June 30, 1941, and before July 1, 1942, and under Executive Order 9430, dated

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March 7, 1944, such inspection was permitted with respect to returns for taxable years ended after June 30, 1942, and before July 1, 1943. The Office of Price Administration now desires to obtain such data with respect to corporation returns filed for taxable years ended after June 30, 1943, and before July 1, 1944. Authority for such additional inspection must come from a specific Executive Order.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The President,

The White House.

PAV/MEW 4-6-45

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(T. D.)

TITLE 26 -- INTERNAL REVENUE

CHAPTER I -- BUREAU OF INTERNAL REVENUE

SUBCHAPTER E -- ADMINISTRATIVE PROVISIONS
COMMON TO VARIOUS TAXES

PART 458 -- INSPECTION OF RETURNS

SUBPART F -- INSPECTION OF CERTAIN RETURNS
UNDER THE INTERNAL REVENUE
CODE

Regulations governing the issuance
of corporation statistical transcript
cards by the Office of Price Adminis-
tration.

TREASURY DEPARTMENT,
Washington 25, D. C.

TO COLLECTORS OF INTERNAL REVENUE
AND OTHERS CONCERNED:

Treasury Decision 5173, approved October 26, 1942 [Rev. 458.308, Title 26, Code of Federal Regulations, Can. Sup. 7, as amended by Treasury Decision 5336, approved March 7, 1944, is hereby further amended by striking out "for any taxable year ending after June 30, 1941, and before July 1, 1943" in the first sentence, and inserting in lieu thereof "for any taxable year

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-2-

ending after June 30, 1941, and before July 1, 1944". (E. O. , 1943, and sections 55 (a) and 603, 53 Stat., 29, 111; 26 U. S. C., 1940 ed., 55 (a), 603.)

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury.

Approved:

The White House.

PAY/REV 4-6-45

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EXECUTIVE ORDER

INSPECTION BY THE OFFICE OF PRICE
ADMINISTRATION OF CORPORATION
STATISTICAL TRANSCRIPT CARDS PRE-
PARED FROM INCOME AND DECLARED
VALUE EXCESS PROFITS TAX RETURNS

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-2-

5173, approved October 26, 1942, relating to the inspection of similar cards by the Office of Price Administration, and the amendments approved March 7, 1944, and this date.

This order shall be published in the Federal Register.

THE WHITE HOUSE,

, 1945.

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EXECUTIVE ORDER

INSPECTION BY THE OFFICE OF PRICE
ADMINISTRATION OF CORPORATION
STATISTICAL TRANSCRIPT CARDS PRE-
PARED FROM INCOME AND DECLARED
VALUE EXCESS PROFITS TAX RETURNS

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-2-

5173, approved October 26, 1942, relating to the inspection of similar cards by the Office of Price Administration, and the amendments approved March 7, 1944, and this date.

This order shall be published in the Federal Register.

THE WHITE HOUSE,

, 1945.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

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DATE 5/18/45

TO Secretary Morgenthau
FROM E. B. Fussell

Attached is the report of the press-radio-photographers' committee on a Roosevelt quotation for the 8th War Loan.

The members of the committee decided it would be impracticable to arrange the competition, to allow contestants time to study Mr. Roosevelt's public utterances, and to allow Chief Justice Stone (or any other person selected as judge) ample time to make his decision with an announcement May 30. They therefore suggested their own dates for closing the competition and for announcement of the award.

Alvin Hall says that if he is given the quotation by June 30 it will be plenty of time. He says that the limit should be 20 words (the committee suggested a limit of 25 words) and he hopes for something shorter. He proposes engraving in script, centered directly over the red seal. If the members of the committee agree, a statement might be incorporated in the notice of the competition to the effect that brevity will be one of the factors to be considered in selecting the quotation. Ted Gamble suggests that if the quotation selected is of the slogan type it can be used on 8th War Loan posters, etc.

The committee elected Mr. Samuel Bell its chairman and gave him the assignment to contact Chief Justice Stone, or some other justice to act as judge.

Mr. Stewart was designated as secretary and prepared the attached report, which the members will discuss with you at your luncheon.

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PROPOSED ARRANGEMENT FOR SELECTING SUITABLE ROOSEVELT QUOTATION FOR 6TH WAR LOAN

Secretary of the Treasury Morgenthau will donate \$175 (face value) of war bonds as prizes in a contest for the selection of a quotation from the public utterances of the late President Roosevelt to be engraved on a special war bond to be sold during the 6th war loan. The prizes will be a \$100 bond for the winning selection, a \$50 bond for second best, and a third prize of \$25.

1. **ELIGIBILITY** -- The contest is open to all members of the Press Galleries (daily), the White House News Photographers' Association, the Radio Correspondents' Galleries, and the Periodical Press Galleries.

2. **REQUIREMENTS** -- Quotations may be taken from any utterance of the late Mr. Roosevelt, whether spoken or written, if it is a matter of public record. Selections need NOT be limited to the period of the late President's term of office. But contestants must submit with their selection a citation to the address, document or other record where the quotation may be found and its date. Each contestant will be limited to one quotation and his letter of submission must be signed in his own handwriting. No limit is placed on the length of the quotation but brevity will be considered a merit in judging. The committee advises that all submissions be less than 25 words.

3. **DEADLINE** -- All entries must be postmarked not later than midnight June 9 (alternative June 15) or submitted in person by that time to one of the following:

Samuel W. Bell, Chairman
Press Galleries Standing Committee
New York Herald Tribune
1205 National Press Building

Richard Harkness, Chairman
Executive Committee, Radio Correspondents Association
WDC, 724 14th Street, N.W.

Charles J. Mack, President
White House News Photographers' Association
1005 New Jersey Avenue

G. W. Stewart, Jr., Chairman
Executive Committee, Periodical Correspondents' Association
Newseach, 1227 National Press Building

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4. **JUDGING** -- Final judgment will be by Chief Justice of the Supreme Court Harlan F. Stone. He will decide which quotation _____ (suggested: 1. best captures the spirit of the late President's leadership of the people of this country and the world; or 2. best states humanitarian objectives of the late President and his administration.)

The four executive committees of correspondents and photographers will screen the entries to see that requirements of eligibility are met.

5. **PRIZES** -- Should two or more persons submit a winning entry, the first prize will go to the entry postmarked or submitted first. In that event, the second prize will go to the second winner, and the third prize to the third winner (s).

6. **THE AWARD** -- Announcement of the award will be made jointly by Secretary Morgenthau and Chief Justice Stone on June 23 (alternative June 30).

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May 18, 1945

My dear Mr. Fredman:

It gives me great pleasure to send a greeting to all those gathered at your Fiftieth Annual Memorial Service at Temple Emanu-El and to thank your organization for the invaluable help which it has given to the Treasury Department in the national war effort.

I know it is not necessary to remind you that we must not slacken our efforts because of our victory in Europe. There is no slackening 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 go forward to new dangers and sacrifices, confident in the same unstinted support that helped them to victory over Hitler's Germany.

The buying of War Bonds is an act of simple faith for the veterans of this and other wars in which our country has fought honorably and successfully - faith in ourselves, faith in the men who fought with us and for us, faith in the future of democracy. Let's all pour out our might to prove that faith.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. J. George Fredman,
Chairman, Memorial Services,
Past National Commander,
Jewish War Veterans of the United States,
276 Fifth Avenue,
New York, New York.

JLM:MM

AIR MAIL
SPECIAL DELIVERY

Shindle 374
JEWISH WAR VETERANS OF THE UNITED STATES

National Headquarters • 276 Fifth Avenue • New York, N. Y.
 MUney H# 4-1309

ARCHIE H. GREENBERG
 National Commander

May 15th, 1945

MAY 17 1945

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

Dear Mr. Morgenthau:-

We regret that you will personally not be able to attend our Fiftieth Annual Memorial Service on Sunday, May 20th, 1945, at Temple Emanu-El.

In view of the fact that the Seventh War Loan drive has just been launched, we think that it may be a very appropriate time to read a message from you on the urgency and importance of putting this drive over the top.

If you will forward us immediately a personal message to this effect it will be ready not only to the ten thousand people who will be in the Temple audience, but will be heard by the larger audience who will listen in to the service via the broadcast.

Regretting the lateness of this request, but hoping we may be able to cooperate in the drive at least to this extent, we are,

Sincerely yours,
J. George Friedman
 J. George Friedman
 Past National Commander
 Chairman, Memorial Services

MR. GAMBLE

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This page moved to Book #29 -

March 18, not May 18 (p. 144A).

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MAY 18 1945

Dear Darryl Zanuck:

I have just had the great pleasure of viewing "All Star Bond Rally", which was produced by yourself and associates at 20th Century-Fox for the 7th War Loan.

I think this is the first motion picture I have seen that tied together so effectively the war, War Bonds and their part in the war, and what these Bonds will mean in the days to come; while, at the same time, taking the fullest advantage of the fine artists and entertainers who made up the cast.

I want to compliment you and thank you for making possible this subject. I got such a great lift out of it that I have sent my print over to the White House for President Truman to see at the first opportunity.

With all good wishes, I am

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Darryl Zanuck
Vice President in Charge of
Production
20th Century-Fox Film Corp.
Beverly Hills, California

THG:RFF
5/12/45

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MAY 18 1945

Dear Mr. Bailly:

Ted Gamble has told me of the fact that you were Coordinator of the "All Star Bond Rally". He has also told me of the vast amount of work handled by yourself in connection with this successful production.

I wish to compliment you and thank you on behalf of the Treasury for delivering to us a very tangible instrument of help for our most important War Loan drive.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Tom Bailly
Consultant to the Treasury
War Finance Division
Washington, D. C.

THG:RFF

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MAY 18 1945

Dear Mr. McHugh:

I have just screened "All Star Bond Rally" and think it is one of the finest subjects that has been produced in support of any of our country's war programs.

Certainly, one of the highlights of this great picture is the song "Buy A Bond" and I wish to commend the work of yourself and your partner. I'm sure that you could not have been inspired to write such an outstanding piece if you had not felt rather keenly the work that is being carried forward in the war financing program. You should feel very proud of your tangible contribution to the 7th War Loan, as well as subsequent activities of our War Finance Division, for, I am certain that your song will live with us in the days remaining before complete Victory.

With all good wishes, I am

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Jimmy McHugh
20th Century-Fox Studios
Beverly Hills, California

TMO:RFP
5/18/45

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MAY 18 1945

Dear Mr. Adamson:

I have just screened "All Star Bond Rally" and think it is one of the finest subjects that has been produced in support of any of our country's war programs.

Certainly, one of the highlights of this great picture is the song "Buy A Bond", and I wish to commend the work of yourself and your partner. I'm sure that you could not have been inspired to write such an outstanding piece if you had not felt rather keenly the work that is being carried forward in the war financing program. You should feel very proud of your tangible contribution to the 7th War Loan, as well as subsequent activities of our War Finance Division, for, I am certain that your song will live with us in the days remaining before complete Victory.

With all good wishes, I am

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Harold Adamson
20th Century-Fox Studios
Beverly Hills, California

TMO:RFP
5/18/45

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MEMORANDUM FOR THE SECRETARY.

May 18, 1945.

Mail Report

With the pace of world events slowed down, more people found time and reason for letter writing. Not for many months has the mail brought so many or such varied types of protests. The chief cause of complaint was the reported wining and dining of Nazi political and military authorities, and there were the usual threats not to buy bonds until these prisoners are brought to trial. The second outstanding complaint was against lifting the racing ban and the curfew before VJ-Day. Other protests were directed against OPA restrictions, Congressional action in voting each member a tax-free expense account of \$2,500, use of tax funds to support the Hyde Park memorial, taxation on small pensions, and against failure to make tax re-funds available for investment in bonds during the Drive.

With correspondents, the Seventh Drive is the most popular one yet. Along with many cordial and appreciative replies to letters sent out by the War Finance Division, there are quantities of promotional material each day. A recent and urgent suggestion is that the German submarine which has just surrendered here be exhibited in connection with bond sales.

The Bretton Woods proposals dropped into the background this week, and so did donations to the war effort. There was only one, an \$8.00 Money Order. "A Mother", who said her son in the Navy had brought home towels as souvenirs, sent \$5.00 in payment to the Navy Department.

Jefferson

General Comments

A. A. Frank, Samson Crane Company, Lawrence, Mass. On March 13, 1945, this company billed the United States Treasury, Procurement Division, goods in the amount of \$7,967.00, bill to be paid net-thirty days. Since no check was received, the writer contacted the Treasury Procurement Office in Boston, and was advised that all communications in this regard should be directed to the Washington office. On April 20, we wired Washington; since no reply was forthcoming, on April 24 we wired again. On April 26, we received a wire collect stating that the voucher in the amount of \$7,967.00 had been transmitted to the disbursing office and check would be forwarded in approximately ten days. On April 28, another wire was received by us collect. * * * Since no check had been received, on May 10 we sent another wire on which we received another collect telegram saying the check had been forwarded May 10. In the mail this morning, we received a check dated May 10, in the amount of \$7,967.00. We are not a large company, and it had been necessary for us to borrow this money from the bank on the basis of receiving the voucher on the date due. The check is approximately thirty-one days overdue, and we further see no reason why the replies to our telegrams should have been sent collect. We also have in mind the fact that in paying taxes, it is necessary for us to pay interest for every day such taxes are overdue. In making the sale originally, the goods were sold at a loss. We realize this was purely voluntary on our part, but on the other hand, we do not feel that we should incur any further loss than should be absolutely necessary.

E. P. Thomas, President, National Foreign Trade Council, Inc., New York City. The members of the Council wish me to express to you their gratification over the income and death tax conventions with Great Britain and Northern Ireland, signed April 16, 1945, and their

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hope that they will soon be ratified. We have previously acknowledged the benefits derived from the conventions with Sweden, Canada, and France, and trust that these new conventions will serve as examples for similar conventions with other countries to encourage the resumption of peacetime trade. Some of the countries with which such conventions could be usefully concluded as soon as possible are Colombia, Mexico, Brazil, South Africa, Australia, and New Zealand. * * *

Henry S. Smith, Colton, California. I am a long-suffering taxpayer and bitterly resent the feeding, wining and dining of Duteh Goering at my expense. Having belonged to the League Against War & Fascism years ago, I find it rather nauseating to feel that top flight American Generals are apparently catering to the whims of this beast. Please advise, and please, NO WINDOW DRESSING. Why all this catering?

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Favorable Comments on Bonds

Stephen F. McCready, Chairman, Marion County War Finance Committee, Ocala, Florida. I greatly value your appreciation and comments on our efforts to do what is expected of us in Ocala and Marion County, Florida, in the War Loans. * * * We are entering the Seventh War Loan with a feeling of thanksgiving for what has been accomplished and the war in Europe ended, but with even more resolution to put over this new Drive, which we realize will be the hardest of all. In closing may I say that I want to take this opportunity to express my personal appreciation for the magnificent job you have done as Secretary of the Treasury during these difficult war years.

P. M. Barger, Chairman, Iredell County War Finance Committee, Statesville, North Carolina. Your letter of May 9 came today. You write a good letter. Your friends read them with much interest. * * * You have done a good job as Secretary. We extend our congratulations to you for your loyalty and devotion to a responsibility.

F. M. Law, Chairman of the Board, First National Bank, Houston, Texas. Your letter of the 4th, addressed to me as Regional Co-Chairman, has been received. Please be assured of my warm appreciation of the cordial sentiment conveyed in this communication. May I in turn say that I feel that the Treasury has done a magnificent job in directing these various War Finance Campaigns. You yourself have been untiring in your efforts and have provided brilliant leadership. I often think of the days in 1933-34 when I used to see you almost every week during my term as president of the A.B.A.

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Unfavorable Comments on Bonds

William A. Duncan, Princeton Junction, New Jersey.
 * * * I have planned to invest \$1,000 of my savings in the Seventh Loan, but before I do so, I want our Government to show enough "guts" to put Goering before a firing squad. The moment that is done, my order goes in. Of course, we must put many other war criminals before firing squads, but let's make a start right now so our people may know their Government means business. Then bonds will be much easier to sell. My boy is serving in the Infantry and wears the purple heart for wounds received in Normandy. I owe that boy my firm pledge to do everything in my power to see that the German war criminals are put out of the way -- and quickly.

C. A. Lambert, Chicago, Illinois. During the past few years I have purchased War Savings Bonds, Series E and F, in my name with my wife as co-owner (joint). Now having revised my will, I learn that your Department's regulations prohibit my having these bonds re-issued in my own name only. I wanted to do this in order to carry out my desire that my whole estate be placed in trust to avoid complications. * * * First, I wish to be sure that such regulations are absolutely rigid; secondly, it is entirely beyond my comprehension why such a regulation should be made. Such regulation appears to be entirely inconsistent with the fact that I solely could dispose of these bonds by redemption.

Robert J. Kerr, Chicago, Illinois. I am Chairman of the War Savings Staff of a small company of three hundred employees. We have met with fair success in the past and are ahead of our quota in this Drive, as far as monetary standards go. However, in my opinion, we have failed in the purpose of the previous Drives and are failing in this one, due to the improper

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advertising and propaganda used in each Drive. * * * It is my experience that most of the bonds are purchased by the same few who normally save in other ways. * * * Appeals to patriotism reach only the patriotic who need no prodding. The others are almost wholly untouched by such appeals. Your present publicity tends only to persuade those who are steadily buying to the limit of their abilities, to purchase extra bonds they cannot afford, and have to redeem shortly afterward. * * * You might like to know that one of our former employees was killed during the flag raising on Iwo. Insofar as I can ascertain his death has had no effect on the bond purchases of his former comrades. As an engineer, I am confident industry will have a job for all who wish to work in the post-war world, provided the people maintain a savings cushion to keep the wheels turning during adjustment periods. I firmly believe your office could do the people of this nation a great service if it would use its facilities to impress them with the need for saving through War Bonds. The need for more education to be fit for the advance in technology and the security and happiness of greater numbers will depend a lot on our present efforts. I have written directly to you because efforts to secure aid locally along the ideas proposed have met with no success.

E. E. Barbee, Retailers Association, Oklahoma City, Oklahoma. (Returns circular letter telling of May 14 program.) "Too late, as usual. Received May 12 - program May 14. Howinell can we do any good at this date? Why can't the Treasury get a little lead out of its pants? This happens each time."

Mrs. Roswell Egbert Wicker, Richmond, Virginia. Having just listened to the program sponsored by the U. S. Treasury in the interest of the 7th War Loan Drive,

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I feel constrained to write you my reaction. Except for your personal appeal and the song rendered by Bing Crosby, I was ashamed of the program. The cheap and degrading dialogues, wisecracking and jokes directed by Mr. Hope were most inappropriate for the occasion. Speaking very mildly -- as I sat listening, really cringing in shame, I pictured mentally the millions all over the world, men, women, and children, listening for some incentive to give of their money to invest in War Bonds for the investment of our boys' lives, and the life of America. What an opportunity missed to pay tribute to mothers and to arouse interest to buy bonds!

C. F. Moffitt, Philadelphia, Pennsylvania. My son, Lieutenant Richard A. Moffitt, was killed in a plane crash January 24, 1945. From the time he went in the service in 1941, he sent a War Bond home to his Mother each month. Each bond had his Mother's name on it as co-owner, except 3 bonds which only had his name on. My wife has gone to the Federal Reserve Bank at 1530 Walnut Street, Philadelphia, Pennsylvania, two times and they seem to give her the runaround. They first gave her a form to fill out -- Form PD 1946. When she took it back she was told it was the wrong form. I feel for a Mother who has lost her son in the service she should be helped in this matter instead of being treated the way she was at the bank. Please let me know just what she can do to have these bonds put in her name.

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Unfavorable Comments on Taxation

Miss Constance E. Field, Winthrop, Massachusetts. I note that you have been discussing tax revisions with President Truman. While I realize that lowering excess profits tax may be necessary to start a rise in business opportunities for our returning boys, I also wish that somebody in Washington would give a little thought to the older people. Although we may be a minority, we are entitled to consideration. I was retired on a small pension two years ago at sixty years of age -- as were all the women in the company by whom I was employed. They would not pay social security on us after that because they were unable to break down private pension contracts already in effect. * * * I only received two months' notice of being retired and because of family reasons had had no chance to prepare for such an emergency. As for meeting the unforgiven portion of the 1942 tax, it is practically impossible. Have had visions of landing in Alcatraz lately. I remember that when our beloved late President vetoed the tax bill, at the time Senator Barkley made his bitter attack, F.D.R. said the tax bill "took from the needy and gave to the greedy" and he was right. * * *