

DIARY

Book 849

May 25-28, 1945

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✓
May 25, 1945
9:30 a.m.

GROUP

Present: Mr. D. W. Bell
Mr. Gaston
Mr. White
Mr. O'Connell
Mr. DuBois
Mr. Haas
Mr. Pehle
Mr. Fussell
Mr. Coe
Mr. Coyne
Mr. Charles Bell
Mr. Blough
Mr. Luxford
Mr. Bartelt
Mrs. Klotz

H.M.JR: Well, now that the Secretary of the Treasury has broken the story about the five thousand men, I hope you get them.

MR. O'CONNELL: So do I.

H.M.JR: I just thought it might sort of--well, I didn't think I would give it to one columnist.

MR. O'CONNELL: I think if you are going to give those out, you ought to give them to everybody. (Laughter)

H.M.JR: Well, the press seems to like it.

MR. O'CONNELL: Yes, I'm sure they do. I think it is fine. It is going to build a substantial fire under a number of us.

MR. LUXFORD: There was quite a line down in front of Joe's office of applicants this morning.

H.M.JR: Well, I am having a press conference Monday

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afternoon at four o'clock, and I hope you will be able to tell me--

MR. O'CONNELL: That we have the five thousand people?

H.M.JR: No, but at least the money is over at the Budget Bureau.

MR. O'CONNELL: We were to have a meeting with Joe Nunan at nine-thirty this morning, but that meeting will be postponed.

H.M.JR: Is he here in the building?

MR. O'CONNELL: I asked him to wait. He was just coming in as I came out. I asked him to wait a little and if he can't, we'll see him later in the day. He has a meeting at ten-thirty.

H.M.JR: We will have him in in a few minutes. I am not going to be very long this morning.

One thing, Herbert, that I am very rusty on, is when we appoint somebody--a Presidential appointment--and we never used to know whether the White House would let a Senator know or whether we did or the fellow who represented the National Democratic Committee. Now, how does that work? I am rusty on it.

MR. GASTON: Well, the normal procedure is that we get a letter from the Senator or Senators, and we acknowledge it, and then we consult the National Committee, and if it is okay with them, we then make a character investigation, and if we find the man suitable, then we send the name to the White House and they send it to the Hill. We don't notify anybody after the original acknowledgement of their letter. It is all automatic. They get the first notice when the name goes up on the Hill. Otherwise, we would be disclosing White House business.

H.M.JR: Are you confident in your own mind from the standpoint of a Senator or Congressman that it is all right

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with him the way we do it?

MR. GASTON: I am sure it is, and I don't think there is any other way to do it. We can't tell them that we are approving it and sending the name over to the White House without putting the White House on the spot and robbing the President of his prerogative of making his own decision, and in rare instances it has happened the White House hasn't wanted to appoint a man whom we and the Senators and the Committee have recommended.

MR. PEHLE: How about those cases which aren't Presidential at all, like Fox, or Brien McMahon who was so damn mad because we didn't tell him before that appointment was made?

MR. GASTON: Well, cases of that kind--jobs that are of importance, we should let him know.

MR. PEHLE: Before the appointment.

MR. GASTON: Before the appointment becomes generally known, but that doesn't apply to Presidential positions.

MR. O'CONNELL: Well, you are speaking, I assume, primarily of the Collectors of Customs and Revenue.

MR. GASTON: Presidential appointments.

MR. O'CONNELL: Well, I am not sure but that system does sometimes cause a little difficulty, because I remember, and I am sure Herbert will, when my name went to the Senate, Senator Wagner did not know of it, nor did Senator Mead of New York, and the first thing Wagner knew of it was when a newspaperman asked him who I was, coming from his state.

MR. GASTON: You are speaking about something totally different.

MR. O'CONNELL: I am speaking of Presidential appointments.

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MR. GASTON: Which haven't been suggested by a Senator. On Presidential appointments which have not been suggested by Senators, of course we should send the man--call the Senator up and send the man to see him before we endeavor to put the appointment through.

MR. O'CONNELL: That was my point. That is what I was thinking of.

MR. GASTON: I was thinking of the appointments out in the field that the Senators suggest.

H.M.JR: What is Barnes' status over there now?

MR. GASTON: I haven't had any word whether there has been any change in Barnes' status or not. I heard he was not going to stay, and I think there was a story in the paper that he was going to do something else, but I haven't heard anything directly.

H.M.JR: Herbert, will you do this for me? Mr. Truman is new and everything. I don't know who handles it, but would you have a talk with, is it McKim?

MR. D.W.BELL: McKim is the administrative man. I am having lunch with him today.

H.M.JR: Are you?

MR. D.W.BELL: He is having lunch with me, rather.

H.M.JR: Well, just explain to him how we do it, and ask if this is the way the President wants it. Or do you want to do it with Hannegan?

MR. GASTON: It is pretty directly National Committee business.

H.M.JR: Hannegan is out of town, but make it the first order of business.

MR. GASTON: To find out whether our routine is all right.

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H.M.JR: It is a new administration, and I want to make sure that we are doing--that, after all, we so to speak, give our business to these people. Let's find out if they are happy about it. That is all.

MR. GASTON: Yes, yes, yes.

H.M.JR: Because I can hold you sort of responsible. I am correct on that, am I not?

MR. GASTON: Yes.

H.M.JR: Don't you consider that your responsibility?

MR. GASTON: Yes, yes.

H.M.JR: Why are you smiling?

MR. GASTON: At nothing.

H.M.JR: What is the joke?

MR. GASTON: There is no joke about it.

H.M.JR: I could use a smile, too. Anyway, I am just thinking all the time about my contacts with the White House, and here is an important one. Maybe Mr. Truman likes it, and maybe he doesn't like it.

MR. GASTON: I better find out who the political contact man is over at the White House. I don't know whether Jim Barnes is or not.

H.M.JR: If you don't mind, I'd like to suggest that you personally contact whoever the contact person is. My relations with Barnes were certainly very poor.

MR. GASTON: Well, mine were very good.

H.M.JR: Yours were good, but mine were poor.

MR. GASTON: I knew him very well and got along nicely

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with him. I'll ask the National Committee what the situation is at the White House without--I don't want to call Barnes and pry into delicate matters, but I'll ask the Committee what the situation is over there.

H.M.JR: Have a little talk about it--just a fresh checkup.

Have you anything?

MR. GASTON: No, I haven't.

MR. O'CONNELL: I have nothing, I guess.

H.M.JR: Roy?

MR. BLOUGH: Nothing.

MR. COYNE: I have nothing, sir, except to congratulate you on yesterday. It was a very fine victory.

H.M.JR: Over the tax dodgers?

MR. COYNE: No, over the Bretton Woods.

H.M.JR: We are accepting congratulations. It was very good, very nice. Is that correct in today's New York Times that New York state has seventy percent of its E Bond quota?

MR. COYNE: No. New York has about twenty-nine percent.

H.M.JR: That is what the story said.

MR. COYNE: Seventy percent?

H.M.JR: On the front page.

MR. COYNE: Wishful thinking. They won't have seventy percent until the twenty-eighth of June.

MR. HAAS: That is what they are looking for.

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H.M.JR: Have a little talk with Fred Gehle. I want to talk to him myself and ask him, whoever your contact is up there, how come?

MR. COYNE: I will.

H.M.JR: Please. Is everything else all right?

MR. COYNE: Yes.

H.M.JR: E Bonds are running about two million behind?

MR. COYNE: Yes, although we had the first beam day yesterday. We were beamed to do sixty-five million, and we did it right on the nose.

H.M.JR: I don't want this (indicating chart).

MR. D.W.BELL: That is set out separately like that. That is the change. You have the twenty-third total, and then--

H.M.JR: Oh, yes.

MR. D.W.BELL: You get that every night. We can't compare this with Tickton's figure on the chart, because he is behind.

MR. HAAS: He puts it on his chart, too.

MR. D.W.BELL: Yes, but he is behind this schedule.

H.M.JR: Is the sixty-five million in here?

MR. D.W.BELL: It would be on his chart tonight, and his chart today would be for the twenty-third.

MR. HAAS: No, no. He puts it ahead. He takes it ahead.

MR. D.W.BELL: Yes, but the Secretary wouldn't get it until tonight.

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MR. HAAS: He has it now. He had it last night. He has it now in his book. I'm sorry. I wanted to straighten it out.

H.M.JR: Well, I don't know. Are you all right?

MR. COYNE: Yes, sir.

H.M.JR: Frank?

MR. COE: I have nothing.

MR. FUSSELL: Nothing.

MR. BARTELT: Nothing.

H.M.JR: George?

MR. HAAS: Is Tuesday all right as a deadline on the Maritime Commission?

H.M.JR: Yes, but could I tell you something? I think that with Decoration Day being on the 30th, the President would most likely be busy going out in the morning to Arlington, or some other shrine, so I'll ask for my appointment on the 31st. But Tuesday will be all right.

MR. HAAS: That's all right. I am working on that other business.

H.M.JR: Tax thing?

MR. HAAS: Yes.

H.M.JR: Is everybody cooperating with you?

MR. HAAS: I talked to Roy's man. I am not consulting everybody. I thought I was going ahead like I did in Farm Credit, and do that job that way. I can do it faster. It is the only way to get it done. I talked to Roy's man yesterday.

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H.M.JR: That is right. I don't know whether they still run the thing as Mr. Oliphant said. We kept a score on every judge.

MR. O'CONNELL: That was discontinued two or three years ago.

H.M.JR: You might think about it with this big drive on.

MR. O'CONNELL: Well, all right. As used in the past, it never was particularly helpful. The purpose of it was to keep scores, as you say, on judges, and I think it is more important that much more important that we keep score on our own operations.

H.M.JR: Then we will find that some of these judges aren't giving sentences.

MR. O'CONNELL: The history of that didn't seem to show anything with respect to individual judges. That is the reason it stopped.

H.M.JR: Haas?

MR. HAAS: It is coming along nicely.

H.M.JR: Joseph?

MR. DuBOIS: This reparations--the latest news is that the British have said they probably can't appoint their representative until after the election, but we are going ahead anyway.

H.M.JR: Before I leave town I have got to see you. Luxford called me up last night and told me what to say. I said a lot of things, and I don't know whether they are based on facts or not. (Laughter) So I have got to find out.

MR. DuBOIS: I'd also like a few minutes, if possible, on this book.

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H.M.JR: Yes. I have you down. That will be all right.

Lux?

MR. LUXFORD: I have nothing, sir.

MR. PEHLE: Nothing.

H.M.JR: Well, I have got something for you, and I want everybody here to cooperate with you and spearhead it. I have got an idea--I got it last night. I want to give President Truman a plan along something--I may have dictated this to you--to take the place of the National Resources Planning Board.

MR. PEHLE: Are you talking to Lux or me?

H.M.JR: I am looking at Pehle, see.

They tell me that there is a thing called the National Planning Association which is very good.

MR. WHITE: It is a private organization.

H.M.JR: I know, but the suggestion was made last night that you get an organization like that which is good and get it started, and if it is proper, that the President could possibly get an appropriation more easily to supplement an organization like that if that is the organization, but what I would like to have for him this coming week is a suggestion of a planning group to plan to, well, to forestall another depression, see?

MR. PEHLE: Yes.

H.M.JR: What?

MR. PEHLE: Right.

H.M.JR: And I think the quicker he does it, the better. The criticism was made last night of the other planning group that they concentrated too much on public

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works, but I think he needs something like that very badly, and I'd like to make a suggestion that anybody who is interested in it could work with Pehle.

But I had last night Ernest Lindley, Nat Robertson, Leland Stowe, and I invited Tom Stokes. Tom Stokes is a man about sixty who said he knew you from the World days. He writes for, is it the St. Louis Post Dispatch?

MR. GASTON: His name isn't Tom. He is just back from across. He was a music critic on the Evening World. (Laughter.)

H.M.JR: He said he was with the Fourth Army.

MR. GASTON: He is a first class reporter, but he is also a musician--Dick Stokes, Richard Stokes.

H.M.JR: But it was very interesting, and I just--they stayed until almost eleven-thirty, and it worked out all right, but out of that--

MR. PEHLE: I'll have something.

H.M.JR: Out of that came something. They got to talking about another depression, and I began to say the things that we needed were the things Mr. Roosevelt had fought for, and had disappeared like Social Security--I don't mean Social Security--housing, public housing, NYA, particularly. What we need is a planning group to plan this stuff for the President.

MR. GASTON: I think that needs to be inter-departmental with a central secretariat, and that you should use all the resources of all the departments.

H.M.JR: I agree, but just, John, I think it needs somebody that can just be put off in a room to think, another brain trust, to put it that way, no administrative responsibility.

MR. PEHLE: They had such a group, and I think--wasn't this true? Wasn't it killed because Congress objected to what they were producing?

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MR. LUXFORD: The Wagner-Murray bill is along that line.

H.M.JR: But not for the President. I'd like to suggest for him a planning group that would forestall, if possible, another depression, and I am sure there are people here in the room that are interested.

MR. PEHLE: Sure. I'll consult them.

MR. O'CONNELL: That would be entirely consistent; in a sense implement the Murray bill which is the other end of the avenue.

H.M.JR: I'd like this by Wednesday if I could.

MR. PEHLE: I'll have something.

H.M.JR: I think before I can get that, one of those people will write something about it.

MR. LUXFORD: Scoop him.

H.M.JR: All right. Mr. White?

MR. WHITE: Colonel Bernstein arrived this morning, and I assume you are going away this afternoon, so I think you will find it very interesting. He is going to be back here at half past ten. I told him you might want to see him before you left.

H.M.JR: Will you tell him eleven-thirty o'clock?

MR. WHITE: Leave as much time as you can, because he has got an awful lot to tell you. You won't get it all at once, but you have to be--it will be interesting, I am sure.

H.M.JR: He could go on the plane with me to Florida.

MR. WHITE: He has traveled before. He could. I don't know whether he would enjoy it particularly. He

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just arrived early this morning by plane, so I don't know whether he would be enthusiastic about a trip, but that is his business.

MRS. KLOTZ: He is kidding you.

MR. WHITE: No. It might be a very excellent opportunity.

H.M.JR: Butterworth once arrived from London and got a plane with me and went as far as Nashville.

MR. WHITE: He might do the same. Butterworth was used to sleeping.

H.M.JR: And he got stuck for two days. (Laughter)

You tell him eleven-thirty, will you?

MR. WHITE: He's going to stay a short time. That's why I'm suggesting--

H.M.JR: He can stay as long as I want him to.

MR. WHITE: Well, anyway--eleven-thirty?

H.M.JR: Eleven-thirty.

Do you have anything else?

MR. WHITE: No, I was surprised there was so little notice of the Committee report in the press. I don't know what the reason is. Herbert might know.

MR. GASTON: The Post had a very good play on it.

MR. LUXFORD: The Star gave it a complete cold shoulder.

MR. WHITE: Was it in the Times?

MR. LUXFORD: The Times had it.

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MR. BLOUGH: The Wall Street Journal has a story.

MR. WHITE: It must be a late edition.

MR. O'CONNELL: It was on the second page and the Times has a good story on the first page of the second section. It is not on the front page, but--

MR. WHITE: Well--

MR. O'CONNELL: It was on the front page in the Post this morning and the papers I saw were pretty good.

H.M.JR: The thing that surprised me--I think somebody could have done more with the radio because I wasn't feeling well last night and listened to the radio most of the night and I didn't hear a thing.

MR. LUXFORD: There was a report at eleven o'clock.

H.M.JR: But later there wasn't a thing.

Do you have anything else?

MR. WHITE: No.

MR. COE: Could that be a case where some columnist ought to get going on the bipartisan character of this thing?

H.M.JR: We have got Feltus and I don't know how many people. That's what he is here for.

That's what he is here for. I take it--I don't know his arrangements, but between White and Luxford, does he look to one or the other of you as his superior?

MR. WHITE: We work very nicely together. Yes, he does, but we had talked of having a press conference yesterday afternoon or this morning for background, and we decided against it because we felt it might result in indicating that the amendments were almost a complete

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Treasury victory, and it was the feeling that we better not crow.

H.M.JR: I am not worried.

MR. WHITE: I was curious about the news articles.

H.M.JR: I think it is very obvious. I think banker influence throughout the country keeps these fellows from doing it. I don't like to talk that way about your friends. Please don't take it personally. (Laughter)

MR. WHITE: Now, you know in France the government is taking over the commercial banks. That isn't apropos. I mean merely--

H.M.JR: Shall we start by moving the foreign balances from New York to Philadelphia?

MR. WHITE: No.

MR. D.W.BELL: Closer to Washington.

MR. WHITE: No. But apparently the bankers have something to worry about, but it is interesting, and in the platform of the Labor Party of England they have the taking over of five big private banks. It is not too remote that those countries will move in that direction shortly, so what I am suggesting is that we don't want to make them worry unnecessarily here. We want to be nice to them. (Laughter)

H.M.JR: I was thinking of sending Mr. Burgess one lilly with my card. (Laughter)

MR. D.W.BELL: You'll have to send it.

H.M.JR: That is what I thought. I am going to send it if we win. I am going to get one of these big boxes, and wrap it up in about five different boxes, and when he finally gets to it, it will be one lilly with my card.

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MR. LUXFORD: Put a jack-in-the-box in there.

MR. WHITE: You get it and I'll deliver it personally. (Laughter)

H.M.JR: Dan?

MR. D.W.BELL: Could you give some time on Monday to really discuss the bond for Mr. Roosevelt and also the dime?

H.M.JR: Sure.

MR. D.W.BELL: They should get started on the designs.

H.M.JR: Sure.

MR. D.W.BELL: We should also have a memorial medal for the President. They usually get one out when a President dies in office.

H.M.JR: Ten o'clock?

MR. D.W.BELL: Yes.

H.M.JR: Charlie?

MR. CHARLES BELL: You might consider the possibility of Joe, Dan, and myself talking with Joe Numan first to iron out some of the difficulties.

H.M.JR: I'd like to have two minutes with him first. I'd like to talk to him right away if I might. Then you fellows can go, if you get him in here. Who works with me? You do, Herbert, don't you, on it?

MR. GASTON: Sometimes. It is a pleasure.

H.M.JR: Is this the day you do?

MR. GASTON: Yes, this is the day, if you say so.

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MR. O'CONNELL: He has an appointment in his office at ten-thirty.

H.M.JR: Who put over that thing of selling the President a bond?

MR. COYNE: When Truman was Vice President he agreed to buy a bond from Roy Custer of Arkansas. Senator Reynolds put it over.

H.M.JR: I see. All right. Class is dismissed. Joe, you are in on this, and Fussell.

May 25, 1945
9:30 a.m.

INTERNAL REVENUE

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

Returned to O'Connell

H.M.JR: Well, I have a memo here from O'Connell dated May 16 which Mrs. Klotz gave me. It was attached to a memo from Commissioner Nunan recommending the appointment of Paul Hankins as Assistant Commissioner of the Bureau of Internal Revenue. Why should Hankins have this job?

MR. O'CONNELL: Well, he is well equipped to do the job and do the work Schoeneman did as Assistant Commissioner in charge of Collectors' offices and general administration of the Bureau. He has been in the Bureau about ten or twelve years and is a man of about fifty. I thought it was a good enough appointment. I talked briefly to Herbert and one day we had him in a meeting with Dan, although Dan didn't get much of a chance to look at him. It was a very short meeting, but I thought it was proper.

MR. GASTON: On the record, he seems a very suitable man for being the Assistant Commissioner. I think you might give a little thought to the idea of getting a somewhat different kind of man in there, a man whose primary interest would be enforcement. We do not have any real coordinator or spark plug on enforcement problems in the Bureau.

Now, that would be a pretty good spot from which a man could operate. He would have superiority over both the Income Tax Unit and the Miscellaneous Tax Unit and over the Accounts and Collections Unit and over the Intelligence Unit.

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A man could do a good job there, but whether we could find the right type of man is another thing.

H.M.JR: I am delighted to hear you say that, but would that leave the administrative side of the Bureau weak?

MR. GASTON: I am afraid it might. Another thing I was thinking of--it wouldn't be statutory--but creating an office of Assistant to the Commissioner and finding a man to put in that job and by Bureau order give him certain rights to direct Deputies.

H.M.JR: Well, I think you have got something there in that this would give him a more statutory position which he will need, and then we could make the administrative fellow--

MR. GASTON: ...Assistant to--

H.M.JR: ...Assistant to the Commissioner.

MR. O'CONNELL: I would think it better to do it the other way, but in our talks we had always assumed that we should create either by order in the Bureau or in the Department or possibly ultimately by legislation a high ranking job in the Bureau for a top notch man to be in charge of Enforcement, but it seemed to me from the standpoint of Bureau operations it would be as well to follow the recommendation here and put the man into the job. That has been operated that way since Harold Graves went into the Bureau in 1940 or before.

H.M.JR: Pardon me. Let's be frank amongst ourselves. It's been my fault that I haven't insisted that there should be a man who looks at some of these things the way I do and the rest of us do in here. They keep giving me these fellows all the time there that they measure by the number of years he's been there.

I am not satisfied with the way the Bureau is run at all and every time I take one of the fellows off the top layer and put him in the next thing, I don't get anywhere.

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MR. O'CONNELL: This man is a man that is being jumped over the heads of people that have been there twenty and twenty-five years. He has been there ten years and is only fifty years of age, and I believe he is a very competent fellow to do the kind of job this calls for.

H.M.JR: Charlie, grab your chair and sit tight. The kind of person I would like to put in there, see, who knows a little bit about me and knows what I stand for, is a fellow like Paul McDonald, who's a breath of fresh air, somebody coming in there fresh, or a man like Adamson or Adams from War Bonds. That Bureau over there needs a piece of dynamite, and unless you people overrule me, and you can, I would like to bring somebody in from the outside that understands a little bit about the way I tick, and I was think about a fellow like Paul McDonald who knows me and I know him. He has had his training with this group in Chicago.

MR. D.W. BELL: Public Administration.

MR. PERLE: Foreign Funds.

H.M.JR: Foreign Funds--but somebody like that.

MR. GASTON: I agree with your general statements, but with Paul McDonald as typifying him I have some question. I think Paul is a good, smart, efficient administrative man, but I doubt he would supply either the aggressive energy or the knowledge of investigation and prosecution that is really desirable.

H.M.JR: No, no!

MR. GASTON: I am talking about an administrative man.

H.M.JR: I am talking about an administrative fellow.

MR. PERLE: Parsons, whom I had in Surplus Property, is a very, very good and excellent man who ought to come back to Treasury.

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MR. GASTON: I have never seen him, but from what I have heard about him he seems to be the right type.

MRS. KLOTZ: McDonald is a little too young in experience.

MR. C.S. BELL: They might possibly push him around there.

MR. PERLE: He wouldn't get any backing in the Bureau at all, as I say.

H.M.JR: I want somebody from outside the Bureau to come in. Now, I am just using this as an example.

MR. PERLE: I think you are right and the administrative side is the ideal side to put it.

H.M.JR: I'm just talking about the administrative side.

MR. GASTON: I don't think any of us realized the real situation as far as enforcement is concerned there. They have got some forty-five hundred Revenue Agents and normally they ought to be the leaders for evasion prosecution, and for some time now they have been wholly engaged, I understand, with investigations of profit basis for the excess-profits tax under section 722 and also of individual refunds, and I understand they haven't been looking at books or going over any returns for months, so that the source of any evasion prosecution is just about all dried up as far as Revenue Agents are concerned.

MR. O'CONNELL: That source--

MR. GASTON: That ought to be the source of evasion prosecution.

MR. O'CONNELL: It isn't the source of prosecutions we are talking about in the drive.

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MR. GASTON: Why do we have to go to the sources of prosecution in the drive? Because they are not coming from the source they ought to come from. That's one of the principal sources.

MR. O'CONNELL: It wasn't that your special agents were short of work. There is never any shortage of cases for them.

H.M.JR: What Herbert said is very interesting, but let's talk about the administrative man for a minute. What do you think, Dan, of this man Parsons in the Budget Bureau?

MR. D.W. BELL: I was glad when he came in the Treasury and I was sorry when he decided to go with Procurement.

MR. PERLE: He would be an up and coming guy. He wouldn't stop in that job.

MR. D.W. BELL: If you can get him. We have tried several times to get Parsons into the Treasury.

H.M.JR: Supposing--

MR. GASTON: We did have him in the Treasury briefly.

MR. D.W. BELL: Yes, but we lost him.

H.M.JR: Think this thing over, the way I am laying it down. I want to put in an administrative man that has never been in the Bureau before.

MR. D.W. BELL: I wonder if your fault here is altogether with your administrative man.

MR. O'CONNELL: Harold Graves.

I don't think it worked out the way you thought it would.

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H.M.JR: I didn't put him in there. He asked to go. Harold picked the spot for himself.

MR. GASTON: The job you assigned him to over there was this reorganizing the Buddy Marra setup, the decentralization job.

MR. O'CONNELL: That was before he went to the Bureau.

MR. GASTON: Yes, I know, but he did an excellent job on that.

H.M.JR: He did a very good job. He wanted to get out of War Bonds. It was killing him. He picked this job for himself, and he had done such a good job in War Bonds within the limits of his training--he gave me everything he had. The man was going nuts from exhaustion, and he said he wanted to go over there, and he gave me everything he had. The least I could do was say yes, but I didn't pick him for that job.

MR. GASTON: He was upset at that time.

H.M.JR: I owed him that, but I didn't pick him for that.

MR. O'CONNELL: One of the difficulties in Harold Graves' case is he was sent to the Bureau as Assistant Commissioner for three or four years and he was not effective.

H.M.JR: Well, I am going to insist on this. I will not take a man from inside.

MR. GASTON: One of the difficulties here--

H.M.JR: Excuse me, Herbert. I don't say I am going to pick him, but I am going to start putting--let somebody in this room, and it isn't Mrs. Klotz either--call a couple of Morgenthau men in that Bureau. I am going to start putting a couple of Morgenthau men in that Bureau. That doesn't mean I have

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got to know the men, but I want some people in there that stand for the kind of thing the people in this room stand for and I am going to start now, and I am going to put an enforcement fellow in on the same basis.

MR. D.W. PELL: You have to go outside for an enforcement fellow.

H.M.JR: I am going to ask you people Monday for some suggestions on the enforcement man.

MR. GASTON: I want to point out one of the hurdles on this thing, and that is this man has been politically cleared all around before it ever came over.

H.M.JR: Who?

MR. GASTON: It's my hunch. I think Nunan has talked it over with Hannegan, and so forth.

H.M.JR: I don't care. So what? Do you want to let me know?

MR. GASTON: That's just one of the difficulties Joe faces here.

H.M.JR: Herbert, Joe will take the man that I pick. I know Nunan. He will take the man I pick. If anybody wants to bet me on that, I'll take it.

MR. O'CONNELL: Mr. Nunan has no choice. I think it's like what happened when I suggested a man to be Deputy Commissioner once before. Then I suggested a man out on the West Coast, Joe took the position in the appointment of an Assistant Commissioner that he was entitled to have not only a voice but a substantial voice in the decision.

H.M.JR: That's all right. That's water over the dam. Now, look, get me two men. I want an administrative fellow who is brand new, has never known a thing about the Bureau but who knows Government, and I want to

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get an enforcement fellow. By golly, it's an opportunity of a lifetime. A young fellow can come down here between thirty and forty and make his reputation.

MR. O'CONNELL: You will have a time picking that kind of fellow for the enforcement job. What you want is a man who has not made a reputation.

H.M.JR: He could have made a reputation in a state somewhere as a tough prosecutor.

MR. O'CONNELL: Take Bill O'Dwyer who used to be District Attorney in Brooklyn. It would be impossible for us to get a man of his reputation. It would be physically impossible.

MRS. KLOTZ: Dan made a wonderful suggestion. McKeynolds. (Laughter)

H.M.JR: All right.

(Discussion off the record.)

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May 25, 1945
10:26 A. M.

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Commissioner
Nunn:

We have, now, a connection in New York track. Our friend, who you spoke about to the newspapers yesterday, the day before bet \$10,000 on a horse and yesterday bet \$5,000 on a horse. He won the day before yesterday, and lost yesterday - the same gentleman.

H.M.JR: The same man?

N: Yes. I thought you would be interested in knowing...

H.M.JR: Is that good or bad? (Laughs)

N: Well, I don't know. It looks as if he still has a lot of cash around.

H.M.JR: I see.

N: But that is a lot of money to be betting at the tracks, --on an income of \$40,000 a year.

H.M.JR: Yeah. Were you there when I suggested they look into that poultry business.

N: Yes. Wilson made a note of that. Now we are getting in touch with the agents in Baltimore...

H.M.JR: Yeah.

N: ...and I hope by four o'clock this afternoon to have a complete memorandum prepared for you on a poultry case with names and how far we have progressed and what we expect.

H.M.JR: Fine.

N: All right.

H.M.JR: Thank you so much.

May 25, 1945
10:30 A. M.

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HMJr: Hello.

Operator: Mr. Patterson.

HMJr: Hello.

Mr. Robert Patterson: Yep.

HMJr: Bob.

P: Yep.

HMJr: I thought your letter to Crowley was wonderful, but I got a letter from General Carter and I think he completely misunderstands this question of what the cotton is going to be used for, and I wanted to bring it to your attention.

P: I saw Carter's letter.

HMJr: Well, I.....

P: It went into details on a lot of things that were not of a main essence.

HMJr: That's what I thought.

P: Well, it did. I just said -- I told him all right, but I didn't attack what I thought we had to attack.

HMJr: You attacked, but may I bring this to your attention..

P: Crowley is the boss on that thing, isn't he?

HMJr: Well, that's just what I want to talk to you about.

P: I had thought Krug was, but they told me no - that under this committee that Jimmy Byrnes set up on exports that Crowley was the Sub-chairman.

HMJr: Well, I had lunch with General Marshall yesterday, and then subsequently some General came over who is Deputy Chief of Staff of the Forward American Army in China, see?

P: Yeah.

HMJr: And, after talking with both of these gentlemen, it seemed to me that the fight that you and I are putting up - that we should make certain, if you agree with me, that this cotton, if we get it, should go to the head of the Supply service over there. I think it is General Cheeves. Is that his name?

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P: Who?

HMJr: Cheeves?

P: I don't know.

HMJr: Well, you've got a General over there in charge of supplies, and this is what I envisaged.

P: Yes, his name is Cheeves, I think.

HMJr: Cheeves, I think so. Now if he gets this cotton goods, and then uses it for barter and gets food for the Chinese troops, they'll get it. But if we turn this over to T. V. Soong, and he uses it for the vague thing called fighting inflation, nothing is going to happen.

P: Yeah.

HMJr: Now, it's going to be very, very difficult to get it. And I would - if you don't mind my calling up to make this suggestion - that if this cotton is gotten, that is, is turned over in the first instance to General Cheeves, if that's his name..

P: Yeah.

HMJr: ...for barter for food for the Chinese troops.

P: Well, I pitched it in the letter as hard as I could.

HMJr: Yeah, but....

P: And you'll also write Crowley?

HMJr: Well, I don't have to --- I mean I told him, and I don't think - it's unnecessary for me to write him.

P: Yes.

HMJr: But the thing that is bothering me, Bob - if we get the cotton, I don't want to have it go through the Lend-Lease channels to T. V.

P: I know. The Army ought to cop it when it gets there.

HMJr: It should be billed to General Cheeves - if that is his name.

P: Yeah. I'll follow that up.

HMJr: If you agree with me, I wish you would.

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P: I do agree.

HMJr: And General Marshall feels that the cotton should be used for barter to get food for the Chinese soldiers.

P: Yep.

HMJr: Now I was told yesterday that the United States Army controls all the trucks to handle supplies that go in.

P: Right.

HMJr: And if they handle that, it isn't going very much further to handle the cotton that comes in in the trucks.

P: Well, it'll be devoted to the intended purpose if the Army is the consumer of it over in China. No doubt of that.

HMJr: That's right, and not to go to T. V. Soong for some vague inflation thing.

P: Yeah. - Army control.

HMJr: To go to T. V. Soong, it would be dissipated just the way he dissipates the gold.

P: Are they going to make the allocation?

HMJr: I don't know, but I just wanted to call you and see whether we were together. General Carter's letter sort of upset me a little bit.

P: They can squeeze it out of other export allocations if they will.

HMJr: Well, I talked with

P: You know how they are though, they come in late.

HMJr: I know.

P: They think they have commitments to other countries, and they don't like to upset their preliminary commitments.

HMJr: I know. For your ear, I talked to President Truman. Told him about the fine stand that you were making,

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HMJr:(cont) and he pounded the desk and said, "We've got to get this cotton." So we are going to get it.

P: Good.

HMJr: If they don't act in the next day or two, then I thought that you and I would go and see President Truman and maybe take Will Clayton along, who wants it.

P: Yeah.

HMJr: We'll just get it, that's all.

P: Well, Will wants it doesn't he?

HMJr: Very, very much.

P: Yeah. Where does the opposition come from - simply from Crowley?

HMJr: I think from Crowley. He's got a lot of commitments and he doesn't want to change them.

P: I know some of his people down the line though believe in the allocation.

HMJr: Yeah. Well, between now and next Wednesday or Thursday, we'll clean it --- and if they don't clean it up, we'll go over and see the President. He'll order it because he wants it.

P: O. K.

HMJr: And so does General Marshall.

P: Yeah. All right.

HMJr: I thank you.

P: Thank you.

May 25, 1945
11:01 A. M.

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HMJr: Hello.

Mr. Leslie

Biffle: Good morning, Mr. Secretary.

HMJr: How are you?

B: Just fine, thank you, sir.

HMJr: Mr. Biffle, in talking with a couple of our people that have been helping me on Bretton Woods, they thought it might be useful to have a silver-Senator for lunch Monday.

B: Silver?

HMJr: Silver. Silver threads amongst the gold.

B: How about Thomas of Oklahoma?

HMJr: Well...

B: Or had you rather have someone farther west than that?

HMJr: Well, I was thinking of one of two people - Murdock is on the committee, of course.

B: I don't think he will be in the city.

HMJr: All right. What about Thomas of Utah?

B: Fine, couldn't be better.

HMJr: You approve of that?

B: Yes, definitely so.

HMJr: All right.

B: I'll call him.

HMJr: Now what about Mr. Hill?

B: He's out of the city.

HMJr: He's out of the hill, I mean...

B: His father is seriously ill and he's gone home.

HMJr: Well, then, I guess if you would add Thomas of Utah.

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B: Fine. I'd be glad to, Mr. Secretary. If you think of any others - Monday morning, why it will be plenty of time.

HMJr: Thank you so much.

B: All right. Goodbye.

May 25, 1945 33
11:24 A. M.

HMJr: How are you?

Mr. Fred W.

Gehle: I'm fine, thank you. How are you?

HMJr: All right.

G: How is Mrs. Morgenthau?

HMJr: She's making steady progress.

G: Oh, I'm delighted to hear that.

HMJr: Mr. Gehle, the purpose of my call was to tell you as a result of your good intervention, I think that Mr. Aldrich and I had a very satisfactory talk.

G: Well, I'm delighted to hear that.

HMJr: From my standpoint, it was very satisfactory.

G: That's splendid, and I'm awfully happy.

HMJr: And I don't know whether you've seen him or not.

G: No, I have not.

HMJr: Well, we had a very good, frank talk. It was very useful and I appreciate your having passed the word along.

G: Well, I can't tell you how delighted that makes me.

HMJr: Yeah.

G: ...because I thought I was in the doghouse after I talked with him.

HMJr: Well, I don't think you are now.

G: Well, I'm delighted.

HMJr: Because we talked and I said how much I appreciated.

G: Well, that means a lot to me because I felt that I had your permission to tell him the things we said, and he rather got offended at me for having talked about him. So I said I wish you would talk to the Secretary, and I'm so glad that he went down there and had this talk with you.

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HMJr: Yeah. Well, I wanted to tell you about it.

G: Thank you, Mr. Morgenthau, I'm delighted.

HMJr: It ended on a very good tone.

G: I can't tell you how happy it makes me because it makes my personal position so much more comfortable.

HMJr: Right.

G: By the way, Mr. Secretary, has Ted Gable talked to you about a meeting up here on June 17th?

HMJr: No.

G: I'm writing to him asking him to be sure to get it on your calendar, if he will. Phil Murray and Bill Green, of the Labor, are coming up from a big rally in Central Park.

HMJr: Yeah.

G: And we are going to have half a million people.

HMJr: Yeah.

G: And I would like very much, if it's possible, for you to come up. That's Sunday, June 17th. I will write you about it.

HMJr: Good.

G: Fine. I think it will be something surprisingly worth while.

HMJr: Sounds interesting.

G: It is going to be very interesting. It is going to be one of our big days.

HMJr: Right.

G: Thank you for calling.

HMJr: Bye.

G: Bye, bye.

May 25, 1945
11:26 A. M.

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HMJr: Yes.

Mrs. Harry Woodring: Hello.

HMJr: This is Henry Morgenthau.

W: Hello, Mr. Secretary. This is Helen Woodring.

HMJr: How do you do.

W: Do you remember me?

HMJr: Exceedingly well. Also your lovely children.

W: Well, thank you so much. Tell me, Mr. Woodring, Harry and I have been worried so about Mrs. Morgenthau. How is she?

HMJr: Well, she's making steady progress, thank you.

W: She is.

HMJr: We hope to have her back in a week or two.

W: Oh, I'm so relieved and so glad. We've thought about her so much, and we didn't hear much, you know.

HMJr: Yes.

W: Mr. Morgenthau, I don't want to take your time with anything that's too little with all that you have to do, but on the other hand, I didn't know who to call there in the Treasury Department.

HMJr: Please.

W: I'm Chairman of the Women's Division in this Bond Drive, you know.

HMJr: Oh, yes.

W: And we've been working like the very dickens out here getting the E Bonds out and we are having grand success.

HMJr: Wonderful.

W: We've carried on a tremendous program of education in every age and type of person, so I think we

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W:(cont.)

~~as I think we~~ will have results throughout the year aside from just, you know... people buying on a regular plan, which will be helpful. But I tell you we wanted to have one good, big show here, and we wanted terribly to have this B-29, this bomber...

HMJr: Yes.

W: ..and show it, you know..

HMJr: Yes.

W: ..to the public.

HMJr: Yes.

W: Now to show the bomber, it has to be one that's stripped down a bit. You know, any secret devices.

HMJr: Yes.

W: And that stripping down job takes a couple hundred man hours, and they don't have the bomber out here and the time to do it, but there is such a bomber that is going around to different cities and different places and showing, you know, for one E Bond admittance.

HMJr: Oh, yes.

W: Now, we are in terrible need of one good show like that in order to finish getting every last E Bond out.

HMJr: Well, Mrs. Woodring....

W: We want that bomber here terribly. It's been everywhere else, and we want it here. Do you think I can get it here?

HMJr: Well, I'll do everything possible, and I certainly think they should do it. I'll call them up and tell them now unless there is some awful good reason, they should do it. You are at Topeka, aren't you?

W: Yes, in Topeka.

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HMJ r: Well, I'll get you some word not later than tomorrow.

W: Not later than tomorrow?

HMJr: Yes.

W: All right, that would be grand. The thing is that I knew there was such a thing that was touring and everybody else has had it, and we really are in need of it to finish our job here. We haven't had anything that it -- you know, it would be the best thing we have ever had here. We do need it.

HMJr: I'll try awfully hard, and I'll get you a yes or no tomorrow.

W: Oh, that's terribly nice of you.

HMJr: Right.

W: Do you want my office number?

HMJr: No, they find....

W: They'll find me -- all right.

HMJr: You mean your telephone number?

W: Yes.

HMJr: Yes, let me have that.

W: It's 5361.

HMJr: 5 - 3 - 8 - 1.

W: That's my office.

HMJr: 5361 Topeka?

W: That's right.

HMJr: Well, they'll get word to you one way or another tomorrow.

W: Thank you ever so much.

HMJr: Not at all.

W: I didn't know who else to call there.

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HMJr: Well, we'll do it.

W: Thank you.

HMJr: Good bye.

W: Goodbye.

May 25, 1945
11:32 A. M.

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HMJr: Tom.

Mr. Tom Lane: Yes, sir.

HMJr: Mrs. Harry Woodring of Topeka, Kansas..

L: Yes.

HMJr: No. 5381 is her telephone number.

L: 5381.

HMJr: Yeah. She's just called me, you see, they want a B-29 to come there to help her.

L: Yes.

HMJr: Now, she's the wife of the former Secretary of War.

L: Yes.

HMJr: While I never liked him, she is a very nice lady, and she's working on E Bonds, and if there is any way to get it, I'd get it for her.

L: Sure will.

HMJr: She said you've got one traveling around the country.

L: Yeah, we do. We have several of them.

HMJr: I said we would let her know within 24 hours.

L: All right. Do you want me to let you know, sir, or do you want me to call her back myself.

HMJr: You handle it and then give me a memo what you did.

L: O. K. we'll do. Say did Fitz tell you about the Labor show?

HMJr: Yeah. And then I just talked to Gehle on another matter and he wants me to come up on the 17th. He's writing to Ted Gamble. At New York Park they are going to have half a million people with the Labor leaders there.

L: Yes.

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HMJr: You better have a look at that one when the letter comes in.

L: If he's going to have them there, maybe we might switch the show and do it there.

HMJr: That's what I was thinking.

L: Might make more sense than just doing it from your office.

HMJr: This doing it from my office, I don't think makes too much sense. On the 17th of June, he's having Murray, Green and half a million people in the Park.

L: Well, I think it makes much more sense to do it from there.

HMJr: What?

L: I think it makes much....

HMJr: Isn't there a show called "Meet Me in Central Park"?

L: "Up in Central Park" - the stage show.

HMJr: Yeah. Well, you might be thinking it over, and when Ted gets back Monday, we'll have another little talk. How do you like my thought of this...

L: I think it is swell. You know what it reminds me of..

HMJr: No.

L: That visit we took to St. Louis. You know when you went around to the houses.

HMJr: That's the idea!

L: Which, I think, was about the best thing that we have ever done....

HMJr: I think so. I'm perfectly willing to do both, if you people approve. Think about it and we'll have a little meeting Monday.

L: O. K., fine. I'll get right to work on this other thing. Yes, sir.

May 25, 1945 ✓
12:24 A. M. 41

HMJr: I'll be pleased to report to the President that we got Mike Riley's resignation today.

Mr. Edwin D. McKim: Ahem.

HMJr: ...effective the 31st.

M: Fine. Fine. That's just all right.

HMJr: We're going to put Dreescher in his place.

M: Dreescher. That's fine.

HMJr: I take it that's agreeable.

M: That's very fine.

HMJr: He wanted to stall on us, but our people insisted and they got his resignation today.

M: Well, that's fine. That clears the matter up.

HMJr: I think that clears it up.

M: Yeah, that's fine.

HMJr: Everything else is allright?

M: Yeah. Say, I've got that stuff that you mentioned. I'm going through it now.

HMJr: Oh.

M: And if it isn't asking too much, I may want to go over it with you because I am unfamiliar with it and maybe we could get more out of it with a little chat. What do you think?

HMJr: Oh, I'd like very much to do that.

M: Would you?

HMJr: Very much.

M: Well we could -- anytime that you say why -- except three o'clock this afternoon.

HMJr: Well, I tell you -- you know...

M: Tomorrow or Monday maybe.

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HMJr: No. While my wife is ill I go down and spend Saturday and Sunday with her.

M: Ahem. Well, that's all right, suppose we make it Monday?

HMJr: Well, now, just let me look a minute at my calendar.

M: All right.

HMJr: Just a second. How would -- which do you prefer the morning or the afternoon?

M: It doesn't make any difference.

HMJr: Well, would 10:30 in the morning be a good time?

M: Yeah.

HMJr: And that's on this reorganization..

M: That's right.

HMJr: Well, if it is all right with you, I'll have Dan Bell present.

M: That will be fine.

HMJr: Because he is very familiar with that.

M: Yeah, well, I'm going to lunch with him today anyway, and I may talk some phases over with him then.

HMJr: Supposing you do that because he is very familiar..

M: Yeah.

HMJr: He helped me draft it.

M: Yeah.

HMJr: I'll look for you 10:30 Monday.

M: Thank you.

HMJr: You bet.

May 25, 1945
12:28 P. M. 43

HMJr: I just called McKim on the White House business - on the Secret Service. You know the other day when he was over here I asked him whether he had read this memorandum that we had on reorganizing the fiscal end of the Treasury... so he said he hadn't so I asked him to get in on it. He said he's reading it now but he needs some help. So I asked him to come over at 10:30 Monday, see?

Mr. Dan Bell: See?

HMJr: He said he would talk to you about it at lunch.

B: Good.

HMJr: So I think I'll have you, and Charles Bell sit in with me at 10:30 on Monday when he comes over.

B: All right. That's the last memorandum you said.

HMJr: Yeah.

B: All right.

HMJr: He's going to talk to you about it. If I hadn't mentioned it to him, I don't think he would have got it.

B: Oh, it had never gone to him, huh? Well, I suppose...

HMJr: You might kind of do a little pumping on just how they are operating over there, you see? The budget, and what the President has in mind when he gets the reorganization thing through....

B: The authority, you mean?

HMJr: Yeah.

B: I will.

HMJr: But he'll be over, and I'll see you, Charles, Dan Bell, Morgenthau, McKim.

B: 10:30?

HMJr: Monday.

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B: All right. The other is at 10, isn't it?

HMJr: Yeah. I don't know what the other thing is.

B: Well, that is on the bonds and dimes.

HMJr: Well, I'm giving you a half-an hour.

B: That's right. I think we will need it.

HMJr: Thank you.

B: O. K.

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MAY 25 1945

Dear Harold:

In my letter of March 5, 1945 I advised you that I was writing to Secretary Stinson with respect to sending Treasury personnel into the Philippines to reestablish the freezing control in the islands.

I have now been advised that the War Department has issued a military permit covering the entry of Treasury personnel into the Philippines. Consequently I am arranging to establish a Foreign Funds Control office at Manila which will exercise within the Philippine Islands the functions delegated to me under Sections 3(a) and 5(b) of the Trading with the Enemy Act. I am enclosing for your information a copy of the documents which are being issued. These documents were presented to Mr. Hester prior to their issuance and were approved by him.

At such time as the Office of the High Commissioner is reestablished in the Philippine Islands I shall be pleased to discuss with you the manner in which the activities of Foreign Funds Control will be integrated with those of the High Commissioner.

Sincerely yours,

Secretary of the Treasury

The Honorable

The Secretary of the Interior

IGALK:blw 5-11-45

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MAY 25 1945

Dear Mr. Alk:

You are hereby designated as
United States Treasury Representative at
the head of the Philippine Office of
Foreign Funds Control.

Sincerely yours,

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury

Mr. Isadore G. Alk
Treasury Department
Washington, D. C.

IGA:s 5-19-45

CODES OF FEDERAL REGULATION

Title 31 - Money and Finance: Treasury
Chapter I - Monetary Office, Department of the Treasury
Main A - General Regulations under Executive Order
No. 8389, April 10, 1940, as amended, and
regulations issued pursuant thereto.

Treasury Department
FOREIGN FUNDS CONTROL

GENERAL ORDER NO. 18

UNDER EXECUTIVE ORDER NO. 8389, AS AMENDED,
EXECUTIVE ORDER NO. 9192, SECTIONS 2(a) AND
2(b) OF THE TRADING WITH THE ENEMY ACT, AS
AMENDED BY THE FIRST WAR POWERS ACT, 1941,
RELATIVE TO FOREIGN FUNDS CONTROL.*

REGULATIONS RELATING TO THE PHILIPPINE ISLANDS.

(1) Status of the Philippine Islands under the freezing regulations. For the purpose of administering the freezing regulations and complying with the provisions thereof:

- (a) The liberated portions of the Philippine Islands hereafter shall be included within the term "United States" as defined in paragraph 2 of section 2 of the Order and shall not be included within the term "foreign country" as defined in paragraph 2 of section 2 of the Order;
- (b) Any portions of the Philippine Islands controlled or occupied by the military, naval or police forces or other authority of Japan shall immediately upon liberation thereof be included within the term "United States" and shall cease to be included within the term "foreign country".

(2) Status of Philippine nationals and property of Philippine nationals under the freezing regulations. For the purpose of administering the freezing regulations and complying with the provisions thereof:

- (a) The definition of the term "national" as specified in paragraph 2 of section 2 of the Order shall continue to apply with respect to the Philippine Islands as though the Philippine Islands in its entirety were a "foreign country" separately designated in the Order and the effective date of the Order as applied to the Philippine Islands were January 1, 1940. Any person who by virtue of such definition is a national of the Philippine Islands shall, unless licensed as a generally licensed national, continue to be deemed a national

* Appendix A: - Sec. 2(a), 40 Stat. 412; Sec. 2(b), 40 Stat. 418 and 906; Sec. 2, 48 Stat. 1; 54 Stat. 179; 58 Stat. 830; Ex. Order 8389, April 10, 1940, as amended by Ex. Order 8785, June 14, 1941, Ex. Order 8832, July 26, 1941, Ex. Order 8962, Dec. 9, 1941, and Ex. Order 8998, Dec. 26, 1941; Ex. Order 9193, July 6, 1943; Regulations, April 10, 1940, as amended June 14, 1941, and July 26, 1941.

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of a blocked country, namely, the Philippine Islands, and the status of such person as a national of a blocked country shall not be affected by the provisions of paragraph (1) hereof, or by the complete liberation of the Philippine Islands.

- (b) Any person situated within the liberated portions of the Philippine Islands who is not a national of any blocked country other than the Philippine Islands shall be deemed to be a generally licensed national, ~~provided, however~~, that this subparagraph shall not be deemed to authorize any payment, transfer, or withdrawal, or other dealing, with respect to:

- (i) Any property situated, held, or maintained in any part of the United States other than the liberated portions of the Philippine Islands in which on the date hereof any such person has any interest; or
- (ii) Any income from such property accruing on or after the date hereof.

- (c) General Licenses Nos. 25, 43 and 80 shall not be deemed to license as a generally licensed national any person within the liberated portions of the Philippine Islands.

(3) Exportations of certain types of property from the liberated portions of the Philippine Islands prohibited. Unless authorized by a license or other authorization expressly referring to this general ruling, the sending, taking, transmitting, or otherwise exporting of any (i) gold or silver coin or bullion, (ii) currency, (iii) securities, (iv) checks, drafts, bills of exchange, promissory notes, payment instructions, transfer orders, or other financial instruments, (v) powers of attorney or other authorizations or instructions to effect financial or property transactions, or (vi) other evidences of indebtedness or evidences of ownership of property, from the liberated portions of the Philippine Islands to any other part of the United States or to any foreign country is hereby prohibited.

(4) General Ruling No. 10 not applicable in the liberated portions of the Philippine Islands. The provisions of General Ruling No. 10 shall not be applicable in the liberated portions of the Philippine Islands.

(5) Special provisions relating to the administration of the freezing regulations in the liberated portions of the Philippine Islands. For the purpose of administering the freezing regulations in the liberated portions of the Philippine Islands and complying with the provisions thereof:

- (a) There is hereby established a Philippine Office of Foreign Funds Control, at the head of which shall be a United States Treasury Representative designated by the Secretary of the Treasury. Such office shall be charged with the administration of the freezing regulations in the liberated portions of the Philippine Islands.

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- (b) Subject to such regulations, rulings and instructions as the Secretary of the Treasury may from time to time prescribe, the United States Treasury Representative at the head of the Philippine Office of Foreign Funds Control is hereby authorized and empowered to exercise and perform in the liberated portions of the Philippine Islands all authority, duties and functions which the Secretary of the Treasury is authorized or required to exercise or perform under Sections 3(a) and 3(b) of the Trading with the Enemy Act, as amended, and any executive orders, proclamations, regulations or rulings that have been or may be issued thereunder.
- (c) Definitions. As used herein:
- (a) The term "liberated portions of the Philippine Islands" shall mean the portions of the Philippine Islands not controlled or occupied by the military, naval or police forces or other authority of Japan.
- (b) The term "freezing regulations" shall mean the Order, and the regulations, rulings, licenses, instructions, etc., issued by or at the direction of the Secretary of the Treasury pursuant to the Order of Sections 3(a) or 3(b) of the Trading with the Enemy Act, as amended.

(Signed) H. McLaughlin, Jr.
Secretary of the Treasury

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

May 26, 1945

TO Secretary Morgenthau
FROM Mr. DuBois

Re: Status of present plans for
punishing war criminals.

There is attached a brief summary of the latest information which we have on this matter, namely a memorandum sent to the President on January 22nd, signed by the Secretary of State, the Secretary of War, and the Attorney General. As you will recall, Judge Rosenman, pursuant to your request, allowed me to read this document on an informal and confidential basis.

The significant points in this memorandum are the following:

(1) War Crimes Commission. The memorandum stated that the Commission had been widely criticized for the paucity of its work and recommended that it should be dissolved.

(2) Moscow Declaration. Although the provision of the Moscow Declaration dealing with sending criminals back to the scene of their crime for punishment according to the laws of countries where their crimes were committed was quoted, no special procedure was set up for prompt carrying out of this provision. As indicated in the memorandum which we have prepared from you to the President, it is important that this provision be implemented promptly.

(3) International Military Tribunal. With respect to the major war criminals and other criminals who are not turned over to any one of the United Nations, an International Military Commission would be set up consisting of seven representatives, one each from Great Britain, the United States, the Soviet Union and France, and three agreed upon by the other United Nations. This Commission

would try the major war criminals and also attempt to convict organizations such as the S. S. and the Gestapo as organizations. The findings of this Commission would be binding upon all members of the organizations at subsequent trials. In these subsequent trials, to be conducted by occupation courts, the only necessary proof of guilt of any particular person would be his membership in any one of these organizations.

(4) Preparation of Cases against Criminals. A full time group composed of representatives of Great Britain, United States, Soviet Union, and France is to be established and with adequate personnel is to have the duty of preparing the case against criminals. It is presumably to serve as United States representative on this group that Justice Jackson has been appointed.

geo

COPY

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Secretary Morgenthau
Mr. DuBois

January 29, 1945

The following is a summary of a memorandum sent to the President on January 22, signed by the Secretary of State, the Secretary of War and the Attorney General:

Section I - Moscow Declaration

The provision of the Moscow Declaration, dealing with sending criminals back to the scene of their crimes for punishment according to the laws of the countries where their crimes were committed, was quoted.

Section II - United Nations War Crimes Commission

This section contained a brief summary of the functions of the Commission and its accomplishments. The following facts were pointed out:

Fifteen nations are represented on the Crimes Commission. Russia is not represented. The Commission has no investigative or prosecuting authority and no authority to actually try offenses. The Commission is charged with getting up a list of criminals and recording the evidence against them; and making recommendations as to tribunals to try the criminals and the procedures to be followed. The Commission receives lists from the investigating authorities of the respective United Nations.

To date approximately one thousand offenders have been docketed with the Commission. The labors of the Commission have not resulted in any governmental agreement as to the tribunals to be established or the procedures to be followed. The Commission has been widely criticized for the paucity of its work. Its activities have been marked by dissension. The British representative, who was chairman, and the Norwegian representative have resigned.

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Section III - Scope and Dimensions of War Crimes Problem

The crimes to be punished, which were mentioned, included mass murders, imprisonments, expulsions, deportations, starvation, wholesale looting and torture, as well as the prosecution of total war without regard to the laws of war. This section also developed the theory of a premeditated criminal plan or enterprise.

In discussing the criminals to be punished, reference was made to leaders of the Nazi party and the German Reich and Nazi organizations, including the SS, Gestapo and the S.A.

Section IV - Difficulties of Effective War Crimes Program

Difficulties of identification and proof. Here it was pointed out that large numbers of persons were involved and that it would be practically impossible to attempt to get specific evidence proving that particular individuals committed particular crimes.

Legal difficulties. It was stated that pre-war atrocities are not "war crimes" in a technical sense. At the same time it was stated that it is the clear policy of the U. S. that these crimes be punished; and that the interests of post-war security and the "necessary rehabilitation of the German people" require that this be done.

Section V - Recommended Program

It was pointed out that the notorious criminals could be put to death without either a trial or a hearing. However, it was stated that this action was not favored.

It was then recommended that the leaders and organizations should be charged with the commission of their atrocious crimes and with joint participation in a broad criminal enterprise, which should include pre-war atrocities and should also include crimes committed against their own nationals, stateless persons, and neutrals.

It was recommended that the procedure to be followed in such a conspiracy action be as follows:

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Stage 1 - An international tribunal would be set up, created by an executive agreement, to try the leaders and the organizations. It would sentence the particular defendants before it and would also make findings adjudicating the complicity of members of the organization in the conspiracy.

Stage 2 - Occupation courts would be set up which would try those individuals not sent back for trial under the Moscow Declaration, and members of the organizations charged with complicity through membership but against whom there was not sufficient proof of specific atrocities. The findings of the international tribunal would be binding upon all members of the organizations in these subsequent trials. The only necessary proof of guilt of any particular defendant would be his membership in one of these organizations. Proof would also be taken of the nature and extent of the defendant's participation and appropriate cases might be imprisonment at hard labor instead of the death penalty; and defendants could be worked in restoring devastated areas.

"Individual defendants who can be connected with specific atrocities shall be tried and punished in the national courts of the countries concerned as contemplated in the Moscow Declaration."

Section VI - Nature and Composition of Tribunals

An international military commission or military courts would be established by an executive agreement to try the leaders and members of the organizations. No enabling legislation or treaty is necessary. Such a tribunal might be established by the Control Council for Germany. It might consist of seven representatives, one each from Great Britain, the United States, the Soviet Union and France and three agreed upon by the other United Nations. Preference was indicated for military personnel in the tribunal for the reasons that they would be less likely to give undue weight to technical contentions and legalistic arguments.

With respect to the subsequent trials it was pointed out that these might be by occupation courts, national courts or international military courts.

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Section VII - Preparation of Case

The United Nations War Crimes Commission cannot be satisfactorily employed and having performed its mission should now be dissolved.

A full time executive group should be set up composed of one military representative of Great Britain, the United States, the Soviet Union and France. This executive group should have adequate personnel and should start immediately on the job of preparing the case.

Section VIII - Soviet Attitude

Reference was made to a note of Molotov of October 14, 1942, addressed to several Governments in exile, in which it was indicated that the Soviet Union was ready to support practical measures on the part of the Allies in bringing Hitlerites and their accomplices to justice before "the courts of the special international tribunal," and favoring their punishment in accordance with the criminal code.

Section IX - The British Attitude

Reference was made to an aide-memoire from the British Foreign Office of October 30, 1944 indicating that it was prepared to cooperate in establishing mixed military tribunals to deal with cases which for one reason or another could not be tried in national courts.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

May 25, 1945

TO Secretary Morgenthau
FROM Mr. DuBois

Re: Conversation with Under Secretary of
War Patterson

Pursuant to your arrangement, I saw Judge Patterson on Wednesday and gave him the whole story on the developments in connection with the forced labor provision in the reparations document.

Patterson made it clear in the beginning that he was only talking to me on a "personal" basis. It was apparent that the only information he had on this whole subject was what he had learned through Drew Pearson's column. I gave Judge Patterson a copy of the reparations protocol, Jackson's memorandum and the memorandum to the President with respect to the change in the labor provision.

In reviewing the matter with Patterson, I pointed out how we had first had the compromise with Crowley and then later with Jackson. Patterson made the comment that as far as he could tell even before Jackson had gotten into the matter we had already qualified the commitments which we had made at Yalta.

Patterson agreed fully with my comment that the final document did not carry out the commitments which President Roosevelt had made at Yalta. I stressed to Patterson that if we expected other nations to live up to international obligations we ought to be careful to avoid sabotaging them ourselves. Patterson added comment that as far as he could tell we could not possibly expect the Russians to agree on our position and he felt that it was a very unhealthy thing for the United States to go into an international conference saying that they felt strongly that a certain policy should be followed and then later on have to give in because the position cannot be justified.

He said that he felt this weakened the whole position of the United States in negotiations.

Patterson was obviously shocked by the whole matter although it is not clear what, if anything, he is going to do about it. He thanked me for giving him the story and, with my consent, kept copies of the documents which I had shown him.

gao

For Secretary Morgenthau

Documents Relating to Program for
Vesting and Disposition of Existing
German and Japanese Property Interests
in the United States

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✓ 59
May 25, 1945MEMORANDUM FOR THE SECRETARY'S FILES:

The attached documents relating to the transfer from the Treasury to the Alien Property Custodian of German and Japanese assets which have not yet been vested were discussed at a meeting in Secretary Morgenthau's office this morning, at which Assistant Secretary White and Messrs Coe, Aarons, and Hoffman were present.

It was explained that this program had been worked out over several months with the Custodian and the State Department and that all were in agreement on an informal level. The purpose of the meeting was to obtain Secretary Morgenthau's approval of the program prior to final signature by the Custodian, following which the final documents would come to the Treasury for signature.

Secretary Morgenthau approved the program and it was agreed that the Custodian would be so advised in order that the final documents for presentation to the White House could be prepared.

M. S. Morgenthau

Regraded Unclassified

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PROGRAM FOR VESTING AND DISPOSITION
OF EXISTING GERMAN AND JAPANESE PROPERTY
INTERESTS IN THE UNITED STATES

CONTENTS

- I. Statement of Program To Be Agreed With
State and Alien Property Custodian.
- II. Memorandum for the President.
- III. Executive Order.
- IV. Explanatory Background Memorandum.
- V. Previous Exchange of Letters With Alien
Property Custodian.
- VI. Present Executive Order 9086, as Amended.

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May 20, 1945

PROGRAM RELATING TO
VESTING AND DISPOSITION OF GERMAN AND JAPANESE ASSETS
PROPOSED JOINTLY BY
ALLIED PROPERTY CUSTODIAN AND SECRETARY OF THE TREASURY

1. The objective of the program outlined herein is the complete elimination of existing German and Japanese property interests in the United States.
2. All German and Japanese property interests should be vested in and by the Custodian.
3. The authority of the Treasury to vest German and Japanese property under Executive Order No. 9193, and to direct the terms upon which it thereafter should be dealt with should be conferred on the Custodian by amendment of the Order.
4. The Treasury will continue to be responsible for developing overall procedures designed to insure that enemy assets held in the names of nationals of liberated or neutral countries will not be released under unfreezing programs. This will not preclude the Custodian from exercising his investigatory, supervisory or vesting functions. The agencies will consult before any property held in the names of nationals of neutral or liberated countries is vested, so that any action to be taken may be performed with procedures established for unfreezing.
5. The Custodian will continue to eliminate German or Japanese interests or influence with respect to all vested properties.

6. All German and Japanese property vested by the Custodian shall be liquidated and sold as soon as practicable. Pending the ultimate disposition of the proceeds, they shall continue to be held in special accounts in the Treasury of the United States, and may be utilized for the payment of the expenses of the Custodian's office.

7. The Custodian and the Treasury shall join in recommendations to Congress that:

- (a) American creditors (including appropriate categories of non-citizen residents) who have claims against any person whose property in this country has been vested should be paid on an equitable basis to the extent the vested assets of the debtor permit. A system of priorities should be established.
- (b) No provision for return or compensation, direct or indirect, by the United States to the former German or Japanese owners should be included in any plan for final disposition of the funds realized from vested German or Japanese properties. It is not intended to preclude the payment of compensation to former German and Japanese owners by their respective governments.
- (c) A decision as to the final disposition of the balance of the funds realized from vested properties should be deferred.

8. The Custodian and the Treasury shall join at the earliest possible date in a recommendation of such legislation as is necessary to

effectuate the program. The recommendations referred to in paragraph 7 shall be presented in January 1954, within the time limitation.

8. The program outlined herein shall be submitted to the Department of State, and when approved and when outlined, the three members shall present to the President a recommendation for approval of the program and the necessary amendments to Executive Order No. 11031, both in the time outlined.

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PRECISION

TRADE MARK

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May 30, 1944

MEMORANDUM FOR THE PRESIDENT:

Under Executive Order No. 9193 of July 6, 1942, control of dollar balances, securities and other liquid assets of the enemy countries and their nationals was conferred upon the Treasury, while the Office of Alien Property Custodian was directed to deal with enemy-owned property requiring active management. The Order provides, however, that if the Treasury should decide to vest any property, it shall be vested in, and dealt with by, the Custodian upon the terms directed by the Treasury. Since the allocation of functions between the two agencies, the Treasury has not vested any property but has relied on its blocking controls, while the Custodian has followed a program of vesting.

We are agreed that the national interest requires the complete elimination of existing German and Japanese interests in property in the United States. If you approve, we are ready to join in a coordinated program under which all German and Japanese property will be vested and will be converted into cash as soon as practicable. It is proposed that exclusive authority to vest such property and to direct the terms upon which it thereafter should be dealt with, be conferred upon the Custodian by an amendment of Executive Order No. 9193. The Treasury will continue to be responsible for developing overall procedures to insure that enemy assets held in the names of nationals of liberated or neutral countries will not be released under unfreezing programs.

All proceeds of vested property will for the present continue to be held in special accounts in the Treasury of the United States. Although we believe that a governmental decision with respect to the final disposition of these funds should be deferred, we feel that American creditors who have claims against any person whose property in this country has been vested should be paid on an equitable basis, to the extent the vested assets of their debtor permit. The expenses of the Alien Property Custodian's Office will continue to be paid out of vested property and its proceeds. We are fully agreed that plans for ultimate disposition of the funds realized from vested German and Japanese property should make no provision for any return or compensation, direct or indirect, by the United States to the former owners. Subject to your concurrence, it is our intention to present these views to Congress in conjunction with legislation which will aid in effectuating the program.

If you agree with the program, it is requested that you sign the attached amendment to Executive Order No. 9193.

Wm. E. Clegg
Acting Secretary of State

Wm. E. Clegg
Secretary of the Treasury

Wm. E. Clegg
Alien Property Custodian

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EXECUTIVE ORDER NO. _____

AMENDING EXECUTIVE ORDER NO. 9095, AS
AMENDED BY EXECUTIVE ORDER NO. 9193

By virtue of the authority vested in me by the Constitution, by the First War Powers Act, 1941, by the Trading with the enemy Act of October 6, 1917, as amended, and as President of the United States, it is hereby ordered as follows:

Section 2(c) of Executive Order No. 9095 of March 11, 1942, as amended by Executive Order No. 9193 of July 6, 1942, is amended to read as follows:

(c) Any other property or interest within the United States of any nature whatsoever owned or controlled by, payable or deliverable to, held on behalf of or on account of, or owing to, or which is evidence of ownership or control by, a designated enemy country or national thereof: provided, however, that with respect to any such country or national other than Germany or Japan or any national thereof, such property or interest shall not include cash, bullion,

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moneys, currencies, deposits, credits, credit instruments, foreign exchange and securities except to the extent that the Alien Property Custodian determines that such cash, bullion, moneys, currencies, deposits, credits, credit instruments, foreign exchange and securities are necessary for the maintenance or safeguarding of other property belonging to the same designated enemy country or the same national thereof and subject to vesting pursuant to section 2 hereof;

THE WHITE HOUSE

May , 1945

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MEMORANDUM

Re: Program for vesting and disposition of German and Japanese property interests.

Extensive discussions with the Office of the Alien Property Custodian and the State Department have resulted in tentative agreement on a program for the vesting of German and Japanese property interests in the United States. Attached are drafts of three documents embodying the program, namely, (1) an outline of the program, to be initiated by the Secretary of the Treasury and the Alien Property Custodian, (2) a memorandum for the President, to be signed by the Secretaries of State and the Treasury and the Custodian, and (3) an amendment of Executive Order No. 9086, which would be forwarded to the President with the memorandum. If the Treasury Department concurs in the program, the documents will be appropriately initialed or signed by the Alien Property Custodian and will then be forwarded for final approval by the Secretaries of the Treasury and State.

It will be recalled that in 1942 jurisdiction over enemy assets was divided between the Treasury and the Office of the Custodian. The Treasury has not vested any property but has relied on its blocking controls, while the Custodian has vested a major part of the assets subject to his jurisdiction. Known German assets in this country total about 164 million dollars, of which some 121 million have been vested, and Japanese assets amount to 180 million, of which 58 million have been vested, so that in all roughly 180 million remain unvested.

When the division of functions was made, it was felt that liquid enemy assets should be left undisturbed until the basic policy of this Government with regard to the ultimate treatment of enemy countries could be clarified. In line with general policies which have recently been formulated, it is now believed that all existing German and Japanese interests in the United States should be completely eliminated to reduce the ability of Germany and Japan to rebuild their war potential and to deter future aggression. In view of the

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reparations discussions which are about to begin in Moscow, it is too early to recommend complete plans for the ultimate disposition of the assets to be vested but it is clear that such plans should make no provision for any return or compensation, direct or indirect, by the United States to the former German and Japanese owners. The proposed program contemplates that all three agencies involved will join in appropriate recommendations to Congress on this point in conjunction with legislation which will be desirable in effectuating the program.

It is intended that full power to vest German and Japanese property will be conferred on the Custodian, while the Treasury will continue to be responsible for developing overall procedures to insure that enemy assets held in the names of nationals of liberated or neutral blocked countries will not be released under unfreezing programs. Accordingly, the Treasury will be relieved of the substantial administrative burden of vesting without infringement on its powers in the broad field of foreign funds control.

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January 31, 1945

Dear Mr. Secretary:

I thank you for your letter of January 18, 1945, in response to mine of January 10th in which I recommended vesting by the Alien Property Custodian of all strictly enemy assets located in this country.

I note the statement of your conviction that control by this government of German and Japanese assets should be the first step in a program for the complete and irrevocable elimination of all German and Japanese interests in such assets. I share that conviction. It is likewise my view that the proposed vesting should be part of a program of consistent treatment of all enemy assets, and it was with this in mind that my suggestion was made. I am unable to apprehend that any type of control can as effectively accomplish the complete and irrevocable elimination of all German and Japanese interests in such assets as the vesting of title to all such assets in the United States.

The policy of Congress as reflected in the Trading with the Enemy Act, as amended, seems to indicate that the ultimate disposition of enemy money or other property received or held by the Alien Property Custodian is a matter for Congress to determine after the end of the war. Congress expressly reserved such disposition by section 12 of the Act, and the history of returns after the last war illustrates Congressional insistence on exclusive exercise of this prerogative.

As you know, bills looking to the ultimate disposition of such assets have been introduced in the 76th Congress. I refer, for example, to the so-called Gearhart bill, H. R. 3672, and the Glass-Satterfield bill, H. R. 5118 and S. 2038, all of the 76th Congress. While I do not wish to be understood as expressing myself on the particular provisions of those bills at the present time (beyond the answers this Office furnished to the Congressional Committees' requests for our views thereon), I believe their introduction serves to indicate the substantial correctness of my opinion that the Congress will be the arbiter as to the ultimate disposition of enemy property.

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In order to enable Congress to act in a concerted fashion with respect to all enemy property, in whatever direction and by whatever means it may ultimately decide to act, I believe it is of the utmost importance that all such property be under a single jurisdiction and in a single legal status, with title thereto lodged in the United States. This alone will enable Congress to adopt a consistent overall program such as we both agree is desirable, and at the same time to safeguard the rights of American creditors who may have legitimate claims against the enemy owners or former owners. Moreover, I believe that enemy property should be fully vested before the cessation of hostilities with the objective of avoiding the possibility that post-armistice or post-surrender vesting might be regarded as a "punitive" measure. My immediate objective is and obviously must be to retain and deal with such assets against the day when Congress will determine their final disposition. Pending such disposition, I have taken, and shall continue to take, all steps which I believe to be consistent with the national interests, within the scope of the powers conferred on me, permanently to eliminate enemy interest and control with respect to properties under my jurisdiction.

I trust the foregoing for present purposes answers your inquiry as to what I have done with the assets already vested and what I plan to do with any additional assets which may be vested.

Since I believe my proposal constitutes the essential first phase in a complete program such as your letter envisages, I renew my request for your consideration of the matter at the present stage.

Sincerely yours,

/s/ James E. Markham

James E. Markham
Alien Property Custodian

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

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February 19, 1945

My dear Mr. Markham:

I have your letter of January 31, 1945 with further reference to the vesting of all German and Japanese assets in the United States.

I am happy to note that you share my conviction that German and Japanese property interests in this country should be completely and irrevocably eliminated and that you view the proposed vesting of the pertinent assets under Treasury control as only the first phase of an overall governmental program to accomplish this objective.

Accordingly, I have asked Mr. Frank Coe to arrange a meeting with you to explore the matter further.

Sincerely yours,

/s/ H. Morgenthau, Jr.

Secretary of the Treasury

Mr. James E. Markham

Alien Property Custodian

IGalk:gmb 2-10-45

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January 18, 1945

My dear Mr. Markham:

I have your letter of January 10, 1945, in which you recommend the vesting by the Alien Property Custodian of "all strictly enemy assets" located in this country. I assume that you are referring to German and Japanese assets.

It is my firm conviction that control by this Government of German and Japanese assets should be only the first step in a program for the complete and irrevocable elimination of all German and Japanese interest in such assets. Although the freezing controls administered by the Treasury Department are serving effectively to deprive enemy nationals of control over such assets, I would favor immediate vesting if it were an integral part of a complete program for the final disposition of such assets, in accordance with the foregoing objective. However, I see little to be gained by vesting at this time if it amounts merely to a change in the type of control exercised by this Government.

It would therefore be helpful to me in considering your proposal if you would furnish me with an informal memorandum outlining your complete program with respect to German and Japanese assets, indicating what you have done with those already vested by you and what you plan to do with any additional assets which might be vested. In this connection I should also like to have copies of the studies to which you refer in your letter.

As soon as we have had an opportunity to study this material we shall be happy to discuss the matter with you in more concrete terms.

Sincerely yours,

/s/ H. Morgenthau, Jr.

Mr. James E. Markham,
Alien Property Custodian,
Washington 25, D. C.

ALX:Schmidt:rg 1-15-45

ALIEN PROPERTY CUSTODIAN
Washington 25

January 10, 1945

Dear Mr. Secretary:

At a recent conference between representatives of your Department, the Department of State and my Office, discussion was had of the pending problems surrounding the unblocking of frozen French assets. At that conference I understand it was indicated that the Foreign Funds Control representatives did not believe that the appropriate time had as yet arrived for discussion of the action to be taken with respect to the frozen assets of enemy nationals.

As a result of studies by this Office, including attention to the historical phases of the treatment of enemy property and to the current problems of American and friendly alien creditors against enemy nationals, as well as other claims of non-enemies, it is my considered judgment that the national interest may best be served by the vesting of all strictly enemy assets by the Alien Property Custodian.

In view of the progress of the war in Europe and the prospective review by the Congress of related problems, I believe the matter is one of substantial urgency. I should therefore greatly appreciate your early consideration of this suggestion and an opportunity to discuss it with you in the near future, in anticipation of calling the matter to the attention of the President.

Sincerely yours,

/s/ James E. Markham

James E. Markham
Alien Property Custodian

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

PRECISION

TRADE MARK

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The following statement was issued by the White House at the time the Executive Order was issued:

"The following statement is offered in explanation of the above order:

The President has signed an executive order allocating powers and functions between the Alien Property Custodian and the Secretary of the Treasury with respect to property of enemy, neutral, and occupied countries and their nationals.

The Executive Order provides for the following division:

1. The Alien Property Custodian will handle:
 - (a) Enemy-owned or controlled businesses (including dummies) operating in the United States and the dollar balances and other assets of such businesses.
 - (b) Businesses owned or controlled by nationals of neutral or occupied countries and which are now under Treasury regulation where the Alien Property Custodian certifies that it is necessary in the national interest for him to assume control in order (i) to protect the property; (ii) to remove personnel or supervise employment policies; (iii) to liquidate, reorganize or sell the business; (iv) to manage the business; or (v) to vest the business.
 - (c) All other enemy property except dollar balances, bullion and securities unless the dollars, bullion or securities of an enemy are needed by the Alien Property Custodian in the management of other property taken from the same enemy.
 - (d) All foreign-owned patents, copyrights, and trade-marks.
 - (e) Foreign ships (particularly that group of enemy-owned ships which the United States has libeled and are now involved in judicial forfeiture proceedings).
 - (f) All forms of property and claims of enemy nationals involved in estates, trusts, receivership proceedings, etc. The Alien Property Custodian would also handle the representation of the interest of enemy nationals and persons in occupied countries in judicial and administrative proceedings in the United States and the Alien Property Custodian will issue regulations governing the service of process on such persons.
2. The Treasury will continue to handle:
 - (a) The dollar balances, bullion and securities of governments or nationals except those which belong to an enemy business.
 - (b) All property of the occupied and neutral countries and their nationals except those particular business enterprises where the Alien Property Custodian determines that it is necessary in the national interest for him to assume control.
 - (c) All transactions or business dealings with countries frozen under the freezing orders including the control of all trade and commercial communications with the enemy and enemy-controlled countries.
 - (d) All other phases of freezing control which it has handled in the past or which may hereafter arise.
3. Both the Alien Property Custodian and the Treasury will be given full powers under section 5(b) of the Trading with the enemy Act, as amended by the First War Powers Act, to enable them to discharge their respective functions with the further stipulation that should the Secretary of the Treasury have occasion to vest any property (other than the assets of foreign governments and central banks), such property will be vested in and dealt with by the Alien Property Custodian upon the terms directed by the Secretary of the Treasury. Appropriate provision is made for consultation with the State Department before either the Treasury or the Alien Property Custodian does any vesting.
4. The Secretary of the Treasury also retains the powers under section 3(a) of the Trading with the enemy Act, as amended, in order to enable the Treasury to continue its present control over transactions involving trade and communication with the enemy."

(Press statement on last page)

EXECUTIVE ORDER NO. 9193

AMENDING EXECUTIVE ORDER NO. 9095 ESTABLISHING THE OFFICE OF ALIEN PROPERTY CUSTODIAN AND DEFINING ITS FUNCTIONS AND DUTIES AND RELATED MATTERS.

By virtue of the authority vested in me by the Constitution, by the First War Powers Act, 1941, by the Trading with the enemy Act of October 6, 1917, as amended, and as President of the United States, it is hereby ordered as follows:

Executive Order No. 9095 of March 11, 1942, is amended to read as follows:

1. There is hereby established in the Office for Emergency Management of the Executive Office of the President the Office of Alien Property Custodian, at the head of which shall be an Alien Property Custodian appointed by the President. The Alien Property Custodian shall receive compensation at such rate as the President shall approve and in addition shall be entitled to actual and necessary transportation, subsistence, and other expenses incidental to the performance of his duties. Within the limitation of such funds as may be made available for that purpose, the Alien Property Custodian may appoint assistants and other personnel and delegate to them such functions as he may deem necessary to carry out the provisions of this Executive Order.
2. The Alien Property Custodian is authorized and empowered to take such action as he deems necessary in the national interest, including, but not limited to, the power to direct, manage, supervise, control or vest, with respect to:
 - (a) any business enterprise within the United States which is a national of a designated enemy country and any property of any nature whatsoever owned or controlled by, payable or deliverable to, held on behalf of or on account of or owing to or which is evidence of ownership or control of any such business enterprise, and any interest of any nature whatsoever in such business enterprise held by an enemy country or national thereof;
 - (b) any other business enterprise within the United States which is a national of a foreign country and any property of any nature whatsoever owned or controlled by, payable or deliverable to, held on behalf of or on account of or owing to or which is evidence of ownership or control of any such business enterprise, and any interest of any nature whatsoever in such business enterprise held by a foreign country or national thereof, when it is determined by the Custodian and he has certified to the Secretary of the Treasury that it is necessary in the national interest, with respect to such business enterprise, either (i) to provide for the protection of the property, (ii) to change personnel or supervise the employment policies, (iii) to liquidate, reorganize, or sell, (iv) to direct the management in respect to operations, or (v) to vest;
 - (c) any other property within the United States owned or controlled by a designated enemy country or national thereof, not including in such other property, however, cash, bullion, moneys, currencies, deposits, credits, credit instruments, foreign exchange and securities except to the extent that the Alien Property Custodian determines that such cash, bullion, moneys, currencies, deposits, credits, credit instruments, foreign exchange and securities are necessary for the maintenance or safeguarding of other property belonging to the same designated enemy country or the same national thereof and subject to vesting pursuant to section 2 hereof;

- (d) any patent, patent application, design patent, design patent application, copyright, copyright application, trademark or trademark application or right related thereto in which any foreign country or national thereof has any interest and any property of any nature whatsoever (including, without limitation, royalties and license fees) payable or held with respect thereto, and any interest of any nature whatsoever held therein by any foreign country or national thereof;
- (e) any ship or vessel or interest therein, in which any foreign country or national thereof has an interest; and
- (f) any property of any nature whatsoever which is in the process of administration by any person acting under judicial supervision or which is in partition, libel, condemnation or other similar proceedings and which is payable or deliverable to, or claimed by, a designated enemy country or national thereof.

When the Alien Property Custodian determines to exercise any power and authority conferred upon him by this section with respect to any of the foregoing property over which the Secretary of the Treasury is exercising any control and so notifies the Secretary of the Treasury in writing, the Secretary of the Treasury shall release all control of such property, except as authorized or directed by the Alien Property Custodian.

3. Subject to the provisions of this Executive Order, all powers and authority conferred upon me by sections 3(a) and 5(b) of the Trading with the enemy Act, as amended, are hereby delegated to the Secretary of the Treasury or any person, agency, or instrumentality designated by him; provided, however, that when any property or interest, not belonging to a foreign government or provided, however, that when any property or interest, not belonging to a foreign government or central bank, shall be vested by the Secretary of the Treasury, such property or interest shall be vested in, and dealt with by, the Alien Property Custodian upon the terms directed by the Secretary of the Treasury. Except as otherwise provided herein, this Executive Order shall not be deemed to modify or amend Executive Order No. 8839, as amended, or the regulations, rulings, licenses and other action taken thereunder, or in connection therewith.

4. Without limitation as to any other powers or authority of the Secretary of the Treasury or the Alien Property Custodian under any other provision of this Executive Order, the Secretary of the Treasury and the Alien Property Custodian are authorized and empowered, either jointly or severally, to prescribe from time to time, regulations, rulings, and instructions to carry out the purposes of this Executive Order. The Secretary of the Treasury and the Alien Property Custodian each shall make available to the other all information in his files to enable the other to discharge his functions, and shall keep each other currently informed as to investigations being conducted with respect to enemy ownership or control of business enterprises within the United States.

5. The Alien Property Custodian is authorized to issue appropriate regulations governing the service of process or notice upon any person within any designated enemy country or any enemy-occupied territory in connection with any court or administrative action or proceeding within the United States. The Alien Property Custodian also is authorized to take such other and further measures in connection with representing any such person in any such action or proceeding as in his judgment and discretion is or may be in the interest of the United States. If, as a result of any such action or proceeding, any such person obtains, or is determined to have, an interest in any property (including money judgments), such property, less an amount equal to the costs and expenses incurred by the Alien Property Custodian in such action or proceeding, shall be subject to the provisions of Executive Order No. 8839, as amended, provided, however, that this shall not be deemed to limit the powers of the Alien Property Custodian under section 2 of this Order; and provided further, that the Alien Property Custodian may vest an amount of such property equal to the costs and expenses incurred by the Alien Property Custodian in such action or proceeding.

6. To enable the Alien Property Custodian to carry out his functions under this Executive Order, there are hereby delegated to the Alien Property Custodian or any person, agency, or instrumentality designated by him all powers and authority conferred upon me by section 5(b) of the Trading with the enemy Act, as amended, including, but not limited to, the power to make such investigations and require such reports as he deems necessary or appropriate to determine whether any enterprise or property should be subject to his jurisdiction and control under this Executive Order. The powers and authority conferred upon the Alien Property Custodian by Executive Order No. 9142 shall be administered by him in conformity with the provisions of this Executive Order.

7. In the exercise of the authority herein delegated, the Alien Property Custodian shall be subject to the provisions of Executive Order No. 8839 of July 30, 1941, and shall designate a representative to the Board of Economic Warfare in accordance with section 6 thereof.

8. All records and other property (including office equipment) of the Treasury Department which are used primarily in the administration of powers and duties to be exercised by the Alien Property Custodian, and such personnel as is used primarily in the administration of such powers and duties and which was hired by the Treasury Department after September 1, 1941 (including officers whose chief duties relate to the administration of such powers and duties), as the Secretary

of the Treasury and the Alien Property Custodian shall jointly certify for transfer, shall be transferred to the Office of the Alien Property Custodian. In the event of disagreement concerning the transfer of any personnel, records, or property, the determination shall be made by the Director of the Bureau of the Budget, pursuant to the formula here prescribed. Any personnel transferred pursuant to this Executive Order shall be transferred without loss of such Civil Service status or eligibility therefor as they may have.

9. This Executive Order shall not be deemed to modify or amend Executive Order No. 8843 of August 9, 1941, and the regulations, rulings, licenses and other action taken thereunder. Any and all action heretofore taken by the Secretary of the Treasury or the Alien Property Custodian, or by any person, agency, or instrumentality designated by either of them, pursuant to sections 3(a) and 5(b) of the Trading with the enemy Act, as amended, or pursuant to prior Executive Orders, and any and all action heretofore taken by the Board of Governors of the Federal Reserve System pursuant to Executive Order No. 8843 of August 9, 1941, are hereby confirmed and ratified.

10. For the purpose of this Executive Order:

(a) The term "designated enemy country" shall mean any foreign country against which the United States has declared the existence of a state of war (Germany, Italy, Japan, Bulgaria, Hungary and Rumania) and any other country with which the United States is at war in the future. The term "national" shall have the meaning prescribed in section 5 of Executive Order No. 8389, as amended, provided, however, that persons not within designated enemy countries (even though they may be within enemy-occupied countries or areas) shall not be deemed to be nationals of a designated enemy country unless the Alien Property Custodian determines: (i) that such person is controlled by or acting for or on behalf of (including cloaks for) a designated enemy country or a person within such country; or (ii) that such person is a citizen or subject of a designated enemy country and within an enemy-occupied country or area; or (iii) that the national interest of the United States requires that such person be treated as a national of a designated enemy country. For the purpose of this Executive Order any determination by the Alien Property Custodian that any property or interest of any foreign country or national thereof is the property or interest of a designated enemy country or national thereof shall be final and conclusive as to the power of the Alien Property Custodian to exercise any of the power or authority conferred upon me by section 5(b) of the Trading with the enemy Act, as amended.

(b) The term "business enterprise within the United States" shall mean any individual proprietorship, partnership, corporation or other organization primarily engaged in the conduct of a business within the United States, and any other individual proprietorship, partnership, corporation or other organization to the extent that it has an established office within the United States engaged in the conduct of business within the United States.

11. The Secretary of the Treasury or the Alien Property Custodian, as the case may be, shall, except as otherwise agreed to by the Secretary of State, consult with the Secretary of State before vesting any property or interest pursuant to this Executive Order, and the Secretary of the Treasury shall consult with the Secretary of State before issuing any Order adding any additional foreign countries to section 3 of Executive Order No. 8389, as amended.

12. Any orders, regulations, rulings, instructions, licenses or other actions issued or taken by any person, agency or instrumentality referred to in this Executive Order, shall be final and conclusive as to the power of such person, agency or instrumentality to exercise any of the power or authority conferred upon me by sections 3(a) and 5(b) of the Trading with the enemy Act, as amended; and to the extent necessary and appropriate to enable them to perform their duties and functions hereunder, the Secretary of the Treasury and the Alien Property Custodian shall be deemed to be authorized to exercise severally any and all authority, rights, privileges and powers conferred on the President by sections 3(a) and 5(b) of the Trading with the enemy Act of October 6, 1917, as amended, and by sections 301 and 302 of Title III of the First War Powers Act, 1941, approved December 18, 1941. No person affected by any order, regulation, ruling, instruction, license or other action issued or taken by either the Secretary of the Treasury or the Alien Property Custodian shall be entitled to challenge the validity thereof or otherwise excuse his actions, or failure to act, on the ground that pursuant to the provisions of this Executive Order, such order, regulation, ruling, instruction, license or other action was within the jurisdiction of the Alien Property Custodian rather than the Secretary of the Treasury or vice versa.

13. Any regulations, rulings, instructions, licenses, determinations or other actions issued, made or taken by any agency or person referred to in this Executive Order, purporting to be under the provisions of this Executive Order or any other proclamation, order or regulation, issued under sections 3(a) or 5(b) of the Trading with the enemy Act, as amended, shall be conclusively presumed to have been issued, made or taken after appropriate consultation as herein required and after appropriate certification in any case in which a certification is required pursuant to the provisions of this Executive Order.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE,

July 6, 1942.

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MAY 25 1945

My dear Mr. Secretary:

I have Mr. Grew's letter dated May 21, 1945, (FH), relating to the matter of the gold consigned to the Argentine Central Bank which has been held in New Orleans on instructions of the Treasury Department.

In accordance with Mr. Grew's request, this Department will permit the existing instructions relative to the matter to remain in effect.

Sincerely yours,

[Signed] H. Morgenthau, Jr.

The Honorable

The Secretary of State.

MLHoffman:mlw 5/25/45

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ADDRESS OFFICIAL CORRESPONDENCE TO
THE SECRETARY OF STATE
WASHINGTON, D. C.



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FN

May 21, 1945

SECRET

My dear Mr. Secretary:

I refer to the matter of the gold consigned to the Argentine Central Bank which has been held at New Orleans for some months by virtue of an instruction to the customs officials at that port.

The Federal Reserve Bank of New York has received a cable inquiry from the Central Bank asking when the gold can be shipped, and has transmitted this inquiry informally to officers of both the Treasury and State Departments. The present letter is a result of informal discussion by telephone by officers of the two Departments.

This Department is of the opinion that there are factors in the Argentine situation which make it inadvisable for reasons of political policy to have this gold released at the present time. The Department would therefore request the Treasury to permit the existing instructions relative to the matter to remain in effect for the present.

Sincerely yours,

Acting Secretary

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.



12"

May 28, 1948

MEMORANDUM FOR THE FILE

Mr. Corliss of the State Department advised me late yesterday afternoon that a letter from the State Department to the Treasury had been signed on May 21 referring to the inquiry received by the Federal Reserve Bank of New York from the Central Bank of Argentina concerning possible dates of shipment of gold from the United States to the Argentine. Mr. Corliss read me the letter which in substance requested the Treasury not to alter outstanding instructions which are preventing Argentine gold from leaving the U.S.

I was unable to reach Mr. Coe so I called Mr. Liddy of the Federal Reserve Bank of New York who had been waiting all day for advice as to what cable the Federal might send to Argentina, and told him that the Treasury had been requested by the State Department not to remove the ban on shipments of gold to Argentina. Mr. Liddy suggested that the Federal cable the Central Bank of Argentina that advice from Washington indicated that gold shipments would not be possible at this time. I told Liddy that such a cable would seem to me to be all right.

Michael J. Hoffman

This morning I showed Mr. White the letter received from the State Department and told him what I had done. Mr. White thought that my advice to the Federal was satisfactory.

cc: Messrs. Coe, Richards, O'Flaherty, Makovitz, Glasser, Southworth.

MJE:offman:er 5/28/48

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May 25, 1945

My dear Mr. Tsao:

I am glad to comply with your request for a message to the people of China.

The Chinese people have shown their steadfastness during eight years of resistance to the tyranny of an invader. That steadfastness has commanded the admiration of all who abhor aggression and injustice.

The American people rejoice in the long strides that have been taken toward victory in the Far East.

We look forward, as I know you do, toward even greater things in the year ahead and during succeeding years -- not merely complete military victory, but likewise the closer association that will add to the prosperity of China and of the United States and to the welfare of their friendly peoples.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Tsao Shu-ming
Diplomatic Correspondent
Chinese Central Daily News
2200 R Street, N. W.
Washington, D. C.

EDF:nmc

CENTRAL DAILY NEWS

(HEAD OFFICE, CHUNGKING, CHINA)

Room 6115, Palace Hotel
San Francisco, Calif.
May 21, 1945

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

My dear Mr. Morgenthau:

I have the honor and pleasure to inform you that next July 7th will mark the Eighth Anniversary of the Chinese war of resistance, under the inspired leadership of Generalissimo Chiang Kai-shek, against our common enemy, Japan. You will understand that this anniversary will have particular significance because of our recent complete victory over Germany, which leaves only Japan still to be defeated.

As you know, the Chinese have suffered more perhaps than any other people in the world during these eight years; yet they are still determined to fight shoulder to shoulder with the other Allies -- especially the American soldiers -- to see to it that final victory over Japan will be achieved as speedily as possible.

As the Washington representative of the official newspaper of the Chinese Government -- the Central Daily News of Chungking -- may I request you, Mr. Secretary, to address a kind message of encouragement to the Chinese people for publication in my newspaper on the occasion of this Eighth Anniversary, as well as later to be incorporated in book form as a lasting memorial to the cordial friendship existing between the United States and China. Also, I would ask that this message be sent to me at my Washington address, 2200 R Street, N.W., Washington, D.C., for transmission to China.

May I take this opportunity to thank you wholeheartedly on behalf of my people for the help, both moral and material, which the United States Government and its people have so kindly given to my country. Especially, I should like to express my great admiration for the successful efforts made by General Chennault and his boys of the Fourteenth Air Force on the one hand, and by General MacArthur and Admirals Nimitz and Halsey on the other, for our common cause. Also, I wish to express my profound thanks to General Stilwell and his men for their remarkable service in re-opening the Lido Road, that all-important supply line for China.

With best wishes, and looking forward to the pleasure of receiving your kind message at your early convenience, I remain

Very respectfully yours,

Tsao Shu-ming
Shu-ming Tsao
Diplomatic Correspondent
Chinese Central Daily News

BET-KF

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May 25, 1945

Lt. David Levy
Secretary Morgenthau

Could you get a Hooper rating on me for the night of the 13th that I spoke over all four chains, and also the night of the 14th on my talk from Buffalo? Let me have it if you can get it. Thank you. *Report in 4/28/45.*

May 28, 1945 -

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Phoned Pehle and told him the Secretary said he should work this suggestion out with Charles Bell.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE May 25, 1945

TO: Secretary Morgenthau
FROM: Lt. (jg) David Levy, USNR

In reply to your memorandum of May 25, no Hooper ratings were taken for the night of May 13 or May 14.

Hooper ratings are taken in the evenings between the first and the seventh of each month and between the fifteenth and the twenty-second. Daytime ratings are taken on the other days.

However, for your information, the latest combined Hooper (taken prior to the broadcast date of May 13) for the Sunday period from 8:30 to 9:00 P.M. on all four networks added up to 35.8.

The latest Hooper (taken prior to the broadcast date of May 14) for the Monday period from 10:00 to 10:30 P.M. on the Blue Network was 3.9.

(The latest Crossley was taken during the period of April 22 and May 6. There was no report taken between the 12th and the 18th of May. The report indicated a total four network Crossley for the 8:30 to 9:00 P.M. Sunday period of 33.2. The report indicated for the Blue Network Monday period from 10:00 to 10:30 P.M. a Crossley of 4.6.)

The audience on the four-network show was probably quite substantial and presumably would have maintained the ordinary high listening audience that the period regularly obtains.

The audience on the Monday night show was probably somewhat larger than indicated in the last Hooper and Crossley, because of the special promotion which was put behind the launching program.

David Levy

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE May 25, 1945

TO: Secretary Morgenthau
FROM: J. W. Pehle

A suggestion:

That your next monthly letter to all Treasury employees tell them about the tax evasion drive and your intense interest in the matter. The letter might indicate generally what the Treasury is doing and ask all employees for suggestions to be addressed to you personally or to some designated official.

I think it is important that all Treasury employees know of the drive and of your interest in it. We may get some good suggestions and a few leads from Treasury employees.

If such a letter is sent out, I think Jerry Kluttz should know about it.

J. W. Pehle

The Commissioner of Internal Revenue

May 25, 1945

MEMORANDUM TO THE SECRETARY

In accordance with your request, there are attached two memorandums pertaining to income tax evasion by three meat dealers. These cases are under active investigation.

Robert H. Newman Jr.
Commissioner

Continued on p. 2

Call r

May 25, 1945

MEMORANDUM

Since March 1943 the Bureau has had under investigation a case relating to the alleged evasion of taxes by the U. S. Packing Co. Inc. and its principal officers of Kansas City, Missouri. This corporation shipped meat to eastern purchasers and collected sums above ceiling prices. Thus far overceiling payments of \$247,833.20 have been determined to have been received by the officers of the corporation in 1943. Approximately \$50,000 of this money was not reported by the company but was diverted to the stockholders and officers who also failed to report it on their returns.

During October 1944 in the course of the investigation, the books of account of J. Spevak and Company, a wholesale and retail meat business in Baltimore, were examined and several journal entries noted whereby purchases were charged and accounts payable credited with various amounts totalling approximately \$80,000 during the year 1943. In explanation of these entries, Jacob Spevak, the sole proprietor, advised the special agent that they represented adjustments for amounts paid to the U. S. Packing Company for meats purchased from the latter company and that said amounts represented the "overage" or excess over established ceiling prices. Thereafter an investigation of alleged evasion of income taxes by Jacob Spevak was undertaken and it was found that since the inception of the Office of Price Administration and the placing of ceiling prices on meats, Mr. Spevak has operated in the "black market". Practically all sales are reported to have been made at overceiling prices and the "overage" in most instances, especially on sales made in the New York area, average approximately ten cents per pound.

Collections of "overages" in cash have been made by various employees of Mr. Spevak and sworn testimony of these employees indicates that their collections of overage money average between \$5,000 and \$10,000 per week, all of which was given to Spevak. This individual filed his 1944 income tax return on May 15, 1945, which shows a net income of approximately \$35,000 whereas the testimony already developed indicates that his black market collections during the year 1944 amounted to approximately \$400,000. These cases are under active investigation.

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On April 10, Jacob Spevak was indicted, the indictment containing 243 counts alleging sales of meat in excess of ceiling prices. On April 17, Jacob Spevak, the U. S. Packing Company and its officers were indicted. There were three indictments containing 142 counts alleging the purchase by Spevak and the sale by the U. S. Packing Company of meats and poultry at black market prices and conspiracy to violate the O.P.A. regulations.

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May 25, 1945

MEMORANDUM

On April 4, 1945, Berry T. Wright, a partner in the Wright Beef Company of Washington, D. C., was arrested on charges of accepting "side-payments" of from six to eight cents per pound on meats sold to local merchants. At the time of his arrest, a list bearing approximately 175 names of customers who allegedly accepted the "side-payment" system was taken from his person. Twenty-six of these merchants, according to Mr. Berueffy, Enforcement Chief of the local office of O.P.A., have testified before O.P.A. investigators and all except one admitted paying Wright overceiling prices. At a preliminary hearing held on April 18 before the United States Commissioner, Wright was bound over for grand jury action.

Wright was formerly employed by Witt and Company, a local meat distributing firm, which only recently was penalized for black market operations. As a result of this case, Witt and Company, its officials, and Wright were enjoined by an injunction issued by Matthew M. McGuire, Judge of the United States District Court for the District of Columbia, from selling rationed meats in excess of ceiling prices. As a consequence of the charges preferred against him on April 4, 1945, Judge McGuire has cited Wright for contempt of court. On May 9, 1945, he entered a plea of guilty to the contempt charge and is now awaiting imposition of sentence.

Since December 1, 1943, Wright Beef Company has secured the greater part of its supply of meats from the Weil Packing Company, Indianapolis, Indiana, and the Guggenheim Packing Company, Wichita, Kansas. Early in the life of the partnership, its weekly sales, of all types of meats, averaged about 110,000 pounds. Sales increased gradually during ensuing weeks to the point where weekly sales, during March 1945, averaged in excess of 240,000 pounds.

Investigation of the income tax liability of this individual for the years 1943, 1944 and the period January 1 to April 21, 1945, has been completed and reports are being prepared.

Berry T. Wright contends that he, alone, was responsible for collecting the "over ceiling" monies; that Samuel Seigel, his partner, had nothing to do with the black market phase of the business; and that he (Wright) did not retain all of the overceiling collections. Mr. Wright inferred that the greater portion of these monies was handed to the partnership's suppliers. However, to date he has failed to meet his promise to produce acceptable proof of the facts and circumstances attendant to the overceiling payments he alleges were made by the venture to its suppliers. In view of Mr. Wright's contention, and since no proof to the contrary is had, the overceiling payments collected from the partnership's customers have been taxed to him. In view of the fact that Mr. Wright is known to have dissipated the greater part of his earnings from the meat business within the past two years, the revenue agent in his report is recommending that Mr. Wright's tax year be terminated as of April 21, 1945.

Data has been secured tending to indicate that Wright collected six and eight cents per pound, respectively, on all beef and veal sold by his firm since January 1, 1944. Adjustments to his taxable incomes for the years 1943 and 1944 indicate approximate tax deficiencies in the amounts of \$6,000 and \$400,000, respectively. His liability for the period terminated at April 21, 1945, will be in excess of \$100,000. The examining officers are of the opinion that sufficient evidence is possessed to support assertion of the fraud penalty with respect to the years 1943 and 1944. Prosecution will be recommended.

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May 25, 1945

John Pehle

Secretary Morgenthau

If my memory serves me right in one of the recent reports, there was a very important black market liquor case which we've just broken in Chicago running into very large figures. I might want to use that in my next press conference. You might look into it and get me the facts.

*Pehle says he reported
to Hooper on this.*

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date

TO Secretary Morgenthau

25 May 1945

FROM Mr. Gaston

George Dixon is willing to make a correction on the counterfeit story in which your name is used, but I doubt there is any point to it for it merely calls attention to the incident again. Captain Houghton may have told this distorted version of the story some years ago since he is quite a loquacious fellow. Dixon says he got it from a Philadelphia reporter, but the fact is that Houghton has not worked in Philadelphia for more than ten years. He went to New York in 1934 and to Pittsburgh in 1937 and was retired in 1941. The latest address we have is Long Beach, California.

WES

Times Herald
MAY 26 1947

WASHINGTON SCENE By GEORGE DIXON

WILLIAM H. HOUGHTON, who retired recently as Secret Service head in Philadelphia, was reminiscing the other night. Somebody asked what he considered his most unusual experience.

"The time we grabbed Henry Morgenthau for passing counterfeit money!" he returned blandly.

Well, everybody did a double-take and one of the party re-

sented in violently he spurted a mouthful of soup six feet.

"I mean it," said Mr. Houghton.

"We got a frenzied call from a storekeeper in mid-

town Philly one afternoon. It was babbling that a tall sus-

picious-looking character, undoubtedly a

dangerous criminal, had just handed him a phony \$25 bill. He said he was stalling him until

we arrived.

"We raced through Philadelphia's narrow streets from the Federal Building and sur-

rounded the store. There was some talk of pulling guns, but I decided against it.

"However, we went into the establishment very much on the alert, ready to draw at the first

false move. The storekeeper pointed out the queer-shaver, and there we were—face to face with Henry Morgenthau!"

Mr. HOUGHTON said that the Secretary of the Treasury—who incidentally is also boss of the Secret Service—had become somewhat impatient. When informed he had tried to pass a phony \$25 bill also became perturbed.

"But that isn't all," added Mr. Houghton. "We chased the thing back and found that Mr. Morgenthau had been given the counterfeit bill right in the Treasury itself—when he cashed his pay check!"

MRS. MAORI MCNEELIS, the beautiful New York broadcaster, made this crack over WEAF the other day:

"My favorite Washington columnist, George Dixon, was in town over the week end and, watch, he was at Toots Shor's the entire time."

I was not. I went out a couple of times to get Mr. Shor a sandwich and a container of coffee.

YOU will recall that when the President's 52-year-old mother, Mrs. Martha Truman, arrived here after her first airplane ride and found a big reception waiting, she snapped:

"Fiddlesticks!"

I thought nothing of it at the time because the expletive was not new to me. I had a grandmother who used to say it at the tug of a puffed



shirt. But somehow this time I couldn't get it out of my head: kept wondering where the thing originated, and how.

The upshot was that our research squad went to work and here's what we found:

The earliest apparent use was by William Shakespeare, whom, I am informed, was in the writing business, too. He dashed it off in 1598 in Henry IV, act II, scene 4, line 239:

"The devil rides upon a fiddlestick!"

This Shakespeare, who seems to have been considered pretty fair in his time, apparently had a lot of mugs trying to steal his stuff. In 1833 a party with the improbable name of Isaac Walton—apparently a leader who did nothing but go fishing—wrote a thing called "The Compleat Angler."

My guess is that he must have been also a pretty competent heel, because he said to a fellow: "I bet you indeed my fiddle but indeed not my fiddlestick." What he figured the fellow was going to do with a fiddle and no stick is beyond me.

The thing seems to have been kicked around by various parties, including Thackeray, who observed in "Ticky Toby's Lecture," written in 1842:

"Do you suppose men so easily change their natures? Fiddlesticks!"

However, we were unable to find how it came to be said or how it got its accepted meaning—beyond the fact that a fiddle is considered little

good without a stick, or vice versa—unless you want to use the latter for parting your hair. The dictionary merely says:

"Fiddlestick (thamorous); something absurd. Not to care a fiddlestick, which means not to care at all."

Why couldn't the President's mother have saved me all this trouble by being up-to-date and just saying "Nuts!"

THE other day, on behalf of the clothing ap-

peal, Mrs. Roosevelt observed that Alaska had sent in 262,396

with a population of 2,832,061 had sent in 262,396

clothing, while Alaska with a population of

only 12,594 had sent in 22,800 pounds.

A lady of my acquaintance—she is, too, a

lady—commented: "I think—in the interests of simple fairness to the great

State of Alaska—Mrs. Roosevelt should have pointed out that sealatin

canines, rinsed in whale blubber, weigh considerably more than their Southern canine counterparts—I mean counterparts."

(Continued by Mrs. Frances Goodrich, Representative in House of Representatives)



WAR DEPARTMENT

WFO-A 201 Loughry, Howard K. WASHINGTON
(14 May 45)

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MAY 25 1945

The Honorable

The Secretary of Treasury

Dear Mr. Secretary:

It was very kind of you to send me your thoughtful letter of 14 May 1945, in which you express your appreciation for the service rendered by Major General Howard K. Loughry, Acting Chief of Finance, in connection with the Treasury's war finance program.

I am having a copy of your letter forwarded to General Loughry and know that he will appreciate very deeply your kind remarks.

Sincerely yours,

Henry L. Stimson

Secretary of War



May 25, 1945
JH
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SUMMARY OF FINDINGS IN THE INVESTIGATION OF THE
FRENCH BRANCH OF THE CHASE BANK

The investigation by Foreign Funds Control of the activities of the French branches of the Chase Bank has been completed both in France and New York.

A summary of the significant facts, some of which had been reported from time to time and which were developed during the course of our investigation, follows:

FINDINGS

1. Like most other American banks, shortly before the German entry into Paris, Chase established a branch in unoccupied France at Chateauf. At least until September, 1942, the home office maintained contact with the Paris office and was informed of major developments through the branch in Chateauf.

2. When Paris was occupied, the Paris office, then under the guidance of an American citizen, Mr. S. P. Bailey, commenced to liquidate under instructions from the Home Office. In February 1941, Bailey left Paris and Carlos Niedermann, a Swiss citizen, assumed charge of the office. In June 1941, the home office confirmed Niedermann's joint signing powers, as well as those of other Chase officials in France.

3. Prior to Niedermann's taking over, Siegfried Stern, a vice-president and a senior officer of the foreign department, was made fully aware of Niedermann's readiness to adjust himself to the situation brought about by the German victory in France and his willingness to collaborate with the Germans in their plans for a "New Europe."

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4. In August of 1941 the home office criticized the slowness of the Paris office in reducing its active accounts.

5. In December of 1941 Bertrand, the manager in charge of the Chateauf office, expressed to Stern his uneasiness with respect to the activities of Niedermann, particularly in his failure to carry out instructions for reduction of accounts. Stern was also urged by Bertrand to impose some restrictions on the powers of Niedermann. Stern took no action but on the contrary reminded Chateauf in February 1942 that any step taken at this time to curb Niedermann, while possibly amply justified by certain facts, might nevertheless react against Chase's best interests, as Chase is dealing "not with a theory, but with a situation."

6. Shortly after the appointment of a German administrator in May 1942 Niedermann reported to Stern via Chateauf that this administrator regarded the bank in "very special esteem" and that the Chase bank enjoys "special prestige" owing to the international activities of the head office and the pleasant relations which the Paris branch has been maintaining with many of their (German) local organizations and high officers. The German administrator, Niedermann reported, reinstated the powers of the Chase officials which had been suspended as a result of the administrator's appointment. The manager of the Chateauf office continued to warn Stern. In June 1942 Stern was advised that Niedermann was collaborating to an increasing degree with the German administrator. Niedermann was reported as wishing to "again resume a banking activity as extended as possible."

7. The cable facilities to Chateauf to give instructions to Niedermann via Chateauf concerning his collaborationist activities were available during this time.

8. By letter dated June 16, 1942, Stern advised the State Department that the home office had been informed by Chateauf that Caesar, the new German administrator was pressing Niedermann to centralize in the Paris office, all

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deposits, securities and general records of the branches in France and to bring about a resumption of general banking activity by the Paris branch. Stern cabled to Chateaufort on June 18, 1942 that the home office could not give approval to the "returning to Paris accounts and securities now in free zone. We count on you and Counsel to enlist cooperation of competent French authorities and American Embassy in defense of all deposits and property now held in free zone." The transfer of assets to Paris was successfully resisted. Stern did not give instructions with respect to resumption of general banking activity in Paris.

9. In September 1942 the home office advised Treasury and State Departments that the Paris branch was under pressure from the German administrator to increase its deposits with the assistance of the administrator. Upon receipt of this information State Department cabled the American Embassy in Vichy requesting it to consult with Bertrand, the manager of the Chateaufort office of Chase.

10. Bertrand, who had been in touch with the Embassy at Vichy with respect to matters concerning General Ruling No. 11, did not reveal the pressure exerted by the German administrator of the Paris office until in September 1942 he was confronted with a copy of a circular letter addressed to former French clients by the Paris branch. This letter solicited new business from these old clients.

11. The Paris branch remained open throughout the entire period of German occupation. In the first year of Caesar's administration, from May 1942 to May 1943, the Paris office virtually doubled its deposits. Old customers of Chase, Paris, were solicited to increase their deposits. Caesar, the German Administrator, arranged the deposit of German controlled funds of some 15,500,000 French francs with Chase, Paris, to assist that office in meeting its operating expenses.

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12. The following table shows the increase in ordinary customer deposits (exclusive of the special deposits arranged by Caesar) of Chase, Paris during the period when it was under Caesar's administration.

Deposits in Paris Branch
(in thousands of French francs)

Date	Ordinary Customer Deposits
April 30, 1942	14,000
Dec. 31, 1942	20,500
Dec. 31, 1943	34,300
Aug. 10, 1944	51,300

13. In May, 1942, the Paris Branch advised the Deutsch-Suedamerikanische Bank, Berlin, that certain instructions of the latter had been carried out and that the Paris Branch "are at your disposal to continue to undertake the execution of banking affairs in France for your friends as well as for yourselves...."

14. In 1942, while part of France was still "unoccupied," Chase in Paris via Chateaufort was acting as an intermediary between the German Overseas Bank in Berlin and its branches in Brazil and Chile in transmitting to Berlin instructions, transfers, orders, statements and the like. This was done at a time when Brazil was at war with Germany and their censorship as well as ours prohibited such communications, not only because they were destined for Berlin, but the branches themselves were on the Allied "black lists."

15. In numerous instances, securities and funds were transferred from the Chateaufort office to Germany and to German-occupied territory outside of France. These transfers, which are known to have occurred at least during the spring and summer of 1942, required the approval of the Vichy authorities. Chase, Chateaufort, took active steps to obtain the necessary authorizations.

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16. The Paris office offered its services or expressed the hope that it would soon be in a position to do so, for handling the business in France of several banks in Germany and one in Hungary.

17. In connection with several accounts which the Paris Branch maintained on behalf of the German Embassy throughout the occupation, it expressed its willingness and desire to service the German Embassy. As a result, in 1944, the German Embassy favored Chase to handle a 6,000,000 franc deposit in connection with a transaction on behalf of the German Embassy.

May 25, 1945

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May 25, 1945

MEMORANDUM FOR FILES

I called up David Levy at 8:00 this morning and told him I would like to have him find out who is going to get the medals of honor posthumously for the next couple of weeks. I would like to do a radio show along the lines of "A Medal for Benny", and have the President authorize me to present this medal to a Benny somewhere - some poor family that produced a Benny like the picture and get Steinbeck to do the radio script. In other words, try to do on the air what Steinbeck did in the movies.

Levy likes it very much and he is going to get right on it.

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May 25, 1945

John Pehle

Secretary Morgenthau

I wish you would look up the National Planning Association - National Planning Board and what work they are doing. It seems to me that it would be a good thing for me to make a recommendation to President Truman that he appoint a Board to prepare plans for him for the postwar on the whole question of readjustment. I wish you would think about it, talk about it and see what you could work up for me. *Memo in - file*

MEMORANDUM FOR THE SECRETARY

May 25, 1945.

Mail Report

The recent up-swing in mail reached its peak last Saturday and Monday; then receipts tapered off slowly during the rest of the week. It was, however, a most interesting week, for the new Roosevelt dime and bond announced by the Treasury stirred up unusually sharp reactions. The new dime fared worse than the bond at the hands of our correspondents, with 23 out of a total of 56 objecting vigorously to its issuance. The more restrained opponents argued that it should not be minted until President Roosevelt has stood the test of time. The tenor of the unrestrained anonymous or signed communications was that no reminder of any sort of F.D.R. is desired. Several of those who favored the dime offered phrases for its inscription or submitted sketches of designs.

The Roosevelt bond had outright opposition from only 8 of 63 correspondents; however, 9 others said that a denomination of \$250 is too high, and suggested instead denominations ranging from \$10 to \$100. One-third of those submitting slogans for the bond selected, "We have nothing to fear but fear itself", and the other two-thirds ranged over a variety of quotations, with "My Friends" and the closing sentence of the Jefferson Day address among the most popular.

Other bond mail followed its usual course, with many routine inquiries - including 20 about Adjusted Service Bonds. Again there were numbers of promotional ideas for the Seventh Drive, and also 4 for the Eighth Drive which were not connected with the special bond to be issued. There were very few complaints from families of service men whose bonds had not been received, but there was a small increase in the number who reported that interest on bonds was overdue.

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Memorandum for the Secretary.

May 25, 1945.

In tax mail, which was again quite light, excess profits taxes came in for more than usual comment. Now and then there was a request for issuance of excess profits tax bonds long overdue, and two Chambers of Commerce presented resolutions asking that exemptions be raised from \$10,000 to \$25,000.

Half a dozen writers objected to the cordial treatment of Nazi prisoners, and there was occasional opposition to continuation of lend-lease, to the Congressional raise of \$2,500, and to OPA restrictions. Six contributions were received this week, ranging from \$5.00 to \$53.50.

Arthur E. Forbush

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General Comments

Merold E. Westphal, Minister, Immanuel Presbyterian Church, Evansville, Indiana. The death of the late President brought as great relief to me as the glorious victory in Europe, which the late President personally prolonged. America can never recover nor escape from the damnable influence Roosevelt injected into the bloodstream of American life. Now today's paper reports that the nation is to be cursed by having the image of that wicked man placed on the new dime. What next! Will the picture of Hitler or Il Duce be printed on the next War Bonds? * * * The time will come when America will pay for her folly and blind worship of Roosevelt. There was a time when people worshipped Mussolini and Hitler. Now that they see them unmasked, how do they feel? When the truth of the Rooseveltian dictatorship, the aftermath of war, the high taxes, the destruction of American Government, and all the bills come due, America will hate and hiss every time the name of our dictator is mentioned -- just as the disillusioned people of tragic Europe. * * * All the War Bonds are going to become worthless. A revolutionary government is going to overthrow this government and will repudiate all obligations and treaties. We are living in dark days. . . . etc!

Mrs. Daniel Becker, St. Louis, Missouri. I would like to protest against placing the likeness of Franklin D. Roosevelt on the U. S. coin as mentioned in the St. Louis Post-Dispatch of this evening. I think it shows extremely poor taste. Place it on postage stamps or War Bonds or bills, but not on a coin. You should wait at least a hundred years for that. I don't believe that he himself would care much for the idea if he knew. This country is a Republic and I have always been proud of its government as such, but to put F.D.R.'s likeness on a coin so soon would make it seem like a monarchy to me.

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"Just One of the Tired Ones", Seaside Hotel, Atlantic City. Headlines in papers stress that we are to have a stamp with Roosevelt's picture, a dime to have it, and also a bond issue. Why not have the stars removed from the flag and insert his picture? That would be the crowning glory. Why not let the dead rest and the weary public also?

Mrs. John Herstead, Scotts Bluff, Nebraska. I think putting Roosevelt's likeness on the dime is premature. Some of you act like you are afraid to let time be the judge. He'll be honored plenty -- the same as Lincoln, etc., if he stands the test of time.

Mr. Abe Fortas, Acting Secretary of the Interior, Washington, D. C. The records of this office indicate that Mr. and Mrs. Hansen were interned in the Philippines as stated in his letter, and if the circumstances of the sale of his property are as related by him, it would appear that he has, through no fault of his own, suffered a serious loss.

The following letter, addressed to Mr. Francis B. Sayre, former U. S. High Commissioner to the Philippine Islands, by Mr. Mayer G. Hansen, Minneapolis, Minn., was forwarded to the Secretary by Mr. Fortas: "My wife and I have recently returned from the Philippines where we have been held as prisoners of the Japs for the past three years and two months in the Santo Tomas Internment Camp in Manila. Immediately upon arrival in the United States, I went to Los Angeles to clear a shipment of goods which we had sent to the States before the start of the war, to be held in a U. S. Bonded Warehouse pending our return. There I learned that the United States Customs Service had sold our belongings in December, 1942, because of our 'failure to appear' to claim the goods. This was indeed a blow. In Manila the Japanese confiscated our car and furniture and other personal belongings. That was by enemy action and is understandable. But to think that the United States

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Government, through the Customs Department, would sell out the possessions of American citizens is beyond my conception. Many of the items are museum pieces. Things that can never be replaced or repurchased. Things that took months and considerable money and effort to acquire. These were things we shipped back to the United States for safekeeping. Many pieces were ancient and will never be made again. *** On Jan. 5, 1942, my wife and I were sent to the Santo Tomas Internment Camp in Manila and there held until the United States Forces recaptured the Concentration Camp on Feb. 3, 1945. During this period we were held incommunicado and there was no possibility of sending word to the United States. In view of this fact, which was known in the United States, it is impossible to understand why the shipment would be sold by anyone, let alone the United States Customs Service or any Government Bureau. Berkins Van and Storage Company continued the storage of other goods for us through this period, without payment, and stated (through Mr. T. O. Shank, manager of the storage department) that they had advised Mr. N. B. Ruggles of the U. S. Customs Service in Los Angeles that we were in the Philippines. Had we been able to return to the United States, we would have promptly taken up the shipment and saved the duty of \$158.78, as we come under the classification of 'returning non-residents'. What we would like is the complete return of the goods, rather than the appraised price or surplus and duty. Mr. Ruggles has a record showing names and addresses of the persons who acquired the goods. I received the names of seven people and the addresses of four of these. I feel sure that if you intercede for me, that the goods can be traced down and acquired. In my opinion, the United States Government should buy and return the goods to me. Would you kindly give me your help and advise me what can and should be done?

C. D. Wenger, Grower and Shipper of Apples, Harrisonburg, Virginia. Your Roosevelt Dime will not very likely meet with greater and more universal disfavor than did your pesky platinum penny. But why an

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American, or a 51% American, should move to haul down the insignia of liberty in a day like this that the world is in is beyond my comprehension.

Billy W. Torbert, Thomaston, Georgia. *** I would like to suggest that the back side of the Roosevelt dime bear a replica of the Little White House which is located at Warm Springs, Georgia, and at which place the late President passed away. The appearance of the Little White House on the new ten-cent piece would serve as a lasting memorial to Franklin D. Roosevelt and I think it would be fitting, as the late President spent so many pleasurable days in Georgia. ***

Harry N. Strouss, Chicago, Illinois. I think that it is only fitting and proper to honor our late President as you have designated by the enclosed clipping, and I would like to take the liberty of suggesting a quotation to accompany said likeness of President Roosevelt -- HE DIED FOR FREEDOM.

"A War Mother" -- Postmarked Belleville, Illinois. *** Has it actually come to this -- that Roosevelt means more to you guys than Liberty itself? Liberty should be an emblem forever. That is what our nation means to us and to millions of us. F.D.R. means debts, squandering, and loose morals. Are you subjecting us to that? My only son and others are fighting for Liberty and not for F.D.R. It is an insult to our boys who fought Liberty's cause to remove the Liberty head from a coin in favor of F.D.R. ***

Mrs. Irene Boswell, Columbia, South Carolina. I would suggest "Freedom From Want Or Fear" should be on the Roosevelt dime - or - "March of Dimes". Roosevelt gave us Warm Springs; Hitler gave us Concentration Camps. The way of a righteous man and the way of an ungodly man. I pray to be more like F.D.R. and call everyone my friend.

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Mrs. Dora Kizun, Brooklyn, New York. Enclosed you will find part of a five dollar bill. The missing part was destroyed by the children. If it can't be replaced, kindly return this part as we would like to hold it for a souvenir denoting the fact that the child ate the missing half.

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Special Comments on the Roosevelt Memorial Bond

Mary M. Allen, The Book Shop, Philadelphia, Pa. We - the twenty-five dollar bond holders - are the ones who put our Dear President Roosevelt in four times and we want his face on a twenty-five dollar bond - not on a two hundred dollar bond. The two hundreds did not put him in. We, the poor people did.

Nomoe Silverman, Brooklyn, New York. I read of your intention to issue a Roosevelt Bond of \$250 denomination. This bond would be out of reach of the so-called "poor man" who also loved the late President. I am the ten-year old child who wrote to you last week suggesting that a \$25 Roosevelt Bond be issued so I could sell them to all the children in school and be able to buy them myself. Please answer whether I should continue saving for this lower priced bond.

Miss Etta E. Solomons, New York City. * * * I heartily approve the idea that Franklin D. Roosevelt's likeness will appear on the new dimes because it will be a cherished possession of millions of admirers of Mr. Roosevelt to whom he was the beacon of light. As to the forthcoming bonds, I wish to offer a suggestion. Instead of the bonds to bear Mr. Roosevelt's likeness be \$250.00, this likeness should be on the \$18.75 bonds for the reason that then the millions of the poor who were closest and dearest to the heart of our great President will be financially able to purchase these bonds and also consider it a great privilege. I am one of these millions. * * *

Lt. Jesse V. Newman, Ft. George G. Meade, Maryland. * * * I believe \$250.00 is too high for this bond. As our late President thought in terms of the welfare

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of the poor or ordinary person, I believe it would be more fitting and appropriate to make this bond a rather small one, one that is within the reach of the common people. * * * It is believed that the poor people, or ones with modest means, would be the ones most interested in obtaining these as they would sort of feel they were doing something in memory of one we all thought a lot of. Therefore I recommend that this bond be: \$20.00 maturity value with a \$15.00 purchase price, inscribed, "We have nothing to fear".

Ann Mallin O'Malley, Corona, Long Island, New York. I read with delight the news item in The New York Times stating the new dime will bear the likeness of our late President, Franklin Delano Roosevelt. * * * The news item indicated a new \$250.00 denomination of E Bonds, containing President Roosevelt's picture might be issued. Since, during his entire tenure in office, President Roosevelt believed in the greatest good for the greatest number, I think it would do him greater honor to put his picture on the \$25.00 Bond. Persons who can afford to buy a \$250 Bond can also spend another \$18.75 for a \$25.00 Bond. However, many of the so-called "common people", who I believe were largely responsible for returning him to his high office each time, cannot afford - even though it might be their heart's desire, to buy a \$250 Bond, but almost all of them can afford to buy a \$25.00 Bond. * * * May I close with a nosegay and say I think you have really done a "job" as Secretary of the Treasury - and thank you very much.

Mr. Stein, Los Angeles, California. If you want to sell bonds to all of us, back up on the partisan stuff. We do not want Roosevelt's picture on our bonds and you had better not force us to use R. dimes exclusively. * * * Lots of prospective buyers have told me they will not buy bonds if you make them Roosevelt Bonds. He was in office years too long and we do not

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intend to have him pushed on us any longer. He made sure of a memorial to himself by saddling the taxpayers with the Hyde Park affair. That is more than enough, considering the mess he left us to pay.

Mrs. Clarence J. Butscher, New Orleans, Louisiana. I know you are very busy with matters of grave importance, but I surely would thank your secretary if he disturbed you long enough to read this letter which is really one of gratitude on my part for our dearly beloved late President. It was President Roosevelt, through the NYA, who enabled me to acquire a college education. Again, it was he, through his Federal Teaching and Federal Writers' Projects, respectively, that gave me the "break" for my first job. (No one else would consider me because of my lack of experience.) We live in a Federal Housing Project, sponsored by the Honorable Mr. Roosevelt, and my husband and I were allowed the privilege of marrying and rearing a family, even in wartime because of our late President's unusually fair method of Selective Service. Now, by way of gratitude, in spite of the fact that you have offered a personal award of a \$100 Bond to Washington newspapermen only (why only they?) for a suitable Rooseveltian utterance, may I offer the suggestion that it be Mr. Roosevelt's immortal -- "The only thing we have to fear is fear itself". That is the phrase that licked the depression, that won two-thirds of the war, and that will carry on to the end. It is as typically Roosevelt as "To Save is To Have" is Franklin. * * *

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Favorable Comments on Bonds

H. W. Spicer, Office of the State Chairman, War Finance Committee, Millburn, New Jersey. Your letter of the 9th instant was duly received and I thank you for it. When one of the partners of J. P. Morgan & Company requested me to take care of the 3rd War Loan, I did not realize what a wonderful experience was in store for me. I came to understand better what a great people you are. Being a retired British Marine Underwriter, I felt that the least one of your Allies (I am still a British Citizen) could do was to throw his full weight into this work which I hope to continue until the little yellow men are put where they belong. * * * For one carrying so many onerous burdens of state, it is very generous of you to take out the time to acknowledge the work we are doing, and on behalf of our many workers, I wish to express their gratitude for your courtesy.

J. Robert Ramsey, Chairman, Houston County War Bond Committee, Dothan, Alabama. * * * The show, "Here's Your Infantry", is one of the finest exhibitions that I have ever seen, and I have had numbers of people to tell me the same thing. * * * Heretofore we have read about the war in the papers, magazines, etc., but have not seen anything first-hand and could not get a real conception of what the boys actually go through, but this show gave us that conception. In the opinion of my workers and I, this show has done more for the 7th War Loan than anything else that we have had, or anything else that we probably will have. Of course, there is no way to accurately state how many bonds the show will help us to sell, but my estimate is \$75,000.00. I want to personally thank you for any assistance that you have given in sending this show to us. It was a perfect exhibition from beginning to end.

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Unfavorable Comments on Bonds

Anonymous - We can't have sugar, meats, cigarettes, tires, gasoline, autos, ice for vegetable shipments, and more... We are milked for benefit of European ingrates. We can't do this - we can't do that. We can have plenty of interference from worthless and expensive Government bureaus, manned by immature Hitlers, incompetents, nincompoops. We can have plenty of waste, and in Government spending. We can be held up for high taxes to pay costs of waste, incompetence, and worse, hoodlums are taking advantage of honest folks. People are fools to buy War Bonds as long as such conditions exist. Fight the crooks - don't help them.

"Little Fellow" - postmarked Philadelphia, Pennsylvania. Sends newspaper clipping, "Senate Unit Approves \$2500 Congress Raise", with the following comment: "Is this why I am compelled to pay such high income tax? Is this why I am being told to buy more and more War Bonds?"

Senator James M. Mead, Washington, D. C., transmits the following letter which he has received from John A. Bach, Syracuse, New York: "On April 19, 1945, I mailed in my U. S. Adjusted Service Certificate #916902 for redemption for the amount of \$230.00, and they wrote back that there would not be any interest on the certificate, but would have received the interest if the certificate had been changed to bonds in 1936, but no one notified me to change, and today in the paper there is the notice that the \$50.00 bonds are being redeemed for \$63.50, so am asking that you look into the thing and see that the fair thing is done to all, as I do not believe it is right for any to lose out on a thing like that.

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Favorable Comments on Taxation

Letter addressed to the President by Albert Kyselko, Norfolk, Virginia, and referred to the Treasury for handling -- "I approve of your no tax cuts program. More power to you. Our Government should not be dominated by the squealing pigs."

Letter addressed to the President by Mrs. Charles Foster, Evansville, Indiana, and referred to the Treasury -- " * * * Everyone, of course, is interested in the prospect of reduced taxes, and by the economies in Government expense which you have already instituted and planned for eliminating many unnecessary bureaus and expenses, keeping in mind, however, the ones that serve a real purpose, it is certain that at the right time in the future, this can be accomplished. While I understand it will be impossible to reduce taxes for the duration, and I do heartily agree with this idea and would rather see a continuation of high taxes now and for a time, as with the increased earnings of so many this would be the time that such taxes would be easier to collect, I am sure that a reasonable extended period of higher taxes, and with your plans for continued economies, as they can be made, that it will create a good feeling of security among the people in general, of both parties. * * * "

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Unfavorable Comments on Taxation

The following communications have been received by the President and referred to the Treasury for handling:

Philip Martsolf, Rochester, Pennsylvania. In yesterday's paper there appeared a statement that you are against any reduction in income taxes. We give the following reasons why there must be a reduction in income taxes: (1) There was a definite promise made by each political party before the election in November 1944 for an immediate reduction in income taxes after V-E Day. (2) Senator George, several months ago, stated that in order to live up to the promises of both political parties, made prior to the November 1944 election, a reduction of at least 10% should be made immediately after V-E Day. (3) The action of the House of Representatives recently in passing for themselves an additional expense account, tax free, of \$2,500.00 per year. This is definitely an admission that the income tax is too high for the members of the House of Representatives. If it is too high for them, it is too high for everybody else. * * * Personally, I made only one resolution in January, 1945. This resolution was that hereafter my vote shall be given to the man, regardless of the party, who definitely reduces my tax liability. This includes all forms of taxation. This also means that my vote will be given to a man who actually performs the reduction instead of any promises which he or she might make.

J. Blair Sutton, President, Sutton Engraving Company, Bellefonte, Pennsylvania. (Telegram) Hope you will urge passage of 25,000 dollars exemption before excess profit taxes to save small business. Our company an example of destructiveness of present law and interpretation. We can earn in normal times 75,000 to 100,000

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dollars a year. Pittsburgh Tax Examining Board have notified us that they intend to reduce our invested capital so that the maximum we can earn in any given year will be 9,000 dollars reaching excess profit tax brackets. This notice to us is in connection with the examination of our 1941 taxes. 1940 was passed without question. Our business since the beginning of the war has been only increased demand for our own products. Tax penalty due to reduction in invested capital retroactive to and including 1941 amounts, without interest, to over 40,000 dollars.

Mrs. E. R. Tatge, West Englewood, New Jersey. * * * According to a press conference this morning you state that there is to be no cut in taxes until after V-J Day. Naturally, since we have a seventeen year old son, we're more than interested in an early V-J Day. However, what relief is there to be for the person with a "frozen" salary who, so far, has managed on past savings? * * * Who wants to lose a home after owning one for twenty years? If taxes stay up and salaries remain "frozen", that's what will happen. We don't mean to complain; we are happy to sacrifice. Sure, we gave up vacations four years ago -- we're glad to! My husband has served on the local Ration Board for over two years. He's now also serving on town committee for service to returning Veterans. We vote conscientiously and try to be good Americans and endeavor to raise our son as such. We're only one family. Most all our acquaintances are such forgotten families. * * *

(End of Comments from White House Mail)

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Henry Z. Walck, Vice President, Oxford University Press, New York City. May I suggest that the policy of making claims against foreign citizens for additional 1940 and 1941 taxes is costing the United States more in good will with these foreign nations than it is returning to the Treasury in income. Inasmuch as many of them are authors and helping to formulate public opinion in their respective countries, it seems to me quite important. The additional taxes arise through no fault of the taxpayer or the withholding agent, or, for that matter, I suppose, the Treasury, who is charged with the responsibility for operating what I consider an unfortunate law. It so happens that I was in England in February and tried to explain this matter to one of our authors, Percy A. Scholes, and did obtain his authorization to pay these additional amounts, \$66.73 for 1940 and \$80.67 for 1941. I am afraid I was never successful in making him understand how this additional liability was incurred. Yesterday I received an additional billing to Percy A. Scholes in the total amount of \$28.38 for interest. I would much rather have our company pay this than to attend to explaining it to Dr. Scholes, and this we are doing. I thought you might look into the situation. It is quite possible that the relatively few dollars that you will collect on these 1940 and 1941 taxes may undo a great deal of the work our State Department has been doing.

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

DIVISION OF 127
CENTRAL SERVICES
TELEGRAPH SECTION

MES-986

DEPARTMENT OF STATE

MAY 26 1945

GC.L
LIAISON OFFICE

PLAIN

Chungking via Navy

Dated May 25, 1945

Rec'd. 1:12 p.m.

Secretary of State,

Washington.

Unnumbered, Twenty-fifth

Following is text of Central News report issued May
17 at Chungking:

"A proposal to utilize the US dollars 300 million Chinese deposits frozen in American banks for carrying on China's war of resistance and nation building, made by Gen Ho Ying-Chin, CEC member and 46 others, was passed at yesterday morning's general meeting of the Sixth National KMT Congress. According to the measures suggested in the proposal, the Chinese GOVT will request the US GOVT to supply full particulars regarding the amount of the frozen deposits and the names of the depositors. The list of names will be promulgated by either the Chinese GOVT or the American GOVT while the cash will be diverted to the national coffer to meet urgent needs in the war of resistance. The GOVT will confiscate the whole amount of the deposits if the depositors are found to be traitors, corrupt GOVT officials, profiteering merchants or notorious. If the deposits

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-2- #Unnumbered, Twenty-fifth, from Chungking via Navy deposits are of proper nature land owners, they will be borrowed by the GOVT either in part or in (*) and will be redeemed by installments after the war".

According to report on foregoing issued May 18 by Chungking SHANG WU JIH PAO (Commercial Daily News), The Congress resolved that proposal be forwarded to National GOVT for immediate consideration and rigid enforcement. While no editorial comment has yet appeared this proposal in local papers, the Chungking TA KUNG WAN PAO on May 8 predicted that such a proposal would be made and recalled that a similar proposal was made in Sept 199 by the Peoples Political Council but that no action had been taken by the Chinese GOVT officials concerned. The Chungking SHEN CHIES JIS PAO May 12 declared that deposits equivalent to US dollars 300 million were not held solely in American banks but also banks in Britain and South American countries.

HURLEY

JT

(*) apparent omission

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
 TO: Secretary of State, Washington
 DATED: May 25, 1945
 SUBJECT: 2898

SECRET

Please refer to cable from the Legation dated April 25, Number 2437.

With regard to refugee dollars, as outlined in Department's cable dated February 28, Number 886, the Federal Political Department has now advised the Legation that with the minor alteration hereafter specified it is prepared to accept our proposal. Drafts of circular and questionnaire were presented by it which are now being sent to refugees from Axis countries, with minor changes suggested by the Legation. The questionnaires upon completion will be returned to the Banque Populaire Suisse and submitted to the Legation for approval thereafter, and for this month first payments are planned. Complete data regarding individual refugees is contained in the questionnaire in order that the Legation may give consideration to each case and indicate to the Swiss its decision in the matter.

(1) It is not practicable the Federal Police Department claims to enter amounts currency surrendered by refugees and the amounts purchased subsequently by NPS in passports or other identity documents which are of the most miscellaneous type. The refugees require their identification papers with them at all times, in order that they may draw ration cards and for other purposes, the Federal Police Department points out, and it would not be to their interest to have to send them each month to Bern in order for them for them to receive their allowances. Therefore the Political Department proposes that a full record of each account which would be available to the Legation at all times be kept by NPS.

(2) The question as to whether these refugees departing from Switzerland at present could not be permitted to take dollar notes with them, which upon entry they had deposited, has been brought up by the Political Department. In view of the fact that many of the refugees lack other means, the Swiss are reluctant to act as depository of these dollar notes, and they foresee that the Swiss will be blamed for permitting departure without money if the refugees are not allowed to take their money along with them. It was pointed out in reply that if the refugees now departing were allowed to take such dollar notes along with them, this would represent derogation from the March 2 Federal decree which forbids export of foreign currencies and that the matter would have to be referred to the Department for decision in any event. (In this connection please see AAAA three, Legation's secret despatch dated April 25, Number 11586.)

(3) Out of a total of 214 refugee acts only one is in excess of \$20,000 and only 18 are in excess of \$1000, the Swiss report. Small amounts from \$5 up are involved in the great majority of cases and the deposit will be exhausted by the first payment.

-2- 42896, May 25, 1945, from Bern

(4) It is recommended in next to the last paragraph of cable dated February 28, Number 886, that January 1 be established as the cut-off date, after which nationals of enemy countries who leave such countries or who have left such countries will be regarded as enemy nationals still.

In order that arrangements may be inaugurated at as early a date as possible, the views of the Department regarding the questions raised in paragraph (1) and (2) above will be appreciated. For the consideration of the Department the Legation suggests as an alternative under paragraph (1) above that there be inscribed by NPS on the owners receipt from the bank for the amount deposited originally, the monthly dollar amounts as exchanged.

The foregoing message as Number 1176 has been repeated to London.

HARRISON

DC/L:LOW:VCA

A-26-45

Miss Rippel (for the Sec'y), Cohn, Rodal, Hutchison, McCormack, Files.

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CABLE TO JOHNSON, STOCKHOLM, FOR OLSEN FROM WAR REFUGEE BOARD

Reference paragraph 1 of Department's No. 955, (WRS 369)
of May 24, 1945.

You are requested to advise trustees of Norwegian labor project of Board's contribution to their program in amount of 209,000 kroner. Interested labor groups here have been advised and have requested that trustees be informed.

THIS IS WRS STOCKHOLM CABLE NO. 370

11:20 a.m.
May 25, 1945

Miss Chauncey (for the Sec'y), Cohn, DuBois, Gaston, Hodel, Hutchinson,
McConnell, O'Dwyer, Files.

PH:hd 5/24/45

SECRET

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AUTH: O. of Fla. Dir.

INITIALS:

DATE: 26 MAY 1945

SPFDV

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

Dear Mr. Morgenthau:

This is to acknowledge receipt of your letter dated 16 May 1945 relative to the shipment of approximately \$189,000,000 worth of gold to China during the next eight months, together with accompanying schedule of proposed monthly shipments.

This office is pleased to cooperate with the Treasury Department in making arrangements for the required shipments. A cable was dispatched to the Commanding General, U.S. Forces, China Theater, informing him of the proposed shipments and requesting the establishment of shipping priorities. An answer has been received from Commanding General, U. S. Forces, China Theater, establishing an air priority for June for the shipment originally requested by air for May (300,000 ounces), and a water shipment priority for June for shipment originally requested by air for June (500,000 ounces).

It is considered essential by the War Department and by the Commanding General, U.S. Forces, China Theater, that with the exception of the first air shipment indicated above, the remainder of the \$189,000,000 of gold be shipped by water in order to avoid displacing vital military cargo required by air transportation. It is considered that arrangements can be made in advance for water shipment of this remainder to the end that arrival in the theater will meet the desired schedule. It is requested that the Treasury Department provide the War Department with a revised schedule of water shipments to include those shipments originally scheduled by air which will have to be diverted to water shipment.

Your attention is invited to the fact that transportation charges for shipments to be made by air must be paid in advance. This office will therefore notify the Treasury Department of the cost of the first air shipment in sufficient time so that payment by the Chinese Government can be arranged prior to the actual dispatch of the shipment. This payment should be made to Air Transport Command, War Department, Washington, D. C.

SECRET

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In the case of water shipments, it is contemplated that the Chinese Government will be billed through the U.S. Treasury Department for the transportation costs.

Instructions are requested from the Treasury Department as to the maximum amount of gold to be shipped on one plane, and as to the maximum amount to be shipped on one boat. It should be understood that the War Department will not assume responsibility for any losses incurred in connection with such shipments. It is further understood that the Chinese Government will take necessary action in arranging for insurance for these shipments.

Confirmation is requested that the above arrangements will be satisfactory to the U.S. Treasury Department.

Sincerely yours,

(Signed) A. H. CARTER

A. H. CARTER
Major General, GSC
Fiscal Director

This document contains information affecting the national defense of the United States within the meaning of the Espionage Act, 50 U. S. C., 31 and 32, as amended. Its transmission or the revelation of its contents in any manner to an unauthorized person is prohibited by law.

SECRET

The Journal of Commerce

MAY 26 1945

Capital Rise Urged
For Import BankBurgess Also Lauds House
Amendments on Bretton
Woods Measure

W. Randolph Burgess, president of the American Bankers Association, yesterday urged Congress to approve promptly the proposed increase in the capital of the Export-Import Bank, and praised the amendments to the Bretton Woods plan which were adopted by the House Banking and Currency Committee Thursday in voting out that measure.

"The increase in capital for the Export-Import Bank," he declared, "should be passed promptly by Congress, in order that there might be machinery for making loans promptly in the period before the International Bank and the Monetary Fund are established."

The proposed increase in the bank's capital is from \$750,000 to \$1,500,000.

Improvement Seen

In no event, the ABA president pointed out, could the International Bank and Monetary Fund go into operation before the end of this year, at the very earliest.

"Amendments adopted by the House Banking and Currency Committee to the Bretton Woods bill," Mr. Burgess said, "constitute a substantial improvement over the provisions of the original bill."

Some of the amendments written into the Bretton Woods bill by the House committee, he added, were recommended by the ABA, including the setting up of an advisory council and the provision that the bank's lending powers definitely include the power to make stabilization loans.

The amendments, Mr. Burgess stated, go some distance in safeguarding the fund against possible abuse, though not as far as the proposals originally made by the ABA.

The proposal made by the association for the merger of the two institutions to assure co-ordination in policy is met by the new legislation only to the extent that it provides that, as far as the United States is concerned, a single person will represent us as governor of both the bank and the fund, and the general co-ordination through the council.

Calling them "an excellent example of the operation of our democracy," the ABA president praised the House committee hearings on the Bretton Woods bill. "The careful study and thought which the members of the committee gave to this complex and technical subject," he added, "were notable."

NEW YORK
Herald Tribune

MAY 26 1945

**Burgess Urges
Export-Import
Bank Expansion****Quick Action Needed, He Says
Hailing House Move on
Bretton Woods Proposal**

Prising "the efficient job" done by the House Banking and Currency Committee in approving amendments to the proposed Bretton Woods legislation which "constitutes a substantial improvement over the original bill," W. Randolph Burgess, vice-chairman of the National City Bank, advocated yesterday speedy enactment of the capital increase of the Export-Import Bank to \$2,200,000,000 so that "machinery is created for the prompt handling of loans before the bank and the fund can become operative."

Certain of the amendments, said Mr. Burgess, who is also president of the American Bankers Association, are "those recommended by the A. B. C., including the setting up of a council comprising the Secretary of the Treasury, the Secretary of State, the Secretary of Commerce, the chairman of the Federal Reserve Board and the chairman of the Export-Import Bank."

Council to Set Policies

The council's duty, Mr. Burgess asserted at a press conference at his office, 55 Wall Street, would be, among others, to "lay down broad policies for the guidance of the United States representatives on the fund and the bank and articles of the two institutions call for a decision by the government."

The second amendment which follows an A. B. C. suggestion is the provision "that the lending powers of the bank should be restricted as including the power to make stabilization loans." Safeguarding the operations of the fund against possible "exhaustion" another amendment specifies the limits within which the fund should operate.

It stipulates "current monetary stabilization operations to afford emergency assistance to members in connection with seasonal, cyclical and emergency fluctuations in the balance of payments of any member for current transactions." Mr. Burgess added that "the clarification of the power of the bank to make stabilization loans also helps to relieve the fund from the danger of being frozen."

Review Is Authorized

Another important change makes it possible for Congress and the President to review the workings of the Bretton Woods operations every two years, when the council is required to submit a full report "with a view of determining whether these operations and policies are consistent with the policies and interests of the United States."

Hearings before the House committee, Mr. Burgess said, took about two months, opening the way toward relatively speedy enactment. However, when asked what the earliest possible date would be on which the bank and the fund might become operative,

he replied: "At least six months."

Legislative action by other countries will follow enactment here, and Britain is expected to take up the matter in Parliament after the general election. The House committee passed last Thursday the amended part by a vote of 23 to 3.

The New York Times.

MAY 26 1945

**BURGESS PRAISES
BRETTON CHANGES****Says Amendments Adopted by
House Committee Improved
Measure Substantially****SOME OBJECTIONS ENDED****Increase to \$2,200,000,000 in
Funds of Export-Import
Bank Is Suggested**

Declaring that the amendments to the Bretton Woods bill, adopted by the House Banking and Currency Committee in its 23-to-3 approval of the measure on Thursday, "constitute a substantial improvement over the provisions of the original bill," W. Randolph Burgess, president of the American Bankers Association and vice-chairman of the National City Bank, paid tribute yesterday to the careful study and thought the members of the House committee gave to this complex and technical subject. His statements were made at a press conference in his office at the bank at 55 Wall Street.

The ABA in February had strongly opposed certain features of the Bretton Woods program. Several of its recommendations have been embodied in the House committee's amendments and many of its objections have been removed or attenuated by these amendments. The main remaining problem is how to keep the proposed International Monetary Fund from being frozen or abused by means of the "automatic" borrowing possible to nations who become members.

Mr. Burgess urged that Congress adopt as soon as possible the provision embodied in the bill increasing the funds of the Export-Import Bank from \$750,000,000 to \$2,200,000,000 in order to permit United States to make badly needed foreign loans before the World Bank and International Fund can be established.

Policy Council to Be Set Up

Amendments recommended by the ABA adopted by the House committee included (1) the setting up of a council, comprising the Secretary of State, the Secretary of Commerce, the chairman of the Federal Reserve System and the chairman of the Export-Import Bank, to have the duties of laying down broad policies for guidance of American representatives on the bank and fund, and (2) the provision that the lending powers of the bank should be definitely recognized as including the power to make stabilization loans.

"The hearings before the Banking and Currency Committee of the House were an excellent example of the operation of our democracy," Mr. Burgess said. "It may well be emphasized again that the American Bankers Association from the beginning has approved the Bretton Woods plan in principle, and its whole interest in the matter has been to aid the committee and Congress in making the legislation as practical and effective as possible both in safeguarding the interests of the American people and in promoting international financial collaboration."

Summary of Amendments

A summary of the amendments adopted by the House committee follows:

American representatives on the proposed Monetary Fund are directed to obtain promptly an official interpretation by the Fund as to (1) whether its authority to use its resources extends beyond monetary stabilization operations to afford temporary assistance to members in connection with seasonal, cyclical, and emergency fluctuations in their balance of payments; and (2) whether it has authority to use its resources to provide facilities for relief (reconstruction) or to meet a large or sustained outflow of capital on the part of any member.

If the interpretations by the Fund answer these questions affirmatively, the American Government of the Fund is directed by Congress to propose promptly and support an amendment to the Fund for the purpose of expressly negating such interpretations.

Likewise, the American representatives on the proposed World Bank are directed to obtain promptly an official interpretation by the Bank as to its authority to make or guarantee loans for pro-

grams of economic reconstruction and the reconstruction of monetary systems, including long-term currency stabilization loans. If a negative interpretation is given, the American representatives are instructed to promptly propose and support an amendment specifically fulfilling such purposes.

The American Council, among other duties, shall recommend to the President of the United States general policy directives for the guidance of our representatives on the Bank and Fund; it shall coordinate so far as is practicable the policies and operations of our representatives on the Fund and the Bank, and also on the Export-Import Bank and all other agencies of the United States engaged in foreign financial, exchange or monetary transactions.

To Report Every Six Months

An American representative on the Fund is directed from voting in favor of any waiver of the limitations on loans provided in the Bretton Woods plan, or from voting in favor of any declaration that the United States dollar is a "scarce currency," without prior approval of the Council.

The Council is to report to the President of the United States every six months on American participation in the Fund and in the Bank, and at two-year intervals to make a special report to the President which shall include, among other things, a declaration of the extent to which operations and policies of the Fund and Bank have been coordinated, and recommendations as to any necessary changes.

Another amendment would, if adopted by all countries, give the proposed Bank and Fund a common board of Governors to establish policy, but would provide separate operating officials for each organization. A further amendment would make Presidential appointments of a governor and alternate governor subject to the advice and consent of the Senate.

A final amendment clarifies and defines the means of providing various classes of financial information which may be sought by the Fund, in the interest of maintaining inviolate the privacy of individuals and for other purposes.

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THE WALL STREET JOURNAL
MAY 26 1945

ABA Head Says House Committee Improved Bretton Woods Pacts

But Burgess Expresses Disappointment
at Failure to Merge Bank
and Fund

W. Randolph Burgess called the amendments to the Bretton Woods financial legislation as adopted by the House Banking and Currency Committee "a substantial improvement over the provisions of the original bill."

The president of the American Bankers Association expressed some disappointment at the failure of the House Committee to adopt the A.B.A.'s recommendation for merger of the Bank and the Fund "to assure coordination in policy."

"The added language was going some distance in safeguarding the International Monetary Fund against possible abuse," he emphasized, but it was "not as far as the proposals originally made by the A.B.A."

Several amendments, Mr. Burgess said, were those specifically recommended by the A.B.A. He mentioned the establishment of a five-man council and the provision that the lending powers of the International Bank for reconstruction and Development should be definitely recognized as including the power to make stabilization loans.

Viewing the amendments in the light of their overall effect on the working of the international financial agreement, Mr. Burgess expressed the belief that they "will make a very substantial difference in the way they are operated." Moreover, he added, they can be adopted with no serious international repercussions and "they help to remove a possible ambiguity."

The House is expected to pass the bill quickly but it is still subject to hearing before the Senate committee before it gets to the floor of the Upper House.

After approval by Congress the agreements must have the sanction of the various nations which gave the pacts their tentative approval at Bretton Woods, N. H., last year. This operation is expected to take six months at least. Because of the time lag Mr. Burgess suggested it would be desirable that early action be taken by Congress on the proposal to increase the lending authority of the Export and Import Bank to \$2.3 billion from \$700 million. This would place the United States in a position to extend aid promptly to countries where needed before the Bretton Woods machinery is ready to function.

CLINTON P. ANDERSON
AT LARGE—NEW MEXICO

HOME ADDRESS
ALBUQUERQUE, NEW MEXICO

COMMITTEE ON
WAYS AND MEANS

Congress of the United States
House of Representatives
Washington, D. C.

M 138

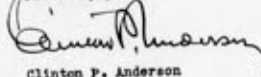
May 26, 1946

Dear Mr. Secretary:

Acknowledgment is made of your letter of
May 24, and I deeply appreciate your message
to me.

At all times I will appreciate your advice
and suggestions, and I look forward to an
opportunity to serve with you.

Sincerely yours,



Clinton P. Anderson

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



OFFICE OF STATE CHAIRMAN

TREASURY DEPARTMENT,
WAR FINANCE COMMITTEE

1270 Sixth Avenue
New York 20, New York
May 26, 1945



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Dear Mr. Secretary:

This is to confirm my invitation to you given over the telephone to speak at our Labor Rally in Central Park on the afternoon of June 17th next. Our New York labor leaders have secured the acceptance of Philip Murray and William Green, heads of the two major union organizations, and Mayor LaGuardia has given me a tentative promise that he will make the speech of welcome.

Our labor friends feel that somewhere between 250,000 and 500,000 people will attend this Rally, making it one of the outstanding events of the 7th War Loan. The unions are already planning to bring out their membership, and we are also working on a musical and entertainment program that will add to the interest of the event. We are in touch with Thomas Lane of Mr. Gamble's staff with reference to the broadcast.

It gives me personally a great deal of satisfaction to know that you are sufficiently interested in our New York efforts to be willing again to come to the State and by the power of your presence help us achieve our goal. Our labor leaders are quite excited, as I am, and all of us will exert everything in our power to make this meeting worthy of your sacrifice in coming.

With sincere regards,

Faithfully yours,

F. W. Gehle
Frederick W. Gehle
State Chairman

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

TO:

Mrs. McHugh

Many thanks x
T.F.

This was taken care
of by phone - Fil in diary

Mr. Thomas Lane

Tom C. Clark

copy

ASSISTANT ATTORNEY GENERAL
Washington

✓
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May 26, 1945

Dear Mr. Secretary:

It was certainly thoughtful of you to take time from your busy day to write me.

To know that I can depend on you for advice and counsel makes me feel more confident of getting this job done. I know how tough it is.

It has been my pleasure and privilege to work closely with your Department in the past and I look forward to a continuance of this relation.

Sincerely,

/s/ Tom Clark

Hon. Henry Morgenthau, Jr.
Washington

TOM C. CLARK

ASSISTANT ATTORNEY GENERAL
WASHINGTON

141

May 26, 1948.

Dear Mr Secretary:-

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Sincerely,

Hon Henry Morgenthau Jr
Washington -

Tom Clark

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

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TO: Secretary Morgenthau
FROM: Mr. Coyne

DATE May 26, 1945

Re your request from Mrs. Harry Woodring for a B-29 for Topeka, Kansas, the matter was checked with the Air Corps and it was found that Air Corps safety regulations have barred Topeka as a landing point for B-29's except in emergencies. The runways at Topeka are sufficiently long but are built for a weight load not exceeding 40,000 pounds, and the B-29 weighs 102,000 pounds.

I talked with Mrs. Woodring and explained the situation to her; and she had received in the meantime a similar story from the authorities in Topeka. She seemed entirely contented, but wanted suggestions as to other promotions; and I had her called several times during the day. She has finally decided to tie in the women's activities with a July 4 promotion consisting of an airborne troop carrier activity. She was quite happy and wanted to extend to you her thanks for your thoughtfulness.

R. C. Coyne

OFFICE OF
THE SECRETARY OF THE TREASURY

May 26, 1945

Memorandum for Miss Barrows:

In accordance with our telephone conversation, I am sending you herewith copy of a Top Secret message which Secretary Morgenthau received yesterday from Sir John Anderson. Many thanks for taking care of this.

*M. K. McKugh.*TOP SECRET

For Mr. Morgenthau and Judge Vinson from Sir John Anderson and Mr. Oliver Lyttelton.

1. We are very concerned lest forthcoming appropriations will not be large enough to cover our Stage II needs. Our concern derives from the fact that in preliminary discussions on programs for production of aircraft and components, members of the United States War Department have indicated to our representatives that they do not consider themselves bound by the principles of agreement of last autumn.

2. In preliminary discussions on programs for production of aircraft and components our representatives have been told by War Department that supplies not directly required for war against Japan would be inadmissible. Moreover it has been suggested that munitions which it is now possible to make in this country could not be supplied on Lend Lease.

3. Such views seem to us inconsistent with the agreements reached last autumn.

4. So that there should be no misunderstanding between us may we briefly recite the chain of events—

(1) The agreed record of conversations between the President and Prime Minister at Quebec on September 14th, 1944, and agreement arrived at that day:

(11) In pursuance of that agreement, the setting up of the combined committee presided over by Mr. Morgenthau, and the acceptance by that committee, inter alia, of agreements between representatives of U.S. War and Navy Departments on the one hand and representatives of our Service and Supply Departments on the other hand: These various agreements were Army equipment—agreement dated Oct. 23rd. Air and Fleet Air Arm—agreements dated Oct. 31st and Nov. 8th. Naval agreement dated Nov. 10th. Supply of tyres and packing material for military purposes—agreement dated Nov. 4th.

5. The requirements for Stage II which were accepted for production under these agreements were not confined to items required directly for the war against Japan although they were largely of that category. Moreover they were in many cases items which to some extent we were making or could make in this country. In the presentation of our general case the extent to which U.K. resources would be freed on the basis of these plans were detailed. That that point was fully appreciated is confirmed by the note dated Nov. 17th which was handed to the United States representatives at the time by Sir Robert Sinclair giving an estimate of the relief which the supply of munitions negotiated under these agreements would be likely to afford to U.K. manpower resources in the first year of Stage II. Indications were also given as to the way in which we should use the resources so freed.

6. It was always contemplated that if Stage I did not end for some appreciable time after Jan. 1st 1945, our munitions requirements in the first year of Stage II would, for the army and air items at any rate, be subject to adjustment. But it was not contemplated that the postponement of the commencement of Stage II would involve any change in the principles on which our needs would have to be considered.

7. Although the revised details of the military basis of our munitions requirements are not yet agreed by our respective Chiefs of Staffs, we feel sure you will agree that the appropriation should be adequate to cover such supplies as are eventually accepted as consistent with the revised basis and on the same principles as before.

8. We earnestly hope in the light of the above observations you will be able to remove any misunderstanding that may exist in the minds of the United States agencies as to eligibility in principle of our requirements while ensuring that the appropriation contains adequate financial cover within which the detailed quantities can be supplied.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 5/26/45

TO Secretary Morgenthau
FROM E. B. Fussell

Herewith are reports from Mrs. Forbush and from War Finance Division on letters received during the week.

Inasmuch as the War Finance report, this week, includes no general letters and the reports by Mrs. Forbush include a numerical analysis of the letters dealing with various general topics, I see no point in combining the reports this week, but will give you consolidated figures in succeeding weeks.

OUTSTANDING COMPLAINTS
ON GENERAL SUBJECTS:

(Treasury mail and White House mail referred to the Treasury)

High Taxes 9
Coddling of Nazi prisoners. 6
O.P.A. restrictions..... 3
Continuation of Lend-Lease. 3
Loss in Canadian exchange.. 3
Congressional \$2,500 bonus. 2
Tax support of Hyde Park Memorial 2

E. B. Fussell

Report of Correspondence received in the
Secretary's Correspondence Division

May 21, 1945 to May 25, 1945, incl.

Before giving the box score for the week's mail, it may be well to mention this first time that the count covers only "fan" mail, the term "fan" applying to individuals or organizations that have problems to work out with the Treasury or that have suggestions or criticisms to offer. The following types of mail have been excluded from the regular mail report prepared by this office, and are also excluded from the report which is attached:

1. All communications from other Federal agencies.
2. Routine communications from Federal Reserve Banks.
3. Formal reports of pay-roll savings plans, shipments of valuables, gold and silver transactions, etc.
4. Printed matter, such as books, magazines, newspapers, trade journals, pamphlets, circular letters, etc., unless the sender has added his own expression of opinion.
5. Requests for periodic Treasury publications, such as the Annual Report, the Bulletin, the Daily Statement, Bank Deposits by Counties, etc.
6. Invitations to attend, to address, or to supply speakers for meetings, conferences, etc.
7. All mail marked "Personal" or "Confidential" which is handled in the Secretary's own office. Also requests for donations, souvenirs, photographs, autographs, biographical sketches, and messages for publication.
8. Applications for Civil Service jobs, personnel problems, and other administrative affairs.
9. Letters from mental cases or from those who write so frequently that they are designated "regulars" and their mail filed without reply.

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The figures that follow are correct in totals for the five days, May 21 - 25. However, inasmuch as most of the receipts for Monday were classified only in the usual broad categories, the break-downs here are in a few instances approximations.

	Totals
BONDS: _____	204
Promotional ideas and suggestions for Seventh Drive	15
Promotional ideas and suggestions for Eighth Drive	3
Replies to form letters of War Finance	4
Thanks for "Here's Your Infantry"	13
The Roosevelt Bond:	40
Unfavorable	6
Smaller denominations	4
Slogans	29
Offer of an engraving	1
Rumors that bonds will be invalidated	4
Complaints about delays in receiving bonds:	11
Service men or their families	8
Others	3
Complaints about overdue interest on bonds	10
General suggestions:	12
Adopt the name "Peace Bonds"	2
Return bonds held till maturity as keepsakes for the owners	1
Convert Adjusted Service Bonds into Series E Bonds	2
Other	7
Routine matters:	92
Inquiries about Adjusted Service Bonds	15
Bonds for redemption	9
Subscriptions (\$25, 300, 5,000, 675)	4
Problems of inheritance, re-issuance, re-placement, limitations, etc.	64
TAXES: _____	27
Requests for refunds	5
Approval of tax evaders drive	2
Excess profits taxes	6
Questions and other	14
CHECKS FOR REWRITING: _____	33

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Totals

ROOSEVELT BOND: _____	48
Favorable	23
Unfavorable	22
Other	3
DONATIONS TO THE WAR EFFORT: _____	4
BRITTON WOODS PROPOSALS: _____	5
CURRENCY PROBLEMS, MUTILATED MONEY, ETC. _____	15
MISCELLANEOUS PROTESTS: _____	24
Coddling of Nazi prisoners	6
Loss involved in Canadian rate of exchange	3
Tax support of Hyde Park Memorial	2
Continuation of lend-lease to China, Russia, etc.	3
Dictatorship of John L. Lewis	1
Congressional raise of \$2,500	2
Charge for cashing Government checks	1
Loan to Peru	1
Salary Stabilization rulings	3
OPA restrictions	1
Railway Express Agency bill due from Government since 1943	1
OTHER: _____	12
Inquiries about obtaining surplus property	2
Plan for post war treatment of Germany	1
Requests for reparations from Germany for individual losses	1
Suggestion of postage stamps to honor President Roosevelt	2
Requests for definition of legal money, etc.	3
Application for position as Internal Revenue Investigator	3

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Report on White House Correspondence
May 21, 1945 to May 25, 1945, incl.

BONDS

Seventh War Loan Suggestions	4
Peace Bond Suggestion	1
Favorable FFR Memorial Bond Suggestion	1
Unfavorable comment on employers dropping payroll deductions for employees' War Bonds, waste of manpower	1
Suggestion from Veteran of World War I to exchange bonds maturing June 15, 1945 for War Bonds in Seventh Drive	1
Request for Jap and German souvenirs for exhibit in connection with Seventh Drive (apparently a child)	1
Suggestion that War Bonds be redeemed at purchase price only	1
War Bond pledges (containing approximately 4 pages with 50 to 75 signatures each)	1
Comments on whispering campaign about War Bonds	1

TAXES

Complaints about amount of income tax due	3
Requests for Income Tax refund	2
Complaints against high taxes (radio and press news)	6
Favorable comments on present tax system (radio and press news)	2
Request for information on inheritance taxes	1
Miscellaneous tax and economy suggestions	4
Exemption of City, State and Federal pensions from income tax	1
Asks Presidential support of Philadelphia Wage Tax Bill	1
Question about mistake in filling out tax return	1

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Miscellaneous

Routine request concerning value of foreign funds	1
Favorable comment on plan to recall large denomination currency	1
Unfavorable comment on FFR Memorial dime	1
Favorable comment on FFR Memorial dime	1
Complaint about Customs Officers collecting points for meats purchased in Canada (point-free)	1
Letter suggesting cut-down in liquor supply	1
Letter expresses approval that Mrs. Truman conducts activities of the White House without the use of alcoholic beverages	1
Writer favors \$3,000,000,000 in interest-free currency, old age pensions	1

TOTAL

41

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WAR FINANCE DIVISION

May 26, 1945

DIGEST OF MAIL FOR REPORT TO THE SECRETARY

Constructive Suggestions

Make 7th War Loan general poster more emphatic by adding word "Push" to left side of group-- 1

Use results of field surgery for display-- 1

(Publish figures on how many surgeons operating in field hospitals, and how many bullets average surgeon removes in day. Place number of removed bullets, shrapnel, etc., in bottles, labeled by area, and display in store windows, at bond rallies, etc. J.S. Gilder, Salesman, Chicago, May 21.)

Future War Bond copy should be less "gruesome" and more on self-interest appeal-- 1

("I believe... (people)... are tired of seeing many of the gruesome war scenes which have characterized most of the war bond ads... that the period... (for this)... is past and there is now a need for more indirect art and copy relative to the things... war bonds will buy ... after the war." Harry J. Young, Chronicle Publishing Company, Marion, Ind., May 21.)

Print line or box on face of bond for insertion of name of donor when bond used as gift-- 1

Have National lottery for bond prizes-- 1
(This particular scheme impractical so not digested.)

This War Loan should be called the "Lucky 7th"-- 1

Have state headquarters make deal with telephone company so its phone number would be dialed as WA-8-BONDS-- 1

(From Army corporal, Walter Kaner. Ingenious, but would not work in all exchanges).

Jan 5/26

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War Finance Division

MAIL DIGEST

May 26, 1945

Criticism

Protest (Anon.) that bond raffle in a Chicago theatre is a "racket"-- 1

Protests against "chain letters" involving War Savings stamps-- 2

Protest that wealthy man of German sympathies will not buy War Bonds-- 1
(From one of our Oklahoma local chairmen.)

Non-receipt of bond purchased last September at Narragansett Race Track (R.I.)-- 1

Humors circulating (around San Francisco) that War Bonds will be frozen after the war-- 1

Why wasn't there a competition for writing songs for 7th War Loan music (radio), and how do we pick the writers and how much do we pay them?-- 1 (George Shopa, Philadelphia, no indication of business.)

Rosenthal's name should be on our poster-- 1

(Man cannot understand why our poster carries name of painter--C.C. Beal--rather than that of the press photographer--Rosenthal. Supposes it is due to anti-Semitism or some other crazy prejudice. M.D. Litsman, Public Accountant, New York City.)

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War Finance Division

MAIL DIGEST

May 26, 1945

Miscellaneous

Offers of personal assistance in solicitation-- 1

Suggestions for future posters-- 3

Are details for bond issue in Roosevelt Memorial loan settled?-- 1

Inquiry for costs of war to date-- 2

Is it O.K. to give away pair of nylons with a \$100 bond purchase-- 1
(St. Louis, Mo., store.)

Poems submitted-- 15

Songs submitted-- 4

DEPARTMENT
OF
STATE

Distribution of this
reading only by special
arrangement. (SECRET)

OUTGOING
TELEGRAM
DIVISION OF
CENTRAL SERVICES

May 26, 1945, DIVISION OF 155
CENTRAL SERVICES
5 p. TELEGRAPH SECTION

War Refugee Board

1945 MAY 27 AM 11 27

DC/L
LIAISON

ALLEGATION

STOCKHOLM

073

The following for Olsen is VHB 370.

Reference paragraph 1 of Department's No. 955,

(VHB 369) of May 24, 1945.

You are requested to advise trustees of Norwegian
labor project of Board's contribution to their program
in amount of 200,000 kroner. Interested labor groups
here have been advised and have requested that trustees
be informed.

OREN
(Action)

WHS:WVance:Kq
5/25/45

NOE

156
May 28, 1945
9:30 a.m.

GROUP

Present: Mr. D.W. Bell
Mr. Charles Bell
Mr. Coyne
Mr. Coe
Mr. Bartelt
Mr. Blough
Mr. Pehle
Mr. O'Connell
Mr. Fussell
Mr. Gaston
Mr. Haas
Mr. Luxford
Mr. White
Mrs. Klotz
Mr. DuBois

H.M.JR: Does anybody have a meeting? (No response.)

Charlie?

MR. CHARLES BELL: Yes, sir.

H.M.JR: Go ahead.

MR. CHARLES BELL: We want to send Jimmy Saxon to Denmark as promptly as possible.

H.M.JR: What for?

MR. CHARLES BELL: Frank Coe--

MR. COE: We have a request from the Army and the State Department to send a man there promptly to help negotiate the rate of exchange.

H.M.JR: Mr. White is Assistant Secretary. He has Monetary and Foreign Funds under him, and there are all these requests for these people, and he should please

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- 2 -

take these requests from Colonel Bernstein and everything else. Colonel Bernstein talked to me for four hours coming up and I am referring him to Mr. White, and he will have to parcel these things out and consult with me if and when he thinks is necessary.

Which comes first? He took this thing up with President Truman and sort of put the Treasury on the spot, and let's do one thing at a time. Whatever we do, let's do it well instead of doing it so that we don't do anything well. So, it is up to Mr. White to get into the whole thing, as he has in the past, present and future. Is that all right, Harry?

MR. WHITE: Oh, yes.

H.M.JR: Will you accept that, Harry?

MR. WHITE: Gladly.

MR. CHARLES BELL: I'll clear with Harry White on these people?

H.M.JR: It is not a question of clearing. It is a question of policy. We get a request from the Argentine which I have started, and when we are ready I want to send people down there. I am very much interested. I told Bernstein--he immediately wants this, that, and the other thing, and I said, "Bernstein, that's out." At least five hundred good men have left the Treasury for various intelligence agencies, Coast Guard, Army, Navy, Marine Corps, and I said those names are available. They got the cream of the crop.

Let's start getting those men first, but I said we are down to an irreducible minimum.

MR. WHITE: We do have the possibility of taking on some people. I presume that it is satisfactory with you if we take on people. They are on our payroll although assigned to the Army. That is one of the things that has been a discouraging factor. We have some, but we didn't want to go in it in a big way because it wasn't essential

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until now.

H.M.JR: What I'd like you to do, Harry, is make a little study, not too long, saying to me, "Mr. Morgenthau, I need so many men for this and so many men for that. The Argentine matter is coming up. I need so many there. I have to send some men to Sweden. This is what I can do, and this is what I can't do." And then submit me a little plan, see?

But instead of doing this thing hit or miss--Bern-Stein comes in. He is a whirlwind, and he needs this and that. He may get it and he may not. It may seem more important to send somebody to Denmark, but I think we ought to go after the thing from a global standpoint.

MR. WHITE: And we should not exclude taking fifteen or twenty men on our payroll. All they are doing is being reassigned at once to the Army.

H.M.JR: I'd like an overall picture.

MR. WHITE: I know what you want, and I'll get it for you.

H.M.JR: And I want an inventory. We need one hundred or two hundred men--I don't know how many--and look a little ahead. I said, including the Argentine and Sweden. There are the Philippines. We'll have to get a foothold in Japan or China. I want an overall picture, so we will be ahead of the game, and we will be pushing instead of being pushed. That is something I am not accustomed to. (Laughter)

It's true. Right? You take it, White.

MR. WHITE: It's quite all right.

H.M.JR: Agreed.

MR. CHARLES BELL: You want to send a young lady, Jacobs, over to London with Joe O'Connell's office. Mrs.

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Doyle has passed on her. It is a stenographic job.

H.M.JR: Is that all for you?

MR. C.S. BELL: No. I have a pile of things.

H.M.JR: Who handles the request from Admiral Leahy? He wants to know today about the Philippines.

MR. COE: I do. We have a memorandum for the President from you. Admiral Leahy asked you to report to the President today.

H.M.JR: You know why?

MR. COE: Yes.

H.M.JR: That has to do with this same thing, hasn't it?

MR. COE: Not personnel.

Tydings evidently didn't see our press release or the regulations, of course, which we just issued on May 25th and haven't gotten out there. So, he gets out there and is told that Foreign Funds--probably told that the Foreign Funds policy has not been clarified, and writes the President about it.

H.M.JR: Is that what it is, a request?

MR. COE: Yes.

H.M.JR: You know that?

MR. COE: I said he probably was told that. We have his telegram to the President in which he just said, "It's essential that our policy be clarified." It's been clarified and it's been announced.

MR. GASTON: Doesn't somebody out there know enough to inform Tydings right away so he doesn't get the wrong impression?

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MR. COE: A mission was sent out there a week ago, and it should be there now, and we proposed a telegram from the President to Tydings saying he should consult them and that mission is at his service.

MR. C.S. BELL: Ted Gamble has sent two of his men over to Paris at your suggestion.

H.M.JR: Did they go?

MR. C.S. BELL: Yes.

H.M.JR: I asked him to talk to me about it before they went.

MR. COYNE: He intended to but they had to go over there and take measurements. They are not going to do anything about policy--Charlie Adams and Ned Shugrue--so if we had to produce by June 30th, we would have gained four or five days on production.

H.M.JR: He did tell me he was going to send that kind of people.

MR. COYNE: They left Saturday. They should be back a week from today unless they were delayed on the trip over.

MR. C.S. BELL: You might want to know Bernard and Sullivan Law Firm offered jobs to three of our girls. One was O'Connell's secretary, Luxford's secretary, Miss DeLacy, and another girl in our pool. (Discussion off the record.)

MR. WHITE: Unless it means a promotion for Miss DeLacy--

MR. C.S. BELL: It does.

MR. WHITE: Miss DeLacy is one of the best secretaries.

MR. LUXFORD: I wouldn't feel that way. She is my secretary, and she is wonderful, but she has been with the government fifteen years, and if she wants to get out, I wouldn't stand in her way.

H.M.JR: If the girl wants to go, what can I do about it?

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- 6 -

MR. CHARLES BELL: We can refuse to release them.

MR. LUXFORD: No, no! I don't want to use those tactics.

MR. WHITE: That would be most unfortunate. We have permitted others to leave to go into industry if they feel that the positions would be better and they would like the change. It would be a serious error to stand in the way of a person wanting to leave.

MR. CHARLES BELL: This is not war effort work, Harry.

H.M.JR: They are frozen to the job.

MR. WHITE: That was before Germany surrendered. If you carried that policy right through the government, yes, but you and I know there are people leaving every day.

H.M.JR: It is only if you are a four striper in the Coast Guard and if you are a Colonel in the Army, or with your wife's backing you can get out.

MR. O'CONNELL: Or if you get a high enough job in the Treasury Department.

H.M.JR: Well, who?

MR. O'CONNELL: Fred Smith, John Sullivan.

MR. LUXFORD: We followed that practice with lawyers. We never hold them here if they want to get out. It is a good policy.

MR. JOE O'CONNELL: According to my interpretation of the manpower regulations that went into effect the last year, we should not give a release to anybody in the Department except to go into war jobs, and the trouble is that the only people that have had the rule applied to them strictly are the stenographers and clerical people, the low-grade jobs. Isn't that right, Charlie?

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MR. CHARLES BELL: That's true other than I don't think Presidential appointments like Sullivan's figure in on this.

It may be they won't get a certificate of eligibility which we would have no control over.

MR. O'CONNELL: That means that the worst that can happen is that they would wait for sixty days without a job, and then they could go to work.

MR. WHITE: But it starts from the other end.

MR. LUXFORD: I didn't think DeLacy was under those regulations any more. I thought she was no longer classified as a secretary.

MRS. KLOTZ: What is she?

MR. LUXFORD: I don't know, but she is not a secretary.

You are only forcing her to resign and wait two months.

H.M.JR: Well, listen, Charlie. You are my Administrative Assistant. You handle it.

MR. CHARLES BELL: They get right unhappy if they are not released, and I would suggest we release them.

MR. WHITE: It is a matter of--

H.M.JR: I take objection to that. If I tell him to handle it, he will handle it properly.

MR. CHARLES BELL: I think they should be released. They are unhappy here if we hang on to them, and they can't get out. If they can arrange their certificates of availability--

H.M.JR: Charlie, I give you the job and you handle it.

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MR. CHARLES BELL: Okay, sir.

MR. WHITE: I think you are both correct. He will handle it, and he will handle it properly.

MR. CHARLES BELL: We are getting a number of telegrams and letters making application for the five thousand positions, and it promises to be quite a file.

H.M.JR: Yes. Good.

MR. CHARLES BELL: Here is one from a fellow by the name of Murdock who apparently is the brother of Senator Murdock.

MR. O'CONNELL: There is one from Utah.

MR. CHARLES BELL: And there are some from detective agencies which look like pretty good fellows. We had quite a meeting Saturday on recruitment. We are going right ahead with one of the largest programs on recruitment we have ever undertaken here--ten thousand people. We had the whole Internal Revenue--and we are going to set the stage, and I don't know how lucky we are going to be. I have an appointment tomorrow with Civil Service Commission to put it up to them, and we are going to cross the whole United States, and in every regional office they are advertising in the newspapers.

H.M.JR: Who is in charge of that?

MR. CHARLES BELL: At the moment Munan is agreeable to my handling it with his people, and I think we will have to handle it.

MR. O'CONNELL: I didn't understand it was quite that way. I thought primarily the job of recruitment, as before, would be handled by Bureau personnel.

MR. CHARLES BELL: We are streamlining character investigation requirements. We have to tear the Civil Service Commission down and eliminate competitive registers.

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MR. O'CONNELL: Admittedly, the Bureau will need all the help it can get, but I understood recruitment would still be under the Bureau. There are sixty-four Collector's offices, and the first group would be hired as Revenue Agents, Deputy Collectors, and people almost entirely in the field, and I thought what we were talking about Saturday, and you were talking about, are the people apart from that. As I understand it, recruitment was primarily to be handled by the Bureau with your help.

MR. CHARLES BELL: Recruitment is under the Office of the Secretary and under the Director of Personnel for all Bureaus of the Treasury, and we are taking the lead on this.

MR. O'CONNELL: I think it is only a matter of emphasis, but I thought the Personnel Division under Ted Wilson was going to do the recruiting of these ten thousand people.

MR. CHARLES BELL: He will have to do it.

MR. O'CONNELL: Do they do recruiting for the Bureau now?

MR. CHARLES BELL: Of this character.

MR. PEHLE: The Bureau passes on every person.

MR. CHARLES BELL: We don't make the selection. That would be made by the Internal Revenue people.

MR. O'CONNELL: That is what I am talking about. You are talking about the general over-all direction.

MR. CHARLES BELL: We recruit and bring them together and send them up to the Bureau of Internal Revenue.

MR. O'CONNELL: Do you have people scattered throughout the country?

MR. CHARLES BELL: We are going to. We will have to.

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MR. O'CONNELL: This order to carry out this program--

MR. CHARLES BELL: We are doing this every day. Bartelt has an item of five hundred seventy-five people we are recruiting right now for him in Chicago.

MR. PEHLE: We did the same thing when we got together the Foreign Funds investigative group. We got a lot of people, but the final people will be passed on by Internal Revenue.

MR. O'CONNELL: We are talking of a job of recruiting eleven thousand people, half, or five thousand of which will be the enforcement group, and the other six thousand who are not part of the thing the Secretary is talking about, but the responsibility is in the Bureau, in the Collector's office, in Revenue Agents, as a result of this sixteen million dollars supplemental appropriation.

MR. CHARLES BELL: That's true, Joe, but we have got to get away from the strict lines of the past and streamline all of that and bring to Norman Cann and these other fellows whom we believe to be eligible persons, and they will pass on them.

MR. O'CONNELL: As long as the people in the Bureau decide who the people are going to be, I don't care about the mechanics.

MR. CHARLES BELL: They are working with us, and Nunan is working with us. They have already thrown up their hands.

H.M.JR: Put it up to Nunan and get him to initial it.

MR. CHARLES BELL: Yes.

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H.M.JR: And Mr. Joseph O'Connell. Have him initial it.

I mean, have a program and let it come to me, and I'd like to see it.

MR. CHARLES BELL: We will work out a whole program on this.

H.M.JR: With Joe Nunan's and O'Connell's and your initials on it.

MR. CHARLES BELL: Yes, sir. I think Internal Revenue is very much in favor of this, Joe. This is the other side of the thing that possibly you haven't been living with as closely.

MR. O'CONNELL: I haven't heard anything about it until just now.

H.M.JR: That is not right.

MR. CHARLES BELL: Well, it is--

MR. O'CONNELL: I haven't. There is no reason I should have.

MR. C.S.BELL: This is the Personnel Division, working under the Director of Personnel.

H.M.JR: Do you have to recruit that way with War Bonds?

MR. COYNE: Usually, yes.

We have had a tough time getting anyone, but we

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were looking for a lower type of people, stenographers and clerks.

H.M.JR: Again, this is a big enough program, this recruiting job, as I told White.

Now, I say, I am interested in this one. Get me up a program with Joe O'Connell's initials on it and Joe Nunan's initials on it, and yours, and bring it to me for my own okay, will you please?

MR. C.S.BELL: Yes, sir.

H.M.JR: Is that agreeable to you, Joe?

MR. O'CONNELL: Certainly.

H.M.JR: Do you have any suggestions?

MR. O'CONNELL: No.

H.M.JR: Dan Bell, do you have any suggestions? Is that all right with you?

MR. D.W.BELL: Sure, it's all right with me.

MR. C.S.BELL: That is all for me, sir.

H.M.JR: That's enough.

MR. D.W.BELL: We have got four billion eight hundred and seventy million of the maturing securities on June 1st, a total of five billion five hundred million outstanding, leaving about six hundred and fifty million to be paid off in cash, largely the certificates.

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I assume some of the corporations are taking their maturing certificates in cash and then going into the Drive with the money, but this isn't bad for the total.

H.M.JR: I know you're all interested in Mrs. Morgenthau.

(Discussion off the record.)

H.M.JR: Dan?

MR. D.W. BELL: I assume Joe told you about the meeting of the Budget on the Internal Revenue. I don't know what arrangements to make to go on the Hill.

H.M.JR: Don't wait on me, I'm ready to go now.

MR. O'CONNELL: I told you a little about it over the phone Saturday.

H.M.JR: I know. I'm ready. Just give me twenty-four hours notice and I'll go up on the Hill.

MR. O'CONNELL: Well, there are only one or two details I would like to know about. I was going to get them, but it was our thought, certainly mine, that you would go before the Appropriations Committee in the House, the entire Committee, but it would be an informal and not a public hearing. It would be off the record, but you could, before you go, make a statement, if you wish, to your press conference that you are going and tell the people afterwards.

H.M.JR: I won't pull a Walter George on them. I'll tell them after.

MR. O'CONNELL: Now, the second question is whether or not you want to do the same thing in the Senate. You have to do it in the House first in any event because all appropriations originate in the House and they are as jealous of its prerogative as any committee on the Hill. You could either go with the House Committee and spend half an hour with them and then go to the Senate Committee--it would be pretty difficult to get them to sit down together.

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H.M.JR: You can.

MR. O'CONNELL: McKellar is the Chairman of the Senate Committee. You may be seeing him at lunch time, I don't know. Are you having lunch with some of the Senators today?

H.M.JR: Yes.

MR. O'CONNELL: McKellar might be there. I thought I would go down sometime today to see Cannon, who is Chairman of the House Committee, and tell him what it's about and ask him to fix an agreeable time for you to spend some time with his Committee, and we could handle the Senate Committee separately.

H.M.JR: Would it be unusual for me to go to the Senate the same day?

MR. O'CONNELL: The whole thing is very unusual, but the closest we have ever come to doing anything like this is when we went before the Senate and House Committees in connection with your monetary problems in connection with Bretton Woods. You did all that in one day, as I recall. The whole thing is unusual. I don't believe we have ever asked the Appropriations Committee to sit down with you and listen to a discussion like this before. The Appropriations Committee is a peculiar type of Committee. They operate almost entirely through subcommittees. Our supplemental appropriations are never heard before an Appropriations Committee.

H.M.JR: Couldn't we go before the House Committee in the morning and the Senate in the afternoon?

MR. O'CONNELL: That's what I would like to arrange.

H.M.JR: After having been there, we could have a press conference here and tell them what I went up for. Eddie, think that over and talk it over with Fussell.

MR. D.W. BELL: Or do it at your regular press conference Thursday. You probably can get there before Wednesday.

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MR. O'CONNELL: I think it would be difficult to get there before Thursday at the earliest, probably because Wednesday they won't be here, and this week--

(Discussion off the record.)

H.M.JR: Well, I better see McKim, the President's Administrative Assistant. I think I better see him on public relations. I could see the rest of you a little bit later on, huh? I don't mean everybody. I think what I'll do is this--what am I seeing you about at ten o'clock, Dan?

MR. D.W. BELL: The Roosevelt Bond and post-war currency designs.

H.M.JR: Is that rush?

MR. D.W. BELL: Not particularly, but I would like to get on the bond and the dime.

H.M.JR: Why don't we do this? I have got a lot of things like the Philippines thing and different little odds and ends I would like to see White and you and Coe about. Anything that--that's Chinese cotton--anything, that is, loose ends in the foreign field, Harry, right after I see McKim I'll see you and Coe and anybody that you fix me up -- and Dan Bell, and then we'll go from that into your meeting. How's that?

MR. D.W. BELL: That would be about eleven I take it?

H.M.JR: Yes.

MR. WHITE: It might be a nice gesture if you introduce McKim to your staff, if he's out there.

H.M.JR: No, I don't want to, if you don't mind. Well, if anybody has something other than this, if they will leave word with Fitz--I didn't get through.

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Harry, will you discuss this with me when you come back? This is Kilgore's letter that has to be answered, and Harry, I want a report from you about having seen Professor Mason with regard to Professor Brady, please.

MR. WHITE: Yes, sir.

H.M.JR: Okay.

May 28, 1945
10:45 a.m.

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PHILIPPINES
LEND-LEASE
COTTON TO CHINA

Present: Mr. D.W. Bell
Mr. White
Mr. Coe
Mr. Friedman

H.M.JR: Now the Treasury Press Release; is that okayed by the Army or General MacArthur? Did they just release this copy?

MR. COE: I don't know whether they did or didn't.

H.M.JR: Were copies given to State and other people? Did you give copies to State and other people?

MR. COE: I believe they have been, but I haven't checked on that.

MR. BELL: Treasury personnel on the way there would have it.

MR. COE: Oh, yes, they have all the documents.

H.M.JR: Well, it would be up to the various agencies.

MR. WHITE: Well, we should have sent them copies of the Press Release as soon as it was released.

H.M.JR: To the respective agencies.

MR. WHITE: To the respective agencies, and they would have it, but I think we might have gone further than that and instructed the Army to make it available to the Philippines at once. I think that would have been the thing to do.

MR. BELL: It says that the Secretary of Finance of the Commonwealth of the Philippines approved the freezing of all programs prior to its issuance. On the second page. (Indicates draft of attached Memorandum for the President.)

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H.M.JR: Oh.

MR. BELL: Top of page 2.

H.M.JR: That would be the place to put it in about consultation.

MR. WHITE: State and War say the representatives of State and War were also consulted prior to the formulation.

H.M.JR: You speak of the United States economic warfare program. Isn't somebody --

MR. WHITE: They never have been.

H.M.JR: Who formulates the economic warfare program?

MR. COE: Economic warfare is a loose word which covers, among other things, the activities of the Foreign Funds Control.

MR. WHITE: Maybe we better change the phrase then.

H.M.JR: I don't think the United States economic warfare program for the Far East is a very good thing. I mean, I've just been through this thing with McKim. These people over there don't know anything about these things. It's new to all of them, and they may say that sounds like FEA. Wasn't Crowley consulted? You can change the wording.

MR. WHITE: Yes. I think that's quite right.

(Mr. Friedman enters the conference)

MR. COE: Irving, was this Press Release sent out to the Philippines, to the Army out there?

MR. FRIEDMAN: Not yet, no. We were thinking of doing it.

MR. WHITE: Did you send it to the Army here?

MR. FRIEDMAN: I don't think so.

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H.M.JR: Why not? How the hell do you suppose somebody in the Philippines is going to get it? Did you give it to Interior?

MR. COE: Our Mission is taking it out there.

MR. FRIEDMAN: And it went over to the High Commissioner's Office.

H.M.JR: The copy here? It was?

MR. FRIEDMAN: It was sent to the High Commissioner's Office which is the regular channel for getting stuff to the Philippines until we get out there ourselves.

H.M.JR: You mean the time of the Release was furnished the High Commissioner's Office?

MR. FRIEDMAN: It was furnished to the High Commissioner's Office about three days before, so they'd have a chance to clear it.

H.M.JR: I'd say that -- who prepared this memo, Frank?

MR. COE: Mr. Friedman, myself -- I went over it. Harry went over it.

MR. WHITE: Who do you deal with in the Army in the Philippines?

MR. FRIEDMAN: We've been dealing with Colonel Kades for the most part, because the Philippine situation is so completely different from any other. They don't get my reports from General MacArthur, and there's no one in the Philippines who's informed on it except by sheer chance if somebody comes back from the Philippines, but there are no regular channels established for the Philippines like there are for other channels.

H.M.JR: I think a telegram going out to Senator Tydings -- I think we should say, "Mr. Morgenthau of the Treasury Department will make known after having been cleared with the High Commissioner's Office."

MR. FRIEDMAN: That's correct.

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H.M.JR: Don't you think so, Harry?

MR. WHITE: Unquestionably.

H.M.JR: A few of these questions I raised -- would you have this gone over once more and have it ready for me by two o'clock?

MR. WHITE: I've been over it and initialed it, but your suggestions are good ones.

H.M.JR: What else?

MR. WHITE: This may be an opportunity here. I don't know whether you think it's so. Remember I raised the question about the business of paying soldiers, and so forth? Now, we may not want to confuse this, or you may want to indicate to the President there's a serious problem there, to show the Treasury has a legitimate interest.

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

MR. BELL: You can do that separately.

H.M.JR: Don't you think we could do it separately? I think so. What else?

MR. WHITE: Well, do you want to take up this morning the question about the policy after V-E Day?

H.M.JR: I'll tell you what happened on that.

(Mr. Friedman left the conference)

H.M.JR: McKim was over there, and he raised it, and he said, after talking with Judge Rosenman about it -- Judge Rosenman is an authority since he went to Europe on this thing, and Judge Rosenman said he raised the question with the British, and they want to talk about it, and he raised the question, and the British wouldn't discuss it with him. I mean --

MR. WHITE: He told McKim that?

H.M.JR: Yes, but anyway --

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MR. BELL: McKim didn't know that.

H.M.JR: He did raise it with Rosenman. Anyway, the mistake was made when Roosevelt made the thing so broad to Rosenman, but anyway he thinks that this Committee which was originally set up to handle phase two with the British should be continued, and he's going to talk to Crowley and let me know. Is that right?

MR. BELL: Yes.

H.M.JR: Sit tight until we hear.

MR. WHITE: You talked about the British, and the other wasn't discussed.

H.M.JR: No.

MR. BELL: He felt that the same Committee which handled it last fall should go right on and clean it up, as I got it.

MR. WHITE: That still leaves open the question as to your policy with respect to the other countries which the State Department wants you to approve. They want a statement of policy.

H.M.JR: I want -- sometime I want to sit down with all of you and just sort of talk this over for an hour. I'd like to go into this whole thing very carefully. Let me see.

MR. COE: I told them, Harry. I told Collado after we got the same reaction from you on Friday that we weren't ready to clear this, but I didn't see that our failure to clear this thing should prevent Crowley from going up and asking for any sort of budget he wanted to. We never tried to dictate his budget or appropriation business. That had been the reason why they were pressing for such an early answer saying that the budget appropriations depend on the Committee.

MR. WHITE: Does that mean there's no longer the same heat on it?

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MR. COE: No. I think Mr. Clayton would get in touch with the Secretary.

H.M.JR: Well, we'll start tomorrow morning at nine-fifteen, see?

MR. WHITE: We've been working on the report for the Committee which has to be ready by tonight or tomorrow.

H.M.JR: What's that?

MR. WHITE: Banking and Currency Committee.

H.M.JR: Oh. You're working on that?

MR. WHITE: Yes. The boys have a page, and we're going over it today, and it's a very good report. I don't think so. It's a resume of the arguments for, and a brief history of it.

H.M.JR: Coe has a copy of this letter from Patterson to me.

MR. COE: Harry has it.

H.M.JR: And, White, the thing I tried to make clear to Patterson -- I didn't seem to make my point to him, and this conversation I had with Patterson on this thing you can read, see -- and that is that. I want the thing to go to General Cheeves who heads Services and Supply, so that he in turn can use this cotton to barter for food. Now, I want to get it on that track.

MR. COE: I talked with General Carter who had sent you a sort of contrary letter. I talked with him Friday and Saturday, and he announced on Saturday that he had coordinated with Marshall's people on this, and in Army phraseology, they were going to send you this morning a letter which stated what they wanted; that it would not be quite in the terms that he understood you talked with Marshall about; that the Army would not actually sell the cotton, but the cotton would be consigned to the Army, and the Army would

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control the distribution of it. He says they don't want to sell the cotton out there to the private people. They'd turn it over to the Chinese for that, but they will put a man, if necessary, on each truck and see that something actually comes back.

H.M.JR: I'll have to wait.

MR. WHITE: I'm going to make a suggestion.

H.M.JR: General Marshall said he wants to do it.

MR. WHITE: I think you'll find the economy will be very reluctant and put a lot of opposition down the line. I don't know about General Marshall undertaking that task. Another possibility of getting what you want might be to have the Army appoint a man to work with FEA and let FEA have the responsibility. Now they've got businessmen and men that can take plenty of time to sell that in any way that you think is desirable to control it, but to turn the responsibility over to the Army, I think you'll find that the people down the line won't want to have anything to do with it, because it's quite a job to barter. You can't do it on a large scale.

MR. BELL: You don't like the Army doing it.

H.M.JR: I do, but I don't like Patterson's suggestion.

MR. WHITE: It isn't that they can get rid of the whole bunch in a deal. They have to do it in loads and lots, and it's an unpleasant job for people.

H.M.JR: Let's pursue this up to the point it says they don't want to do it. General Marshall said he wants to do it.

MR. COE: They're going to say now that they will control it. They won't say they'll do the actual selling, so the stuff will be consigned to this General Cheeves or his men.

H.M.JR: Yes.

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MR. COE: And they'll control it, and they'll have a way of stopping, turning over anything if they're not getting supplies for the Chinese Army.

H.M.JR: Well, the way I feel is this. I'd like to see the letter-- if this cotton would be consigned to General Cheeves, that's his name, isn't it?

MR. COE: Yes.

H.M.JR: Head of Services and Supply; how he does it from then on is his business.

MR. COE: They're willing to meet you there. They've met you.

(Discussion off the record)

H.M.JR: So he has that in mind. He has been out there himself. He knows it far better than I do, but I was going to stop at the point that it goes there, because I'm not going to put up this big fight to get thirty-five million - forty-five million, or whatever it is, bales of cotton for Soong and have it go to the Soong family.

MR. WHITE: How is the mechanism? How can you lend-lease cotton and have the Army sell it?

MR. COE: They're going to buy it. That's the reason why the Army will have little difficulty making up its mind to sell it.

H.M.JR: That's another thing than this. Here General Carter has completely different ideas. He just doesn't know, as I understand it, that the Chinese are paying for the trucks and for the cotton.

MR. COE: Paying for the cotton? I thought they were getting trucks on lend-lease.

H.M.JR: I was told they were paying for trucks, too. To me, I just don't understand how the Army can get into this thing and have such complete misunderstanding within the Army. After all, Harry, here's

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another thing as far as lend-lease is concerned, and this should be clarified, certainly. This, I don't see. When we started out there were two separate things, and this is what Carter got wrong. The Chinese said, "On reverse lend-lease, we are going to feed the American Army." I'm right, am I not?

MR. WHITE: That's right.

H.M.JR: I don't know how much they've been doing or haven't, and that's one deal I asked Dan Bell to clean up for me while you were away, to complete the thing, that I just didn't have the time. At that time, I thought it was Kung. It turned out it was T.V. I might take it back from you if it's going to be T.V.

MR. BELL: There's been nothing done on it, because there's nobody to deal with.

H.M.JR: If it comes back, I may take it back. That's one deal, and I think there's confusion over the Army, and I don't, strangely enough -- this General Olmstead was over here - Services and Supply. I don't think he ever got around to seeing Carter, and General Olmstead is responsible for seeing that these Chinese troops get clothing, food and ammunition to fight, and that's what I'm interested in. Now, where I'm a little vulnerable is that I think T.V.'s original request was for this cotton, for anti-inflation, see? And I kind of switched in the middle. I want to be very honest with you fellows. I kind of switched in the middle. Instead of using this for anti-inflation, the way T.V. does it, I wanted to use it for barter to give food to the Chinese troops for American Services and Supply, but if cotton goes into the hands of the population, it will be anti-inflation.

MR. COE: It will be more anti-inflationary handled this way. Just stop up more.

MR. WHITE: You get food. If you get more food, it's one of those things.

H.M.JR: It's better in the sense that we know it's going to go to Services and Supply, and then I take it just the way they guard the trucks. Do you know about that, Harry?

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MR. WHITE: No.

H.M.JR: They stop every truck that comes in now. The truck and the contents are protected on the Stilwell Road by the American Army until they reach their destination.

MR. WHITE: This is what you're achieving. It may not be everything you want, but if you give the Army control over the disposal of this cotton goods, you are giving them a powerful weapon. They can say, "We're not getting it." We can stop the sale if it is current so that the actual operation of barter doesn't have to take place if they use the power you're giving them.

H.M.JR: I wouldn't look beyond that if you agree with me.

MR. WHITE: I would agree with that definitely.

H.M.JR: And I'd like them to work that out.

MR. WHITE: That would be on pretty weak ground since you're giving them as much cotton as you can give anyway. It's to say that this isn't for the purposes he wants, because in the last analysis it's going to the Chinese people and getting them to fight, presumably, so he wouldn't be able to make any complaint that would effect this.

H.M.JR: If they don't fight, in the Army's control, they can hold it up a little bit.

MR. COE: Can we get back to the lend-lease and McKim business for a minute? I think in arriving at this decision, there are two or three general things about lend-lease which we should keep in mind. One is that lend-lease is definitely out of the honeymoon period, and is in the period where there are a lot of cats and dogs being thrown around, because of soft deals which have been made in the past. These three agreements are a case in point. Another one is we're also entering in the lend-lease settlement period where the failure to get quid pro quo of lend-lease when you are giving it to them means we get virtually nothing, and the second thing is that the expectations we get from Trade Article 7 of the Lend-Lease agreements are out. And the third thing was that Crowley bitterly

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resented this phase 2 of Lend-Lease, whether rightly or wrongly.

H.M.JR: My part in it -- on the English.

MR. COE: Yes, and it's in the nature of a bureaucracy.

H.M.JR: Well, McKim is talking to him today.

MR. COE: When you get into the lend-lease picture in some detailed way, we have to swallow an awful lot of propositions that we really don't want to, can't control anyway.

H.M.JR: May I answer you?

MR. COE: Yes.

H.M.JR: Your attitude pleases me, because you're looking after Morgenthau, but to give you the top policy in the Treasury, I have made suggestions to the President that the Secretary of the Treasury should be the watchdog of all fiscal domestic and foreign policies for him.

MR. BELL: Financial policies.

H.M.JR: What?

MR. BELL: Foreign financial policies.

H.M.JR: Yes. Now, I can't say, "Mr. President,"-- on the one hand I've given him the movement of this thing-- "the Secretary of the Treasury, in your name, should look after all of these things," and when something gets hot, see? Now, may I just finish? I didn't recommend that the Secretary of the Treasury do this. I just very carefully brought it to his attention, gave him all the facts starting with Quebec. I said, "How do you want this thing handled?" I definitely want to see how he works, and now he comes back and says, "I think the way to do it is let the same Committee do it and wind it up." If he does it that way, I would say it is an intelligent way. On my level I work that way.

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MR. WHITE: You can't avoid that. In the light of the whole history everything that Frank says is wholly true, but I don't think you can dodge the responsibility. What you can do, and what you have to anticipate doing, is that the conclusions you will come to won't be as popular in the one direction or in the future, but that's one of the unpleasant tasks of a Treasury official.

H.M.JR: It will be time-consuming work. I don't know where Crowley stands. I know he resents it and all the rest, and the State Department, but they'll continue to resent the thing until President Truman finally says under this reorganization who is going to be responsible for these things. I'm prepared for it.

MR. COE: Also, I think -- may I say one more thing?

H.M.JR: Two more things.

MR. COE: We should remember that already in the Truman Administration about half a dozen big lend-lease matters have gone up to him through the State Department channels. The Russian thing. It went up there through State Department channels, and in the last period of the Roosevelt Administration there were half a dozen memos which went up there, joint Stettinius-Morgenthau-Crowley memos on the thing.

H.M.JR: So it's a nice mix-up.

MR. COE: There's a nice mix-up, and he's going to be aware of the fact that people he talked to on Russian lend-lease weren't talking about this as a financial proposition but as a political one.

MR. WHITE: That's the line we should continue.

H.M.JR: If the President stays put on this Committee, for me as Chairman of the Bretton Woods Advisory Committee -- if he stays put on it -- because they raised it again this morning. McKim was going to be up on the Hill, and the President turned it over to him, and I thought it was a great mistake. He would confine his --

MR. WHITE: Who raised it again?

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H.M.JR: He had all the memos I had given the President in the last two weeks.

MR. BELL: He's turned it over to McKim.

H.M.JR: So, let's just sit this one out.

MR. WHITE: If they don't give it to you, fine. It has its great advantages, but I don't think that you can be in a position to push it.

H.M.JR: If he stays put on the Bretton Woods Advisory Committee, and he gets the import of it -- he's going to talk to State. He'll get it when State tells him he shouldn't do it. If he still decides it, it would be step number one.

MR. BELL: It would be inconsistent to do the other things differently.

MR. WHITE: I hope he does give lend-lease to State for all these reasons and some others.

MR. COE: If you get that Committee, don't you agree, as in the early phases of lend-lease, that you take up financial aspects of lend-lease such as how much are we going to get, but not the supply aspects and not such questions as whether forty-five million yards of cotton are to go.

MR. BELL: Not the details but just the over-all policy.

MR. COE: And also not such questions as Somervell is throwing over here and saying we understand the British are sending airplanes. That was crazy.

MR. WHITE: That's true. If it's given back to the same Committee, a little more can be done to put more responsibility on the other agencies and confining ourselves a little more narrowly to where they impinge on the others.

H.M.JR: Well, now, do you want to stay behind? A couple of these things you're going to bring up they are interested in, aren't they? Foreign currency matters?

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MR. BELL: No.

H.M.JR: Just the dime and that sort of thing?

MR. BELL: Post-war currency for the United States, I want to get some ideas on. It's largely the bond, the Roosevelt bond, and also the Roosevelt medal.

H.M.JR: Did you get most of what you had off your chest?

MR. WHITE: There's nothing that requires -- there are a lot of things I gather you've been informed of as to what they're doing, and there are some very troublesome things that are facing us. For example, one thing I might mention you're familiar with already, that is the American soldiers are getting hold of so many marks that it's creating trouble.

H.M.JR: I think that Colonel Bernstein has a very impressive suggestion. His idea is that we give them a ration of so many marks having nothing to do with pay to get six packages of cigarettes a week. Give them one thousand marks a week just the way the Russians do.

MR. WHITE: The Russians don't have a fixed amount. Apparently, they give them whatever they ask for.

H.M.JR: Give them so much, and it doesn't come back on Treasury, and if they pick up five or ten thousand marks on the black market, it doesn't come back.

MR. WHITE: The thing we have to be careful of is they have the right to reconvert those marks into dollars, and that's where we're stuck.

H.M.JR: And the other thing in the shop which I know how I'd answer is about Mr. Stettinius thanking me for having lend-leased you to San Francisco, and he hopes you'll come back.

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MR. WHITE: It must have been a routine letter sent out to all the people who were there.

H.M.JR: Well, I'll show it to you.

MR. BELL: It was not instigated from this end.

COPY

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MEMORANDUM FOR THE PRESIDENT

Admiral Leahy requested that I give you a report and recommendation on the following message received from Manila from Senator Tydings:

"Every local leader states immediate clarification of Treasury policy on Philippine frozen funds absolutely essential for recreation of Philippine economy. I and all my associates concur and ask for prompt action."

The Treasury policy on Philippine frozen funds was clarified on May 25 by the issuance of Treasury regulations re-establishing the freezing controls in the liberated portions of the Philippine Islands, together with a press release explaining such regulations and the policy to be followed in carrying them out. Treasury personnel with full powers to carry out this program are now en route to the Philippines by air and should arrive there within the next few days.

The Treasury has been prepared for some time to put this program into effect. However, we were precluded until now from doing so because of an initial refusal on the part of the Theater Commander to allow Treasury personnel to go to the Philippines. A proper licensing policy which would adequately prevent Japanese or collaborationist use of Philippine funds, while permitting full scope for legitimate transactions, could be carried out only if there were on the ground a small staff of trained personnel familiar with problems of that character. Our original request that Treasury personnel be allowed to move to the Philippines for that purpose was made early in March.

The freezing control program for the Philippines is designed as part of the U.S. economic warfare program for the Far East. We wish to prevent the Japanese and their collaborators from realizing upon their loot and from laying the basis for post-war influence in the Philippines through financial machinations. Our program, however, is very flexible and under it we intend and are able to facilitate the reopening of normal financial and trade transactions both in the Islands and between the Islands and the United States.

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The Secretary of Finance of the Commonwealth of the Philippines and interested officials of the Department of Interior approved the freezing control program prior to its issuance.

It is suggested that you may wish to reply to Senator Tydings substantially as follows:

"Secretary Morgenthau tells me that the Treasury policy on Philippine frozen funds was announced on May 25, on which day the Treasury issued regulations regarding freezing controls in the liberated portions of the Philippines. Secretary Morgenthau assures me that while these regulations will immobilize the assets of Japanese and their collaborators, they will be administered in such a way as to facilitate rather than to interfere with the resumption of banking, industry and trade in the Islands. A Treasury group, headed by Mr. I. G. Alk, is expected to arrive in Manila within a day or so to administer the freezing regulations. Before they left here, they were instructed by Secretary Morgenthau to make themselves available to you and to assist your mission in every possible way."

May 25, 1945
11:23 A.M.

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Mr. Joseph
O'Connell:

....lunch with the Senators this noon.

HMJr:

Yeah.

O:

I think I should tell you there is one matter that is almost inevitably going to be raised down there, and that is the \$2500 indirect salary increase that was put into the appropriations - put in by the Appropriation Committee in the House and was debated in the Senate Saturday and Friday. It's all mixed up, but in the process they have criticized the Treasury Department, Berkley did - and one or two others - for the position that we have taken with respect to an allowance of the living expense of Congressmen while they are in Washington.

HMJr:

Yes.

O:

Now, I just thought you ought to know that we have no reason to be at all on the defensive in connection with that, because the only decision that is directly on the point was the tax court decision in 1936 which held that....
(break)

HMJr:

Give it to me on one page.

O:

Yes.

HMJr:

Give it to me on one page.

O:

Yes. O. K.

HMJr:

Will you?

O:

Yes, I'll get it to you very shortly.

HMJr:

And also would you give me another page just what it says in Bretton Woods about silver.

O:

What it says in Bretton Woods about silver?

HMJr:

Yeah.

O:

Right.

HMJr:

Thank you.

O:

O. K.

May 25, 1945
3:06 P. M.

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HMJr:

Hello.

Commissioner
Munn:

Yes, sir.

HMJr:

Commissioner, I got word that you people wanted to see me before Press. Hello?

M:

Yes, sir.

HMJr:

And I sent word quarter of four. And I wondered as long as you were coming over, if you weren't busy, you might come over a little bit earlier and I'd like to see you alone for a few minutes.

M:

I'll be over any time you want.

HMJr:

Oh, about half past three.

M:

I'll be there.

HMJr:

Thank you.

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May 28, 1945
3:55 p.m.

PRE-PRESS

Present: Mr. Gaston
Mr. O'Connell
Mr. Penle
Mr. Sheeffer
Mr. Fussell
Mr. Coyne
Mr. Blough
Mr. White
Mr. Nunan
Mrs. Klotz

H.M.JR: On April 10th Spevak was indicted. What the relation between Spevak and--is that his company?

MR. FUSSELL: He bought meat from the packing company and our investigation starts with the packing company.

H.M.JR: Is the packing company all right or is it just Spevak?

MR. NUNAN: No, the packing company is in trouble, too. They are being investigated now.

(Mr. Blough enters the conference.)

H.M.JR: Is that a good case? Was that given to us by OPA?

MR. NUNAN: Yes, sir.

MR. O'CONNELL: That's where it started.

H.M.JR: Is that where it started?

MR. O'CONNELL: That's my understanding. Their investigation preceded ours.

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MR. NUNAN: That's what the indictments were for. He has been indicted for an OPA violation.

MR. FUSSELL: We started the packing company investigation.

(Mr. White enters the conference.)

H.M.JR: What's that?

MR. FUSSELL: We started the packing company investigation.

MR. GASTON: Is that the Washington case?

MR. O'CONNELL: Baltimore.

MR. GASTON: The Baltimore case.

MR. NUNAN: I think there is one case in there you might make a point of where we are using a new procedure. I think it's the last case. We closed the taxable year of somebody we found in the black market and who hasn't reported all his income. We asked that his taxable year be closed as of April this year, which we can do under the Statute, and don't do very often, but we have done it in this case and I think you can make a point of it if you find any more cases like that. Rather than wait until the end of the year, we closed his books and investigated him up to the present time.

H.M.JR: From January to April?

MR. NUNAN: Yes, sir.

H.M.JR: That's interesting. Do you think I better read from this?

MR. GASTON: There's a lot of good stuff there.

MR. O'CONNELL: It's a little short.

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MR. GASTON: I don't think your quotation is correct, but--

MR. O'CONNELL: We won't use that.

MR. GASTON: Have you verified the quotation?

MR. FUSSELL: You mean on the "vilest sinner?"

H.M.JR: I like the Washington case.

MR. FUSSELL: That's the case where they closed out the year.

MR. GASTON: Wasn't that in the Washington papers, something about the OPA case?

MR. FUSSELL: Yes.

H.M.JR: When you say a Mid-western outfit you mean that's--

MR. PERLE: The packing company.

H.M.JR: Is that the War Food lead?

MR. FUSSELL: P. and M., yes. We are leaving Walgreen out, because the legal department doesn't think it is safe, and I don't think so either.

MR. O'CONNELL: There is no information we have that ties that in with Walgreen. Is that P. and M. Liquor Store?

MR. NUNAN: There's no question in my mind, because the two attorneys came to see me, and I sent them to Madden and they told me the whole story first and went to Madden and told the whole story to Madden.

Walgreen's did it over the ceiling price and they did it, the two men who were involved in it.

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MR. O'CONNELL: My only point was no information we have indicates we have a criminal tax case.

MR. NUNAN: Against Walgreen there is nothing at this time to indicate it, but we will have--

H.M.JR: Would you say they got the liquor from a chain?

MR. NUNAN: They bought it from Walgreen's. There is no question about that. They confessed to that.

MR. O'CONNELL: They bought the stock of the company owned by Walgreen.

MR. NUNAN: That's right, and that's the way they got the liquor.

MR. O'CONNELL: There have been a number of cases where an outfit will sell its company at a price which mostly represents the value of liquor, but it's not too easy when you buy a concern including an inventory of liquor which represents--

MR. GASTON: A good little of the wave length.

MR. O'CONNELL: You know what they are doing, but--

H.M.JR: What's the last sentence? "One striking feature of this case without risking a nickel is that they--"

MR. FUSSELL: This P. and M. Company went out and got their money in advance and used the money they got in advance to buy the whole capital stock of the company that held title to Walgreen liquor and turned the liquor over and got the money back.

H.M.JR: What I'll do--I'm getting a little sticky--are you familiar with that?

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MR. NUNAN: On this I am.

H.M.JR: The Washington case?

MR. NUNAN: No, just having read that memo. I only got these for you Saturday morning, and I just read them before I came over, but I am not familiar with the details.

H.M.JR: But you are on the Chicago one?

MR. NUNAN: Yes, sir.

H.M.JR: All right. This Washington merchant who is selling this meat--he makes the money by overcharging local merchants. Is that right?

MR. FUSSELL: Yes.

MR. GASTON: And presumably splitting it with the packing company he gets the meat from.

MR. PERLE: And local merchants charge over ceiling, too.

H.M.JR: Was this turned over by OPA, this Washington case?

MR. FUSSELL: Yes.

H.M.JR: Was it?

MR. FUSSELL: Yes.

MR. O'CONNELL: That's my understanding.

H.M.JR: How about the Baltimore case?

MR. FUSSELL: That was, but we had already started investigation of the packing company that supplied the Baltimore case, so we in a way initiated that.

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H.M.JR: Do you have anything on war bonds?

MR. COYNE: Very little, sir, just figures. Here's a routine story, if you want to use it, on school kids.

H.M.JR: Has anybody else got anything? Should I tell them I am going up on the Hill this week?

MR. O'CONNELL: If you do, don't say Thursday, because we haven't completed the arrangements. You might say you are planning to go up soon.

H.M.JR: I think to keep the thing going, I'll say we need five thousand men in the field and five thousand in Internal Revenue to complete the cases.

MR. NUNAN: That's correct, yes, sir.

H.M.JR: We'll need somewhere around forty million dollars, and we think with any luck at all we will collect at least a billion. That's what Charlie Bell said this morning. Is that too high?

MR. NUNAN: No, sir.

H.M.JR: That's the story.

5/28/45

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POINTS WHICH MIGHT BE DISCUSSED BY THE SECRETARY
AT TODAY'S PRESS CONFERENCE

1. The tax evasion probe is paying its way many times over. The last weekly report shows more than 1500 agents at work (deputy collectors, revenue, alcohol tax and special agents), and taxes and penalties assessed during the week totaling more than \$5½ million, an average of more than \$3700 per agent. It is impossible to estimate how much the Government gains in amended tax returns from taxpayers who had "forgotten" important items -- until they read of an unusual tax arrest or conviction.

2. Voluntary disclosures -- Mr. O'Connell points out that there has been some misapprehension as to the policy of the Department in cases where the taxpayer makes, or undertakes to make, a voluntary disclosure of evasion. The policy is "not to recommend criminal prosecution where taxpayers make voluntary disclosure of evasions before investigation by the Department has been initiated". In other words, the determining factor is not the intent of the person when he made his return, but whether he sees the light soon enough.

Slightly paraphrasing the old Gospel hymn:

"So long as the light holds out to burn
"The vilest sinner may file an amended return"

but so far as freedom from prosecution goes, the light goes out for the tax evader at the moment that the ~~Treasury~~ *Government* starts investigating.

3. Meat Cases -- Our investigation of the meat situation indicates that many millions of dollars will be collected in income taxes and penalties, and numerous tax prosecutions will be brought, in addition to penalties imposed as a result of OPA action.

A. We have the case of a Baltimore wholesale dealer who reported approximately \$35,000 net income for 1944. We have sworn testimony indicating that his black market collections during 1944 were at least \$400,000. On most sales,

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particularly in the New York area, he charged 10 cents per pound over ceiling prices. The income tax returns of a Midwestern packing company which provided this dealer with meat are also under investigation. It is apparent that at least part of the overceiling payments received for meat shipped by the packing company was diverted to stockholders and officers who failed to account for the money in their income tax returns.

B. In Washington we have a man who has been selling as high as 240,000 pounds of meat a week. The evidence indicates that he had approximately 175 local merchants in the area as his customers, and that he charged 6 cents a pound on beef and 8 cents a pound on veal above ceiling prices. The evidence also indicates a tax deficiency of \$400,000 for 1944.

4. Liquor -- In the liquor field we have a Midwestern outfit that knew where it could buy the stock of a company which owned a lot of liquor. The members of this group went out and took advance orders, receiving cash deposits of \$15 a case. This money was used to purchase outright the capital stock of the company that owned the liquor, the stock being valued on the "black market" price of the liquor. The purchasers then sold the liquor over the course of less than five months, getting more than a half-million dollars in "side money" payments. One striking feature about this case is that they got the money without risking a nickel.

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WM JR TOOK THIS MEMORANDUM WITH HIM
WHEN HE HAD LUNCH WITH THE SENATORS
ON THE HILL MAY 28, 1945



THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON

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23 May 1945

MEMORANDUM FOR THE SECRETARY'S FILES:

The Secretary and the writer had luncheon at the Capitol today (in Mr. Biffle's office) with Senators Barkley, Wagner, Thomas (of Utah), McKellar, Bailey, George, Lucas, and Hatch.

The purpose of the luncheon was to discuss the Bretton Woods legislation, particularly as to when hearings are to start in the Senate. As is often the case in such meetings, the subject intended for discussion was touched on only incidentally.

Both Wagner and Bailey felt that hearings in the Senate should not commence until the bill has passed the House. Assuming that the bill will pass the House next week, it was agreed that hearings will start in the Senate a week from next Tuesday (June 12th). All were agreed that every effort should be made to keep the hearings within bounds and to make them as short as possible. Senator Wagner indicated that he thought that ten days would be long enough, and I indicated that our case could be put in in four or five days if the Committee would hold hearings morning and afternoon.

In answer to a general question from the Secretary, Senator Thomas of Utah indicated that the silver Senators would like to have a provision in the Agreements indicating that nothing therein contained was intended to militate against the possible future use of silver as a currency base. The subject was not pursued very much, although the difficulties in the way of any amendments to the Agreements were pointed out to the Senators. Senator Thomas was obviously not impressed, but the others seemed to be. The meeting broke up about 2:00 P. M.



J. J. G.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

201

DATE

May 28, 1945

TO Secretary Morgenthau

FROM Mr. Luxford

"Silver" in the Bretton Woods Agreements

The only reference to silver in the Bretton Woods Agreements appears in Article V, Section 4 of the Fund Agreement which reads as follows:

"Sec. 4. Waiver of conditions.--The Fund may in its discretion, and on terms which safeguard its interests, waive any of the conditions prescribed in Section 3 (a) of this Article, especially in the case of members with a record of avoiding large or continuous use of the Fund's resources. In making a waiver it shall take into consideration periodic or exceptional requirements of the member requesting the waiver. The Fund shall also take into consideration a member's willingness to pledge as collateral security gold, silver, securities, or other acceptable assets having a value sufficient in the opinion of the Fund to protect its interests and may require as a condition of waiver the pledge of such collateral security."

Under this provision a member country wishing to use the Fund's resources in excess of the amount determined by its quota can request a waiver from the Fund. In asking for a waiver the country could offer to deposit gold, silver, etc. as collateral and the Fund is authorized to accept it if it wishes. This provision is of some help to silver countries since they may be able to use silver to get additional aid from the Fund in an emergency.

The greatest contribution the Fund makes to silver however arises from the stabilization of currencies. As long as currencies are in continuous state of fluctuation

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and subject to constant depreciation it is almost impossible for countries to use silver as a subsidiary coin. This is true because as the currency is depreciated the bullion value of the silver coin becomes more valuable than the depreciated face value. Accordingly, silver coins disappear from circulation and paper or tokens replace it.

By stabilizing currencies, countries can afford to issue subsidiary silver coins and thus increase the use of silver for coinage tremendously.

At the Bretton Woods Conference it was also agreed that the following report on silver be incorporated in the Final Act:

"(1) The Commission adopted the report of Committee I on 'The Use of Silver for International Monetary Purposes' and recommended that the following statement be included in the Final Act:

'The problems confronting some nations as a result of the wide fluctuation in the value of silver were the subject of serious discussion in Commission III. Due to the shortage of time, the magnitude of the other problems on the agenda, and other limiting considerations, it was impossible to give sufficient attention to this problem at this time in order to make definite recommendations. However, it was the sense of Commission III that the subject should merit further study by the interested nations.'

While this report was included in the Final Act, it is not a part of the Agreements now being considered by Congress.

AK

PRECISION

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MICROFILM

ROLL NO.

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NO. 1

5/28/45

Mrs. McHugh

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Mr. O'Connell carried original to
Secretary at 12:30 p.m. today.

FROM MR. O'CONNELL

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Secretary Morgenthau

May 28, 1945

Joseph J. O'Connell, Jr.

The pending legislation respecting Congressmen's salaries may come up at your lunch today.

The House passed an appropriation bill recently which included a \$2500 "expense allowance" for Congressmen. The Senate Appropriations Committee inserted language in the bill making it apply to Senators and making it clear that (as to Senators) the "expense allowance" is not to be considered as income (the House probably intended this but the language they used does not do it).

A great deal of opposition to the proposal has developed on the Floor of the Senate, some Senators opposing it on the grounds that it is an indirect salary increase (which, of course, it is). During the discussion the Bureau of Internal Revenue was criticized for taking what was called an "erroneous" position with respect to living expenses of Congressmen while in Washington. The fact is that the Bureau has consistently disallowed deductions for such purposes, and in doing so has the support of a Tax Court decision as recently as 1936. There is no other decision precisely on the point, although the Supreme Court may shortly have an opportunity to clarify the law on the subject. Admittedly, a reasonably good argument can be made for a position contrary to that taken by the Bureau, but it is quite clear that we would not be justified in reversing our position in the absence of an expression from the Supreme Court or a change in the law by the Congress.

(Signed Joseph J. O'Connell, Jr.)

JJOC:s 5-28-45

Columbia University
in the City of New York

May 28, 1945

LEGISLATIVE DRAFTING RESEARCH FUND
800 WEST HALL

Honorable Henry Morgenthau, Jr.
Washington, D. C.

Dear Mr. Secretary:

I have been acting as chairman of a small committee of private welfare agencies who are deeply concerned in the situation of the people now in the camp at Oswego. We are conscious not only of the difficulties in the camp itself but of the widespread anxiety in the country over their fate.

As you well know our groups have been long interested in the future of the many immigrants on temporary visas in the United States and in plans for taking care of them. They have also had to do with immigration statutes and their administration, so that in planning for the Oswego refugees we have had in mind the impact of whatever is done for them on general immigration policy.

A small group of us would like to see you in respect to this subject and, in view of the report that the War Refugee Board is to cease to exist on the 30th of June, we should like to have the meeting this week if possible. We could come at any time after Tuesday May 29.

With kind personal regards, I am,

Very sincerely yours,

Joseph P. Chamberlain
Joseph P. Chamberlain

RAYMOND SWING
Monday
May 28, 1945

W.A.
Blue Network

206
Hawes VAA

Joseph E. Davies, President Truman's special envoy to Great Britain, spent part of Sunday with Prime Minister Churchill at Chequers, and a great part of today in conference with Foreign Secretary Eden. London reports say that the main subject of the discussion is setting up the Allied Control Commission in Germany. And that Mr. Davies should be talking about that in London suggests that the delay in setting it up may be due to high policy in London.

In the meantime Harry Hopkins has had one ninety-minute talk with Premier Stalin, and is due for another meeting. Russian occupied zones in Germany and Austria are still closed and hundreds of American and British military government experts are awaiting a three-power agreement for over-all control. But the western Allies also still hold territory assigned to the Russians for occupation. Ambassador Winant, who is a member of the European Advisory Council, which was charged with working out the plans for the control of Germany, was present at Mr. Davies' long talk with Secretary Eden today.

The London Daily Mail reported that Mr. Davies carried a personal letter from President Truman to Mr. Churchill in which he promised the Prime Minister to follow the policies laid down by President Roosevelt. The letter is reported also to have expressed a desire to come to Europe as soon as his duties permit, and in particular to fulfill one of President Roosevelt's cherished wishes, to visit London. The Mail said that indications were that Mr. Truman would not be free to go to Europe till the end of June, and concluded that the Big Three meeting cannot be held till the middle of July, which is well after the British election, but before the results are known. On the other hand the Warsaw radio today reported that the meeting would be held in Germany in June.

These talks in London and Moscow are the most important events in world affairs at the moment, but we are not likely to find out what is being said. All we know is that they are preliminary to a meeting of the Big Three and

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that meeting may well prove to be the most fateful political event of the postwar era.

The unrest in Syria and Lebanon mounted today with news that Syria has ordered conscription of all men from sixteen to sixty to serve in the home guard. It is not confirmed that President Truman will be asked to arbitrate the dispute, but American concern over it was emphasized by Undersecretary Grew today, while Secretary Eden stated that the British are conferring with the United States and the parties concerned. The basis of the dispute is that the French, offering Lebanon and Syria a treaty which in theory was to give them their independence, produced a document assuring France permanent and strategic bases amounting to military control, a favored economic position, and the domination of French language and French culture. This was no treaty of independence, but a mandate under another name. When the two states refused to sign the treaty, France moved five hundred new Senegalese troops and 850 replacements into Lebanon. That is what set off the shooting.

Broadly speaking what the public knows about the battle of Okinawa is that it is by all odds the hardest of the Pacific war. At first, because our forces found their landing only lightly opposed, the impression was that the conquest of Okinawa was going to be astonishingly easy. That soon was proved to be a bitter mistake. Since then repeated reports have been published suggesting an early end to the campaign, and these too have proved to be bitter mistakes.

Many civilians may have heard of a disagreement between high marine and infantry officers over the strategy to be used in conquering Japanese territory. The Marines' pattern of fighting is to make rapid progress at a higher cost in casualties. The infantry pattern is to save casualties and take plenty of time if that is the price. Both the infantry and the marines have had their innings on Okinawa. Lieutenant General Simon Bolivar Buckner, Jr. launched our first big attack on April 19th with the Tenth Army. Some gains were made, but the attack subsided. In the past week we have been on the offensive with the Marines in the line. But the gains, though consistent,

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have been slow, says Bruce Rae, reporting from Guam to the New York Times. "The Japanese on Okinawa have produced defenses that surpass anything they had worked out on Tarawa and Iwo Jima. We too have produced an offense that surpasses anything we produced on those two islands. But the cost to the Navy of its part in the offense has not been frankly disclosed and has to be inferred from the figures of naval casualties. Mr. Rae recalls that most naval history is made in a few brief encounters, and remarks that in the past an Admiral who had one or two victories was thought to have done a lot of fighting. But the warships now off the main island of the Ryukyus have been fighting steadily since April 1st. The same admirals, the same captains, the same ships and the same crews, and the same well-worn guns. For two months they have been firing and taking fire, plus the suicide plunges of the Kamikaze corps. It is questionable, he says, whether any man aboard those ships has had a full night's sleep in that period, for the suicide planes come in all hours and try to strike where their fancy pleases. The Navy, says Mr. Rae, had a taste of this type of warfare at Leyte and got more of it in the Lingayan Gulf. It has become common everyday routine on the present task. The Navy, says Mr. Rae, has met it, solved it and is going grimly and confidently ahead. But the casualty figures, given this past week, show the Navy dead and missing in the campaign--up to May 23rd,--to be 4,270 and the wounded 4,171. The number of Navy dead is higher than of infantry dead, and considerably higher than marine dead, and not far from the total of infantry and marine added together.

"There are some," says Mr. Rae, "who argue that a stronger offensive would have brought the fight to a conclusion and the Navy could have moved somewhere else, out of continuous air attack. This argument calls for Marine tactics occasionally criticized as too reckless, too fast, and not too scientific, of bold penetration even at initial high cost. This faction points out that the steady but slow progress on Okinawa may mean a man killed or wounded afloat, for every man killed or wounded ashore. Those who hold this point of view," Mr. Rae continues, "point out that when men are hit on

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ships the vessels are damaged and now and then a warship goes out of action for some time while repairs are made. While they are earnest in their desire to keep casualties down, they say that a casualty ashore is a casualty, but one on a ship means a casualty plus a ship." The answer to the argument for quicker progress is that the Marines have not managed to make it, even when they took over the offensive. On Okinawa the enemy has a larger field to work, the terrain is all in his favor, and he is using all he has learned in the previous fighting in the Pacific.

The argument between Army and Navy, however, is not what matters most, at least not to compare with the lesson of Okinawa for the remainder of the war on Japan. Our infantrymen and marines have fought superbly, and artillery fire and naval fire have been greater than anything ever before produced in warfare. Even so it has been hand-to-hand fighting up hill and down hill, into caves and straight up the hills in the face of short range fire. When the time comes," says Mr. Rae, "for the barges to head in to Honshu or Kushu, or wherever the Normandy of the Pacific begins, even better troops and harder country for an offensive will be faced. We shall face also a hostile, drilled populace, ready and eager to help to defend the homeland. And as our men push inland, they will move out of range of the support of naval gunfire. So," remarks Mr. Rae, "the toughest job lies ahead. And that, it may be said, is the fact that needs stressing. If nearly 10,000 Americans are dead or missing so far in Okinawa, what will the invasion of the homeland cost?

It brings the Pacific war into perspective to appreciate that so far the Allies have liberated only seven per cent of the nearly 2,000,000 square miles of conquered territory the Japanese have brought under their control. The FEA, which makes this estimate, also calls attention to the fact that a large portion of the industry Japan had before Pearl Harbor is intact. In addition, key raw materials are available in the so-called inner zone--Japan proper, Korea, Manchuria and North China. In this zone the Japanese have synthetic oil plants whose capacity last year was 21,000,000 barrels. "With the

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loss of the major part of her navy and the reduction of her merchant marine," says the report, "this quantity may be sufficient to meet the requirements for the approximately 2,000,000 tons of Japanese shipping remaining in the reduced area for operations." The report says that "food shortage will hardly shorten the resistance of the Japanese, even though they must now get along without rice from Burma, Thailand and Indo-China." Practically the whole of the gum processing capacity of the Japanese Empire, as well as adequate supplies of raw materials, lies in the inner areas. "It is true," the report says, "that in terms of individual industrial centers and plants, bomb damage has been devastating, and many square miles of such cities as ~~Emri~~ Tokyo, Nagoya, Osaka and Kobe, all vital to Japan's war effort, have been laid waste. To meet this threat from the air, however, Japanese war leaders long ago placed in operation an extensive dispersal program. Plants have been established in secluded localities, and in some areas protected by ravines and hills, and widely dispersed industries have been developed in Korea, Manchuria, and China. In recent months, the dispersal program has been accelerated, and in some cases key plants have been put underground." These are the facts to be borne in mind when one reads of such raids as the great fire raid on Tokyo. They are indeed sobering thoughts to be expressing on the day when Chairman Krag's remarks about reconversion are being so gratefully read by impatient business men. We still need to think first ~~we~~ that we are at war. We need to appreciate that it is a difficult war, and may well be a long and extremely costly war. Until that war is won, everything else is secondary.

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May 28, 1945

My dear Admiral Leahy:

In compliance with your request, I am enclosing herewith a memorandum for President Truman in answer to the message received from Senator Tydings.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Admiral William D. Leahy,
Chief of Staff to the
Commander-in-Chief of the
U.S. Army and Navy,
The White House,
Washington, D.C.

Envelope stamped "Secret"

Sent by Secret Service
Agent at 8:08

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MEMORANDUM FOR THE PRESIDENT

Admiral Leahy requested that I give you a report and recommendation on the following message received from Manila from Senator Tydings:

"Every local leader states immediate clarification of Treasury policy on Philippine frozen funds absolutely essential for recreation of Philippine economy. I and all my associates concur and ask for prompt action."

I am glad to report that Treasury policy on Philippine frozen funds is clarified. The Treasury regulations respecting Philippine frozen funds were issued on May 25, after having received the concurrence of the Office of the High Commissioner. On the same day a press release was put out explaining the regulations and the policy to be followed. A Treasury group, with full powers to carry out this program, was sent to the Philippines by air together with all the necessary documents. It was delayed by traffic congestion, but will arrive in Manila in the next two or three days.

This program was formulated prior to the liberation of the Philippines and was discussed fully with State, War, the Office of the High Commissioner and with the Philippine financial authorities in Washington.

There has been a delay in announcing the program, because initially General MacArthur wished that, for military reasons, civilian personnel, including Treasury personnel, could not enter the islands. It was not possible to promulgate licenses until personnel, familiar with these problems and the proposed system of regulations, could be sent to the islands to explain the regulations, adapt them to changing conditions, and assist in their administration.

The present program is designed to prevent foreign exchange transactions by Japanese and their collaborators. Such controls are a necessary part of the war against Japan and also will prevent anti-American elements from keeping the position of financial dominance which they gained under the Japanese occupation. This program has been made flexible, because the detailed actions to be taken can only be determined on the spot.

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This system of controls will not impede, but, on the contrary, will facilitate the restoration of normal financial and trade transactions in the islands and with the United States. In recognition of this, the Commonwealth financial authorities are anxious to have this freeing control set up as quickly as possible. The instructions to the Treasury group in the Philippines are to lend every possible assistance to the speedy reopening of the banks and other financial institutions.

It is suggested that you may wish to reply to Senator Tydings substantially as follows:

"Secretary Morgenthau tells me that Treasury policy on Philippine frozen funds has already been clarified and a program agreed upon in consultation with the Office of the High Commissioner and the Commonwealth financial authorities in Washington. The necessary regulations were issued on May 25 and an announcement made in a press release of that date. Although the Treasury group, which is being sent to administer these regulations, has been delayed by air traffic congestion, it is now expected to reach Manila in the next day or two. The Treasury group was instructed by Secretary Morgenthau to make themselves available to you and to assist your Mission in every possible way.

"Secretary Morgenthau assures me that the freeing funds program is flexible and designed to meet changing conditions in the liberated areas. Although the regulations will immobilize the assets of Japanese and their collaborators, they will be administered in such a way as to facilitate the resumption of banking, industry and trade in the islands."

(Signed) H. Morgenthau, Jr.

FO/HDM/LGA/ISF/cf# 5/28/45

THE WHITE HOUSE
WASHINGTON

SECRET

26 May 1945

MEMORANDUM FOR

The Secretary of the Treasury:

The following message from Senator Tydings
is received this date:

QUOTE: Every local leader states immediate
clarification of treasury policy on Philippine frozen
funds absolutely essential for recreation of Philippine
economy. I and all my associates concur and ask for
prompt action. UNQUOTE.

The President desires that the Treasury give to
him a report and recommendation on this matter Monday,
May 28.

William D. Leahy

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 28, 1945

TO Secretary Morgenthau For Action

FROM Frank Coe and M. L. Hoffman

The program for vesting and disposition of German and Japanese property interests in the United States was cleared with you last week. The final papers have now been signed by the Alien Property Custodian and the Acting Secretary of State and are attached for your signature. They will be sent to the Bureau of the Budget for attachment of the Executive Order and transmittal to the White House.

There are an original and three signed copies of the memorandum to the President and an original and two copies of the statement of program to be initialed.

M. L. Hoffman
FLC

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WAR DEPARTMENT
OFFICE OF THE UNDER SECRETARY
WASHINGTON, D. C.

28 May 1945

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

Dear Mr. Secretary:

In connection with the plan to deliver 6,000 tons of cotton cloth to the Republic of China to be used for barter purposes in combatting inflation, the War Department is desirous of taking the necessary precautions to insure that the cloth is devoted to the purposes for which it is being procured.

It is suggested that Dr. Soong be advised that since the cloth can be obtained only for the active prosecution of the war, and then only with the active support of the War Department, the U.S. Commanding General, China Theater, be authorized to take whatever steps are necessary to assure that the cloth will be applied strictly for the intended purpose. In order to define the extent of the U.S. military interest in this cloth it is recommended that Dr. Soong agree on behalf of the Chinese Government to the following understanding:

"The 6,000 tons of cotton cloth which is presently being procured by Foreign Economic Administration for the Chinese Government as a military necessity will be assigned to U.S. Commanding General, China Theater, for account of the Chinese Government. The U. S. Commanding General will maintain custody and control over the cloth and will make deliveries to the representatives of the Chinese Government under such terms and conditions as to use and disposition as he shall deem desirable for the most effective prosecution of the war."

It is further recommended that a similar understanding be reached with the Chinese Government with respect to the disposal of salvage and scrap as mentioned in General Somervell's letter to you of 8 May 1945.

I should appreciate being kept advised of the agreement reached with the Chinese representatives defining the control which General Hecmeyer is to exercise over the use and disposition of the cloth.

Sincerely yours,


Robert P. Patterson
Under Secretary of War.

MEMORANDUM

TO: Mr. Leo T. Crowley
Chairman, Inter-Agency Committee to Coordinate Foreign Shipments

FROM: Mr. J. D. Small
Chairman, Sub-Committee on Materials and Equipment

SUBJECT: Cotton Textiles for China - Second Half 1945

1. The WPS Requirements Committee has reviewed in the past few days the third quarter cotton textile situation and made allocations to all claimant agencies. The third quarter position is by far the gravest yet encountered and is substantially more serious than had been expected. The third quarter allocations made yesterday, together with probable allocations from U.S. supplies in the fourth quarter, will result in a general picture for the second half year approximately as follows:

U. S. COTTON BROAD WOVEN FABRICS
(Millions of Yards)

Claimant	1955 est. 6 months Consumption	Stated Requirements	Probable Allocations
Military	neg.	1514	1226
Domestic (Inc. industrial)	4390	4256	3057
Export (Inc. Army-Civilian Relief)	184	1099	397
Total -	4874	6875	4680

2. The third quarter allocation to the Foreign Economic Administration out of U. S. supplies is 126.6 million yards. The maximum which FEA feels can be allocated to China out of this quantity is 23 million yards. In addition, it now appears that there can be obtained for China from Brazil and Mexico 22 million yards in the third quarter, making a total, out of western hemisphere supplies, of 45 million yards. Present prospects for the fourth quarter make it appear that for the second half year 1945, a total of 106 to 110 million yards can be made available to China

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of western hemisphere supplies.

3. It may be possible to effect some readjustment as between supplies from the U.S. and supplies from Latin American sources. The details of such adjustments, which will not affect the total, will be worked out jointly in the customary manner by the Foreign Economic Administration and the Combined Production and Resources Board. The Chinese should be informed in this connection, that they must absorb the substantially higher cost of any supplies made available to them from Latin America.

4. In addition to the 106 to 110 million yards from western hemisphere sources described above, 3,600 short tons (about 21 million yards) of British procured cotton textiles in India are now being lifted for China. In addition, there are three thousand tons of raw cotton immediately deliverable for China from India and ample additional supplies of raw cotton are available. These quantities of textiles and cotton, if all delivered in 1945, would exceed the transport available. However, owing to the long delivery time for textiles from the western hemisphere, some transport tonnage may have to be filled in with additional raw cotton or with other supplies. It is recognized that, under current Chinese production and transportation conditions, this material is less desirable than textiles. In view of the time periods involved, the responsible agencies are taking steps to expedite the procurement and delivery of the Chinese allocation, both from U.S. and Latin American sources.

5. In the opinion of the Committee, the estimate of 106 to 110 million yards of cotton textiles to be made available for China during the second half year is a maximum. The allocations to the military, other exports, agricultural, industrial, and civilian claimants have been pared far below stated requirements to levels regarded by the WPS Requirements Committee as dangerously low minimums.

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THE SECRETARY OF WAR

May 26, 1945.

Dear Henry:

It was very sweet of you to send me your kindly word of good wishes on May 8th. You were the first man to give me a heartfelt welcome when I joined the Cabinet and I have always felt a deep gratitude to you.

Faithfully yours,

Henry L. Stimson

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

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May 28, 1945

MEMORANDUM FOR THE SECRETARY'S FILES.

The Secretary had a conference this morning with Mr. McKim, Chief Administrative Assistant to the President. Mr. D. W. Bell, Mrs. Klotz, and Mr. Charles Bell were present.

Mr. McKim indicated to the Secretary that he desired to become better acquainted on a number of subjects which had been discussed by the Secretary and the President and on which several memorandums had been handed to the President by the Secretary. It was the indication that the discussions would be informal for the purpose of better enlightening Mr. McKim.

SUBJECTS DISCUSSED

Lend-Lease with Great Britain.

The first one he took up was the matter of Lend-Lease with Great Britain. Mr. McKim said he had talked to Judge Rosenman about it, who said he had discussed it with the British while he was in London. Judge Rosenman apparently thought it concerned Phase 3 of the British Lend-Lease whereas the memorandum the Secretary submitted to the President concerned Phase 2. Judge Rosenman said the British were not ready to discuss that phase

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of Lend-Lease as yet, but the problem that the Secretary submitted to the President is really a very important one, and should be handled promptly, and he so told Mr. McKim. Mr. McKim said he intended to discuss it today with Mr. Crowley, and it was his opinion that the informal committee set up last fall to handle Phase 2 of British Lend-Lease should continue and complete the job. The Secretary said that made sense to him.

The Bretton Woods Bill.

The next question discussed was the matter of the Council which is provided for in the amended Bretton Woods bill which has just been reported out of the Banking and Currency Committee of the House. When he started to discuss it, the Secretary said he understood the President had settled the matter of the Cabinet officer who should head this committee. Mr. McKim said, "Yes, I know how it is going to be settled but it is my job to straighten out the difficulties between the Treasury and State". He said he wanted to discuss the matter with Mr. Stettinius or Mr. Grew, and perhaps with members of the Banking and Currency Committee on the Hill, and then report back to the President. The Secretary said he would strongly advise against his going to the Hill because it had already been discussed there and neither the Democrats nor the

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Republicans are interested in the matter. He told Mr. McKim if he did go up it might muddy the waters. Mr. McKim indicated he would not go. In this connection, when Mr. McKim said he wanted to discuss it with Mr. Stettinius or Mr. Grew, the Secretary told him that they would make a strong argument for this work being under the State Department. He said they had their chance once before when the President approved an Executive Order setting up a committee to handle matters of this kind, but Mr. Stettinius thought that they would have difficulty with Mr. Crowley, and he wrote a memorandum to the President asking him to hold up issuing that Executive Order. The Secretary said that this was part of the background and that Mr. McKim should have a copy of the memorandum, so he asked Mrs. Klotz to get a copy to give to Mr. McKim.

German Directive.

There was another memorandum which the Secretary had sent the President suggesting that the control of Germany be made public, and Mr. McKim said General Eisenhower didn't want this at this time. The Secretary did not protest this but seemed satisfied to leave it in the President's hands.

War Refugee.

Respecting the Secretary's memorandum to the President on the War Refugee program contemplating a joint committee of State, Interior,

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and Commerce, the Secretary indicated that for personal reasons he felt that he should withdraw from the War Refugee work, but hesitated to do so without seeing the program cared for by a committee whose membership, to an extent, would hold a sympathetic view toward the refugees. The Secretary indicated that Commerce, through Secretary Wallace, and Interior, through Secretary Ickes, would afford the sympathetic viewpoint that Secretary Stettinius, while sympathetic, might be forced to delegate to old-line State personnel consideration of the refugee problem and, in his opinion, they would manifest insufficient interest in the approximate seven million refugees walking the roads of Europe. He pointed out that the Jews were represented by three groups, unlike Catholics in this respect, and that the President would unquestionably be approached by these groups and should have a strong Cabinet Committee who would give sympathetic consideration and relieve the President of this pressure. He indicated that he would send to Mr. McKim the name of an American representative, Mr. Harrison, now in London and who is acquainted with the refugee program, including UNRRA's participation. Mr. McKim informed the Secretary that he would carry on the refugee proposal from this point and would keep the Secretary currently informed.

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Special Tax Drive.

Mr. McKim desired to know more respecting the Secretary's memorandum to the President, dated May 23rd, on the subject of the Special Tax Drive being inaugurated by the Department. He was informed that the program contemplated in the aggregate some eleven thousand additional employees at a total cost of approximately forty million dollars. This program being divided, with respect to funds and personnel, between: (1) Expansion in the general field of revenue audit and examination work, and (2) the program for five thousand enforcement agents to ferret out black market tax invaders.

Mr. McKim was informed that the Bureau of the Budget had already sent an estimate to Congress covering the first step and that they had agreed that the Secretary might acquaint the House and Senate Appropriation Committees with the problem of enforcement and gain the general clearance of the Appropriation Committees to use whatever funds appropriated to the Bureau of Internal Revenue, commencing with July 1, 1945, to be followed by an accurate estimate along in October after the Department has had an opportunity to know to what extent it could physically cover this undertaking.

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Reorganization of Treasury Fiscal Functions.

Mr. McKim had with him the Secretary's memorandum to the President, dated May 9th, entitled "Strengthening Federal Fiscal Controls", and informed the Secretary that he did not wish to go into details on this memo at this time, leaving the impression that he desired to accumulate more information on the general problem of reorganization before discussing details.

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Memorandum for the President

1. At Quebec President Roosevelt and Prime Minister Churchill decided to have an American Committee set up consisting of the Secretary of the Treasury, Under Secretary Stettinius and Mr. Crowley to consult with the British Committee set up by the Prime Minister on the question of international financial position of Britain and the lend-lease arrangements for the British Empire in the period between V-E day and the defeat of Japan.

2. The discussions were carried on by the Treasury, State Department, FEA, Army, Navy and numerous Subcommittees for several months.

A recommendation was submitted to the President on November 27. With the submission of the report, the Committee considered itself dissolved.

3. Inevitably with the inauguration of the program numerous problems of policy and implementation of the understandings arise. The British Treasury is pressing me for a reply with respect to several important matters of interpretation of the recommendations made to the President by our Committee.

Since the dissolution of the Committee, there is no central authoritative group with whom the British can discuss questions with respect to Lend-Lease matters.

(Taken by the Secretary to the President, May 23, 1945
with accompanying file)

ed - 5/23/45

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May 18, 1945

MEMORANDUM 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." (Underlining added).

(Signed) H. Morgenthau, Jr.

AFL:HDW:nrd - 5/18/45

Copy -

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March 15, 1945

MEMORANDUM FOR THE PRESIDENTSubject: Foreign Economic
Policy Board

After discussing the establishment of the Foreign Economic Policy Board with you at noon today I again brought it to Ed Stettinius' attention.

He and I feel that the public announcement of the Board at this time may cause certain confusion within the Administration and if Mr. Crowley is going to get out in April we might better wait until that time and then in consultation with you decide the ultimate disposition of the Foreign Economic Administration.

HM Jr
and
(E.S.J.) my sig.
HM Jr

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EXECUTIVE ORDER

ESTABLISHING A FOREIGN ECONOMIC POLICY BOARD

By virtue of the authority vested in me, as President of the United States, by the Constitution and statutes of the United States, and in order to provide for the more effective coordination of the functions and activities of the Government in relation to foreign economic problems, it is hereby ordered as follows:

1. There is hereby established the Foreign Economic Policy Board (hereinafter referred to as the Board). The Board shall consist of the Secretary of State, the Secretary of the Treasury, the Secretary of Commerce and the Secretary of the Interior. The Secretary of State shall be Chairman of the Board. The Chairman of the Board shall request the heads of other agencies and departments to be represented in the Board's deliberations whenever matters specially affecting such agencies or departments are under consideration.
2. It shall be the function of the Board, acting subject to the direction and control of the President:
 - (a) To develop unified programs and to establish policies with respect to the economic relationships between this Government and foreign governments.

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- (b) To arrange for the unification and coordination of the activities of this Government relating to foreign economic affairs.
- (c) To report to the President at frequent intervals concerning its activities and to make such recommendations to him as the Board may deem appropriate.

All action of the Board shall be in conformity with the foreign policy of the United States as determined by the Secretary of State.

3. It shall be the duty of all agencies and departments to supply or obtain for the Board such information and to extend to the Board such assistance and facilities as the Board may require in carrying out the provisions of this order. Nothing contained in this order shall remove the responsibility or authority of each executive department or agency for carrying out its own functions and operations but such functions and operations shall be carried out in accordance with the foreign economic policies formulated by the Board.
4. All prior executive orders and instructions insofar as they are in conflict herewith are amended accordingly.

THE WHITE HOUSE

March 1st, 1945

Franklin D. Roosevelt

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5/14/45-

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.

JED:ehb - 5/14/45

May 22, 1945.

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MEMORANDUMThe War Refugee Board was established January 22, 1944.

The Board was established by Executive Order of President Roosevelt which set forth a firm statement of national policy to save victims of Nazi oppression in imminent danger of death. The Secretaries of State, Treasury and War were designated the members of the Board and an Executive Director was appointed as its principal executive officer.

The Board associated closely with private agencies and international organizations.

The Board undertook to coordinate and facilitate the operations of all interested American private relief agencies, and to cooperate closely with international organizations, particularly the Intergovernmental Committee and the UNRRA, as well as with agencies of foreign governments.

Private American relief agencies with trained personnel and readily available funds did most of the financing and operating in the field. The Board obtained for the private agencies governmental permission to send funds into enemy territory, permission to communicate with persons in enemy territory, the help of United States diplomats, the use of government communication channels and the Board provided the guidance of government officials in developing and organizing private programs of rescue and relief.

The Board's Programs

1. Rescue and Relief. The Board undertook to develop its own program of rescue and relief, and funds plus the necessary authority were given to its representatives abroad to conduct such operations. The Board also undertook an extensive project, financed with government funds, for the development of a feeding program for oppressed victims inside enemy lines. Food packages purchased in the United States were delivered to the International Red Cross for distribution to the starving inmates of German concentration camps.

2. Protective Measures. In addition to relief and rescue operations, the Board developed certain very effective measures to safeguard the lives of oppressed people while still in enemy hands. As the result of the Board's efforts, many thousands of stateless Jews holding questionable identification papers or

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passports for entry into various Latin American countries were kept alive because the countries involved were persuaded to accord the protection of their nationality to the people holding these invalid documents, at least as long as they remained in enemy hands. Special protection was also accorded to persons in enemy control who were close relatives of American citizens or residents. The names of all of these people were transmitted through appropriate channels to the Germans who were notified that such persons were recognized as exchangeable by the countries of the Western Hemisphere. The very fact of their recognized exchange status saved many of them from death by the Germans.

3. Psychological Warfare. A very important and effective phase of War Refugee Board activities was the development of psychological pressures in the form of warnings to the enemy and its satellites, designed to forestall further persecution of Jews and other minorities. The Board secured the cooperation of all interested government agencies in this important work.

4. Havens of Refuge. The Board also undertook to find temporary safe havens for those oppressed victims who could escape from the enemy. As a token of this Government's interest, one haven was established in the United States when 982 refugees were brought from Italy to the Emergency Refugee Shelter at Fort Ontario, Oswego, New York.

FH:JWF:md 6/22/45

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May 25, 1945.

MEMORANDUM FOR THE PRESIDENT

In January of 1944, President Roosevelt established the War Refugee Board, consisting of the Secretary of State, the Secretary of the Treasury and the Secretary of War, for the purpose of taking all possible measures to rescue the persecuted peoples of Europe who were in imminent danger of death at the hands of the Nazis. With a small staff in Washington and representatives in strategic neutral countries, the War Refugee Board put the full prestige and power of the United States Government behind the efforts of private agencies and inter-governmental organizations, particularly the Inter-governmental Committee on Refugees and UNHCR. Although it is impossible to measure the success of the Board in terms of exact statistics, there is no doubt that many thousands of lives were saved as a result of its work. This was accomplished because the problem was recognized and dealt with as one requiring attention by the government at the highest level.

The great humanitarian task assigned to the War Refugee Board is now practically completed. There is left, however, the equally great problem of the resettlement of hundreds of thousands of displaced persons who are unable or unwilling to return to their homelands. The Inter-governmental Committee on Refugees was authorized to arrange for the rehabilitation and resettlement of such displaced persons. However, if the Inter-governmental Committee is to do a successful job, the full force and weight of the United States Government must be placed behind its resettlement activities as was done in the case of its rescue activities.

Since the device of a Cabinet Committee has been so successful in the case of the War Refugee Board, it is my view that every consideration should be given to continuing this device with respect to the problems of the homeless victims of Nazi oppression, whose lives have been saved in large measure as the result of the activities of this Government.

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I recommend for your consideration the establishment of a Cabinet Committee to deal specifically with the problem of the permanently displaced and non-repatriable groups in Europe and to handle the relations of this Government with the Inter-governmental Committee on Refugees and the UNHRA. Such a Committee might consist of the Secretaries of State, Interior and Commerce. If you wish, I shall be glad to sound out other interested people concerning this proposal prior to liquidation of the War Refugee Board, which is contemplated for the very near future.

FH:JED:md 5/22/45

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COPY

MAY 23 1945

MEMORANDUM FOR THE PRESIDENT:

We are beginning to get results in the special tax drive we inaugurated about six weeks ago and to which I referred briefly in an overall report of Treasury activities sent to you on May 9, 1945. At the present time some 1,400 examining officers, including special agents of our Intelligence Unit, revenue agents, deputy collectors and Alcohol Tax Unit investigators have been organized into squads in different sections of the country and are concentrating on tax evasion schemes being currently concocted. Some of the most promising leads are obtained from transactions involving the use of large quantities of currency, particularly big bills.

I have been following the current investigation very closely, and have been literally amazed at some of the types of situations recently disclosed. An example of the sort of thing we are uncovering, I might cite: (a) the case of the proprietor of a fur store on Fifty-seventh Street in New York City who, until our investigation uncovered him, had never paid any excise taxes on the expensive furs he has been selling; (b) a black-market operator in liquor who, while under investigation for CPA violations, paid \$477,000 additional personal income taxes for one year (he has since been sentenced to serve six years for his black-market operations); and (c) the case of the owner of a chain of restaurants in New York who, early in March, deposited over a million and a half dollars in cash (mostly in \$500 and \$1,000 bills) in a group of New York banks - and this in the face of the fact that he has not reported taxable income in excess of \$22,000 in any of the years up to and including 1944.

I might mention to you that my examination of the situation indicates that we are woefully undermanned for the job we are called upon to do. During the war it has, of course, been increasingly difficult to obtain qualified

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personnel to make income tax investigations, and in addition we have lost a great many of our most experienced people to the Armed Forces. Limitations on appropriations have also necessarily restricted our recruitment activities at times. Anticipating that the manpower situation will ease, it is my intention to attack the appropriation problem through the Bureau of the Budget and the Appropriation Committees in the House and Senate by asking that we be given a much freer hand as regards hiring people to do enforcement work during the coming fiscal year and that our appropriation be increased by whatever amount we need to do the job.

There is no need to burden you with the details of our problem, but should the situation develop in such a way that I need a helping hand with respect to obtaining the necessary funds with which to finance our enforcement program, I may have to take the matter up with you.

One other matter connected with our drive may be of interest to you. Some of our most helpful leads have been obtained through the cooperation of commercial banks which have voluntarily disclosed to us information with respect to unusual deposits or withdrawals of cash in the banks in question. Realizing that the banks constitute a veritable mine of information, we attempted a month or more ago to effect informal arrangements with them, under which they would report to us unusual currency transactions on the part of their customers. For whatever reasons, the banks have not generally been willing to cooperate with us, so on May 18, 1945, I issued an order to the banks, effective June 1, 1945, requiring them to report monthly the facts with respect to transactions effected through the banks involving currency in amounts not easily explainable as legitimately needed in the conduct of the customers' business. The order also applies to check-cashing organizations, savings banks, private banks, investment bankers, building and loan associations, and securities and commodities brokers.

I have no doubt there will be complaints, but I think the order is clearly justified by the situation which confronts us.

(Signed) H. Storgensen, Jr.

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May 9, 1945

MEMORANDUM FOR THE PRESIDENT

Subject: STRENGTHENING FEDERAL FISCAL CONTROLS

With the close of the war in Europe our Government finds itself faced with unprecedented domestic and international tasks that place burdensome and extremely challenging responsibilities on our executive leadership. The Secretary of the Treasury is confronted with the job of managing the largest public debt in the nation's history. Eighty-five million persons have purchased Government securities during the war, and fifty million persons are now paying direct Federal taxes. These people all have a direct financial stake in their Government. Thus, they have a personal interest in good Federal fiscal management.

Since the Treasury Secretary is charged with the responsibility for raising funds and processing expenditures, he is identified in the public mind as the Chief Fiscal Adviser of the President, responsible for the original formulation of far-reaching programs of Government borrowing, lending, spending and insuring. Yet, in actual practice the area of control and influence exercised by the Secretary of the Treasury is largely limited to one side of the ledger. While he is responsible for the supply of necessary funds, he is not in a position to exert commensurate influence over the use and disposition of all the fiscal resources. This weakness is a material handicap to the functioning of the Treasury Department and, moreover, to the orderly and unified conduct of this Government's financial affairs.

No Secretary of the Treasury can properly serve the Chief Executive, the Congress and the American people during the trying post-war period of international rehabilitation and domestic reconstruction without maintaining a balanced policy over both sides of the Federal ledger. It is for this

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reason that I am calling your attention to certain basic weaknesses in the management of the Federal Government's fiscal and monetary affairs, and recommending to you a reorganization program aimed at the unification and correlation of related functions in this vast and vitally important area of Government activity.

BACKGROUND ELEMENTS

The experience of the Treasury Department demonstrates that there is a positive need for the regrouping and realignment of agencies now concerned with various segments of Federal fiscal operations. This need should be met by a plan that will ultimately establish a control or coordination authority for the entire area of work. It can be readily appreciated that all financial transactions of every agency and instrumentality of the Federal Government, whether in the fields of borrowing, lending, insuring, or spending, are closely related to the condition of the Treasury. By the same token, it is apparent that all of these activities have a direct or indirect bearing on the responsibilities of the Secretary of the Treasury in superintending the revenue and managing the public debt.

At present there is no integrating force between the President and the many separate agency authorities whose activity may have a significant impact on Federal Treasury policy. The Secretary of the Treasury should be in a position to relieve the President of many burdensome details currently coming up from the numerous operating agencies working in the fiscal field.

The Secretary of the Treasury, as a Cabinet officer, is responsible to the President for the supervision of the administration of Federal fiscal affairs. The need for bringing together all of the segments of Federal fiscal activity is great today and will become still more pressing now that the war in Europe is finished. We are on the threshold of the difficult task of preserving an appropriate balance between taxation, borrowing, lending and spending in a post-war world economy that will look to us for stimulus and example. Today the Secretary of the Treasury is unable to exercise policy direction in a wide area which is an important part of the United States fiscal program, but which is connected to the Treasury Department in nothing stronger than a bookkeeping sense.

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RECOMMENDATION

While there is not presented at this time a detailed analysis of the ramifications of the realignments to be accomplished, there is indicated generally the agencies which should, from the purely fiscal point of view, and as a service to the President, be tied into the Treasury Department for purposes of policy coordination and control. It should be made clear that there is no intention to disturb the basic corporate patterns, regulatory and insuring controls or operational practices of such agencies. However, in addition to the major policy changes suggested, considerable administrative improvement with resultant economy can be accomplished through a reduction in the number of agencies involved and certain functional mergers.

Treasury suggestions embrace the extension of this Department's influence into these areas:

A. Policy control and correlation of programs relating to banking, insurance, lending, and borrowing now spread principally in the Departments of Agriculture, Interior and Post Office (Postal Savings), the Federal Loan Agency, the National Housing Agency, and the Federal Deposit Insurance Corporation.

B. Policy influence with respect to the money and credit markets of the country, typified by activities of the Board of Governors of the Federal Reserve System, the Federal Open Market Committee, and the Securities and Exchange Commission.

C. Policy direction over Federal revenue and expenditures typified by the President's budget and proposed legislation submitted to the Congress from the standpoint of a unified fiscal program.

The recommendation for accomplishing the necessary degree of integration in this wide area of work, while holding to a minimum the disturbance of existing organizational lines, contemplates the following:

The establishment of a top policy committee chairmanned by the Secretary of the Treasury and composed of assistant chairmen who will head subcommittees for specific functional areas.

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Generally, the plan is to have established eight principal subcommittees as follows: (1) Committee on Industrial Finance. (2) Committee on Agricultural Finance. (3) Committee on Foreign Finance. (4) Committee on Maritime Finance. (5) Committee on Money and Credit. (6) Committee on Housing Finance. (7) Committee on Public Works Finance. (8) Committee on the Federal Budget.

The membership in, and in some instances the existence of a committee will depend at any given time on the Federal fiscal programs then in process, but we would have established a framework into which the bulk of Federal financing functions would fall. Illustrative of the operating practice contemplated is this: Each of the subcommittees would meet once a week. In the case of Agriculture the Assistant Chairman would be the Secretary of Agriculture, who in turn would meet with the Secretary of the Treasury's top committee at two week intervals. The same pattern would be followed with each of the other subcommittees from which would come a representative to serve with the top fiscal policy group. The action of the subcommittees would be advisory only to their respective chairmen.

The Secretary of the Treasury would be chairman of the top policy committee. The committee would be advisory to the Secretary; and the Secretary, after consulting the committee, would advise the President with respect to the advisability of expenditures and other policy questions discussed. In addition, the approval of the Secretary of the Treasury should be required on all financing, capital or borrowing, of corporations owned by the United States or in which it has a direct or indirect controlling interest.

The Secretary of the Treasury would need to have a small staff of experts available to carry on liaison with the operating agencies, and serve as a secretariat. This staff would be trained to deal with important fiscal problems which might arise in any of the constituent groups, and to weld together the programming of all these activities in relation to the Government's financing.

In presenting this tentative proposal for what amounts to a substantial rearrangement of the Federal Government's fiscal and monetary operations, I am not unmindful of the

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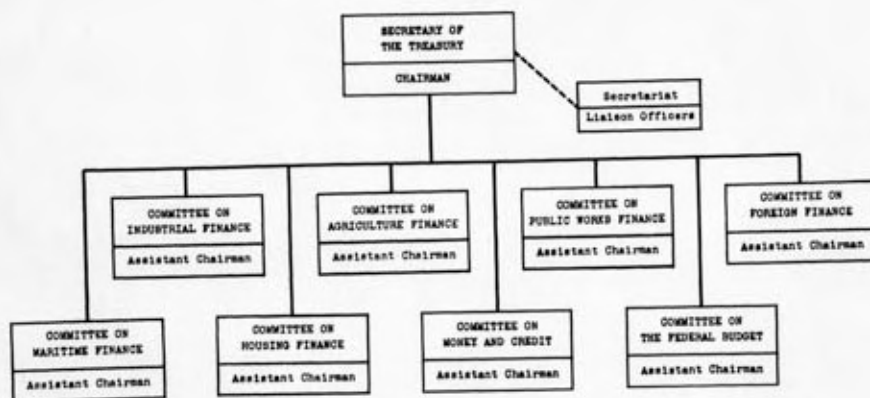
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reasons behind the present organizational setup. Nevertheless, I think that you will agree that in a Government such as ours the job of perfecting our organization, and adapting it to the changing demands of growth and development is a never-ending undertaking. While we have often heard the term "watchdog" of the Treasury applied to various public officials, including the Secretary of the Treasury, it is an unfortunate fact that today the President has no single subordinate serving him in that capacity. If the President would like to have one responsible guardian of the nation's Treasury, it is the aim of this recommendation to give it to him, in the person of the Secretary of the Treasury.

At this time I am not placing before you any executive orders or detailed organizational plans for the reason that I want first to discuss this matter with you. There may also have to be mergers of existing organizations before fully realizing the objectives of a thoroughgoing fiscal realignment. It is my belief that the program can be accomplished without legislative action and, I hope, without engendering personal antagonisms. If you approve, I will have prepared the necessary executive orders and present to you in detail the make-up of the top fiscal committee and related instruments aimed at coordinating and unifying our programs of finance as I feel are necessary.

Faithfully yours,

National Committee for Fiscal Affairs



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May 28, 1945

Mr. Gaston

Secretary Morgenthau

Please give me a memorandum in detail just what you were getting at when you said that there were 4500 agents who were doing work that they hadn't been supposed to do, and hadn't been doing the work they were supposed to do. You said it so fast that I didn't get the impact of it. I wish you would give it to me in writing Monday.

See Gaston's memo of 5/30/45-

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date

28 May 1945

TO Secretary Morgenthau
FROM Mr. Gaston

This is in reply to your memorandum of today on the subject of the work of revenue agents.

At present there are about 4,500 revenue agents. Their normal work is the field audit of returns. This involves the questioning of taxpayers and in a great many instances protracted examination of the taxpayers' books. A field audit is usually made of returns showing income of \$25,000 and up, of returns where the gross business is large although the net income may be small and of returns showing unusual features. In normal times sample checks also are made of returns in lesser amounts.

I am told that practically none of this work is being done now for the reason that the time of the agents is almost wholly occupied with problems arising under Section 722 of the Internal Revenue Code. You will recall that the excess profits tax as originally enacted established two different methods of calculating excess profits. The first, percentage of capital and the second, average of earnings during a so-called "base period." A third method was provided by the Revenue Act of 1942, which permitted the establishment of a "constructive base period average net income." This applies to businesses which had abnormal experiences during the base period, such as interruption of output by one cause or another, temporary depression or fundamental changes in the nature of the business. The section allows the taxpayer to establish "constructive" earnings for the base period by estimating what the earnings would have been if unusual adverse events had not occurred, or if changes in the character of the business, which actually improved the earnings, had occurred earlier than they did. The taxpayer is allowed six months after filing of the return to make application for a review of his base period earnings. The application having been received is referred to the field and it becomes the duty of the revenue agents to interview the taxpayer, appraise the facts and endeavor to come to some conclusion as to whether the taxpayer is entitled to relief under the section and how much.

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It is quite obvious that it is a very complicated section and the applications for relief under it are in tremendous volume as might have been expected. I am told that practically the whole time of all revenue agents for the last year or more has been devoted to making these Section 722 investigations. While they are doing this they are not examining the returns of ordinary taxpayers not subject to corporation excess profits taxes.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 28,
1945TO Secretary Morgenthau
FROM J. W. Pehle*Personal*

Attached hereto is a list of suggested candidates for the enforcement job in Internal Revenue. These names were suggested to me by Larry Lesser.

For the administrative job the outstanding candidate is William Parsons, now with Surplus Property at Commerce. I have reasons to believe he would take such a job if it were a non-presidential appointment. I think we should take action on this without delay, since Parsons is none too happy at Commerce and is likely to go somewhere else.

J. W. Pehle

Attachment

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George A. McNulty, Lawyer, St. Louis, Missouri. A.B., St. Louis University, 1921; LL.B., Harvard, 1925. Formerly Assistant General Counsel, Securities and Exchange Commission; General Counsel, Wages and Hours Division, Department of Labor; Special Assistant to the Attorney General in charge of the Alien Property Unit, War Division. Now in private practice.

William G. Mulligan, Lawyer, New York. A.B., Hamilton College, 1927; LL.B., Harvard, 1930. Formerly Assistant Counsel, Joint Legislative (Seabury) Committee to Investigate the Affairs of the City of New York; Assistant Corporation Counsel, City of New York; Counsel (or Assistant Counsel) Board of Transportation, City of New York. Now in private practice in New York.

Robert E. Kline, Jr., Lawyer, Washington, D. C. A.B., Otterbein College, 1918; LL.B., Harvard, 1921. Formerly Assistant General Counsel (Enforcement), Securities and Exchange Commission; Special Assistant to the Under Secretary of the Navy; General Counsel, House of Representatives Naval Affairs Investigating Committee. Now in private practice in Washington.

J. G. Louis Molloy, Lawyer, New York City. A.B., Princeton; LL.B., New York University. Formerly Assistant Counsel, Joint Legislative (Seabury) Committee to Investigate the Affairs of the City of New York; Acting City Magistrate, City of New York. Now in private practice in New York.

Wm. McNeil Kennedy, Lawyer, Chicago. A.B., LL.B., Ohio Northern University. Formerly Regional Director at Chicago, Securities and Exchange Commission; Solicitor, Office of the Alien Property Custodian. Now in private practice in Chicago.

John A. Kelly, Lawyer, Kingston, New York. LL.B., Cornell University. Formerly Chief Enforcement Attorney and Assistant General Counsel, New York Office, Securities and Exchange Commission. Now in private practice, Kingston and New York.

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May 28, 1945

Mr. Feltus

Secretary Morgenthau

Would you please watch the columns of the men
I had for dinner the other night, and see if you can
find any trace in their columns of what I may have told
them. *fil*

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NILES TRAMMELL

PRESIDENT

May 28, 1945

Dear Mr. Secretary:

It was good of you to take the trouble to
write me, commending NBC for its cooperation with your
Department in the launching of the Seventh War Loan
Drive on May 13th.

We were very happy to play our part in
getting this highly important effort off to a good
start, and are gratified to know that you feel our
contribution to it was helpful.

You may feel sure that NBC will continue to
cooperate with you as in the past, in every way possible.

Sincerely yours,

Niles Trammell

Niles Trammell

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



OFFICE OF STATE CHAIRMAN

TREASURY DEPARTMENT
WAR FINANCE COMMITTEE



May 28, 1945.

Dear Mr. Secretary:

Thank you very much for your gracious and thoughtful letter of appreciation in connection with the exercises at the opening of the 7th War Loan in Buffalo.

It was a great honor for us to have you present on that important occasion and if our arrangements met with your approval, we are delighted.

Very cordially yours,

E. W. Letchworth
E. W. Letchworth

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

Speech of Fred Smith, V.P., American Broadcasting Co.
and Former Assistant to the Secretary of the Treasury
Before the New York Employing Printer's Association
at the Hotel ~~Grand~~, May 28, 1945
New Yorker

INDUSTRY, GOVERNMENT and LABOR:
WHERE DO THEY GO FROM HERE?

Tonight I want to talk about some of the things that have happened to industry in the past three years. To be more precise, I want to talk about what has happened to the attitudes and interests of the American people in so far as industry is concerned.

I have had an unusual opportunity to watch business re-position itself in American opinion. Along with everyone else I watched business come into bad repute, and watched it get itself into worse repute through a lot of not-very-well-planned maneuvers to get out. I was identified with business at the beginning of the war, when the great change started. For the past two years, however, I have sat as near to the heart of the New Deal as anyone, not a New Dealer, could.

I have had an opportunity to watch a great many people in Washington change their minds about business, and about business men, and about business motives.

I think this is the time to be discussing the future behavior of industry, because we have a great opportunity to fully re-establish ourselves with the public; but at the same time, we face the possibility of public censure such as we have never seen or heard.

We have the ball. We can run with it, or we can fumble it. Now is the time for industry to go into a huddle and get its signals straight.

With the coming of peace, all of us in business will have many problems, but one of the biggest is our future attitude toward and dealings with Government and Labor.

It would be a wonderful thing if Industry, Government and Labor were to agree among themselves - and find 100% support in all their camps - to continue to work out their problems together, quietly and without malice or distrust. Perhaps

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that will happen. Perhaps, on the other hand, it won't. Certainly it won't if somebody doesn't take the leadership.

I think taking the leadership is up to business.

It is an extracurricular activity that can well afford to be a personal assignment for all of us, because our prosperity - and the survival of our way of life - depends upon the future cooperation and mutual interest of all the elements that go to make up this complex country, and this infinitely more complicated world which is shrinking faster than a 98-cent shirt.

Business people should take on this job because they are responsible people. They are intelligent and influential people who have proved during the war that they can sell ideas as well as commodities. From their ranks can and must come real leadership to take us through tomorrow's trying times.

A whole new world is waiting to be built, and let us not underestimate the size of this infinitely important task. Every man in business should be charged with his share of the job to be done, and every business man should realize that to the extent he helps build this new world, his interests and convictions will be incorporated into it. To the extent that he lets other groups do the reconstruction, his ideas, no matter how fundamentally sound, will be overlooked or ignored.

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In the coming period of reconstruction, the people are going to demand that we go forward and not backward: and that industry utilize what it learned in the war about working with all the elements of our society, to get a job done.

And they are going to demand that we apply ourselves to the task of creating and maintaining peacetime prosperity no less than we applied ourselves to the task of winning the war.

If the partnership of effort which Business, Government, and Labor developed during the war should deteriorate, the people will be quick to place the blame. And the collective insight of millions of people is likely to be more nearly right than wrong. Abe Lincoln once said that there is somebody smarter than anybody, and that's everybody. And everything that the more contemporary George Gallup has discovered about America's mass decisions bears out Lincoln's contention.

In the years to come, the American people will demand that Industry and Government and Labor conquer their differences and keep at the business of building the kind of a country they have come to think they are entitled to. And they have the right to make such a demand.

Let's take a quick look at the impact that Industry has come to have on the lives of ordinary people.

Once upon a time, going into business was purely a private affair. A man could get together some money, develop or otherwise secure some kind of a product, and there he was, in the manufacturing business. With a good product, and good salesman, and good advertising, if he was a good manager, he soon had a pretty sizeable enterprise with a lot of employees.

If, he someday grew tired of his business, or didn't manage it right, if

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his product wasn't good enough to make its way in the market, perhaps the business might come to a stop.

Well, what happened then?

Frankly, not much of anything as far as society in general is concerned.

He lost his money. The people who had loaned it to him to start in business lost some too. The employer could go off and do something else and board up the factory, and the handful of employees would drift away.

But here is the important thing: There was always some place for the workers to drift to.

Some could go back to the farm. Some to other jobs. Some might be unemployed for a little while - perhaps even from choice. Life was pretty easy in those days, and being unemployed did not necessarily mean starvation, hardship and shame.

But the picture is different today.

Suppose Mr. General Motors, Mr. General Mills, and Mr. General Foods should one day decide they were tired of business, and wanted to close up shop. Suppose they just walked out, or went broke. Where now would all those millions of workers go? What would they do? How would they eat? What would become of their families, their homes, their hopes?

Today they couldn't go back to the farm, because it has probably been a couple of generations since many of them have been near a farm.

The ugly fact is that these people now are dependents. They are wholly and completely dependent upon the industrial system. They are wards of the American economy.

That is why there can never again be such a thing as a truly private enterprise. Public responsibility of this magnitude can never be fully a private matter. The proper discharge of industry's social responsibility is now as much a part of management as making a profit or keeping sales costs in line.

And the eager minds in Washington - that means the leadership in Washington -

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have a pretty clear understanding of this situation. They recognize the social responsibilities of business, but they also recognize that business must be strong and vital and hardy to shoulder these responsibilities. That concept is likely to determine the nature of government's relationship with industry for at least for the next four years.

Government leaders fully realize that they are the people's court of last resort, and therefore the government is going to stand by to police the discharge of social responsibilities no less than it polices traffic in the purity of food, or in trade marks, or in fair trade. The people will demand eternal vigilance on the part of their government, in all matters that have to do with whether or not they are able to make a living, and raise kids, and buy homes.

The end result of this, in my estimation, is that the government will encourage industrial risks and expansion through tax relief. They will develop and financially encourage international trade, particularly if the Bretton Woods plan is crystallized into action. They will wage a quiet sort of propaganda war to prove that they know a sound industrial structure is the very foundation of reconstruction.

But it is only fair to point out that there is a group down there that feels that industry can not possibly expand enough to maintain the present economic structure.

I sat in a London bar a few months ago and listened to one of the disciples of this philosophy prove his point. Over a glass of lukewarm and totally undigestible beer, he pointed out, with figures, that you can multiply the expected expansion of industry by three, then double the income from this expanded industry, and you still won't be near enough to our present 100 billion dollar economy to prevent serious difficulty. It sounded logical, but that may have been the beer.

This expert and his group have ready a safe full of economic blue prints for

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new highways and parks and housing developments. Whether or not these blue prints remain in safes to be pulled out only if they are needed to support private industry, or whether they will supplant industry, is partially a function of how well industry and the government and labor get along in the readjustment.

Business and the government and labor could become so occupied with the problems of rebuilding the economy, with the reconstruction of their own empires, that they would forget how painfully they learned to work together during the war years. They could forget the growing pains they went through, learning to trust one another, learning to get along, to understand one another's problems.

All this can happen because we as a nation have never developed a clear-cut philosophy of peace - a plan for progress - which has the blessing and co-operation of everyone involved.

We developed a philosophy of war - one that has given us a crystal clear conception of where we are going and what we are doing. That was not difficult to do because the common good is easy to isolate, and plan for, when somebody is zooming toward you with blood in his eyes. Survival is an easy comprehensible goal. However, when the physical threat is gone, when there is no immediate spectre of violence on the horizon, then there is time for discussion and for disagreements - and a strong tendency to go out and play golf instead of sticking a problem out.

This is what had happened just before Pearl Harbor. Industry and Government and Labor had arrived at a point where they stood in opposite corners of the ring, each a little punch drunk from eight years of feuding, each ready to let fly at the slightest provocation. All were certain that each was determined to reform the other right out of existence.

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In the minds of most business men in those days, "the government" was an unattractive package into which everybody on the Federal payroll automatically fitted. Every one in Washington, from the President down, was some kind of a political Peter Lorre. People in business didn't want to have anything to do with those government guys. That popped up again and again, back at the war's beginning, when the advertising business was first organizing itself to go into the service of the country. There was a noticeable reticence on the part of many business people to go to Washington and offer their services. Sure, they knew it was the thing to do; they knew the country was in jeopardy; they knew they could and should help - but if they exposed themselves, they were afraid that they would somehow lose independence, or sovereignty, or something.

However, when these men went down to Washington, and actually sat across a desk from one of the villains, they discovered frequently that the villainry dissolved in conversation. It began to dawn on some business men that all they really knew about government leaders was what they heard by way of gossip and what they read in newspapers; and what they heard and read sometimes came through people who didn't know what they were talking about. A lot of it came from the I'll-hold-your-coat boys, but we'll talk about them in a minute. And the same thing was happening of course, at the other end of the line. Government men were getting some odd stories about us.

I think it is safe to say that a few men who took responsible positions in Washington during the war, came back without discovering that the government is far more than simply a badly run business. Many sound business men became also sound government officials. They applied themselves to learning new points of orientation. They decided that what this country needs is more business in statesmanship and more statesmanship in business.

They learned, among other things, that economics is not simply the lengthened shadow of the Law of Supply and Demand. In the final analysis, a sound economic

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system is one that gets the necessary job done. In war, it's one that keeps generals supplied with ample material. In peace it's one that keeps people eating. And there are millions of folks in the United States who feel that if you try to particularize further than that, you are only getting into technical details. Hence, if it should become necessary for the government to financially support industry in peace as in war, we can clearly expect this to happen under Truman as it happened under Roosevelt. Solvency is likely to be a secondary consideration when survival is at stake.

And should it become necessary for the government to temporarily bolster our economy with the taxpayers' money - it will pay industry spokesmen to think twice before they lash out with unqualified and vitriolic criticism.

Business can not afford to become known again as anti-social, as anti-humanitarian, as greedy and drunk with self interest.

Business should keep a weather eye on the laurels it has won during the war, and should make up its mind at all costs to protect those laurels by remembering that people are willing to be shown. They react like magic to good Human Relations Treatment.

We can afford to take a pointer from our late President in that matter, because whether you liked him or not, you must admit he was able to hold the loyalty of enough Americans, to keep him in office for 12 years.

The problem - and the fascination - of Human Relations was one of the motivating forces of Franklin Roosevelt's life. In a speech he would have made if he had lived a few hours longer, he had planned to mention that the art of human contacts should be developed into a science, and we should all learn it, and practice it as part of the pattern of our national life. He never said anything wiser than that. His entire philosophy, and the complexion of his attitudes, grew out of his recognition that our foremost problem is one of Human Relationship.

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The common denominator of the New Deal was the human element. Above and beyond any of the other considerations in our economy or civilization stood the plight of the forgotten man - a symbol in itself of social maladjustment, of a lack of human understanding.

In the early days of his administration, it was the complex human problem in our disturbed national life which he sought to conquer by telling all of us that we had nothing to fear but fear itself. His predecessor had attacked the problem with the comparatively colorless promise that "Prosperity is just around the corner" - which of course didn't work.

Tonight, business has the sympathy and interest and belief of the American people. Business has the support of its millions of workers; it has the power of all the votes it has won for turning in a good job when the country faced its crisis. Business is sitting pretty from the standpoint of public acceptance.

But I wonder if business really recognizes and appreciates the progress it has made? I wonder if it realizes that the slate is pretty nearly clean, and that at last industry has an opportunity to get completely and forever out of the dog-house where it has been too long.

To illustrate what has happened, let us review quickly what has happened to advertising, something I lived through at both ends of the line, in business and in government.

One of the most competent anti-business lobbies that preyed on the government before the war was a group which claimed that advertising epitomized all that was bad about business. And there seemed to be plenty bad about business in those days. This group kept things pretty well stirred up, too. Lobbyists made regular calls on top government people. They had facts and figures to prove that a poor defenseless public was being hoodwinked at every turn. Had this gone on for a few more years, all of us in and associated with advertising would have had a hurdle erected which could have put us pretty well out of business.

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We were losing that battle, largely because we weren't fighting it with any intelligence. So, in one sense, we were saved by the bell.

Actually, we were saved by that arch-New Dealer Henry Morgenthau, Jr. The turning of the tide came when he decided to put his professors and ideologists out to pasture, and call in the Advertising Council to sell war bonds. You never saw such hustling around for a few weeks. The lobbyists and the professors and the ideologists tried desperately to consolidate their positions, but Morgenthau stuck to his guns. The Council moved into the Treasury Department, and selling bonds became the world's biggest business in short order. With Advertising's dust in their eyes, the anti-advertising lobby folded its tent and fled.

Then things started to happen.

The folks in Washington who had been so completely convinced that advertising and all its works were preying upon a gullible public, soon discovered that they could use a little of that preying themselves in getting the people to back this whole new business of fighting total war. These people in Washington found that advertising is nothing more nor less than good organization and the skillful direction of information. So our erstwhile opposition soon turned itself into our most active client, and gave all of us ad men work, instead of "the works."

And before long, advertising men all but assumed command of the job of instructing the American people how to behave and how to cooperate with the war. They became the semi-present right hand of the war mobilizers on every sector of the home-front. They organized the selling of bonds, collection of junk, saving of fats, fostering of victory gardens, enlisting of WACS and GIs and Marines, the maintenance of prices, saving of paper, and they did a dozen other vital jobs. And your own Victory Committee was in there pitching.

Well, we've done a job, all of us, that we can be proud of. The important thing is that people do give us credit for doing the job. Officials in Washington

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who didn't like us three or four years ago are now perfectly willing to admit that advertising and all the allied industries - and that includes you - really want to work because we knew we could contribute something, not because we thought we could get special concessions somewhere along the line. They gave us credit for our contribution - but what is more important, we have won their respect.

That is something we couldn't buy.

It is something we must not lose.

In planning to retain it we must never forget how we got it: by demonstration, not by pronouncements and speeches. If we hold that respect, our job in the field of Human Relations is going to be much easier because people will take us at our face value, and not be continually suspecting our motives.

Now I am confident that there are some in industry who have an overwhelming desire to mind their own business, and let labor and the government mind theirs, and to forget the whole idea of Human Relations, and obligations, and social responsibility. Some of them feel they can discharge their social and economic obligations by hiring a press agent to write high sounding and slightly less than factual statements for them.

Many of these people are sincere in their belief that the ultimate goal of business is to make a profit and declare dividends, and that all other considerations are superfluous and a little radical.

There are such people in labor, and in the government, too.

Left to their own devices, these isolationists in all three camps would sooner or later change their minds as a result of evolution.

But unfortunately, they are seldom left to their own devices. Standing close beside them are always the professional coat-holders.

It is time we recognize these "I'll-hold-your-coat" boys, because each camp has more than it needs of them. Among labor groups, the coat-holders are usually racketeer organizers, who see in unionism a pleasant, profitable form of blackmail.

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They are not interested in creating any sort of understanding between the American workman and his environment. They are interested in labor because it means easy money. They have a vested interest in discontent, because their "take" is dependent upon distrust. They feel they must convince the worker he is being "protected" if they are to continue collections.

On the government side, there are plenty of people, usually smuggling safely in the security of the Civil Service laws, who are the coat-holders on the public payroll.

They are usually the ones who want to upset the world; the wild-eyed dreamers. They foster distrust because they feel it somehow protects their position; they feel that the only way that they can stand above their environment is to reduce the environment until it is smaller than they are.

And in industry - in our own camp - there is a comparable group of people. Many of these are smart enough to make a pretty penny out of being destructive. They have a vested interest in discontent, too. Their technique is to explain to industrial leaders how the government, or labor, or some other force is about to steal industry's shirt. At the proper moment they offer to hold the industrial leader's coat for twenty-five thousand dollars a year. And if the industrialist is sufficiently disturbed, he is likely to pay off.

Now is the time to keep wary of the coat-holders in all three camps, for they will do everything in their power to discourage cooperation, to muddle the Human Relationships among the segments of our society. They will sabotage the continuation of industrial advisory groups, in the government, labor management committees in industry, and anything else that tends to reduce the possible areas of disagreement between these three major forces.

The industrial isolationists, who see no need for industry and labor and the government to stick together, ought to contemplate what will happen if they don't get together. What will happen if they decide to fight each other for superiority.

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The cold fact of the matter is that each of these camps is tremendously powerful. If industry is not smart enough, nor farseeing enough, to move in and create a three-way cooperation, then most certainly it will wake up one day to find that there is a well organized two-way cooperation against industry.

Let's don't forget that the people and their government have an inevitable affinity. It is difficult to separate the voted-for from the voters.

It is conceivable that a man might be elected president again, again, and again, with all of industry against him, so long as enough people are for him.

There was a time when a presidential candidate needed the support of big business, needed the help of newspapers, needed the communications that only the well-heeled and well organized could provide. But that is not true today. For one thing, the air belongs to the people, and during the last election the CIO made that fact abundantly clear to its entire membership. A man who wants to be president can stand before a microphone and reach practically every voter in the nation. Because of our highly developed media of communication, man could suddenly out of nowhere, become a presidential nominee. The late Mr. Willkie proved that.

Those things are possible today, whether industry likes it or not. Those are the facts that industry must understand.

Should the government maintain industrial advisory committee in the peace? Should the government continue to lean on American industry?

Should American industry continue to invest its money in some of its good men, in helping government leaders to run this most complex of all countries? Should labor management committees be continued after V-J Day?

I think the answer to all those questions is yes. It must be yes. The government is a huge force because it has power; industry is a huge force because it has money; labor is a huge force because it has votes; and any one of them, setting out

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on its own, could upset the boat, even if it couldn't gain very much for itself.

Industry's self preservation requires that industry take every precaution to create understanding and to preserve the interest and sympathy of the people and their government.

The size and strength of the government is not going to grow less. The old adage about the best government being the government that governs least, is out of date. This nation is now so complex; the traffic in money, and goods is so extensive, the interdependencies of all the elements of American life are so great, that we are always going to have a large and powerful government. If government leaders should decide otherwise, the American people, who will not forget that they have a voice in running things, will change government leadership in short order. And in spite of what you hear around election time, the people's interest in voting their representatives into office is mounting, not declining. The number of voters in the last election was considerably more than double the number who voted in 1924.

The forces of labor are not likely to be less organized in the future. The twelve million and more troops in labor's standing armies will continue to be a mighty factor. When a difference of opinion arises, labor and government are likely to be on the same side of the fence if for no other reason than because organized labor has twelve million votes.

What, frankly, can business do against such a concentration of workers or such a fountain of power? The obvious answer is that it must not be put in a position of being against any such concentration of forces.

Industry must maintain at all costs a working arrangement with these other two great organized groups. Industry must work with these groups, because it is impossible to work against the groups and still survive in the way that we know it.

The whole future of industry lies in cooperation, in leading the way, in striving to be sound and straightforward in developing its Human Relationships.

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If we in industry take up the challenge, labor and the government along.

Together, we can work out the details of a cooperative plan to bring prosperous peace with the same determination and success that fought a war.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE May 28, 1945

TO: Secretary Morgenthau
 FROM: Mr. Haas
 Subject: The Business Situation,
 Week ending May 26, 1945.

Summary

Aircraft outback: Aircraft production in the last 6 months of this year will be out 30 percent below first-half levels, and heavier cuts are planned in 1946. It is estimated that the total outback will approximate 17,000 planes. According to press reports, officials estimate that as many as 450,000 workers may be dropped from aircraft assembly, engine and parts plants by the beginning of next year.

Industrial production: Industrial activity slackened in April and the FRB adjusted index of production declined to 231 from 235 in the previous month. Curtailed munitions output was largely responsible. Factory employment showed a further decline in April and fell 2 percent below the previous month's level. Steel operating schedules this week show a further 2 percent decline.

Stock market: Railroad stock prices reached a new high last week and other stocks were firm. In contrast, industrial stock prices in London declined 4 percent in reflection of political uncertainties growing out of Prime Minister Churchill's resignation and the forthcoming general election.

Commodity prices: Prices generally continue firm with a rising tendency. Commodity futures displayed renewed strength near the end of last week and the Dow-Jones futures index moved up to the highest level since mid-January. The general price level in the week ended May 19 rose 0.1 percent to a new wartime high of 105.8.

Living costs: The HLS cost-of-living index rose 0.2 percent in April and equaled the wartime high touched in January. The rise was primarily due to higher costs for food and clothing.

Food situation: Drought has reduced crop and livestock production in the Southern Hemisphere, increasing the world demands on United States food supplies.

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Large aircraft outback announced

Although numerous outbacks in war production have been announced since V-E Day, the initial reaction of most industrialists, trade publications and others has been that outbacks have been less than expected. However, some shift in this viewpoint may follow the large cut in aircraft procurement announced by the Army Air Forces last week. Under the revised program, plane production in the last 6 months of this year will drop 30 percent under first-half production levels, on an airframe weight basis. Heavier cuts are scheduled for 1946, and in all the Army estimates that 17,000 aircraft which would have been turned out under previous schedules will not be produced. The outback just announced, which will affect most of the nation's leading aircraft producers, will be followed shortly by outbacks in production schedules for engines and propellers. On the other hand, it should be noted that the Navy Department has announced no aircraft outback program.

The Army Air Forces has declined to estimate the number of workers who will lose their present jobs as a result of the outback, but WMC officials estimated that 200,000 workers might be dropped from assembly plant payrolls by the beginning of next year. According to press reports, officials estimate that as many as 450,000 workers will lose their jobs by the year-end, if the effect of the outback on employment at engine and parts plants is included. At Buffalo, officials of Bell Aircraft revealed that 8,000 of its 14,000 employees will be released, the majority in the near future. Production at Curtiss-Wright plants in the area is expected to be cut one-third by fall, but estimates of the prospective drop in employment at this company's plants are not available. Meanwhile, the WMC director at Buffalo indicated that the lay-offs may result in the lifting of all manpower controls in the area within the next 6 months.

Industrial production lower in April

Industrial activity slackened somewhat in April, and the FRB adjusted index of production declined to 231 from 235 in the previous month. Although most major industrial groups showed some recession, the most important factor in the decline was curtailed munitions output. Shipbuilding activity continued to decline, and contributed largely to a drop of 4 percent in the transportation equipment component of the FRB index.

The output of non-durable goods was unchanged in April, although seasonal factors should have caused a small rise. Textile output declined in reflection of a noticeable drop

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in cotton consumption, while the output of manufactured foods rose less than seasonally, due in part to a 10 percent decrease in meatpacking.

Factory employment declined in April

The completion of various war contracts and cutbacks in others contributed heavily to a further decline of 2 percent in factory employment in April. (See Chart 1.) More than one-third of the aggregate decline of 266,000 occurred in the transportation equipment industry, largely as a result of the completion of shipbuilding contracts. However, contract cancellation in the aircraft industry was a contributory factor. Since the wartime peak was reached in November 1943, employment in the transportation equipment industry (exclusive of automobiles) has shown a drop of 751,000 or about 29 percent. This compares with a decline of about 12 percent in total factory employment during the same period. Although the transportation equipment industry was the most important factor in last month's drop in factory employment, all major industry groups shared in the decline.

Reflecting seasonal influences, employment in trade fell off in April, but with the exception of mining and manufacturing all other major nonagricultural groups showed increases. Nevertheless, total nonagricultural employment dropped 0.7 percent below March levels to 37,750,000. This was approximately 940,000 less than a year earlier. On the other hand, the armed forces during the intervening year showed a net increase of more than 1 million.

Steel operations slackening

General business activity appears to have been fairly well maintained through the week ended May 19, the latest period for which most weekly business series are available. Electric power production, for example, rose contra-seasonally in the week mentioned, and showed the widest gain over year-earlier levels thus far in 1945. (See Chart 2.)

On the other hand, steel operations have shown signs of slackening. Following a decline of 2.4 points in nationwide steel operations last week, operations in the important Pittsburgh district this week are scheduled to drop 2 points to 91.5 percent of capacity, in reflection of munitions cutbacks. The industry rate shows a similar decline to 91.0 percent.

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Another indication of slackening tendencies in the steel industry is seen in a further decline in the price for heavy melting steel scrap at Philadelphia. As a result, the Iron Age scrap composite price last week declined 16 cents per ton to \$18.92. This follows a decline of 9 cents a ton in the previous week, the first decline since last December.

Railroad stock prices rise to new high

After declining in the first half of last week, stock prices later strengthened under the leadership of railroad shares. At the close on Saturday, industrial and utility stock averages were fractionally below the previous week's levels, but the railroad stock average rose moderately above its recent high and attained the highest level since 1937. (See Chart 3.) Due to the strength in railroad shares, the Dow-Jones average of 65 stocks closed slightly above the previous 1945 high reached on May 5.

Stock prices in London decline sharply

In contrast to the firmness in stock prices at New York, industrial stock prices in London declined sharply last week under the impact of political uncertainties growing out of the resignation of Prime Minister Churchill and the preparations for a general election. Although prices strengthened slightly on Friday, the net decline for the week was more than 4 percent. Moreover, last week's drop extended the decline in industrial stock prices at London since the beginning of the month to more than 6 percent. (See Chart 4.)

Commodity markets show small gains

Spot markets for most commodities continued steady last week, while futures advanced somewhat. A slight rise in the BLS basic commodity index (see upper section, Chart 5) was led by price gains for steers, cotton, wheat and corn. The index at 105.1 percent of the 1926 wholesale commodity level is the same as it was at the beginning of this month. Prices of cotton, wheat and corn also advanced in the futures markets.

There have been few net changes in the markets for basic commodities since V-E Day. In the three weeks between May 4 and May 25 the only appreciable gains were in prices of corn, cotton and steers. (See lower section, Chart 5.)

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Steel scrap prices at Philadelphia show a net decline during the V-E period, initiated by plans for production cutbacks.

The BLS all-commodity index for the week ended May 19 was at the highest level since 1920. During the week the index advanced 0.1 percent due to wholesale price increases in foods and in fuel and lighting materials. At 105.8 percent of the 1926 base level, the index shows an increase of 1.9 percent over the level of a year ago.

Price increases for dressed poultry and fresh fruits and vegetables led the advance in the foods index for the week of May 19. Higher prices for bituminous coal continue to reflect increased labor costs. Average prices for farm products remained unchanged for the week.

Slight gains in cost-of-living index

A 0.2 percent increase in the BLS cost-of-living index for the month of April raised the index to its wartime high level established in January of this year. (See Chart 6.) Small declines since January had broken the steadily rising trend of the index. The April increase was primarily due to higher costs of food and clothing. The cost-of-living index is now 28.9 percent higher than it was in the pre-war month of June 1939. In the past two-years, however, the index has risen only 2.4 percent.

During April, seasonally higher prices for certain fresh fruits and vegetables raised the index of food costs 0.5 percent. Although the food index now is 45.9 percent higher than it was before the outbreak of the war, it is 2.8 percent lower than it was in April 1943. There was little change in meat prices during the latest month, but BLS price reporters said meats were almost unobtainable. A mid-April survey of dealers showed that 80 percent had no pork or veal and 50 percent had no beef or lamb. The BLS quotations do not take into account the effects of black-market dealings on food costs.

An increase in clothing prices reflected the continued shortage of low-cost clothing items. During the two years of concerted effort to hold the line on agricultural commodity prices, the clothing index increased 12.6 percent. Rent, light, and heat costs have remained relatively stable throughout the two-year period, but the index of household furnishings and miscellaneous costs has risen 8.9 percent.

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British concerned over subsidy costs

In connection with the stabilization of the cost of living, the Economist of London recently called attention to the mounting cost of subsidies used in holding down living costs in Great Britain. The annual burden of these subsidies was reported to have risen from £70 millions in 1940 and £140 millions in 1941, when stabilization was adopted as a deliberate policy, to a present figure of about £225 millions, or "fully a quarter of the whole pre-war Budget." The questions were asked: "Will it ever be possible to get rid of these subsidies? And if not, how do they complicate the fiscal outlook?"

The official British cost-of-living index has been effectively stabilized, having risen only 1 percent in the past year. It is now just over 30 percent above the pre-war figure, and the Economist suggests that without subsidies it might be 50 percent above pre-war. Certain influences point to the possibility of a further rise. While the end of the war in Europe should reduce ocean shipping costs on imported foodstuffs, a recent increase in farm wage rates will raise costs of home-grown food. Rents may shortly have to be raised. Furthermore, according to the Economist, the cost of American food obtained under lend-lease has been priced for accounting purposes at the 1941 levels, well below present levels in the United States, and an increased subsidy will be necessary when this food again has to be paid for at market prices.

The net result might well be a further rise in subsidies in 1945 "of about £35 millions, or more if (as is not unlikely) there is a rise in world food prices." The Economist concludes, however, that during the uncertain period following the end of the German war, an addition of £250 millions to the deficit is likely to be much less harmful than the same addition to consumers' costs. The suggestion is made that an upper limit be fixed on subsidies at the present level or slightly higher, and that any cost increases thereafter be allowed to have their normal effect on retail prices.

Australia short of wheat

Greater world demands on food from the United States have resulted in part from drought conditions in the Southern Hemisphere and other areas. In addition to severe reductions

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previously noted in the sugar crop of Cuba and Puerto Rico and in crop and livestock production in Argentina, recent reports indicate that Australia, one of the world's principal wheat countries, may not produce enough wheat in the 1944-45 season for its own needs.

The Australian Wheat Board has stated that there will be no further exports of wheat this year, and in view of the additional requirements for the armed forces in the southwest Pacific, Australian officials believe it may be necessary to import wheat in the near future. All wheat shipped out to date has been for such Allied needs as were inescapable, although the Board has been successful in cancelling shipments of several million bushels. In order to conserve the limited supplies for food uses, it has been found necessary to limit the feeding of wheat to livestock.

The production of meats in Australia this year, according to preliminary estimates, will be almost 10 percent less than in 1944. A 9 percent reduction in meat rations has been made to enable the filling of commitments for the armed services and for Great Britain. The fruit crop has also been seriously reduced, with the 1944-45 apple crop estimated at 40 percent less than that of 1943-44.

The drought has also affected South African crops, producing a serious shortage of grain, meats, and dairy products. In Argentina, the corn crop now being harvested is only about one-third as large as last year's crop, and the flaxseed crop was only about half of normal. However, a substantial quantity of wheat is still available for export. In Brazil, the state of Rio Grande de Sul has been most affected by the drought. In that important livestock area the corn crop has been reduced by 40 percent and cattle and hog production is likely to be substantially reduced.

Civilian food outlook

The Bureau of Agricultural Economics recently released a report on the National Food Situation, in which it concludes that despite shortages of some important items, "Prospective food supplies are large enough to meet somewhat larger non-civilian requirements than in 1944 and still maintain a higher level of civilian consumption than in pre-war years."

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The Bureau has forecast per capita civilian consumption of individual foods for 1945, taking into account the prospective supplies, and compares them with production and consumption levels of 1944 and pre-war years. The forecasts and comparisons are shown in the following table. (Civilian supply estimates, it should be noted, do not include home-garden produce, which will contribute materially to home-front nutrition.)

Apparent civilian consumption of selected food commodities, on a per capita basis, with percentage comparisons

Commodity	1945	1945 as a percentage of	
	(pounds)	1935 - 1939	1944
		(percent)	(percent)
Total meats	120 - 125	96 - 100	80 - 84
Chickens	20	115	87
Eggs	46	123	104
Fluid milk and cream	429	126	101
Butter, farm and factory	10	62	87
Fats and oils, total	36 - 40	79 - 83	85 - 89
Fresh fruits, total	146	106	97
Apples	78	87	96
Citrus	68	139	100
Canned fruits	10	64	93
Fresh vegetables	251	107	99
Canned vegetables	28 - 30	90 - 96	84 - 90
Sugar	72	75	81
Wheat flour	162	106	101

Food production down 5 percent

Present indications are that production of food crops and livestock for sale and for farm home consumption in 1945 will be about 5 percent less than last year, but 32 percent above the 1935-39 level, according to the Department of Agriculture. Slight increases over last year's output are forecast for truck crops and dairy products. There is a prospective 12-percent increase in the 1945 sugar crop. The largest estimated declines are in the production of food grains, poultry and meat animals.

Meat production may decline by 9 percent in 1945, with pork output about 20 percent less than in 1944. An AAA survey of farmers' production plans indicates that this year's pig crop may fall 5.3 million head short of the WFA

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goal of 92.5 million head. Earlier estimates had placed the shortage at 2 million head. The prospective deficit represents 8 pounds of pork per capita. Other important food and feed crops expected to fall short of the goals include corn, potatoes, dry beans, sweet potatoes, domestic sugar beet and cane crops, peanuts and flaxseed.

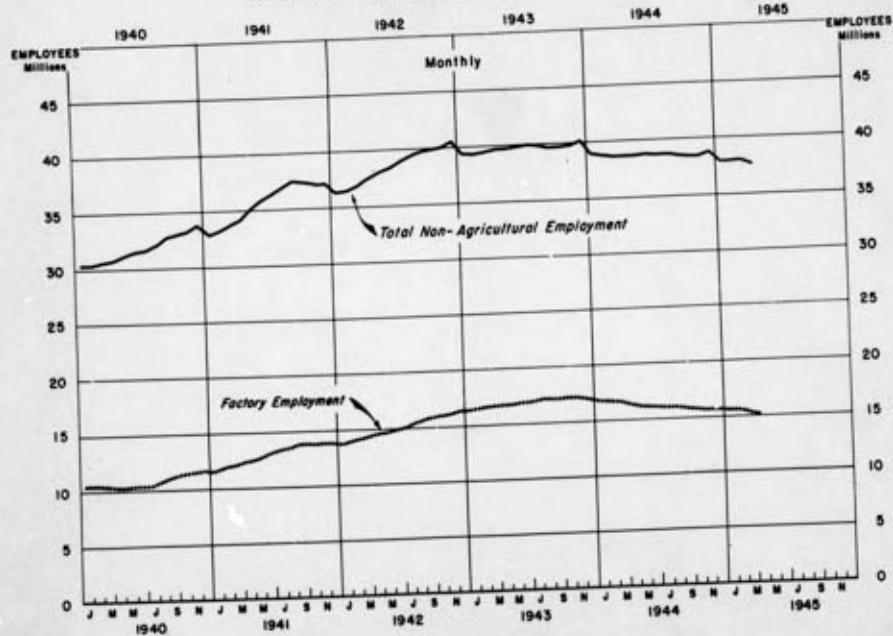
Food consumption by countries

The position of the average consumer in the United States, as compared with those in other countries, is indicated in a chart prepared recently by the Department of Agriculture showing the approximate daily amount of calories available in pre-war and wartime civilian food supplies per person in the United States, Canada, and European countries. (See Chart 7.)

The daily calorie intake of Americans and Canadians during the 1943-44 period was higher than calorie consumption in pre-war years. The European intake in 1943-44 was in all cases lower than consumption in pre-war years. These totals, however, represent merely one appraisal of consumption, and do not provide a measure of wartime shifts in the quality composition of the individual diet. Europeans had to substitute more cereals and potatoes for shorter supplies of meats, fats and oils, and sugar.

A daily average of 3,250 calories was available to the American civilian during 1943-44, while the Canadian averaged a slightly higher caloric count of 3,320. In these wartime years, individuals of the United Kingdom consumed less calories than they had in pre-war years. Estimates for 1945 show that continental Europe will have the smallest domestically-produced food crop since the war began, and owing to maldistribution the farm population may consume 25 to 30 percent more than non-farm people.

NON-AGRICULTURAL EMPLOYMENT



Office of the Secretary of the Treasury
Bureau of Economic Warfare

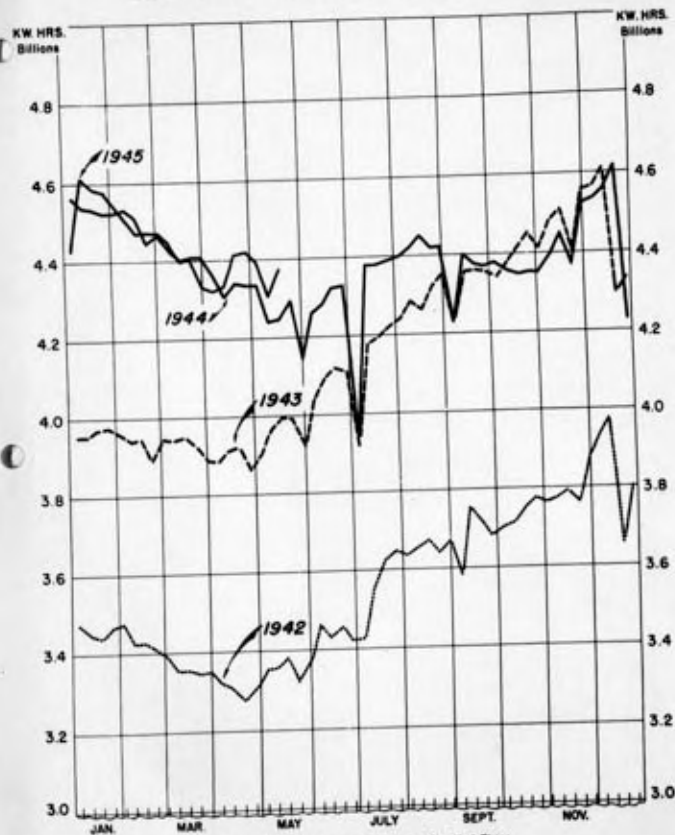
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Chart 1
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Chart 2

ELECTRIC POWER PRODUCTION

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Source: Edison Electric Institute and New York Times

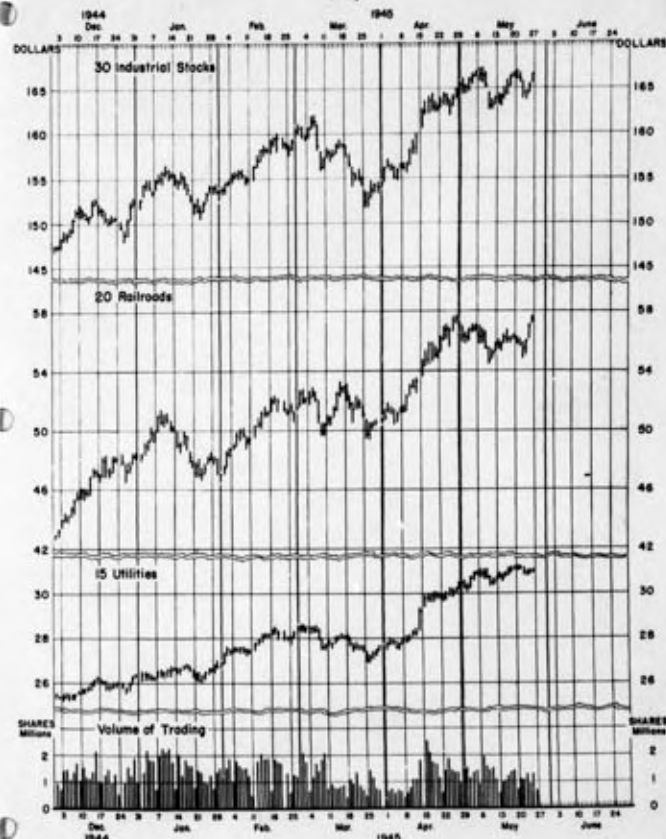
Office of the Secretary of the Treasury
Division of Research and Statistics

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Chart 3

STOCK PRICES. DOW-JONES AVERAGES

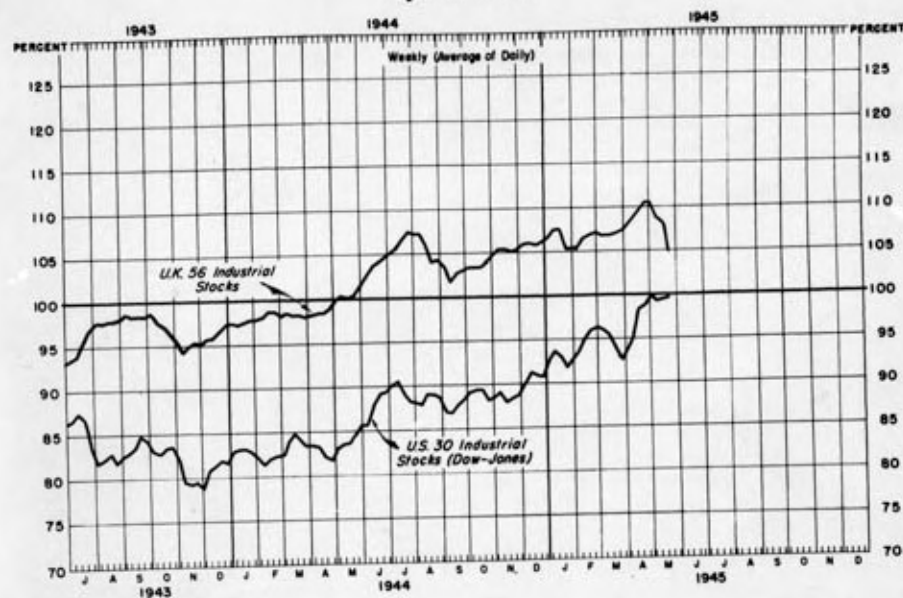
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Office of the Secretary of the Treasury
Division of Research and Statistics

P.105-10-1

INDUSTRIAL STOCK PRICES IN U.S. AND U.K. August 1936 = 100

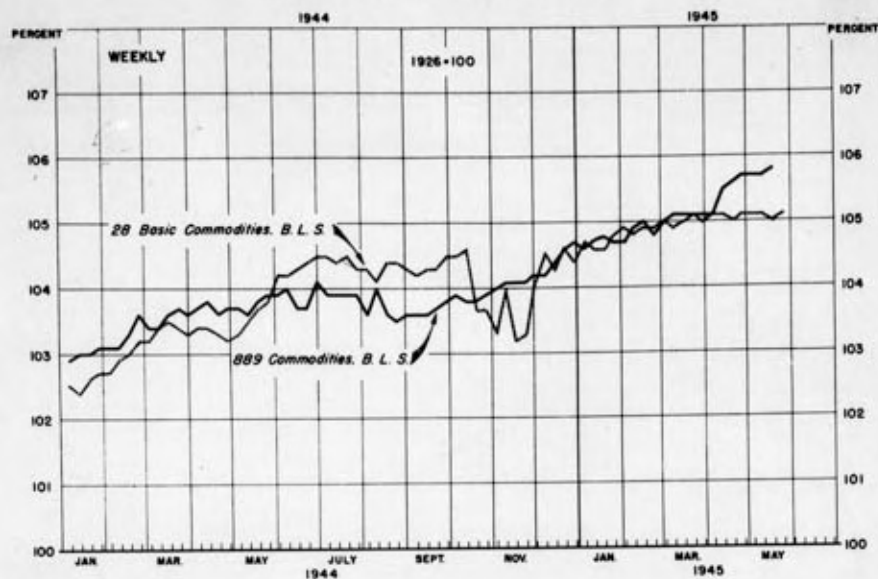


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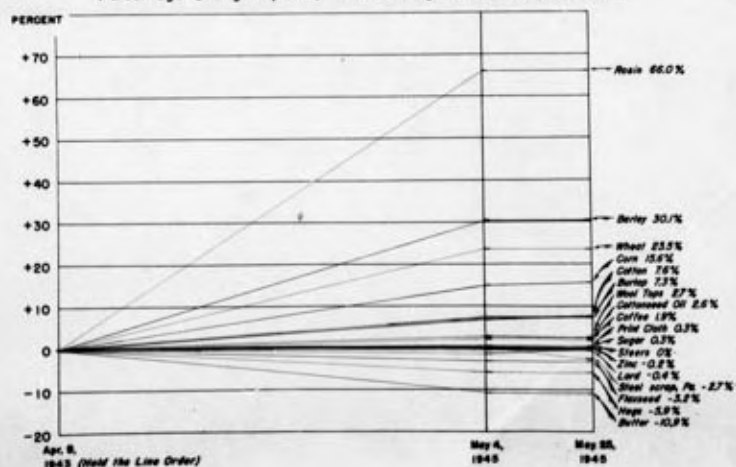
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Chart 4

WHOLESALE COMMODITY PRICES

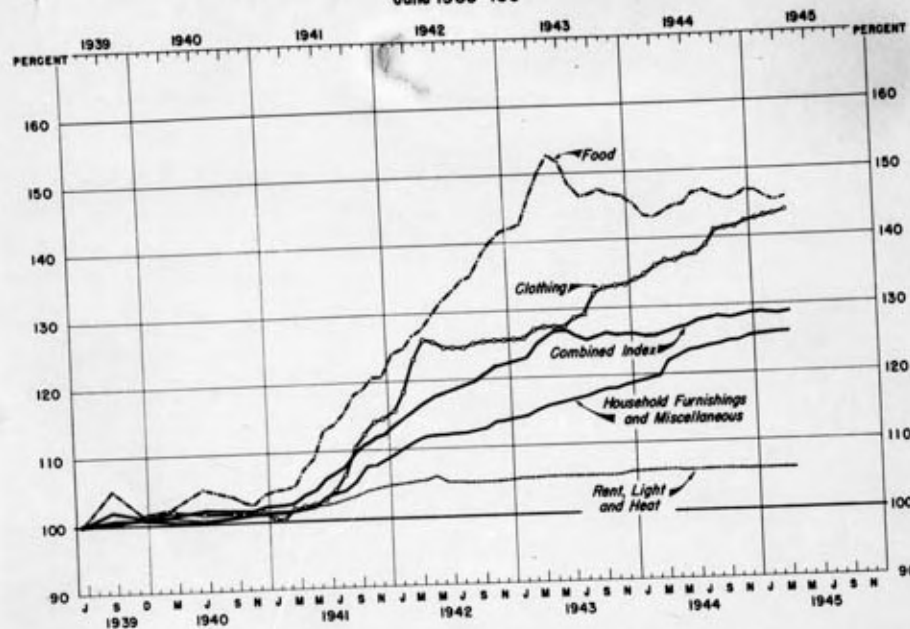


SELECTED BASIC COMMODITIES
Percentage Change April 9, 1943 to May 4 and May 25, 1945



COST OF LIVING AND SELECTED ITEMS

June 1939 = 100



Office of the Secretary of the Treasury
Bureau of Research and Statistics

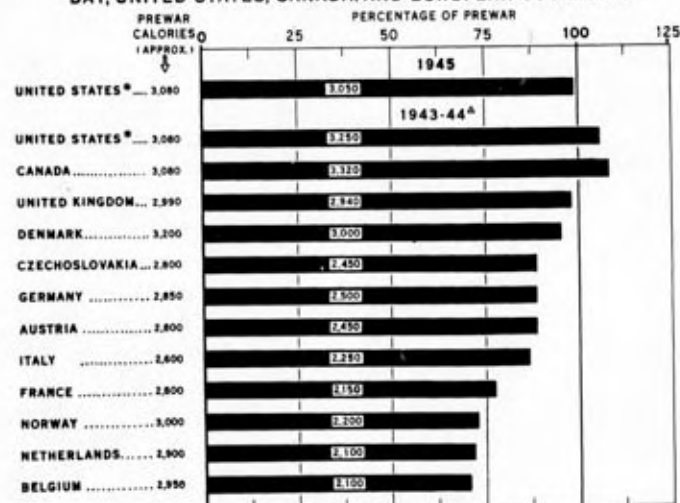
Source: B. L. S.

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Chart 6

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COMPARISON OF APPROXIMATE NUMBER OF CALORIES AVAILABLE
IN PREWAR AND WARTIME CIVILIAN FOOD SUPPLIES PER PERSON PER
DAY, UNITED STATES, CANADA, AND EUROPEAN COUNTRIES



* ABOUT 150 CALORIES LESS THAN TOTAL AS USUALLY COMPUTED IN UNITED STATES.

^a DATA FOR 1943-44 REPRESENT AN AVERAGE FOR THE CALENDAR YEARS 1943 AND 1944 FOR THE UNITED STATES, THE UNITED KINGDOM AND CANADA, AND THE 1943-44 CROP YEAR FOR EACH OF THE OTHER COUNTRIES.

SOURCES: U. S. AND CANADA FROM COMBINED FOOD BOARD, CONTINENTAL EUROPEAN COUNTRIES FROM OFFICE OF FOREIGN AGRICULTURAL RELATIONS.

U. S. DEPARTMENT OF AGRICULTURE

NEG. 45395

BUREAU OF AGRICULTURAL ECONOMICS

Chart 7
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PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
To: Secretary of State, Washington
DATED: May 26, 1945
NUMBER: 5353

The following message for information of Earl Harrison, WHB, and the Department, is transmitted.

An item reference voluntary contributions by member Governments is included in the agenda of the twelfth meeting of Executive Committee of Intergovernmental Committee on Refugees, which is scheduled to take place on the 31st of May. Statement was made today by an official of the Foreign Office to the effect that British Ministers had decided not to engage in any discussion of the broad problem of resettlement at present, and to treat this matter passively. It is the opinion of the ministers that every effort should be made to repatriate the refugees, in this way reducing the responsibilities of ICR. Refugees might be encouraged to refuse to return to their country of origin if the matter of resettlement were raised at present. It is the opinion of the British Ministers that there should be very strict tests applied as to non-repatriability. Beyond their present financial commitments for operational expenditures of ICR for 1945, British authority will not go.

WIMANT

DC/L:LOW:MAS

5/29/45