

DIARY

Book 854

June 11-13, 1945

June 11, 1945 ✓
9:30 A.M.

HMJr: Hello.

Miss Barrows: Hello, Mr. Secretary.

HMJr: Miss Barrows?

B: Yes, sir.

HMJr: What's happened to Mr. McKim and Mr. Connelly?

B: Mr. McKim, I think, is in Omaha, and Mr. Connelly's Mother wasn't very well and he flew up Saturday - Sunday morning to Clinton, Mass. He will be back sometime today, I think, if she got better, and I think she did.

HMJr: So you are the "works."

B: Well, Mr. and I are here at the moment.
(laughs)

HMJr: Well, this is what I would like to get from President Truman.

B: All right.

HMJr: I'm very much interested if Mr. Pauley has sent back a report on Germany, see?

B: Yes.

HMJr: Cause I saw his interview Saturday, and I imagine there must be a report on what he found, see? And I would like to for my own eyes, and I'll treat it very confidentially, to read what Mr. Pauley found in Germany.

B: You think he did make a report to the President?

HMJr: Well, I imagine so.

B: All right. I'll find out, sir, and we'll let you know.

HMJr: And if he didn't, then I'd like to send a cable over and get a copy of his report.

B: All right.

HMJr: So if he hasn't, I'd like a cable to go and say I would like to see it. I'm intensely interested.

- 2 -

2

B: Yes, sir, all right, we'll do what we can.

HMJr: Thank you.

B: All right, sir. Goodbye.

June 11, 1945
9:36 A.M.

3

HMJr: Hello.

Justice Felix Frankfurter: Henry, hello.

HMJr: Good morning.

F: Good morning. How is Elinor?

HMJr: She is making very good progress and she's home.

F: She's home? She's here in town?

HMJr: Yes.

F: Well, I hope she isn't going to stay long in this stinking weather.

HMJr: Well, this is most pleasant compared to Florida.

F: Considering the fact that you are here anyhow. Henry, I very much hope that you are free to lunch with me here at the court either Thursday or Friday or this week - for two reasons. Dashund Agrunski, whom you do not know, but who is an old friend of mine and who is the Editor of the admirable English newspaper in Jerusalem. He is just here from the San Francisco business on his way back to Palestine. He is a capital fellow, and I'm very anxious to have you see him.

HMJr: Well, I'd love to, Felix, but my trouble is I'm going up Wednesday to the country to broadcast and I'm going to stay there until Sunday.

F: Until Sunday?

HMJr: Yes.

F: Will you be back next week?

HMJr: Yes.

F: Well, when could you lunch with me next week? Monday or Tuesday?

HMJr: Any day next week.

F: Monday or Tuesday?

HMJr: Monday or Tuesday.

- 2 -

4

F: Let me see if I can bag you in.

HMJr: Either one.

F: Well, in any event I want you to lunch with me because I'm leaving - we're leaving that week and I'd like to see you before I go.

HMJr: Well, do you want to say now or do you want to leave it open?

F: I'll say now Tuesday.

HMJr: Tuesday. I'll be delighted.

F: A week from tomorrow.

HMJr: Yes, sir.

F: You name the time.

HMJr: Well, I'll come up there at one o'clock?

F: One o'clock, fine.

HMJr: And you'll give me one of those delicious luncheons.

F: Don't be of poor people, of poor relatives.

HMJr: Yeah, that's all right. I'll be up there Tuesday.

F: With that billion dollar table of yours, et cetera.

HMJr: Yeah.

F: Your Seventh is going very well, isn't it?

HMJr: Yes, it is.

F: And as for Bretton Woods, heavens!

HMJr: That was nice.

F: Oh, that was so encouraging.

HMJr: Yeah.

F: My love to Elinor and I'll see you on Tuesday.

HMJr: Thank you.

F: Bye.

June 11, 1945
10:07 A. M.

HMJr: Look, Grew. I've been getting reports from some of my Jewish friends, and they are very much worried about how the Jews are being treated in Europe. Hello?

Mr. Joseph Grew: Yes.

HMJr: And I wondered if you could give five minutes to John Pehle today.. hello?

G: Yes.

HMJr: And our thought was to let Earl Harrison go over and have a look at the thing. Earl Harrison is the American delegate on the Intergovernmental Committee.

G: Yes.

HMJr: And make a study and find out what the facts are. They say they are being treated just as badly as they were before we defeated Germany.

G: Yes.

HMJr: I don't know whether that is true or not, but I think we had better find out the facts.

G: Well, that is something we will have to clear with Eisenhower in the first instance.

HMJr: I know, but it is a question of a cable, and I thought if you could see Pehle for five minutes you could decide what kind of a cable to send.

G: Pehle, you say.

HMJr: John Pehle, you know him.

G: Yes. All right. The only thing is I'm tied up almost every hour today. Would it be all right if Pehle had a talk with Bill Phillips, who is running that side of the show.

HMJr: Yes, if Phillips can act and get off the cable.

G: Well, I'll ask him to talk to Pehle, and, of course, he will have to let me know to see if it is all right.

HMJr: I'd like to get it off today if possible.

- 2 -

G: Right. I may - probably have to clear it with Stimson, I think.

HMJr: Yeah, I don't think you will have any trouble over there.

G: No, I don't believe so either. Well, all right then, I'll Bill Phillips to call up Pehle direct, shall I, and make the appointment?

HMJr: Well.... is Phillips around?

G: Yes, oh, yes, he is right here.

HMJr: Will you tell him to do that?

G: I will indeed.

HMJr: Thank you.

G: Now, I'm going to see Soong at 12 o'clock today.

HMJr: Yeah.

G: And I'll ask him pointblank how he wants this thing - the negotiations handled, that is right isn't it?

HMJr: That's right.

G: And let you know.

HMJr: That's right.

G: O. K.

HMJr: I thank you.

G: Goodbye.

HMJr: Bye.

June 11, 1945
10:10 A.M.

HMJr: I talked to Grew, and he said he was awfully busy today, but these things were handled by William Phillips. He's going to have William Phillips call you.

Mr. John Pehle: Right.

HMJr: But I said I wanted a cable to go today.

P: I see.

HMJr: Authorizing Earl Harrison to go.

P: Yes.

HMJr: And he said he would tell that to Phillips, see?

P: A cable to whom, Mr. Secretary?

HMJr: Well, to whomever it is necessary - he said it would be to Eisenhower.

P: I see.

HMJr: He said, of course, he thought the cable should be first cleared with Stimson, so I thought that was right.

P: Right.

HMJr: But the cable will go to Eisenhower.

P: Right.

HMJr: Now, if Earl Harrison is around, it might be good to have him go over there with you.

P: Yeah, I think he is in Philadelphia, but I'll find out.

HMJr: But leave word with the operator if Phillips calls you take the call.

P: Right.

HMJr: Phillips is a very good man.

P: He was good on the India thing wasn't he?

- 2 -

HMJr: On who?

P: On India - that was where he got into his difficulty with the British - over India.

HMJr: Are you being sarcastic?

P: No. Phillips was, I understood according to Drew Pearson, the British government wouldn't have him around any more because he took a position that the British had to do something about India.

HMJr: Well, I don't know. Of course, for a while he was economic advisor, or rather political advisor, to Eisenhower.

P: That's right.

HMJr: Somebody pulled him out for some reason.

P: Well, the rumor was that the British wouldn't have him around because he made it clear that he thought they were pursuing the wrong course in India.

HMJr: I don't know. He's a good personal friend of mine.

P: Oh, he is.

HMJr: Yes.

P: Right.

HMJr: I was insisting that this cable go today.

P: Right.

HMJr: Then - I couldn't think of the man's name in Switzerland, I think that would be good, too.

P: Right. I'll take care of it and post you as soon as something happens.

HMJr: Thank you.

June 11, 1945
10:30 A.M.

9

HMJr: Hello.

Judge Patterson: Hello, Henry.

HMJr: How are you, Bob?

P: Fine.

HMJr: Bob, I spent a little time yesterday afternoon with Bob Allen.

P: Yeah.

HMJr: And he seemed terribly upset that the hospital out there was not adequately prepared to do things for boys that needed arms and legs, and very, very critical.

P: Walter Reed, he meant.

HMJr: Yeah. And I'm supposed - I wondered if by any chance you wanted to see some of the boys out there.

P: Yep.

HMJr: Bob talking - he didn't suggest it - the idea of dropping into the ward where he is and seeing and listening - you hear the boys out there are very bitter because the Army lets them think there's going to be this and that, and there's nothing there for them.

P: Yep.

HMJr: So, I hope you don't mind my..

P: Not a bit. I'm glad that I...

HMJr: I know that you are very devoted to him.

P: Yes, I am.

HMJr: And I thought if possible....

P: Is he out there now?

HMJr: He's there every day. He comes home in the evening to be with his wife, but he is out there and he said if you came out there you would get an earful.

- 2 -

10

P: All right, I will.

HMJr: I knew you wouldn't mind my calling you.

P: No, I'm glad you did.

HMJr: Right.

P: All right.

June 11, 1945 //
11:37 A.M.

HMJr: Yes.

Dr. T. V.
Soong:

Hello, Mr. Secretary.

HMJr:

How are you?

S:

Fine, thank you. Mr. Secretary, I've just arrived, and I'm leaving for home in two days. May I call on you and have a good not-business talk, a personal talk before I go.

HMJr:

Surely.

S:

Sometime - how would sometime Wednesday suit you?

HMJr:

Well, I can't promise, Dr. Soong, Wednesday on account of, you see I'm getting ready today for Bretton Woods and I'm testifying tomorrow in the Senate.

S:

Yes, I see. How about Thursday?

HMJr:

I won't be here. It would have to be -- you couldn't come around 3:30?

S:

Today?

HMJr:

Yes.

S:

Surely, I can.

HMJr:

Could you?

S:

Yes, I will do so.

HMJr:

I will look forward to seeing you.

S:

Thank you very much.

HMJr:

Thank you.

S:

Goodbye

HMJr:

Goodbye.

June 11, 1945 12
12:48 P.M.

HMJr: Hello.

Mr. Joseph
Grew:

Hello, this is Grew speaking.

HMJr:

Yes.

G:

Look, I took the matter up with T. V...

HMJr:

Yeah.

G:

And he said that he didn't think he would have much time to do any negotiations before he leaves Washington on the 15th, but that he was going to see you shortly, did he say this afternoon or tomorrow?

HMJr:

This afternoon.

G:

This afternoon, and that he would discuss the matter with you. In the meantime, he said he would just like to think it over. That's the way it was left. So he expressed no decision.

HMJr:

I see.

G:

So I think if he says to you that he wants to do it, O.K., if he hasn't got time I guess the other gentleman comes into the picture.

HMJr:

Well, but you got no "yes" or "no" on it?

G:

No, "yes" or "no".

HMJr:

(Laughs)

G:

That's all I could do.

HMJr:

Well, I'll wait and if it doesn't work out right, I'll let you know.

G:

All right. Well, I think all you can do is ask him point-blank what he wishes. After all, he is practically Prime Minister of China, he ought to have the say.

HMJr:

I'll do that. Thank you.

G:

All right. Goodbye.

June 11, 1945
2:03 P. M.

13

HMJr: Morgenthau talking.

Mr. Chester Bowles: Hello, Henry. How are you?

HMJr: O. K. We didn't hear from you about your enforcement man.

B: Well, I told them to call, and I understood they were calling.

HMJr: No.

B: Well, I'll get right after - George Moncharah and Jim Rogers were going over to see you.

HMJr: Well, now, I'd kind of like to see them myself.

B: You would.

HMJr: Yeah, to get this thing started.

B: All right, all right.

HMJr: Now, if they could come over here - oh, a few minutes after three, I'd be ready.

B: Let me see if I can get them then. Tell you, if I don't call you back within the next ten or fifteen minutes, you'll know that's all right.

HMJr: Yeah. Now, what's their names?

B: Jim Rogers. Rogers.

HMJr: Well, Rogers, - isn't he the man in-the advertising agency fellow?

B: Used to be with O.W.I.

HMJr: And used to be with Bowles and something.

B: Yeah.

HMJr: Right.

B: And he's Deputy administrator, and then George Moncharah.

HMJr: George - how do you spell that?

B: Moncharah.

- 2 -

14

HMJr: I see. Moncharah.

B: And he's the...

HMJr: He's the enforcement man.

B: He's the top enforcement man.

HMJr: Yeah, well, I used to get along fine with Rogers in the old days on advertising on War Bonds.

B: He's a good man.

HMJr: Very good man.

B: Well, if I don't call you back in ten or fifteen minutes they'll be there.

HMJr: Yeah, I'll be ready at five minutes past three.

B: All right, fine.

HMJr: I'd like to get this started.

B: Yeah, I would to.

HMJr: Right.

B: O. K. Bye.

June 11, 1945
2:43 P. M.

15

HMJr: Hello.

Miss Rose Conway: This Secretary Morgenthau?

HMJr: Speaking.

C: This is Miss Conway.

HMJr: Yes.

C: Did you call Miss Barrows this morning with regard to an article or a report on Germany by Pauley?

HMJr: Yes.

C: May I ask in what paper that appeared this morning. I don't seem to be able to run it down.

HMJr: No, I guess the transmittal was confused.

C: Oh.

HMJr: What I said was I had seen that Mr. Pauley had had a press conference in Paris.

C: Yes.

HMJr: And that he was leaving.

C: He was leaving.

HMJr: To go to -- there was quite an article about an interview with Mr. Pauley.

C: Yes.

HMJr: And that he was leaving for Moscow.

C: Was that in the morning paper?

HMJr: I think it was yesterday. If you want me to get it, I'll send it over to you.

C: Well, I just - when I checked with the papers I had, I couldn't find anything that agreed with what Miss Barrow said you were wanting, so..

- 2 -

16

HMJr: No, I don't want that. I've read that. What I wanted was...I said if Mr. Pauley sent a report to the President about his trip through Germany..

C: Oh, I see.

HMJr: ..as to how he found conditions, you see?

C: Yes.

HMJr: That I would like to see if the President would let me see it.

C: I see. Well, then I'll check again with the President later, Mr. - Secretary Morgenthau.

HMJr: You see, I imagine Mr. Pauley - he said in this article - made a whole trip through Germany.

C: Yes.

HMJr: And if he had made a report to the President.

C: That's what you are interested in.

HMJr: That's what - not the newspaper article but it's the report to the President. And I said if they sent it over to me I would treat it highly confidential.

C: I see.

HMJr: Does that make sense?

C: Yes, indeed, it does. I'm perfectly straight on it.(Laughs)

HMJr: And you don't want to see the newspaper article?

C: No, no, that is quite all right. I'm perfectly straight on that.

HMJr: It was reading the newspaper article and realizing he had completed his trip that made me want to see any report that came through, because I spent so much time on it and I'd be interested in Mr. Pauley's comments.

C: Surely.

HMJr: That was the thing.

- 3 -

C: Well, I can call you later then on this.
HMJr: Right, or if I'm not available, ask for
Mrs. Klotz. K-l-o-t-z.
C: Klotz?
HMJr: Yes.
C: I'll be very happy to.
HMJr: Thank you so much.
C: Thank you very much.

HMJr: Hello.
Mr. Joseph Grew: Hello, Mr. Morgenthau?
HMJr: Yes.

G: I just wanted to tell you that I have sent
a telegram to Ambassador Murphy asking him
to take up immediately with General Eisenhower
the matter of getting permission for Earl
Harrison to go right over
there.

HMJr: Oh, I'm delighted.
G: And conduct a survey.
HMJr: I'm delighted.

G: I said I feel that this is a matter that should
have our wholehearted support, and I should be
grateful if he would take it up immediately
with General Eisenhower with the view to securing
his permission.

HMJr: Well, I'm delighted.
G: So I hope it goes through. That is all we can do
really.
HMJr: Well, I think that is all that is necessary.
G: Yeah. O. K.
HMJr: Thank you.

June 11, 1945
2:57 P.M.

✓
19

June 11, 1945
3:55 p.m.

PRE-PRESS

Present: Mr. D. W. Bell
Mr. Blough
Mr. Shaeffer
Mr. Pehle
Mr. Gamble
Mr. O'Connell
Mr. Fussell
Mr. White

H.M.JR: Harry, T. V. Soong says that Kung should handle the payment of the Army in China.

(To Stenotypist) Make a note that I handed Mr. White a letter from Mr. Kung.

As far as he knows, Kung is not the Head of the Central Bank in China, but he will let him do this thing.

MR. WHITE: Just this once or at least this once.

H.M.JR: At least this once, and, John Pehle, they called me--I don't know whether Mrs. Klotz had a chance to tell you--and the cable has gone and they are sending me a copy of it.

MR. PEHLE: Wonderful!

H.M.JR: And I asked Mrs. Klotz to notify Mr. Kung and you notify me, but the cable has gone.

MR. WHITE: We are ready to make a recommendation on this.

H.M.JR: They came in and I was kind of embarrassed. They talked about eight billion Chinese dollars and I said, "How many United States dollars," and he said that was for me to decide, so, when you decide, let me know.

MR. WHITE: Eight billion.

20

- 2 -

H.M.JR: Then I will be glad to see you.

MR. WHITE: We are ready.

A thousand to one it's eight billion dollars.

H.M.JR: You changed chairs.

MR. BELL: No.

H.M.JR: It's not fair.

MR. BELL: I always sit here in the press conferences. At nine-thirty I sit over there.

H.M.JR: All right. Is everybody happy?

MR. FUSSELL: Here's one thing that just came over the ticker, Mr. Secretary, that you might be asked about.

H.M.JR: The gold mine?

MR. BELL: What?

MR. FUSSELL: The gold mine.

MR. BELL: That's old, isn't it?

H.M.JR: I don't know anything about it. That's a trick of the Silver Senators. What else?

MR. FUSSELL: That's all.

H.M.JR: All right, let's go.

TREASURY DEPARTMENT
WashingtonFOR IMMEDIATE RELEASE,
Monday, June 11, 1945.Press Service
No. 46-55

Secretary Morgenthau today expressed to the nation's banks the Treasury's appreciation for the "fine spirit of cooperation and the attitude of understanding" with which the Department's recent order requiring the reporting of unusual transactions in currency has been made effective.

In a letter addressed to some 15,000 financial institutions, Mr. Morgenthau stressed the importance of such information to the success of the current drive against tax evaders, and promised that the Treasury will follow a common-sense policy toward the banks in administering the reporting requirements.

"It takes no argument on my part to convince you that notorious tax evasions and concealments if left unchecked threaten the breakdown of our tax laws and cast their shadows upon the credit of the United States", the letter says.

Mr. Morgenthau expressed the hope that each banker will regard the new instructions as being his protection in the performance of his patriotic duty to assist his Government.

He said the Treasury had no wish to impose unnecessary administrative burdens on the banks, and that no bank or banker is going to find himself in difficulties with the Government because he makes a mistake in judgment. He welcomed helpful suggestions, and said that on the basis of such suggestions already received, steps have been taken to eliminate one requirement that might be considered burdensome, that of reporting the reasons for believing a particular transaction is unusual. He said the reporting of a transaction in no sense implies prejudgment by the bank of revenue violations.

In making the letter public, Secretary Morgenthau emphasized that its contents apply not only to banks but to all classes of financial institutions covered by the order. He also said that he wishes to encourage voluntary reporting by persons and organizations not covered. He stated that any voluntary reports should be sent to the nearest Federal Reserve Bank.

Text of Secretary Morgenthau's communication to the financial institutions follows:

22

- 2 -

The order requiring financial institutions to report unusual currency transactions has been in effect nine days, and the attitude of understanding and cooperation already displayed by banks and bankers has been gratifying. There have been a few isolated instances of adverse criticism which in my judgment stem from an inadequate understanding of the considerations and policies which underlie the order.

The abnormal use of currency in business transactions has become one of the principal devices for income tax evasions and concealments. Banks and other financial institutions have been unavoidably made the channel through which such transactions flow. I know of no segment of our business community more interested in the integrity of our tax and fiscal systems than banks and bankers. It takes no argument on my part to convince you that notorious tax evasions and concealments if left unchecked threaten the breakdown of our tax laws and cast their shadows upon the credit of the United States. Certainly they bring open resentment from the millions of honest taxpayers who stand ready faithfully to contribute their share to war finance.

Of necessity we must avail ourselves of every practical source of information, and the enlistment of the cooperation of banks through the reporting requirements of the order is novel only in its design to counteract a growing technique of abnormal currency transactions for tax evasion purposes.

Prior to the order some financial institutions, perturbed by the excessive and abnormal use of currency, voluntarily reported unusual transactions to the Treasury Department. Several of the most shocking and revolting of the recently publicized tax frauds were discovered through such cooperation. The implications of these discoveries gave both public officials and many prominent members of the financial community with whom I discussed the problem such concern that it was decided an authoritative order of general application was required, not only to protect the public revenues but also to relieve banking institutions of the private responsibility for voluntary reporting.

The many communications we have had with banks and bankers since the order was issued have reflected not only a fine spirit of cooperation but also a good sense of proportion and judgment in interpreting the basic purpose and

- 3 -

requirements of the order. The order took the form it did only after sympathetic consideration of the relationship between banker and customer and of the onerous administrative burdens that excessive reporting requirements would impose.

I want to make it very clear that the Treasury Department intends to follow a common-sense policy towards banks in administering the reporting requirement. We do not want to be swamped with insignificant reports any more than we want to fail to receive significant ones. We do not want to impose unnecessary administrative burdens on the banks any more than we want banks to fail to report to us significantly abnormal transactions. No bank or banker is going to find himself in difficulties with the Government because he made a mistake in judgment. Rather, we hope, he will regard the new instructions as being his protection in the performance of his patriotic duty to assist his Government in its determined drive against those who see fit to cheat in a time of national crisis.

Suspicion of tax guilt is not the basis for determining the abnormality of transactions for reporting requirements. The reporting of a transaction in no sense implies prejudice by the bank of revenue violations. Significant abnormal transactions to be reported under protection of the order are expected to take their place in the flow of information from many other sources in the normal course of tax surveillance by public officials.

Helpful suggestions have already been received, particularly as to the form of reports. On the basis of these suggestions the Treasury has already taken steps to eliminate the requirement of reporting the reasons for believing a particular transaction is unusual. It will, of course, be our purpose to eliminate any further burdensome requirements to the fullest extent practicable.

My purpose in writing you this letter is to give you a general description of the situation which made the order necessary, and to express my appreciation of the cooperation and good judgment displayed by the banking community.

-000-

TREASURY DEPARTMENT
WashingtonFOR IMMEDIATE RELEASE,
Monday, June 11, 1945.Press Service
No. 46-55

Secretary Morgenthau today expressed to the nation's banks the Treasury's appreciation for the "fine spirit of cooperation and the attitude of understanding" with which the Department's recent order requiring the reporting of unusual transactions in currency has been made effective.

In a letter addressed to some 15,000 financial institutions, Mr. Morgenthau stressed the importance of such information to the success of the current drive against tax evaders, and promised that the Treasury will follow a common-sense policy toward the banks in administering the reporting requirements.

"It takes no argument on my part to convince you that notorious tax evasions and concealments if left unchecked threaten the breakdown of our tax laws and cast their shadows upon the credit of the United States", the letter says.

Mr. Morgenthau expressed the hope that each banker will regard the new instructions as being his protection in the performance of his patriotic duty to assist his Government.

He said the Treasury had no wish to impose unnecessary administrative burdens on the banks, and that no bank or banker is going to find himself in difficulties with the Government because he makes a mistake in judgment. He welcomed helpful suggestions, and said that on the basis of such suggestions already received, steps have been taken to eliminate one requirement that might be considered burdensome, that of reporting the reasons for believing a particular transaction is unusual. He said the reporting of a transaction in no sense implies prejudice by the bank of revenue violations.

In making the letter public, Secretary Morgenthau emphasized that its contents apply not only to banks but to all classes of financial institutions covered by the order. He also said that he wishes to encourage voluntary reporting by persons and organizations not covered. He stated that any voluntary reports should be sent to the nearest Federal Reserve Bank.

Text of Secretary Morgenthau's communication to the financial institutions follows:

- 2 -

The order requiring financial institutions to report unusual currency transactions has been in effect nine days, and the attitude of understanding and cooperation already displayed by banks and bankers has been gratifying. There have been a few isolated instances of adverse criticism which in my judgment stem from an inadequate understanding of the considerations and policies which underlie the order.

The abnormal use of currency in business transactions has become one of the principal devices for income tax evasions and concealments. Banks and other financial institutions have been unavoidably made the channel through which such transactions flow. I know of no segment of our business community more interested in the integrity of our tax and fiscal systems than banks and bankers. It takes no argument on my part to convince you that notorious tax evasions and concealments if left unchecked threaten the breakdown of our tax laws and cast their shadows upon the credit of the United States. Certainly they bring open resentment from the millions of honest taxpayers who stand ready faithfully to contribute their share to war finance.

Of necessity we must avail ourselves of every practical source of information, and the enlistment of the cooperation of banks through the reporting requirements of the order is novel only in its design to counteract a growing technique of abnormal currency transactions for tax evasion purposes.

Prior to the order some financial institutions, perturbed by the excessive and abnormal use of currency, voluntarily reported unusual transactions to the Treasury Department. Several of the most shocking and revolting of the recently publicized tax frauds were discovered through such cooperation. The implications of these discoveries gave both public officials and many prominent members of the financial community with whom I discussed the problem such concern that it was decided an authoritative order of general application was required, not only to protect the public revenues but also to relieve banking institutions of the private responsibility for voluntary reporting.

The many communications we have had with banks and bankers since the order was issued have reflected not only a fine spirit of cooperation but also a good sense of proportion and judgment in interpreting the basic purpose and

- 3 -

requirements of the order. The order took the form it did only after sympathetic consideration of the relationship between banker and customer and of the onerous administrative burdens that excessive reporting requirements would impose.

I want to make it very clear that the Treasury Department intends to follow a common-sense policy towards banks in administering the reporting requirement. We do not want to be swamped with insignificant reports any more than we want to fail to receive significant ones. We do not want to impose unnecessary administrative burdens on the banks any more than we want banks to fail to report to us significantly abnormal transactions. No bank or banker is going to find himself in difficulties with the Government because he made a mistake in judgment. Rather, we hope, he will regard the new instructions as being his protection in the performance of his patriotic duty to assist his Government in its determined drive against those who see fit to cheat in a time of national crisis.

Suspicion of tax guilt is not the basis for determining the abnormality of transactions for reporting requirements. The reporting of a transaction in no sense implies prejudice by the bank of revenue violations. Significant abnormal transactions to be reported under protection of the order are expected to take their place in the flow of information from many other sources in the normal course of tax surveillance by public officials.

Helpful suggestions have already been received, particularly as to the form of reports. On the basis of these suggestions the Treasury has already taken steps to eliminate the requirement of reporting the reasons for believing a particular transaction is unusual. It will, of course, be our purpose to eliminate any further burdensome requirements to the fullest extent practicable.

My purpose in writing you this letter is to give you a general description of the situation which made the order necessary, and to express my appreciation of the cooperation and good judgment displayed by the banking community.

-000-

June 11, 1945
4:40 P. M. 24

HMJr: Hello.

Mr. Will
Clayton:

Hello, Henry. Will Clayton.

HMJr:

Yes, Will.

C:

Dean told me about his talk with you at lunch
about the bank - the export-import bank.

HMJr:

Yes.

C:

We feel that it is very important that we get that legislation, that bill in soon so that they can, if possible, get some action on it before they adjourn. They are going to adjourn around a month from now and will be gone all summer until perhaps the middle or latter part of September. In spite of everything we can do, Henry, why I think it is going to be a long time yet before the international bank is set up and ready to do business and get the management, the personnel and everything, and the money and can make investigations of loans and put the money out. It is just going to take a long time to get it set up, and meantime, we just haven't got anything. The bank is pretty well up to its limit, as you know.

HMJr:

Yeah.

C:

And, we, from our point of view, we would feel very badly if the Treasury couldn't go along with us on that.

HMJr:

Well, we haven't said we would.

C:

No, I know you haven't said you wouldn't, but I got the impression from what Dean said...

HMJr:

No, I raised the question that I thought that it might be helpful as far as Lend-Lease and Bretton Woods was concerned to postpone it.

C:

I think that myself... lord knows if we could do it why we don't want to give...

HMJr:

I'm not going to make an issue out of it.

C:

Yes.

- 2 - 35

HMJr:

If you feel strongly on it, we'll go along.

C:

Fine. I think Bretton Woods is just in the bag. There's still going to be argument and some are going to have to do some work, perhaps in the Senate, but I wish I felt as well about the Trade-Agreements program as I do about Bretton Woods. I think the vote in the House was so overwhelming that it just shows...

HMJr:

Will, if you feel strongly about it, we'll go along.

C:

Fine. Well, thank you ever so much. That's mighty nice. Hope to see you soon.

HMJr:

Hope to see you.

C:

Bye.

26 ✓
June 11, 1945

I called up Clayton yesterday and asked him what he thought of the idea of the so-called Informal Committee on Germany, consisting of Clayton, Crowley, McCloy, Bard and myself going to Germany to see how the directive known as IPCOG 1 is being carried out. I did not get a very good reception from Clayton, who said he would think it over and call me back.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

June 11, 1945.

Dear Henry:

Your thoughtful note of June 9 in regard to the overwhelming acceptance by the House of the Bretton Woods Agreements is very much appreciated. It was most fortunate that the vote was so heavily in favor of the Agreements and was on a bi-partisan basis, signifying to all the world this Nation's desire for international cooperation.

It is gratifying that you feel the suggestion concerning the Advisory Council was helpful in obtaining the widespread support which the House gave to the enabling legislation.

Sincerely yours,

Harmon

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

28 ✓
HOUSE OF REPRESENTATIVES
WASHINGTON, D. C.

June 11, 1945

Dear Mr. Secretary:

I appreciated very much your thoughtful letter of June 8th regarding the action of the House Banking and Currency Committee in connection with the Bretton Woods bill.

May I say in turn that a great deal of the credit for the success of this measure rightfully belongs in your own Department and to the many individuals, including yourself, Dr. White and Mr. Laxford who so ably and patiently presented the case.

Sincerely yours,

George E. Outland
George E. Outland.

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

29 ✓
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

11 June 1945

TO Secretary Morgenthau
FROM Mr. Coe FC

Here are the telegrams sent to and received from Hurley.

Kung is still Governor of the Central Bank and also personal representative in the United States of the Generalissimo.

We are not going forward with the discussions with Kung's people until you hear from Grew. I would like to speak to you briefly this afternoon about our recommendation concerning the offer to be made.

CLASSIFICATION: SECRET

PRECEDENCE : PRIORITY

DATE : 6 JUNE 1945 NCR 1832

FROM: AMBASSADOR HURLEY

TO : SECRETARY OF TREASURY FOR ACTION

SECRETARY OF STATE FOR INFO

COMNAVGROUP CHINA SENDS THIS SECRET AND URGENT MESSAGE FOR THE SECRETARY OF THE TREASURY FROM AMBASSADOR HURLEY. COPY TO THE PRESIDENT AND SECRETARY OF STATE.

YOUR MESSAGE NUMBER 765 DATED MAY 20 WAS RECEIVED IN GAMBLED FORM. OUR CODE ROOM ASKED FOR REPEATS AND DID NOT GET LEGIBLE UNTIL MAY 31.

THIS DELAY IS IN NO WAY ATTRIBUTABLE TO YOU. THANK YOU SINCERELY FOR THE INFORMATION CONTAINED IN YOUR TELEGRAM. THE

SUBJECT HAS BEEN CONSTANTLY DISCUSSED BY CHINESE HERE SINCE YOUR COMMITMENT OF MAY 16. I HAVE NOT PARTICIPATED IN ANY OF THE

DISCUSSIONS SINCE UNTIL MAY 31 I HAD NO OFFICIAL INFORMATION ON THE SUBJECT. YOU ASKED MY REACTION TO THE PROPOSAL THAT CHINA

INSTITUTE A \$500,000,000 FUND FROM HER EXISTING ASSETS TO STABILIZE CURRENCY AND COMBAT INFLATION. I AM HEARTILY IN FAVOR OF ANY

MEASURES THAT WILL SERVE THESE WORTHY PURPOSES AND PROTECT CHINA'S FOREIGN TRADE BALANCES AGAINST ILL ADVISED DISSIPATION.

HOWEVER I AM INTERESTED IN KNOWING WHAT PRACTICAL STEPS WILL BE TAKEN TO ACHIEVE THESE OBJECTIVES. THE PRESENT SITUATION DEMANDS

IMMEDIATE ACTION AND MERELY SETTING ASIDE THE FUND WILL IN MY OPINION HAVE LITTLE MATERIAL EFFECT. IT IS STRONGLY MAINTAINED BY THE CHINESE

THAT THE SALE OF GOLD TO ABSORB LARGE AMOUNTS OF CURRENCY ISSUED TO COVER BUDGETARY DEFICITS IS AN ESSENTIAL PART OF THE ANTI-INFLATIONARY

PROGRAM. I AGREE WITH YOU THAT THERE IS LITTLE EVIDENCE TO SUPPORT SUCH A CLAIM AND UNTIL THERE IS A RADICAL CHANGE IN THE PRESENT POLICY

LITTLE CAN BE EXPECTED. FOR THE GOVERNMENT TO SELL GOLD AT A FIGURE FAR BELOW THE OPEN MARKET PRICE IS A DENIAL OF THE OBJECTIVE TO ABSORB

PRINTING PRESS CURRENCY IN THE MAXIMUM AMOUNT AND FURTHERMORE IT HAS GIVEN RISE TO VICIOUS SPECULATION AND MUCH UNFAVORABLE PUBLICITY IN

THE SO-CALLED GOLD SCANDALS OF WHICH YOU HAVE BEEN ADVISED. WHEN THE OFFICIAL PRICE OF GOLD WAS RAISED FROM CN DOLLARS TWENTY THOUSAND TO

CN DOLLARS THIRTYFIVE THOUSAND ON MARCH 30 THE OPEN MARKET PRICE WAS APPROXIMATELY CN DOLLARS FIFTY THOUSAND. NOTWITHSTANDING YOUR ANNOUNCE-

MENT SOME THREE WEEKS AGO THAT GOLD IN THE AMOUNT OF TWO HUNDRED MILLION UNITED STATES DOLLARS WOULD BE SHIPPED TO CHINA OVER THE NEXT FEW MONTHS

THE OPEN MARKET PRICE HAS BEEN SPIRALING UPWARDS. ACCORDING TO THE COMMERCIAL DAILY NEWS OF JUNE 3 AFTER (BRISK TRADING) GOLD CLOSED AT

CN DOLLARS ONE HUNDRED ONE THOUSAND FIVE HUNDRED PER OUNCE ON JUNE 2. THE OFFICIAL GOVERNMENT PRICE IS STILL CN DOLLARS THIRTYFIVE THOUSAND

PER OUNCE. THUS THOSE NOW FORTUNATE ENOUGH TO BE ABLE TO MAKE GOVERNMENT PURCHASES DERIVE AN IMMEDIATE BOOK PROFIT OF APPROXIMATELY ONE

HUNDRED NINETY PERCENT ON THEIR INVESTMENT, AN UNCONSCIONABLE BENEFIT WHICH SHOULD ACCRUE TO THE GOVERNMENT.

THIS IS A DEMORALIZING SITUATION. IT APPEARS THAT THE UNITED STATES HAS RESERVED NO POWER TO CONTROL THE SITUATION IN ITS GOLD COMMITMENT

TO CHINA. THE DOLLARS GOLD TWO HUNDRED MILLION COMMITMENT WAS APPARENTLY MADE WITHOUT CONDITION. YOU STATE THAT THE TREASURY HAS COM-

MITTED ITSELF ON THE \$200,000,000 IN GOLD TO CHINA WITHOUT HAVING

32

PROCURED A COMMITMENT FOR THE ESTABLISHMENT OF A \$500,000,000 FUND TO COMBAT INFLATION. BUT YOU STATE THAT YOU SUGGESTED THE ESTABLISHMENT OF SUCH A FUND. MY REACTION TO THAT PART OF THE TRANSACTION IS THAT IF YOU WANTED A STABILIZATION FUND TO BE INSTITUTED YOU SHOULD HAVE MADE THAT A CONDITION PRECEDENT ON WHICH YOU WOULD SUPPLY THE DOLLARS GOLD TWO HUNDRED MILLION TO CHINA. THEN YOU WOULD HAVE BEEN IN A POSITION TO TRADE OR NOT TO TRADE. NOW YOU ASK ME TO ADVISE YOU WHAT MY REACTION IS TO YOUR REITERATION OF YOUR SUGGESTION THAT CHINA CONSTITUTE \$500,000,000 FUND FOR COMBATING INFLATION AND STABILIZING CURRENCY. NO ONE HAS MORE RESPECT FOR THE POWER OF SUGGESTION THAN I. IN THIS INSTANCE, HOWEVER, I WOULD HAVE RELIED ON THE POWER OF DOLLARS GOLD TWO HUNDRED MILLION. I AM CONVINCED OF CHINA'S FRIENDSHIP FOR THE UNITED STATES. I BELIEVE THAT CHINA INTENDS TO REPAY THE UNITED STATES IN THE YEARS TO COME. CHINA DREADS BECOMING WHAT HER LEADERS REFER TO AS (A BEGGER NATION). I AM SATISFIED THAT THERE MUST BE SOME GOOD REASON FOR HAVING MADE THE COMMITMENT WITHOUT HAVING OBTAINED CHINA'S AGREEMENT TO CONSTITUTE A \$500,000,000 FUND FOR THE PURPOSE SUGGESTED BY YOU. THIS IS REINFORCED BY THE FACT THAT YOU STATE THE DECISION WAS MADE AFTER FULL DISCUSSION WITH THE STATE AND WAR DEPARTMENTS AND THE FEA. I SAY TO YOU FRANKLY, HOWEVER, AND WITHOUT CRITICISM THAT I WOULD HAVE FELT MUCH BETTER ABOUT THE SITUATION IF YOU HAD ASKED MY REACTION ON YOUR SUGGESTION BEFORE YOU WERE COMMITTED TO THE TRANSACTION RATHER THAN AFTER IT HAD BEEN COMPLETED. IF YOU WILL FURNISH ME WITH SUFFICIENT BACKGROUND TO ENABLE ME TO FORMULATE AN INTELLIGENT OPINION I WILL CERTAINLY COOPERATE WITH YOU.

SECRETARY OF TREASURY...ACT

HAVAIDE...SECRETARY OF STATE....

DEPARTMENT
OF
STATEOUTGOING
TELEGRAMDIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

GEX

No paraphrase necessary
(SECRET)

1945 MAY 24 PM 4 37

True text of quoted communi-
cation has been transmitted
to a representative of the
Chinese Government.

May 20, 1945

AMEMBASSY, DC/L
CHUNGKING, (CHINA)

761

FOR MEMORANDUM HURLEY FROM THE SECRETARY OF THE
TREASURY

Part I.

For your information and use in conversations with Chinese officials including the Minister of Finance, I am transmitting text of letter sent May 16, 1945 to Dr. Soong regarding Chinese request for gold. The decisions embodied in the letter were arrived at after full discussion with State, War and P&A.

QUOTE Dear Dr. Soong:

QUOTE This is to confirm what I told you today.

In accordance with your memorandum of May 11, the Treasury is prepared to authorize the shipment of the balance of the \$20 million of gold which is on term with the Federal Reserve Bank of New York for the Central Bank of China and to transfer the balance of \$100 million to the account of the Central Bank of China with the Federal Reserve Bank of New York, in three equal monthly installments of \$60 million from May to July 1945. The Treasury accepts the schedule of old shipments contained

-2- #761, May 20, 1 p.m., to Chungking, (China)

in your memorandum of May 11, 1945 and is making arrangements with the Army to carry out the shipments of the gold according to that schedule. The preliminary arrangements to ship the requested amount for the month of May have already been made. These steps are being taken in accordance with our Financial Aid Agreement of March 1942 and my letter to Dr. Kung of July 27, 1943.

QUOTE At this time it seems to me necessary and desirable to point out that the purpose of the \$500 million of financial aid to China, and particularly my agreement in July 1943 to ship gold to China, was to assist in an anti-inflationary program which would strengthen confidence in the Chinese Government and its finances and thereby help maintain the Chinese economy. As you know, it is my opinion that the sale of gold by China has not proved effective in combating inflation, and I am doubtful that it will prove effective. Also as I have told you, the manner in which the gold sales have been conducted and the consequent public criticism of them in China are not conducive to achieving the purposes for which our financial aid was granted.

34

0 35
-3- #761, May 20, 1 p.m., to Chungking. (China)

QUOTE Therefore, I would respectfully ask the Chinese Government to consider carefully the matters proposed to you in my memorandum of May 8, 1945. In particular I would reiterate my suggestion that China constitute a \$500 million fund for combating inflation and stabilizing the currency from its foreign exchange assets. I think that this step would be of considerable short and long-run benefit to China and would inspire confidence in the Chinese Government's handling of its difficult economic situation.

QUOTE The Treasury has noted with great interest the intention of the Chinese Government, as stated in your memorandum to the Secretary of State, to effectuate reforms relating to financial and economic matters. We think that the carrying out of these reforms will do more to insure confidence among the people and give a measure of stability to the present economic and financial situation than the gold program.

QUOTE I know that you and your Government will take these friendly suggestions in the spirit in which they are offered. As I told you, we intend to carry out faithfully

0 36
-4- #761, May 20, 1 p.m., to Chungking (China)

our financial agreement of 1942. However, the Chinese Government's response to our proposal to institute a \$500 million fund and her conduct of the gold sales program will be important considerations in our financial relations with China.

QUOTE This Government has as prime objectives the defeat of Japan and the liberation of China. As an old friend of China, I believe that our faith and confidence in China will be justified. END QUOTE.

Part II.

1. I would very much appreciate receiving your reactions to our proposal that China institute a \$500 million fund from her existing dollar balances. The ways to which this Currency Stabilization Fund would be put would be a broad concerted program for combating inflation and for currency stabilization and these would be subject to joint agreement. The time at which the Fund's operations would start would be discussed at a later date. This proposal for a \$500 million Fund was made with the concurrence of State, War and PEA. Dr. Soong has referred the proposal to the Generalissimo.

37

-5- #761, May 20, 1 p.m. to Chungking, (China)

2. The Chinese schedule of gold shipments referred to in my letter to Dr. Soong calls for the shipment of about \$80 million by air and about \$108 million by boat during the next eight months.

3. Adler will give you full details on discussions with Dr. Soong on his return to Chungking.

GREY
(Acting)
(GL)

PH:PPMcGuire:rk 5/19/45 C. PE

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 11,
1945

TO Secretary Morgenthau
FROM J. W. Pehle

I saw William Phillips this morning at 10:30 a.m. for about fifteen minutes. I described to him the suggestion which you had made for a survey of the problem of displaced persons, particularly Jews, in Germany and liberated Europe.

Mr. Phillips was entirely in agreement with this suggestion and dictated, in my presence, a cable to Robert Murphy, a copy of which will be sent to you as soon as it has been cleared. The cable makes it clear that the State Department would like such a survey made and asks Murphy to get the necessary permissions from Eisenhower. The cable should be dispatched today.

JW Pehle

38 ✓
PAPERS USED BY THE SECRETARY WHEN
HE APPEARED BEFORE BANKING COMMITTEE
OF SENATE IN CONNECTION WITH
BREITEN WOODS ON JUNE 12, 1945
39

12

TREASURY DEPARTMENT

CONFIDENTIAL

INTER OFFICE COMMUNICATION

DATE

11 June 1945

TO Secretary Morgenthau

FROM Mr. Luxford

Below are the current estimates of the amounts Congress will be requested to provide in connection with the Bretton Woods Agreements, the Export-Import Bank, Lend Lease and UNRRA. These figures include the latest data available through the State Department and the Bureau of the Budget but it should be emphasized that some of them will probably require revision.

<u>Item</u>	<u>Amount</u> (Millions of dollars)
1. Bretton Woods Agreements (Investment)	
(a) U.S. subscription to Fund \$2,750 million)	
(b) U.S. subscription to Bank 3,175 " }	\$5,925 1/
2. Export-Import Bank (Investment)	
Proposed increase in capital (subject to revision upwards in light of additional requirements)	1,500 2/ <i>as of</i>
3. United Nations Relief & Rehabilitation (UNRRA)	
(Authorized but not yet made available for expenditure)	900 3/
4. Lend Lease (War expenditure)	
Additional funds requested for the fiscal year 1946	1,975 4/
TOTAL	\$10,300

1/ \$1,800 million of the \$5,925 million will be transferred from the U.S. Stabilization Fund.

Footnotes continued:

2/ The only figure publicly discussed to date has been the figure of \$1,500 million. However, present indications are that the figure may be increased to possibly \$2,800 million. These figures represent proposed increases in the Bank's capitalization and are in addition to its present capital of \$700 million.

3/ Congress authorized \$1,350 million as our contribution to UNRRA. Of this amount Congress appropriated \$450 million and authorized Lend Lease and the Army to use an additional \$900 million from their appropriation if available. To date the Lend Lease appropriation has not been so used and it is presently doubtful whether funds from this source will be available. Accordingly, the only figure that can be inserted is the figure of \$900 million which represents the balance of the sum Congress authorized to be appropriated but which has not been made available for expenditure.

4/ In addition to this figure (\$1,975 million) it is anticipated that FEA will have an unexpended balance from fiscal 1945 of somewhere in the neighborhood of \$2,400 million which will be made available for fiscal 1946. This makes a total of \$4,375 million for use by Lend Lease for fiscal 1946. This figure does not include Army expenditures for military lend lease.

42 ✓
STATEMENT ON FOREIGN TRADE AGREEMENTS

The Trade Agreements Act of 1934 authorizes the President--(1) to make trade agreements with foreign governments and (2) to modify (reduce or increase) existing duties to carry out agreements under the Act. No modification may exceed 50 percent of the duties prescribed in the Tariff Act of 1930.

The authority to enter into such agreements expires June 12, 1945. The pending legislation, already approved by the House, extends the authority for an additional three years, and makes the present duties the basis for the maximum modification of 50 percent.

During the past eleven years, reciprocal trade agreements have been concluded with 28 countries, including 8 of our 10 best customers. Over 65 percent of our trade is carried on with trade agreement countries. Our exports to trade agreement countries rose by 63 percent, to non-agreement countries by only 32 percent from 1934 to 1939. Our imports from trade agreement countries increased by 22 percent, from non-agreement countries by only 13 percent.

The authority to reduce duties by 50 percent has been completely exhausted on 42 percent of our dutiable imports, and partially exhausted on an additional 20 percent of our dutiable imports. Of the remaining authority, a considerable portion relates to items produced chiefly in Germany and Japan.

Renewal of the Trade Agreements Act with the power to modify present duties (as distinguished from 1930 duties) by 50 percent is an essential part of the program of expanding our trade.

43 ✓
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 11 June, 1945

TO Mr. Bernstein

FROM Mrs. Sandelson

Subject: Comments by Senator Taft on the Fund and the Bank(1) April 3, 1943, The News (Washington)

Senator Taft is reported as "greeting with suspicion" the Treasury proposal for international currency stabilization. This statement was made three days before Secretary Morgenthau discussed the proposal with the Senate committee.

Taft also said that he saw in the Treasury proposals similarities to the Keynes plan which was shortly to be presented to the House of Commons.

(2) October 12, 1943 - The New York Times

Taft denounced the Bank proposal "as part of the general New Deal program to create new methods of deficit spending". He also said: (1) that he opposed making loans to other countries in the guise of investments; (2) that all the money loaned abroad by the Bank would come from the United States and that such loans should be made directly by the Government and under the authority of Congress.

(3) June 11, 1944, The New York Times

Taft stated that currency stabilization was only incidental. "If you stabilize currency without taking all of the other steps necessary to get a country on an exporting basis, as the Treasury's plan apparently contemplates, it would be like pouring money down a sewer"....

"The only thing anybody in the world wants now is dollars In effect, our dollars would be backing all of the other countries so that we would be putting up the money".

(4) June 17, 1944 - N.Y. Herald Tribune

Taft stated that the Republicans generally "are completely opposed to the Administration's plan to come before the Conference".

(5) July 12, 1944, New York Times

In a long statement made during the Conference, allegedly in reply to questions by the press, Senator Taft stated that "in my opinion

-2-

no agreement for an International Monetary Fund on the terms of the original statement of experts will be approved either by the Senate or the House".

Senator Taft made the following specific criticisms:

- (1) The United States should not assume the principal burden of supporting weak currencies under a plan which gives us only a minority vote.
- (2) The proposal is not large enough to deal with the emergency and too large for normal needs.
- (3) To set up an International Exchange Fund now is to put the cart before the horse.
- (4) "All the real assets of the Fund will come from the United States It will not be long before all of our assets are gone and the Fund is entirely made up of weaker, worthless currencies."
- (5) The Fund would "require our Government to regulate, restrict and regiment transactions in foreign exchange in the United States and impose complete Government control of all international transfer of funds".
- (6) The Fund "places power in some representative of the President, without approval of Congress, to change the gold value of the dollar."

Senator Taft proposes as a substitute that the United States should make direct loans to foreign nations for reconstruction during the emergency period and should make individual stabilization agreements with countries beginning with the British. He called this the "key-countries" approach.

(6) August 1, 1944, New York World Telegram

Senator Taft supported the movement to delay action on the Bretton Woods proposals until after the election in order to divorce the issue from politics.

(7) May 4, 1945, New York Daily News

Taft attacks the Treasury as conducting a propaganda campaign for Bretton Woods. He specifically states that the Treasury "fails to mention the little fact that the Bretton Woods plan would cost us \$6 billion -- nor that the borrowers would be a majority of the voters on the Board of Directors of the proposed International Bank".

Taft Suspicious Of Proposal to Stabilize Money

APR 3, 1943
The Immediate Problem
After War Will Be
One of Relief, He Says

By CHARLES R. DEGGER,
United Press Staff Correspondent.
WASHINGTON, April 3.—Sen-
ator Taft (R., Ohio) today greeted
with "suspicion" a four-point
Treasury proposal for postwar in-
ternational currency stabilization
which Secretary Morgenthau is
expected to present to Congress
Monday.

Mr. Taft is a member of the
Monetary Banking and Finance com-
mittee, as well as of the special
committee on postwar economic
planning.

Will Be Relief Problem.

He thought a preliminary study
now of future monetary problems
would be "interesting," but added:
"The immediate problem after
the war will be one of relief, not
purchasing."

Mr. Taft said he saw in the re-
ported proposal of the Treasury
—to set up machinery for inter-
national control of currencies and
the raising of the balance of pay-
ments of countries unable to pay
—similarity with a plan pro-
posed by John Maynard Keynes,
British economist and adviser to
the War Cabinet.

To Be Presented Soon.

Mr. Keynes' proposal soon is to
be presented to the House of
Commons and probably will
serve as the British monetary
plan to be presented to British-
American conferences here and
the United Nations. It will be
the British counterpart of the
American program—to be notified
to three Senate committees Mon-
day—which has been attributed to
Harry D. White, an assistant to
Mr. Morgenthau.

The Keynes plan briefly calls
for establishment of an interna-
tional currency clearing union
based on an international bank
money to be known as "bancor."
The new currency would be tied
more or less to gold and would
be accepted in lieu of gold for the
settlement of international bal-
ances among members of the
clearing union.

Another purpose of the Keynes
plan is said to be stabilization of
international trade agreements.

News

1943

Stabilization

Currency Plan Suspicious

O.) today greeted
Treasury proposal
currency stabilization
Morgenthau is ex-
pected to present to Congress
Monday.

Mr. Taft is a member of the
Monetary Banking and Finance com-
mittee, as well as of the special
committee on postwar economic
planning.

He thought a preliminary study
now of future monetary problems
would be "interesting," but added:
"The immediate problem after
the war will be one of relief, not
purchasing."

Mr. Taft said he saw in the re-
ported proposal of the Treasury
—to set up machinery for inter-
national control of currencies and
the raising of the balance of pay-
ments of countries unable to pay
—similarity with a plan pro-
posed by John Maynard Keynes,
British economist and adviser to
the War Cabinet.

Mr. Keynes' proposal soon is to
be presented to the House of
Commons and probably will
serve as the British monetary
plan to be presented to British-
American conferences here and
the United Nations. It will be
the British counterpart of the
American program—to be notified
to three Senate committees Mon-
day—which has been attributed to
Harry D. White, an assistant to
Mr. Morgenthau.

The Keynes plan briefly calls
for establishment of an interna-
tional currency clearing union
based on an international bank
money to be known as "bancor."
The new currency would be tied
more or less to gold and would
be accepted in lieu of gold for the
settlement of international bal-
ances among members of the
clearing union.

Another purpose of the Keynes
plan is said to be stabilization of
international trade agreements.



Sen. Taft

ment of international balances among
members of the clearing union.
Supporters of the Keynes plan ad-
mit that it entails sacrifice of some
sovereignty of individual states over
domestic economic policies. Some dis-
sent that it might be described as a
plan for financial "dictatorship" and
the surrender of military discre-
tion. They claim that the union could
be used as a device for refueling na-
tional power; that it could be a
weapon for "rebuilding" a financial
blockade against a recalcitrant nation.

Some have suggested that such a
currency union could be used to es-
tablish a fund for support of an in-
ternational police force. One recom-
mendation of the plan is that it be
backed up with a currency union could help
up the clearing amount of an offend-
ing nation.

Another purpose of the Keynes plan
is said to be stabilization of interna-
tional trade agreements.

The News

APR 3 1943

For Post-War Stabilization

Treasury Currency Plan Finds Taft Suspicious

By United Press

Sen. Robert A. Taft (R., O.) today greeted with "suspicion" a four-point Treasury proposal for post-war international currency stabilization which Treasury Secretary Morgenthau is expected to present to Congress Monday.

Taft is a member of the Banking and Finance Committee as well as of the special committee on post-war economic planning.

He thought a preliminary study now of future monetary problems would be "interesting," but added: "The immediate problem after the war will be one of relief, not purchasing."

Taft said he saw in the Treasury proposals—to set up machinery for international control of currency and the raising of the balance of payments of countries unable to pay—concordance with a plan proposed by John Maynard Keynes, British economist and adviser to the Entente.

Keynes' proposal soon is to be presented to the House of Commons and probably will be the British contribution to forthcoming monetary conferences here among the United Nations. It will be the British counterpart of the American program which will be outlined to three Senate committees Monday. The American plan has been attributed to Harry D. White, an assistant to Morgenthau.

Keynes' plan in brief calls for establishment of an international currency clearing union based on an international bank money to be known as "bancor." The new currency would be paid once or less to gold and would be accepted in lieu of gold for settle-

ment of international balances among members of the clearing union.

Supporters of the Keynes plan admit that it entails sacrifice of some sovereignty of individual states over domestic economic policies. Some fear that it might be described as a plan for financial "disarmament" and the freer use of military discretion. They claim that the union could be used as a device for enforcing internal policies; that it could be a weapon for "enforcing" a financial blockade against a member nation.

Senators have suggested that such a monetary union could be used to establish a fund for support of an international police force. On revenue, of the police force, it is said, such a currency union could help up the clearing amount of an attacking nation.

Another purpose of the Keynes plan is said to be stabilization of international trade agreements.



Sen. Taft

The New York Times.

OCT 1 1943

46

**SENATE REPUBLICANS
OPPOSE WORLD BANK****Taft Sees a New Deal Program
of Deficit Spending**

WASHINGTON, Oct. 11 (AP).—Republican opposition to the Administration's proposal for a world bank developed in Congress today. Senator Taft of Ohio said he would carry the fight to the Senate floor with a denunciation of the plan as "part of the general New Deal program to create new methods of deficit spending."

Mr. Taft, who is a member of the Senate Banking Committee, which heard Secretary Morgenthau explain the bank plan at a recent closed meeting, told a reporter he was "opposed to making loans to other countries in the guise of investments."

"In effect," he said, "all the money to be loaned abroad by the bank would come from the United States. It seems to me that after the war we are going to have to make emergency loans to other countries for working capital and rehabilitation of plants and machinery, but I believe those loans ought to be made directly by this Government under authority of Congress."

As outlined by Mr. Morgenthau, the proposed international bank would have \$15,000,000,000 in capital, of which the United States would furnish \$3,500,000,000, Great Britain \$1,500,000,000 and other countries the rest.

The New York Times.

JUN 11 1944

47

TIFT FIGHTS PACT
ON-WORLD MONEYSays It Would Be Like 'Pouring
Our Cash Down a Sewer'—
Suggests Separate Deals

WASHINGTON, June 10 (AP)—Republican opposition to any commitments on a world currency stabilization program at the United Nations monetary conference flared again today with an assertion by Senator Robert A. Taft of Ohio that American involvement would be "like pouring money down a sewer."

Senator Taft, who heads the Republican post-war advisory committee on finance and the Republican Steering Committee of the Senate, told a reporter that he was opposed to the principle of setting up any fund "in which we contribute all of the money and somebody else dispenses it."

"The question of currency stabilization is only incidental in the rehabilitation of foreign countries after the war," he declared. "If you stabilize currency without taking all of the other steps necessary to get a country on an exporting basis, as the Treasury's plan apparently contemplates, it would be like pouring money down a sewer."

Going to Congress Vote

Plans for an \$4,000,000,000 world stabilization fund will be laid before the conference which opens at Bretton Woods, N. H., July 1. The Treasury has emphasized that any agreement reached at the conference would be subject to Congressional approval.

As announced by the Treasury, the plans, agreed to in principle by the monetary experts of thirty-four united and associated nations in April, call for the United States to contribute about \$2,500,000,000 to the fund. Great Britain would put about \$1,250,000,000 and Russia about \$1,000,000,000, with the rest to be made up by other nations in accordance with a complicated formula.

While this would be calculated to make all nations participants, Senator Taft said, the practical effect would be that the United States, by using dollars, would put in the only gilt edged security.

Suggests Separate Deals

"The only thing anybody in the world wants now is dollars," he asserted. "In effect, our dollars would be backing all of the other countries, so that we would be putting up the money."

Senator Taft, who has been mentioned as a possible choice for one of four Congressional places on the delegation to the meeting, suggested, instead, that the United States make separate agreements with each country.

It appeared today that Senator Charles W. Tobey of New Hampshire would be the choice despite the registered Administration attempt to bypass him because of his criticism of New Deal policies. He is the retiring minority member of the Banking and Currency Committee and the Republican Steering Committee is said to have endorsed him for the conference place.

Herald Tribune

JUN 17 1944

U.S. Delegation To Money Talks Still Not Filled

Administration Can't Seem to Find a Republican in Senate Willing to Serve

By Tom Twitty

WASHINGTON, June 16.—Official announcement of the United States delegation to the United Nations monetary conference opening July 1 at Bretton Woods, N. H., is being held up, it was indicated today, because for some reason a Republican Senator has not been chosen who will accept.

Inquiry into the situation served only to heighten the impression that there was not a single administrative agency could be found that would admit it was responsible for selecting the delegates.

The puzzle began at President Roosevelt's press conference a week ago when he announced that a Democrat and a Republican from each House of Congress would be named. The Treasury Department then made known that all the delegates had been selected except a Republican Senator and that the (unnamed) had been invited on a regular twenty-four-hour basis.

Every day since June 8 the Treasury has indicated that a White House announcement of the full delegation, including the missing Senator, would be forthcoming from the White House within twenty-four hours.

All Deny Responsibility

Congressional sources agreed today that "something funny is going on" and suggested that James P. Byrnes, Director of the Office of War Mobilization and "Assistant President," might be able to explain. Byrnes' office denied that he had anything to do with naming the Banking Committee, said he had the delegates and, when asked who had been invited to be a delegate, was responsible for naming them, although he knew no one other than the Secretary of the Republican Senator who had refused and a second who had been

Official at the Treasury asserted, "and has not yet accepted." Senator John A. Danaher of Connecticut, second ranking the delegation. Furthering Republican on the Banking Committee, the Treasury said, it did not know who was. The State Department, he threw no light on it, which is in charge of it, the conference's physical arrangements. Senator Tobey's office in the Senate, said the "White House" Capital capped the climax, report was the designating body. The first ranking Senator on the Banking Committee was in New Hampshire, half-said the Congressional sources that the official word regarding the monetary conference, but that "the Senate is a delicate."

The Senator said in a statement that although he believed Congress would adopt a part providing for continuous consultations with other countries and would authorize the Secretary to use the stabilization fund as he has in the past to stabilize foreign exchange, it would not endorse any plan based on the terms of the original statement.

Following the rules of procedure the Republican Senatorial delegate would be Charles W. Tobey, of New Hampshire, ranking Republican of the Senate Banking Committee. Congressional sources suggested today, however, that the Administration objected to Senator Tobey as a delegate to such an extent that it ignored the senatorial considerations followed in the House selections and has been offering the nomination to a succession of other Republican Senators, who have been declining the invitation out of courtesy to Mr. Tobey.

Taft Gives Party Stand

Senator Robert A. Taft, Republican of Ohio, confirmed that whoever is extending the invitations is having difficulty finding a delegate among his colleagues, but held the reason was that the Republicans generally "are completely opposed to the Administration's plan to come before the conference." If the conference were to make a plan instead of approve one already made by the Treasury, which most Republicans oppose, then it might be different.

War Mobilization and "Assistant President," might be able to explain. Byrnes' office denied that he had anything to do with naming the Banking Committee, said he had the delegates and, when asked who had been invited to be a delegate, was responsible for naming them, although he knew no one other than the Secretary of the Republican Senator who had refused and a second who had been

Official at the Treasury asserted, "and has not yet accepted." Senator John A. Danaher of Connecticut, second ranking the delegation. Furthering Republican on the Banking Committee, the Treasury said, it did not know who was. The State Department, he threw no light on it, which is in charge of it, the conference's physical arrangements. Senator Tobey's office in the Senate, said the "White House" Capital capped the climax, report was the designating body. The first ranking Senator on the Banking Committee was in New Hampshire, half-said the Congressional sources that the official word regarding the monetary conference, but that "the Senate is a delicate."

Taft Doubts Congress Will Approve World Financial Stabilization Plan

N. Y. Times

JUL 12 1944

Special to The New York Times

WASHINGTON, July 11.—Senator Robert A. Taft, Republican of Ohio, today said that so agreement for an international monetary fund drafted on the terms of the original joint statement of experts, sent out by Secretary Morgenthau to the representatives of the other United Nations at the Bretton Woods conference, would be approved by either Senate or House.

"The Senator said in a statement that although he believed Congress would adopt a part providing for continuous consultations with other countries and would authorize the Secretary to use the stabilization fund as he has in the past to stabilize foreign exchange, it would not endorse any plan based on the terms of the original statement."

Following the rules of procedure the Republican Senatorial delegate would be Charles W. Tobey, of New Hampshire, ranking Republican of the Senate Banking Committee. Congressional sources suggested today, however, that the Administration objected to Senator Tobey as a delegate to such an extent that it ignored the senatorial considerations followed in the House selections and has been offering the nomination to a succession of other Republican Senators, who have been declining the invitation out of courtesy to Mr. Tobey.

"I have been asked by many correspondents and press representatives what the terms of the agreements now being negotiated at Bretton Woods are to be, and whether they have been or will be approved by Congress. I can answer the first of these questions because of the money which surrounds the Bretton Woods conference, but I can say that in my opinion no agreement for an international monetary fund on the terms of the original joint statement of experts will be approved either by the Senate or the House of Representatives."

"This plan was sent out by the Secretary of the Treasury to the representatives of the other United Nations and they may naturally assume that it has the approval of the Government of the United States. It is most important that they realize that this is not the fact and that Congress is more likely to disapprove the plan of the Secretary of the Treasury than approve it."

"Of course everyone recognizes the desirability of stabilizing international exchange. All desire that the United States co-operate with the other nations in that end, and from a permanent consulting body to study the problems which arise and recommend national action. But very few approve the plan for a huge International Monetary Fund or the plan for a United Nations Bank. Nearly every American expert outside of the Treasury has criticized these plans."

N. Y. TIMES - July 12, 1944

Taft Doubts Congress Will Approve World Financial Stabilization Plan

N. Y. Times

JUL 12 1944

Special to The New York Times

WASHINGTON, July 11.—Senator Robert A. Taft, Republican of Ohio, today said that so agreement for an international monetary fund drafted on the terms of the original joint statement of experts, sent out by Secretary Morgenthau to the representatives of the other United Nations at the Bretton Woods conference, would be approved by either Senate or House.

"The Senator said in a statement that although he believed Congress would adopt a part providing for continuous consultations with other countries and would authorize the Secretary to use the stabilization fund as he has in the past to stabilize foreign exchange, it would not endorse any plan based on the terms of the original statement."

Following the rules of procedure the Republican Senatorial delegate would be Charles W. Tobey, of New Hampshire, ranking Republican of the Senate Banking Committee. Congressional sources suggested today, however, that the Administration objected to Senator Tobey as a delegate to such an extent that it ignored the senatorial considerations followed in the House selections and has been offering the nomination to a succession of other Republican Senators, who have been declining the invitation out of courtesy to Mr. Tobey.

"I have been asked by many correspondents and press representatives what the terms of the agreements now being negotiated at Bretton Woods are to be, and whether they have been or will be approved by Congress. I can answer the first of these questions because of the money which surrounds the Bretton Woods conference, but I can say that in my opinion no agreement for an international monetary fund on the terms of the original joint statement of experts will be approved either by the Senate or the House of Representatives."

"This plan was sent out by the Secretary of the Treasury to the representatives of the other United Nations and they may naturally assume that it has the approval of the Government of the United States. It is most important that they realize that this is not the fact and that Congress is more likely to disapprove the plan of the Secretary of the Treasury than approve it."

"Of course everyone recognizes the desirability of stabilizing international exchange. All desire that the United States co-operate with the other nations in that end, and from a permanent consulting body to study the problems which arise and recommend national action. But very few approve the plan for a huge International Monetary Fund or the plan for a United Nations Bank. Nearly every American expert outside of the Treasury has criticized these plans."

New Cost of \$1 Billion

"More important from the American standpoint, however, is the substantial fact that nearly all the real assets in the fund will come from this country. They will be dispersed by a board, the control of which is held by countries whose currencies are much weaker than ours. It will not be long before all of our assets are gone and the fund is entirely made up of weaker worthless currencies."

New York World-Telegram
AUG 1 1944

Taft Joins Move to Delay Action on Monetary Plan

Supports Wagner Aim to Shelve Program
During Coming Months of Campaign

By the United Press.

WASHINGTON, Aug. 1.—The powerful support of Robert A. Taft, chairman of the Senate Republican Steering Committee, was added today to a Democratic proposal to delay until after the election any Congressional action on the Bretton Woods international monetary agreement.

Senator Robert F. Wagner (D., N. Y.), chairman of the Senate Banking Committee and a delegate to the monetary conference, is urging his colleagues to shelve the agreement during the campaign months because it is "too important to the world to become a political football."

Withholds Special Reasons. Senator Taft, who declared two weeks ago that "many members" of Congress would find the agreement "unacceptable," nevertheless agreed with Senator Wagner that it would be wise to divorce the controversial issue from politics. The Ohio Senator said, however, that he intends to issue a statement within the week to set his specific objections to the monetary accord.

If Senator Wagner's plan prevails, the agreement may not be considered until the new Congress convenes in January.

Tax Controversial.

Senator Taft said the pact was "extremely involved" and would require extensive hearings and considerable debate.

He declined to reveal in advance his specific objections to the agreement, but it was understood from other sources that he is against a section which permits nations to devalue their currencies at least 20 per cent without regard to the wishes of the board of governors of the International Stabilization Fund.

Another section believed to have aroused Senator Taft's opposition would deny a nation the right to take its internal economy into account in devaluing its currency.

New York World-Telegram
APR 10 1945

Tydings Calls for End Of 'Blank Check Era'

By the United Press.

WASHINGTON, April 10.—Sen. Millard E. Tydings (D., Md.) today called for an end to "the blank check era" as soon as the war was over.

Speaking on legislation to extend the lend-lease act for one year, Sen. Tydings joined in the fight begun yesterday by Sen. Arthur H. Vandenberg (R., Mich.) to tighten restrictions against use of lend-lease for postwar relief and rehabilitation abroad.

"We've signed a lot of blank checks to win this war," Sen. Tydings told the Senate. "I don't want to sign any blank checks for the postwar era."

He indicated he would support an amendment by Sen. Robert A. Taft (R., Ohio) to prohibit lend-lease agreements for postwar relief, rehabilitation and reconstruction.

Supported by La Follette.

Sen. Robert M. La Follette (P., Wis.) said he would support the Taft amendment as a means of forcing the administration to come to Congress before making commitments for postwar aid to war-torn countries.

"We should have a complete and comprehensive picture of what is contemplated as our share in the rehabilitation of the world," Sen. La Follette said.

"We will not get it if we leave it to executive determination of the executive branch of government."

Sen. Vandenberg told his colleagues yesterday in discussion of a House-approved measure to extend lend-lease authority till June 30, 1946, that Congress ought to hurry to deal with external postwar relief, rehabilitation and reconstruction on their own independent merits.

He said he was supporting the pending bill because of a conviction that lend-lease aid is as indispensable to fighting the war as the Army and Navy.

(the rehabilitation of the Philippines; (2) for the expanded operations of the Export-Import Bank; and (3) for direct postwar credits to the Allies.

"But it is equally essential," he declared, "that there should be no misunderstandings at home or abroad that lend-lease stops when hostilities cease, that lend-lease is intended by Congress to be exclusively an instrument of war and that it must not be used by our own administrators for postwar relief, rehabilitation or reconstruction."

Declaring that it was "only elementary prudence for this government to give to Congress an over-all survey and summary of what is presently in contemplation," he asked an administration statement on these points:

(1) What funds would be asked for the operations of the United Nations Relief and Rehabilitation Administration; (2) for relief in the areas which UNRRA might use; (3) for the "hang-over" of lend-lease; (4) for the Bretton Woods Agreement; (5) The 20-Percent "in the great majority of cases"; (6) Pan-American co-operation; (7) for national organizations; (8) for

DAILY NEWS

MAY 4 1945

State Dept. Reports Attacked in Congress

By RUTH MONTGOMERY

Washington, D. C., May 3.—Congress today blew the lid off its informal agreement not to discuss controversial international questions during the San Francisco Security Conference, and had a field day castigating the State Department, Russia, Argentina and the unsolved Polish deadlock.

With Majority Leader Alben W. Barkley (D-Ky.) overruling investigation of Nazi atrocities, Senator Robert A. Taft (R-Ohio) hotly denounced the "deliberate policy of misrepresentation" adopted by the State and Treasury Departments.

"It is a super-propaganda under the direction of Archibald MacLachlan, Assistant Secretary of State, and it is aimed directly at Congress," he exclaimed. "All of us have recognized the value of propaganda as a weapon of war. But it is theory that these methods of propaganda can be turned toward against our own people, our own institutions and our own Congress."

Says Facts Ignored.

The two departments, he told the Senate, are distributing "propaganda and not facts" about the Dumbarton Oaks and Bretton Woods monetary plans and the Administration's proposal to reduce tariffs through reciprocal trade agreements.

Citing government pamphlets, radio broadcasts and motion pictures, Taft said the Treasury "fails to mention the little fact that the Bretton Woods plan would cost us six billion dollars—not that the borrowers would have a majority of the votes on the board of directors of the proposed international bank."

He said he plans to support the Dumbarton Oaks proposals, but resents the State Department's propaganda that "crimes of the plan are indisputable and practically traitors who desire to promote a third world war."

Russian secrecy was criticized by Senator Homer Ferguson (R-Mich.), who denounced "outspoken candor" in our dealings with the Soviet.

Wants News Reported.

Pointing to the absence of American observers in Poland, Budapest, Vienna and "most of eastern and western Europe since Russian control," Ferguson said the government should get permission for American reporters to visit the countries "now occupied by Soviet armies."



Senator Robert A. Taft
Denounces 'propaganda.'

The reporters, he added, should be allowed to "visit and circulate freely and be allowed to report conditions with the fullest frankness, so that mistrust and suspicion can be eliminated."

Like House members called on the Administration to stand firmly behind its commitments for a free Poland, without Russian interference.

Urges Aid for Small Nations.

Observing Polish Constitution Day, Representative John D. Rarig (D-Mich.) asked why Argentina was asked at the San Francisco Security Conference, and not Poland.

Representative Thomas d'Alesandro Jr. (D-Md.) demanded that Congress "do everything in its power to aid the small nations in their fight for freedom."

Minority Leader Joseph W. Martin Jr. (R-Mass.) said: "Justice will not be complete until there is a free Poland within boundaries that include the land that can properly be classified as Polish."

Representative Daniel A. Reed (R-N.Y.) reminded that the Poles, in the early days of the war, were crucified "first on one side and then on the other."

53
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date

11 June 1945

TO Secretary Morgenthau
FROM Joseph J. O'Connell, Jr.

Attached is a chart showing the voting records on selected important bits of war legislation of the 18 Republican Congressmen who voted against the Bretton Woods legislation.

As it might have been expected, most of them have been uniformly against such things as the extension of the draft act, lend-lease, the manpower mobilization bill, etc.

Attachment

	Extend Draft Act (1943)	Property Requisition Act (1943)	Lend- Lease Act (1941)	Lend-Lease Extension (1945)
Duffett (R., Neb.)	NC	NC	NC	No
Clevenger (R., Ohio)	No	No	No	No
Ellis (R., N. Va.)	NC	NC	NC	No
Owens (R., Iowa)	No	No	No	Yes
Jones (R., Ohio)	No	No	No	No
Knutson (R., Minn.)	No	No	No	No
Leake (R., N. Dak.)	NC ¹	NC	NC	Yes
Mason (R., Ill.)	No	No	No	Yes ²
O'Hara (R., Minn.)	No	NV	No	No
Reed (R., New York)	No	No	No	No
Rich (R., Penna.)	No	No	No	No
Wiley (R., Okla.)	No	No	No	No
Robison (R., Ky.)	No	No	No	No
Schubbs (R., Mo.)	NC	NC	NC	Yes
Schubbs (R., Okla.)	NC	NC	NC	No
Scrivner (R., Kans.)	NC	NC	NC	No
Smith (R., Ohio)	No	No	No	No
Summer (R., Ill.)	No	No	No	No

¹/ Voted against original law.
²/ Voted against 1944 extension
NC - Not Member of Congress.
NV - Not Voting.

12"

Secretary Morgenthau

11 June 1945

Joseph J. O'Connell, Jr.

Attached is a chart showing the voting records on selected important bits of war legislation of the 18 Republican Congressmen who voted against the Bretton Woods legislation.

As it might have been expected, most of them have been uniformly against such things as the extension of the draft act, lend-lease, the manpower mobilization bill, etc.

(Initialed) J. J. O'C., Jr.

Attachment

cc Luxford

JJO'C:s 11-6-45

12"

56

	<u>Extend Draft Act (1941)</u>	<u>Property Requisition Act (1941)</u>	<u>Lend- Lease Act (1941)</u>	<u>Lend-Lease Extension (1945)</u>	<u>Warpower Mobilization Bill (1945)</u>
Buffett (R., Neb.)	NC	NE	NC	No	No
Clevenger (R., Ohio)	No	No	No	No	No
Ellis (R., W. Va.)	NC	NC	NC	No	No
Gwynne (R., Iowa)	No	No	No	Yes	Yes
Jones (R., Ohio)	No	No	No	No	No
Knuteon (R., Minn.)	No	No	No	No	No
Leske (R., S. Dak.)	NC ¹	NC	NC	Yes	No
Mason (R., Ill.)	No	No	No	Yes ¹	No
O'Hara (R., Minn.)	No	NY	No	No	Yes
Reed (R., New York)	No	No	No	No	No
Rich (R., Penna.)	No	No	No	No	No
Risley (R., Okla.)	No	No	No	No	Yes
Robison (R., Ky.)	No	No	No	No	No
Schwabe (R., Mo.)	NC	NC	NC	Yes	No
Schwabe (R., Okla.)	NC	NC	NC	No	No
Scrivner (R., Kan.)	NC	NC	NC	No	No
Smith (R., Ohio)	No	No	No	No	No
Sumner (R., Ill.)	No	No	No	No	No

¹/ Voted against original law.
²/ Voted against 1944 extension
 NC - Not Member of Congress.
 NY - Not Voting.

SPECIAL ASSISTANT TO THE SECRETARY OF STATE
WASHINGTON

54
June 11, 1948 ✓

Dear Mr. Fehle:

I am sending you a copy of the telegram which has already gone to Mr. Murphy and which I think covers the situation as you presented it to me this morning.

Sincerely yours,

William Phillips
William Phillips

Enclosure:

Copy of
telegram.

Mr. John W. Fehle,
Room 3420, Treasury Department,
Washington, D.C.

COPY

(Copy) 58

AMEMBASSY,
PARIS.

FOR MURPHY

It has been suggested that Mr. Earl Harrison, the American Delegate to the Inter-Government Committee on Refugees accompanied possibly by Mr. Roswald McClelland Special Attache in the American Legation, Bern, should proceed to the liberated countries of Europe and to Germany to ascertain certain facts with regard to displaced persons particularly Jews. Mr. Harrison would be charged to ascertain their needs and to what extent those needs are being provided by international, national or private organizations.

I feel that this is a matter which should have our wholehearted support and I should be grateful if you would take it up immediately with General Eisenhower with a view to securing his permission to the survey.

Acting

SA/WP:WPhillips:fhh 6/11/48

59
June 11, 1945

My dear Gil:

It was very kind of you to cable me your congratulations on Bretton Woods. All of us here were delighted. In the earlier stages, we weren't even sure that we had enough votes to get the legislation out of the Committee, and we worked very hard. Therefore, we were pleasantly surprised at the fact that we only had 18 votes cast against it. I hope that we fare as well in the Senate, but I have my doubts.

If your son, John, is in Washington, I hope he will look us up. You must be very happy over his release.

With kind regards,

Sincerely yours,

[Signed] Henry

Honorable John G. Winant,
United States Ambassador to
Great Britain,
London, England.

60
June 11, 1945

My dear Gil:

It was very kind of you to cable me your congratulations on Bretton Woods. All of us here were delighted. In the earlier stages, we weren't even sure that we had enough votes to get the legislation out of the Committee, and we worked very hard. Therefore, we were pleasantly surprised at the fact that we only had 18 votes cast against it. I hope that we fare as well in the Senate, but I have my doubts.

If your son, John, is in Washington, I hope he will look us up. You must be very happy over his release.

With kind regards,

Sincerely yours,

[Signed] Henry

Honorable John G. Winant,
United States Ambassador to
Great Britain,
London, England.

61
June 11, 1945

My dear Gil:

It was very kind of you to cable me your congratulations on Bretton Woods. All of us here were delighted. In the earlier stages, we weren't even sure that we had enough votes to get the legislation out of the Committee, and we worked very hard. Therefore, we were pleasantly surprised at the fact that we only had 18 votes cast against it. I hope that we fare as well in the Senate, but I have my doubts.

If your son, John, is in Washington, I hope he will look us up. You must be very happy over his release.

With kind regards,

Sincerely yours,

(Signed) Henry

Honorable John G. Winant,
United States Ambassador to
Great Britain,
London, England.

12"

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless so directed character is indicated above or preceding the address.

WESTERN UNION

A. H. WELLS 1898
P. M. 1907

SYMBOLS

DL=Day Letter
NL=Night Letter
LC=Deferred Cable
NLT=Cable-Night Letter
Ship Radiogram

The time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination.

CDU281 INTL=CD LONDON VIA WUCABLES 37 9

NLT HON HENRY MORGENTHAU JR=

12434 BELMONT RD WASHDC=

JAN 9 PM 1 40

CONGRATULATIONS ON THE OVERWHELMING SUPPORT FOR BRETTON
WOODS LEGISLATION IN THE HOUSE THANKS FOR KIND MESSAGE ON
JOHN'S RELEASE HE IS RETURNING HOME THIS WEEK=

JOHN G WINANT.

2434.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

63
June 11, 1945

Dear Fred:

I have just read your letter of June 8th. Maybe we ought to go back to the old days of the troubadour, and dress you up in tights, and send you through the highways and byways of America, singing my praises with a harp under your arm and with golden curls rolling down over your shoulders.

Any way, Ed Fussell has been after me to clear some of the material he has ready for you, and I have promised to do it not later than 9:30 tomorrow morning.

Mrs. Morgenthau is back home and is making real progress.

With kind regards,

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Fred Smith,
The Blue Network,
30 Rockefeller Plaza,
New York 20, New York.

64
June 11, 1945

Dear Fred:

I have just read your letter of June 8th. Maybe we ought to go back to the old days of the troubadour, and dress you up in tights, and send you through the highways and byways of America, singing my praises with a harp under your arm and with golden curls rolling down over your shoulders.

Any way, Ed Fussell has been after me to clear some of the material he has ready for you, and I have promised to do it not later than 9:30 tomorrow morning.

Mrs. Morgenthau is back home and is making real progress.

With kind regards,

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Fred Smith,
The Blue Network,
30 Rockefeller Plaza,
New York 20, New York.

65-
June 11, 1945

Dear Fred:

I have just read your letter of June 8th. Maybe we ought to go back to the old days of the troubadour, and dress you up in tights, and send you through the highways and byways of America, singing my praises with a harp under your arm and with golden curls rolling down over your shoulders.

Any way, Ed Fussell has been after me to clear some of the material he has ready for you, and I have promised to do it not later than 9:30 tomorrow morning.

Mrs. Morgenthau is back home and is making real progress.

With kind regards,

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Fred Smith,
The Blue Network,
30 Rockefeller Plaza,
New York 20, New York.

12"

The Blue Network

BLUE NETWORK COMPANY, INC.

10 ROCKEFELLER PLAZA - TELEPHONE CIRCLE 9-5700
NEW YORK 20, N. Y.

June 8, 1945

Mr. Henry Morgenthau, Jr.
Secretary of the Treasury
Main Treasury Building
Washington, D. C.

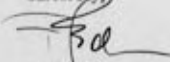
Dear Boss:

I think you might be interested in the fact that I had luncheon yesterday with Bert Lipsoncott, of the Philadelphia publishing house. During the course of the luncheon I told him my story about you and what you have done. When I was finished, he said: "If you could write that story into a book as well as you tell it, it is my opinion that Morgenthau would emerge as one of the great men of our time."

I thought you would be interested in his reaction because I simply related facts, and some of our experiences on War Road drives, and on journeys, which seems to convey the impression to people that you are really a very wonderful human being after all, which they never suspected.

This bears out my contention that the real story can be written and will be received enthusiastically.

Sincerely,



Fred Smith

FS/BNF

Mr. Smith to Mr. M. →

TS

AMERICAN BROADCASTING SYSTEM, INC.

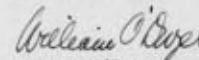
EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD
WASHINGTON 25, D. C.OFFICE OF THE
EXECUTIVE DIRECTOR

JUN 11 1945

My dear Mr. Secretary:

There is enclosed for your information a copy of a memorandum signed by President Truman transferring the over-all responsibility for the Emergency Refugee Shelter at Oswego, New York, from the War Refugee Board to the Department of the Interior.

Very truly yours,


William O'Dwyer
Executive Director

The Honorable,

The Secretary of the Treasury.

Enclosure.

68

2/27/44

Honorable Earl Secretary of the Interior
Executive Director of the
War Refugee Board

In view of the contemplated early termination of the War Refugee Board, the over-all responsibility for the Emergency Refugee Shelter at Oswego, New York, is hereby transferred from the War Refugee Board to the Department of the Interior.

Harry Truman

12"

69✓

May 11, 1945

I spoke to Doughton from Florida, and he told me he and George went to see the President on the Reciprocal Trade Agreements Act, and that they told the President that as far as taxes were concerned everything was all right.

Doughton said, "Henry, you deserve all the credit for getting us together." He was a little bit bothered about the article in the Washington Post because it wasn't on the first page, and that was why he tried to reach me this morning. He sounded in a grand humor. He asked me whether they should introduce a tax bill now, and I didn't answer him because I didn't know what the answer was.

CW

70
11 JUN 1945

Dear General Simpson:

I want to thank you most sincerely for the excellent statement you made available to the Treasury for our use in promoting the 7th War Loan Drive. The newspapers of the nation gave it splendid front page coverage, and I am sure it will be helpful to us in reaching our high quotas for the drive.

Sincerely,

(Signed) H. Morgenthau, Jr.

Lieut. General William H. Simpson
Commanding General, Ninth Army
The Pentagon
Washington 25, D. C.

SGL:eb

6-9-45

71
✓
11 JUN 1945

Dear Admiral Stark:

I want to thank you most sincerely for the excellent statement you made available to the Treasury for our use in promoting the 7th War Loan Drive. The newspapers of the nation gave it splendid front page coverage, and I am sure it will be helpful to us in reaching our high quotas for the drive.

Sincerely,

(Signed) H. Morgenthau, Jr.

Admiral Harold B. Stark
Commander, U. S. European Naval Forces
Navy Department
Washington 25, D. C.

SGL:eb

6-9-45

72
✓
11 JUN 1945

Dear General Spaatz:

I want to thank you most sincerely for the excellent statement you made available to the Treasury for our use in promoting the 7th War Loan Drive. The newspapers of the nation gave it splendid front page coverage, and I am sure it will be helpful to us in reaching our high quotas for the drive.

Sincerely,

(Signed) H. Morgenthau, Jr.

General Carl Spaatz
Commanding General, U. S. Strategic
Air Forces
The Pentagon
Washington 25, D. C.

SOL:eb

6-9-45

43
✓
11 JUN 1945

Dear Admiral Purlong:

I want to thank you most sincerely for the excellent statement you made available to the Treasury for our use in promoting the 7th War Loan Drive. The newspapers of the nation gave it splendid front page coverage, and I am sure it will be helpful to us in reaching our high quotas for the drive.

Sincerely,

(Signed) H. Morgenthau, Jr.

Rear Admiral William R. Purlong
Commandant, Navy Yard, Pearl Harbor
Navy Department
Washington 25, D. C.

SOL:eb

6-9-45

74
11 JUN 1945

Dear General Patton:

I want to thank you most sincerely for the excellent statement you made available to the Treasury for our use in promoting the 7th War Loan Drive. The newspapers of the nation gave it splendid front page coverage, and I am sure it will be helpful to us in reaching our high quotas for the drive.

Sincerely,

(Signed) H. Morgenthau, Jr.

General George S. Patton, Jr.
Commanding General, Third Army
The Pentagon
Washington 25, D. C.

SGL:eb

6-9-45

75
11 JUN 1945

Dear General Krueger:

I want to thank you most sincerely for the excellent statement you made available to the Treasury for our use in promoting the 7th War Loan Drive. The newspapers of the nation gave it splendid front page coverage, and I am sure it will be helpful to us in reaching our high quotas for the drive.

Sincerely,

(Signed) H. Morgenthau, Jr.

General Walter Krueger
Commanding General, Sixth Army
The Pentagon
Washington 25, D. C.

SGL:eb

6-9-45

TIME
INCORPORATED

✓ 76
TIME & LIFE BUILDING
ROCKEFELLER CENTER
NEW YORK 20

RADIO PROGRAMS DEPARTMENT

June 11, 1945

Dear Mr. Morgenthau:

Thank you so much for your letter regarding the material which the Treasury was kind enough to let us use on the March of Time. I am glad you thought the program was a success, and I am conveying your much appreciated commendation to Mr. Culley and Mr. Hart.

The Treasury material recently used on TIME VIEWS THE NEWS concerned the astonishing total of free will gifts to the Treasury. Mr. Hart told me that he expects that we may have more stories out of the Treasury on TIME VIEWS THE NEWS in the future. I am delighted with this relationship and feel sure that it will be mutually beneficial.

Sincerely,

Frank C. Morris
Frank C. Morris
Director
TIME Inc.
Radio Programs Department

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

77/
11 June 1945

Dear Joe:

I spoke to President Truman about getting a report from Mr. Pauley on what he found in Germany. He agreed and is going to ask for a report.

I am passing this on to you for your information and guidance.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Josiah E. DuBois, Jr.
United States Treasury Representative
c/o Ambassador Edward Pauley
American Embassy
Moscow, U.S.S.R.

P. S. Hope everything goes well with you.
(In Bevy's handwriting)

AFL:ehb
6/11/45

6/11/45 TB ✓

PRESS CONFERENCE

(1) Delinquent and amended returns. Last Thursday you told the conference that as a result of publicity on the tax evasion drive, collectors had reported receipt of voluntary delinquent and amended returns bringing in more than \$2,000,000. (The figure was actually \$2,300,000.) During the last week voluntarily submitted delinquent and amended returns, attributed by collectors to publicity on the tax evasion drive, brought in an additional \$2,730,000. This brings the total on these delinquent and amended returns to more than \$5,000,000.

(Woolf has not received enough reports on cases under investigation to give a figure for this category.)

(2) Veterans. All commanding officers at discharge points (numbering approximately 400, including hospitals) have been acquainted with need of Treasury for qualified men as agents, deputy collectors and for clerical work. In addition, the Civil Service Commission will assign its own representatives immediately to the important separation centers where most of the men will be discharged under the 85 point rule.

(3) Kansas situation. Covered by memo submitted earlier today. I suggest that this be NOT used unless question is asked about this, on the basis of Pearson's broadcast or your own.

(4) Schedule. Do you want to tell about your appointments for this week?

10:30 tomorrow morning before Senate
Banking on Bretton Woods
10:30 Wednesday night broadcast (Blue)
from Pawling
3:30 next Sunday afternoon from Central
Park -- labor (M. Thad)

79

The Nation's gold mines, idle for nearly three years, will be ordered back into operation within a few days, it was learned.

6/11 - 1:34 pm

Principal problems facing full resumption of gold mine operations will be the shortages of manpower and machinery, a WPA spokesman said.

Few gold mines have been allowed to operate since the fall of 1942. Most production was from those which produced a predominance of other, more critical metals.

6/11 - 1:36 pm

- 12 -

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 11 June 1945

TO Secretary Morgenthau
FROM J. W. Pehle

A suggestion:

Under section 3792 of the Internal Revenue Code and T. D. 5379, a copy of which is attached, the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, is authorized to pay such sums as he may deem necessary (not exceeding in the aggregate the sum appropriated therefor) for information that shall lead to the detection and punishment of persons guilty of violating the internal revenue laws. Rewards may in no case exceed 10% of the net amount of taxes, penalties, fines and forfeitures which are collected by reason of the information furnished.

In order to stimulate the furnishing of information in the current tax drive, I suggest that an appropriate case be selected in which the information furnished has resulted in the collection of substantial funds by the Government and that the person furnishing the information receive his reward in a public ceremony to be held in your office in the presence of the press.

Incidentally, I believe that not in excess of \$100,000 is available for rewards under existing appropriations. However, if this amount is exhausted, I assume additional funds could readily be obtained from Congress.



Attachment

COPY

(T.D. 5379)

TITLE 26 -- INTERNAL REVENUE

CHAPTER I

SUBCHAPTER E - PART 455

ADMINISTRATIVE PROVISIONS
COMMON TO VARIOUS TAXES

Rewards for Information Leading to the
Detection and Punishment of Persons
Violating Internal Revenue Laws.

TREASURY DEPARTMENT,
Office of Commissioner of Internal
Revenue,
Washington 25, D. C.

Under and by virtue of the provisions of section 3792 of the Internal Revenue Code (formerly section 3463 of the Revised Statutes of the United States), which authorize the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, to pay such sums as he may deem necessary, not exceeding in the aggregate the sum appropriated therefor, for detecting and bringing to trial and punishment persons guilty of violating the internal revenue laws, or conniving at violations of the same, in cases where such expenses are not otherwise provided for by law, the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, does hereby offer for information that shall lead to the detection and punishment of persons guilty of violating the internal revenue laws, or conniving at the same, such reward as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall deem suitable, but in no case exceeding 10 per cent of the net amount of taxes, penalties, fines and forfeitures which, by reason of said information, shall be paid irrecoverably to the United States through suit or otherwise. Any person furnishing such information shall be eligible for reward under this Treasury decision unless he was an officer or employee of the Department of the Treasury at the time he came into possession of his information or at the time he divulged it.

- 2 -

The rewards hereby offered are limited in their aggregate to the sum appropriated therefor and shall be paid only in cases not otherwise provided for by law.

Claims for reward under the provisions hereof shall be made on Form 211, which may be obtained from Collectors of Internal Revenue or from the Bureau at Washington 25, D. C.

Treasury decision 5183, approved November 24, 1942, is hereby revoked.

(This Treasury decision is issued under the authority contained in section 3792 of the Internal Revenue Code (53 Stat. 467).)

JOSEPH D. MUNAW, Jr.,
Commissioner of Internal Revenue.

Approved: June 22, 1944.

JOHN L. SULLIVAN,
Acting Secretary of the Treasury.
(Filed with the Division of the Federal Register June 23,
1944, 2:13 p.m.)

(T. D. 5379)

COPY

INFORMATION FOR CLAIMANTS

Information relative to violations of the internal revenue laws, furnished by persons desiring to claim rewards under the provisions of Treasury decision 5379, may be submitted in writing to the Commissioner of Internal Revenue, Washington 25, D. C., or to the office of the Intelligence Unit, the Technical Staff, the Internal Revenue Agent in Charge or the Collector of Internal Revenue, in the locality in which the informant resides, or it may be given in person to the office of the Chief of the Intelligence Unit in Washington, D. C., or to any of the above-mentioned field offices.

If the information is given in person, either orally or in writing, the name and official title of the person to whom it is given should be ascertained, as these data, together with the date on which the information was given, must be included in the formal claim for reward when filed.

An informant who intends to claim a reward should notify the person to whom he gives his information, of such intention, and should file formal claim therefor as soon thereafter as practicable. Formal claims for reward should be on Form 211-Revised, should be executed before a notary public or other officer duly authorized by law to administer oaths, and should be transmitted to the Commissioner of Internal Revenue, Washington 25, D. C., for the attention of the Chief Counsel.

The amount paid as a reward under the provisions of Treasury decision 5379 is based upon the amount of taxes, penalties, fines and/or forfeitures actually recovered as the result of information submitted by the claimant. No reward is paid until the taxes, penalties, fines and/or forfeitures, with respect to which it is to be paid, have been paid into the United States Treasury, and all the right to recover them, whether by suit or otherwise, has been lost.

JOSEPH D. MUNAW, Jr.,
Commissioner

12"

FEDERAL RESERVE BANK OF SAN FRANCISCO

San Francisco 20, California

June 11, 1945

Mr. Henry Morgenthau, Jr.,
Secretary of the Treasury,
Treasury Department,
Washington 25, D. C.

Dear Sir:

We are enclosing newspaper clippings,
on the reporting of unusual currency transactions,
which have come to our attention since mailing you
our letter of June 7, 1945.

Yours very truly,

W. H. Sawyer

Vice President.

Enclosure.

Banks Must Keep Records of Big Bills

WASHINGTON, May 23.—(AP)—All financial institutions must keep records beginning June 1 of transactions involving extraordinary amounts of large denominations bills, the Treasury Department announced tonight.

It said most transactions involving bills of \$50 denomination or higher, or involving \$10,000 or more of United States currency must be reported on special forms.

Black market cash deals hit by order



HENRY MORGENTHAU JR.
Easy money' boys uneasy

WASHINGTON, June 1.—(AP)—Secretary of the Treasury Henry Morgenthau Jr. today had tried to bring to book black marketers who try to conceal their illicit wealth by changing it into big bills.

Effective at once, he ordered all financial institutions to send a full report to the treasury on all unusual or suspicious transactions involving large sums.

Under penalty of \$10,000 fine and/or 10 years in prison, banking officials must report on transactions involving \$10,000 or more, and on those of \$500 or more in which denominations of \$50 or higher are used.

Cash Deals U. S. Orders Reports on Currency Transactions

WASHINGTON, May 23.—(AP)—The Treasury Department has ordered all financial institutions in the country to file reports of unusual currency transactions. The order applies not only to banks, building and loan associations and brokers, but also to thousands of "currency exchanges" that have grown up in large cities.

Reports must be filed of transactions involving \$1000 or more of United States currency in denominations of \$50 or higher, or involving \$10,000 or more in any denomination — unless the financial institution knows the transaction is legitimate and customary. Secretary Morgenthau said the use of currency, in an attempt to conceal income, is a factor in many tax evasion cases now being investigated.

Morgenthau said the treasury has the power to inspect and deposit books, but added that he did not know whether it would do so.

The order is another step in the drive to uncover and punish income tax evasion by black market peddlers. Morgenthau said that the campaign will bring an absolute minimum of \$1,000,000,000 in fines and penalties.

He said the treasury is determined to do everything necessary to bring the "cheaters" to book. He will ask congress tomorrow for \$50,000,000 with which to add 10,000 agents to the department's investigative staff.

The new order affects currency exchanges as well as banks. Both exchanges heretofore provided a means of making money transactions without record. They are located mainly in New York and Chicago, with 400 in Chicago alone.

Morgenthau said he had hoped it would be necessary to issue a direct order to financial institutions. But while some have been cooperative, "some declined to take the hint and go along with us," he said.

He reported that the treasury is processing 2000 of 10,000 potential tax evasion cases and that more leads are being uncovered daily.

Currency Deals Inquiry (AP)—
The Treasury Department has ordered all financial institutions in the country to file reports of unusual currency transactions. Secretary Morgenthau said the order is part of the drive to stamp out tax evasion.

Truman Outlines Plans for Tax Chiseler Drive

WASHINGTON, June 1. (AP)—President Truman and Congressional leaders today gave a thumbs-up nod to the Treasury's war on tax dodgers and black marketers, and Secretary Morgenthau declared: "We're on our way. Tax evaders look out! We're coming—10,000 strong."

Morgenthau told reporters tonight he has the "informed approval" of the House and Senate Appropriations Committees to start at once recruiting 10,000 new employees for the drive. Funds which the Bureau of Internal Revenue already has on hand will be used at first, and other money will be appropriated later.

Veterans to Be Hired
President Truman came out forcefully for the program and disclosed plans to hire ex-servicemen for the work whenever possible.

Morgenthau went to the Capitol and asked for an expression of confidence. He cited cases of bags bulging with money and of alleged black market operations in liquor, sugar and raising involving millions of dollars. The House appropriation group applauded him enthusiastically.

He said afterward, "In my whole experience I never got such a kindly reception on Capitol Hill. Congress seems fully aware of the seriousness of the situation."

Mr. Truman said recruiting agents of the Civil Service Commission will be stationed at Army discharge centers to spot and fight men who will be trained and turned loose on tax chiselers.

Black Market Hit
"We are not fighting this war to make millionaires," the President told his news conference, "and certainly we are not going to allow the black market operators or any other racketeers to be in a favored class when the men in the armed forces, and our citizens generally, are sacrificing so heavily."

Morgenthau gave the House Appropriations Committee a statement citing these cases as typical of what his agents have found:

California investigation indicating concealment of \$10,000,000 to \$12,000,000 of taxable income in certain ration operations in which food intended for the armed forces was diverted to wineries. The investigation, he said, "indicates a widespread conspiracy involving the use of large amounts of currency and fictitious names."

A New York case in which a preserving company obtained \$300,000 pounds of sugar for the avowed purpose of making jams and jellies for the Navy. The Secretary said that so far as can be learned "not one pound" was used for those purposes and most of it was diverted in beverage concerns.

Liquor Deals
A liquor black market whose operators used large denominations of currency to conceal their activities, with "side money" payments of nearly \$2,000,000 representing skyrocketing prices. In one instance, the Secretary said, \$60,000 was deposited in a New York bank for transfer to a man in a southwestern State, and of the total, 50 \$1000 bills were identified as having been issued at Richmond, Va. This, Morgenthau said, indicated "extensive operations of the syndicate in Virginia." An agent of the same syndicate was reported to have deposited nearly \$300,000 in \$50 and \$100 bills.

A case against "a midwestern war contracting concern," the Secretary told the committee, is expected to net almost \$5,000,000 in taxes, interest and penalties, plus prosecutions.

12"

SUMMARY OF NEWS ITEMS RELATING TO TREASURY ORDER
CONCERNING CURRENCY TRANSACTIONS

Editorial Comments

Favorable

1. Secretary's move is a step forward. However, suggests that he go further by calling in all large bills and invalidate them as a medium of exchange.
Philadelphia Record
1 June 1945
2. Treasury has taken steps which should be helpful. Those found guilty of stealing from the Government in times of national emergency should be dealt with without leniency.
South Carolina State
5 June 1945
3. Treasury order "belongs in the category of class legislation with an altitude that leaves most of us breathing easy". States that the Secretary has struck at the most vulnerable spot of the tax evaders.
St. Louis Globe-Democrat
5 June 1945
4. Suggests Treasury go even further and follow plan adopted by the Bank of England in 1943 when it discontinued issuance of notes of £10 or higher.
Ft. Worth Star Telegram
31 May 1945

Unfavorable

1. Though sympathetic with efforts to uncover deliberate tax evasion, objects to methods being used - that of infringing on present "confidential" relations between bankers and depositors. Also feels one Government regulation leads to another - this one grew out of CPA regulations creating the Black Market.
Wall Street Journal
4 June 1945
2. "The whole plan is absurd and unfair". Makes a policeman out of every bank. Is a new step in regimentation by intimidation from Washington. Tends to destroy sacred relations between bankers and depositors. Bitterly resented by Indiana banks.
Indianapolis Star
6 June 1945
3. Treasury order may change methods of tax-dodgers but is not likely to produce additional revenue. Raises question of whether the Government is justified in using its war emergency powers to transact activities which have nothing to do with the war. Suggests that in order to stop black markets, the Government should end the intolerable practice of subsidizing certain commodities and expecting to hold down at the retail end by controlling prices.
Oakland (Calif.) Tribune
3 June 1945

Comments of Local Authorities Quoted in News Items

Favorable

1. Quoted President Williams' (FHS Philadelphia) assurance that bankers in his district will accept this additional task and help Government to curb the misuse of currency and to distribute the war burden equitably among all citizens.
Philadelphia Record
Philadelphia Inquirer
Evening Bulletin
3 June 1945
2. Quoted President Leach of FHS Richmond - Treasury order will prevent tax frauds against the Government and thus lighten the burden of all honest taxpayers.
Richmond News Leader
1 June 1945
3. Banking officials report that new program should prove helpful "providing too many technicalities are not encountered". Most commercial banks want to maintain friendly relations with customers but also do not want to interfere with legitimate tax collections. Quoted President Leedy's (FHS Kansas City) request for full cooperation of all banks if program is to succeed.
Kansas City Star
3 June 1945
4. Bankers contacted by President Gilbert of FHS Dallas all said they would cooperate fully in the order.
Dallas Morning News
1 June 1945
5. President Gilbert quoted as being certain all financial institutions concerned will aid the movement to the limit.
Dallas Daily Times Herald
31 May 1945

Unfavorable

1. Chicago bankers, through Harry C. Housman, Secretary of Illinois Bankers Assoc., express resentment over Treasury order - object to policing methods. Resent being placed in a position of deciding legitimacy of customers' transactions. Resent attention being called to heavy fine for violations. Object to extra work involved.
American Banker
5 June 1945
2. City and State bankers vigorously oppose the Treasury order. Quotes Harry C. Housman, Secretary of Illinois Bankers Assoc., who said the order would lead to ill feelings between bankers and their customers. Protests were made to President Young of FHS Chicago, who promised to forward objections to the Treasury.
Daily Times (Davenport, Iowa)
31 May 1945

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 11 June 1945

TO Secretary Morgenthau
FROM E. B. Fussell

The Wichita grand jury opened with a bang this morning.

To avoid the possibility that witnesses might flee the jurisdiction, approximately 75 grand jury subpoenas were issued and a group of special agents, internal revenue agents, alcohol tax agents and deputy collectors, all sworn in as deputy U. S. Marshals, started serving them ten days ago, when it was announced that a grand jury would be convened 11 June.

The majority of these subpoenas were served. When the grand jury convened today, however, two important witnesses were not present and Judge Helvering issued bench warrants for them.

Judge Helvering opened the grand jury session with a talk upon the necessity of enforcing the tax laws. Unless they are enforced, he pointed out, our fighting men will be denied the money for the equipment they need. He added that any evasion cast an unfair burden upon the honest taxpayers.

Earlier and more complete report on this case attached.

(Report of Frank W. Lohn, Special Agent in Charge,
Kansas City, dated 2 June, 1945)

Cases SI-19360-F, SI-19362-F and SI-21301-F, involving R. L. Carnahan, Max L. Cohen and Lee Young of Wichita, Kansas, which cases involve substantial currency transactions and the control of night clubs, slot machine operations and the importation of liquor into the central part of legally dry Kansas, and the payment to public officials for protecting these racketeers, are scheduled to be presented to a grand jury on 11 June, 1945. An order for the impaneling of a grand jury was signed late on 1 June by Federal Judge Guy T. Helvering. Simultaneously with the announcement of the Judge's order today for a grand jury, approximately seventy-five grand jury subpoenas were in the hands of a selected group of special agents, internal revenue agents, deputy collectors and alcohol tax agents, sworn in as deputy United States Marshals, to prevent Cohen and Carnahan from inducing some of the witnesses to leave the state to avoid grand jury subpoenas being served on them. In the past these racketeers have been successful in preventing grand juries from questioning important witnesses because marshals were unable to locate them.

Carnahan and Cohen operate a very pretentious night club and gambling establishment at Wichita. They serve prime Kansas City steaks, allegedly obtained from black market sources, at high prices. They control the importation and distribution of all

-2-

liquor into the Wichita area and they likewise control the retail price of liquor at black market prices. Persons who attempt to operate without paying Carnahan and Cohen are raided by state officers. Those who do pay off are not molested but operate openly. The prices charged by the retail dealers who operate under the protection of Cohen and Carnahan are \$7.50 per pint, \$12.50 per fifth and \$14.00 per full quart, all bonded liquors. Last week I personally visited several places selling liquors openly in Wichita at the above-mentioned prices. The shelves of these dealers were filled with an assortment of several well-known brands of bonded liquors. Inasmuch as it has been about a year since bonded liquor of any type has been on display in Kansas City or St. Louis, it seems logical to conclude that a great part of the present supply of bonded liquors is being sent to dry states where black market prices may be had.

The cases of Cohen and Carnahan, et al., have been under investigation for approximately two and a half years, but are being considered as a part of our present drive against black market operators because the individuals are alleged to be involved in black market transactions in meat, tires, gasoline and liquor, as well as the extensive use of currency in transacting their business affairs. The evidence will show

-3-

that Cohen and Carnahan have evaded substantial taxes during the past five years. If we are successful in breaking these and several related cases against "smaller fry" additional taxes totaling approximately \$500,000 will be recommended for assessment and several prosecution cases should result.

92

June 11, 1945

Mr. Fussell
E. M. Bernstein
Secretary Morgenthau

I understand the two of you are responsible for the very nice remarks that Congressman Patman made about me on the floor, and I want to thank you very much.

Felt

93

June 11, 1945

Mr. Fussell
Secretary Morgenthau

At my press conference last Thursday, you remember I spoke about a Chicago-Indianapolis case. I wish you would check and see whether the Chicago and Indianapolis papers used it or not. *Fussell's memo on 6/14/45*

94
6/11/45

Mr. O'Connell

Secretary Morgenthau

I would suggest that through the head enforcement men in OPA you inquire whether we can get any leads from the Retail Fruit Dealers Association and the Associated Retail Food Merchants. Please let me have an answer. *O'Connell talked to Wigg*

95
June 11, 1945Mr. Luxford
Mr. O'Connell

Secretary Morgenthau

I wish today you would put enough men on looking up the record of the 18 Congressmen who voted against Bretton Woods. Pick two or three very important pieces of war legislation, and I want to see how they voted on it. I want to be able to meet them half way when they start to argue with me. Be sure and have that war voting record; pick two or three of the most important pieces of war legislation and see how everyone of them voted. I want to have this not later than tonight. I don't care how many people you take to put on it.

When you have this information, I want it put on a chart. I want the names of the people down the side of a sheet of paper. I want first Democrats and then Republicans, and then across the top would be the two or three important pieces of legislation, and then opposite each name would show whether they voted yes or no on this legislation. I want it all on one sheet of paper. If this isn't clear, speak to me about it and I will draw it out for you on paper the way I want it.

Report in 6/11/45.

96

June 11, 1945

Mr. O'Connell

CONFIDENTIAL

Secretary Morgenthau

I understand that we have a tax case against Gerald K. Smith. Will you please look into it and let me know what the facts are?

- See O'Connell memo 6/17/45

June 13, 1945 97

Secretary told me to tell Pehle to work this out with O'Connell and Charles Bell

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 11 June 1945 98 ✓

TO Secretary Morgenthau
FROM J. W. Pehle

A suggestion:

In the weekly report from Arthur A. Stone, Special Agent in Charge in St. Paul, Minnesota, the following paragraph appears:

"In efficiency ratings of both deputies and revenue agents the number of cases examined, additional taxes disclosed, and changes made, loom large. Those field officers are accordingly reluctant to enter into the slower moving fraud cases which usually require a great deal more detailed investigation. The result is that the evidence of fraud, where recognized, frequently are disregarded and the cases closed without fraud penalties and without the cooperation of special agents having been requested. Frequently also examining officers, more particularly deputies, make no reference to the fraud features because of failure to understand that they are authorized to recommend fraud or negligence penalties without the cooperation of this Unit."

This situation may be dealt with as follows:

- (a) Have the Bureau of Internal Revenue send a memorandum to all appropriate employees indicating that exceptional work on fraud cases will be given special weight in determining efficiency ratings.
- (b) Have the Bureau select a tax case in which the Internal Revenue investigator has done a particularly competent and imaginative job. Such investigator should be called to Washington and presented with a certificate of merit at a ceremony in your office, together with a meritorious promotion.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 11 June 1945

TO Secretary Morgenthau
FROM E. B. Fussell

In response to your memorandum asking what Chicago and Indianapolis papers did with the Chicago-Indianapolis case discussed at your press conference last Thursday:

The Chicago Sun used the story, as per attached clipping.

The Chicago Tribune did not use it.

We have not yet received the Chicago News for 8 June.

We do not subscribe to the other Chicago papers or to the Indianapolis papers. We get our coverage on them through OWI, and probably will receive clippings on this story within the next couple of days.

Our copy of the Chicago News probably will come in later today. They probably used the story, because all the papers of this string previously used a very good series on black markets and tax evasion, on material we provided to Paul Leach.

E. B. Fussell

THE CHICAGO SUN

JUN 8 1945

3-Face Tax Suit In Black Market Liquor Dealings

Government Charges
\$500,000 Is Due from
Chicago Operators

Three partners who ran a capital of \$100 in a flourishing black market liquor business in Chicago have prosecution on charges of owing the government \$500,000 in income taxes, fines and penalties, Secretary of the Treasury Morgenthau disclosed yesterday in Washington.

In Chicago, the U.S. attorney's office said it was believed that Morgenthau referred to three of five men indicted here Feb. 9 on charges of selling liquor at over-ceiling prices.

Indicted Men Named

The five were Louis H. Rosenblum of Hammond, described as the ringleader; Sidney Freedman, 1748 E. 71st pl.; Lee B. Milunder, 7719 Burnham st.; Joseph Rubenstein, 1220 N. State st., and Max Stryk, Gary.

Morgenthau told his press conference that the three income tax evaders operated in Chicago and Indianapolis, collecting \$400,000 as down payments on liquor to be sold at over-ceiling prices.

They then bought a liquor license and formed a corporation in Indiana, Morgenthau added.

Operated 18 Companies

When the five were indicted here, Francis J. McGreal, assistant U.S. attorney, said they formed the P. & M. Corp. at 540 N. Dearborn st. and nine other concerns in Midwest and Southwest states. They then purchased the liquor stock of a Walgreen Co. liquor subsidiary in Wisconsin, he said.

The liquor was distributed among syndicate members at \$15 above ceiling prices, McGreal said. Hotel meetings at which as much as \$13,000 exchange hands featured in the deals, he said, and remaining liquor was sold at huge profits to other liquor dealers.

Five Accused by OPA

The operations, extended from June 1, 1943, to last July 1, according to the indictment. All five were accused of violating Office of Price Administration ceilings. And Rosenblum and Stryk were also named in a separate indictment involving a \$112,000 overcharge on 112,000 barrels of whisky.

Attorneys for the five asked for a demurrer to kill the indictment yesterday before Judge Ewen R. Shaw in Federal District Court. The case was continued to July 1, however, to permit McGreal to answer their petition.

Walt Kibet on Indictment

J. Albert Wall, U.S. attorney here, refused to discuss the possibility of an indictment naming the three men accused by Morgenthau in Washington.

Rosenblum and Stryk are out under \$10,000 bond each, and the others were released on bond of \$5,000 each. Conviction on the charges of violating the price ceiling carries a penalty of two years in prison and \$10,000 fine on each indictment.

101
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE 11 June 1945

TO Secretary Morgenthau

FROM Mr. HARR

Subject: The Business Situation,
Week ending 9 June 1945.SUMMARY

National income: The annual rate of income payments in April showed a further decline to \$162.6 billions from \$164.0 billions in the previous month and the war-time high of \$164.7 billions in February. Salary and wage payments (seasonally-adjusted) declined about 1 percent during the month, while factory payrolls dropped 2.5 percent, largely in reflection of decreasing activity in shipbuilding and various other war industries. Preliminary estimates indicate that farmers' cash receipts from marketings in the first 5 months of 1945 declined less than 1 percent from year-earlier levels.

Retail trade: Department store sales have slackened noticeably since the first quarter of the year, with merchandise shortages, unseasonal weather, unusually heavy pre-Easter buying and cutbacks in war production variously cited as reasons for the slower sales pace. The FRS adjusted index of department store sales in May, while somewhat higher than in April, was only 4 percent above year-earlier levels, as compared with a gain of 17 percent in the first quarter of the year.

Reconversion: The WPB has authorized resumed production of domestic mechanical refrigerators and washing machines in the third quarter of this year, and will give manufacturers sufficient priorities assistance to produce 265,000 refrigerators and 350,000 washing machines during the period. However, limitations on the sale and delivery of refrigerators will continue in effect, and third quarter output will be available only for essential needs.

Commodity prices: The general price level continues to move gradually higher. The SL3 all-commodity index in the week ended 2 June rose 0.2 point to a new war-time high at 106.1. Important factors in the rise were higher ceiling prices for steel mill products, upward adjustments in soft coal prices and rising prices for a wide range of agricultural commodities. The Dow-Jones futures index last week showed a further moderate advance to a new war-time high.

- 2 -

National income payments decline

The war-time expansion in national income payments appears to have been reversed in recent months, partly as a result of a decline in wage payments growing out of the cancellation or completion of war contracts. After reaching a record high of \$164.7 billions in February, the annual rate of income payments declined to \$164.0 billions in March and to \$162.6 in April. (See Chart 1.) Despite a further rise in payments for Government salaries and wages, total salary and wage payments declined about 1 percent on a seasonally-adjusted basis.

Factory employment in April reflected the decreasing activity in shipbuilding and various other war industries, declining 2.1 percent below month-earlier levels, while factory payrolls showed an even greater drop of 2.5 percent. Estimated average weekly earnings of factory workers during the month fell to the lowest level since last November, doubtless showing the effects of decreased overtime payments, but weekly earnings were still only about 1 percent below the war-time high attained last January. (See Chart 2.)

In addition to the decline in the manufacturing industries, salary and wage payments in the distributive and service industries also decreased, due in part to the customary post-Easter drop in retail trade. Interest and dividend payments in April, as was to be expected, fell substantially below the heavy disbursements of the previous month. However, they were also slightly below the corresponding month last year.

Cash farm income around last year's level

Cash income from farm marketings increased in April, but the rise was slightly less than seasonal due to a smaller than usual expansion in receipts from livestock marketings. Crop sales during the month were featured by unusually large marketings of vegetables as some varieties matured exceptionally early, and by a large movement of wheat after additional freight cars were made available.

Preliminary estimates indicate that cash receipts from farm marketings in May fell slightly below the previous month. In the first 5 months of this year, receipts have been less than 1 percent below last year's level, with a rise in receipts from crops about offsetting a decline in receipts from livestock.

- 3 -

Department store sales in May moderately above 1944 level

Retail trade has slackened noticeably since the first quarter of the year, although unseasonal weather, merchandise shortages, and unusually heavy pre-Easter buying are frequently cited as reasons for the decline. However, actual or anticipated declines in income as a result of outbacks in war industries appears to have been a contributory factor in some areas.

After declining sharply to 181 in April, the FRS adjusted index of department store sales rose last month to 185. However, sales during the month in dollar value were only 4 percent above the previous year's level, as compared with a gain of 17 percent in the first quarter of the year.

Regional variation in department store sales

On the basis of preliminary data, seasonally-adjusted department store sales in most Federal Reserve districts showed a moderate improvement during May, in line with the national average. However, reference to Chart 3 will disclose that adjusted sales in the Chicago district (which includes Detroit), and in the Richmond district, showed further moderate declines.

During the week ended 2 June, nation-wide department store sales were 4 percent above last year's level, thus showing the same sales gain as for the month of May. Changes from the corresponding week last year ranged from a gain of 18 percent in the St. Louis district to a decline of 3 percent in the Boston district.

Department store sales this year previous to V-E Day (through the week ended 5 May) averaged 13 percent above year-earlier levels. This compares with a corresponding sales gain of only 3 percent in the 4 weeks after V-E Day, and with a gain of 4 percent in the latest week reported. The comparisons for these three periods by Federal Reserve districts are shown in the following table:

Percent change from corresponding period in 1944

Federal Reserve District	Year to V-E Day	4 weeks following: V-E Day	Latest week (ended 2 June)
Boston	+11	-1	-3
New York	+14	+4	+2
Philadelphia	+9	+1	+1
Cleveland	+13	+1	+3
Richmond	+10	+1	+1
Atlanta	+17	+6	+13
Chicago	+13	-1	0
St. Louis	+15	+3	+18
Minneapolis	+17	+5	1/
Kansas City	+17	+6	+12
Dallas	+13	+7	+9
San Francisco	+13	+10	+9
U. S. Total	+13	+3	+4

1/ Not shown separately but included in U. S. total.

Refrigerator and washing machine production authorized

Further important steps toward reconversion of industry to civilian production were taken last week when the WPB authorized that the production of domestic mechanical refrigerators and domestic washing machines be resumed in the third quarter of this year. Priorities assistance will be given manufacturers to produce 265,000 refrigerators and 350,000 washing machines during the quarter. In connection with refrigerators, however, it should be noted that the limitation order controlling their sale and delivery remains in effect, and all refrigerators that can be produced are expected to be added to the existing stockpile for distribution for essential needs such as military requirements and hospitals.

The WPB has also recently revoked virtually all controls on the installation of facilities by electric, gas and water utilities. Revocations of controls over installations of communications facilities is reported to be imminent. The Office of War Utilities estimates that as a result of the revocations, utility expenditures for plant expansion in 1946 will be approximately twice as large as in 1943 and 1944. However, because of the long time needed to manufacture equipment for utility expansion, additional expenditures during the remainder of 1945 are expected to be relatively small.

- 5 -

Uncertainties over material supplies continue

One of the greatest uncertainties over nearby re-conversion prospects is that of material supplies. In an effort to clarify the situation, the WPB is now carrying out a survey to be concluded by the middle of the month, whereby it expects to know the amounts of various materials which will be made available for civilians as a result of recent cutbacks.

Cancellations of orders for steel have apparently failed to keep pace with cutbacks in war orders, and the WPB recently opened a drive to obtain prompt cancellation of all orders originating from war contracts that have been cut back. In addition to current efforts to speed up cancellations, the relatively tight steel supply situation may be eased by a drop in new business. Thus the Iron Age reports that new steel orders last week were the lightest this year, with the volume in some instances running as much as 65 percent below earlier 1945 peaks.

Meanwhile, steel operations thus far in June have steadied around 91 percent of capacity following last month's decline. Preliminary reports indicate that steel operations in the important Pittsburgh and Chicago districts during the current week are scheduled to show no change.

Stock prices move in narrow range

Although railroad stock prices last week rose moderately to a new high for the year, the Dow-Jones average of 65 stocks showed a very slight net decline for the week as a result of a moderate decline in industrial stocks. (See Chart 4.) While trading thus far in June has been quite active, the net advance in average stock prices since the end of May has been considerably less than 1 percent. Meanwhile, industrial stock prices in London have steadied following last month's sharp decline.

Price ceiling increases largely responsible for upward trend of commodity prices

Further gains in the Dow-Jones futures index and the BLS all-commodity index indicate a continuing upward trend in commodity prices. The many CPA ceiling increases of the past month have been an important factor in the price advances.

- 6 -

The Dow-Jones futures index (see Chart 5) has risen 0.5 percent since the first of this month. Although the index declined slightly Saturday, the prevailing level for the week exceeded previous war-time highs. Cotton futures established new highs in anticipation of a ceiling increase for the commodity. Wheat futures, however, were somewhat weaker as the visible supply of wheat increased for the first time in more than three months, indicating that enough freight cars have been made available to permit the building up of stocks at principal terminals.

Recent price ceiling increases on some fresh fruits and vegetables, wheat, bituminous coal and certain types of lumber had boosted the BLS all-commodity index to the highest level since the war began. For the week ended 2 June further CPA price adjustments for carbon steel products, steel mill manufactures, and beehive coke were a factor in raising the index of commodity prices 0.2 percent to a new war-time peak. Increasing prices for farm products also contributed to the advance. Higher prices were reported for steers, sheep, rye, wheat, raw cotton, apples, lemons and onions.

Sugar rations cut for service industries; Cuban crop 30 percent below last year's production

The tight supply of sugar for domestic use apparently shows no prospect of early improvement. Last week the CPA cut sugar rations for restaurants and hotels in an effort to put public places on the same per meal ration basis as household consumers. For July and August restaurants and hotels will get 20 to 25 percent less sugar than they received in May and June. Further Government action is expected to reduce quotas to industrial and institutional users for the third quarter.

The latest estimate of the 1945 Cuban sugar crop shows that production may be 30 percent below that of last year. Although beet sugar production in the United States may be somewhat larger than last year's, the increase is not sufficient to offset the decrease in supplies from Cuba.

The United States has purchased the entire available surplus of the Cuban sugar crop, part of which is earmarked for shipment to Canada, the United Kingdom, and continental Europe. The CCC purchased the crop at 3.10 cents per pound

- 7 -

107

of raw sugar, after paying 2.65 cents for the three previous crops. It is reported in the press that U. S. officials are now in Cuba to negotiate for the purchase of the 1946 and 1947 crops, and that the Cubans will seek higher prices. In the past week, according to trade reports, sugar prices based on sales by Peru rose sharply to 5 cents per pound for raw sugar and 7.2 cents for refined sugar.

Widespread egg shortage developing

The general shortage of eggs which became noticeable during May currently continues unrelieved. Reduced egg production is one factor, with receipts at four markets during May 16 percent below those of last year. At the same time, the demand for eggs has increased due to the scarcity of meat and the large military requirements.

The fact that egg production is just starting its seasonal decline adds to the seriousness of the continuing broad demand. Last year, for example, market receipts were highest during April and May, when a weekly average of about 440,000 cases was received at the four leading markets. Receipts fell off to roughly 150,000 cases by November.

WFA announces no meat allocations to Great Britain or Russia

Third quarter allocations of the United States meat supply were recently announced by WFA. Because of the current meat shortage, and the inability to build up reserves in recent months, no meat has been allocated for the quarter for export to the United Kingdom or Russia, nor for relief feeding in liberated areas. For the second quarter, the United Kingdom allocation had been cut to 25 million pounds, while 300 million pounds had been allocated to Russia on previous commitments.

The total supply of meat available for allocation during the third quarter is 9 percent less than that allocated during the second quarter. Civilians will receive slightly less meat than they received in the previous three months, and during this period of seasonally low production their meat supply will be at the lowest level of the war period.

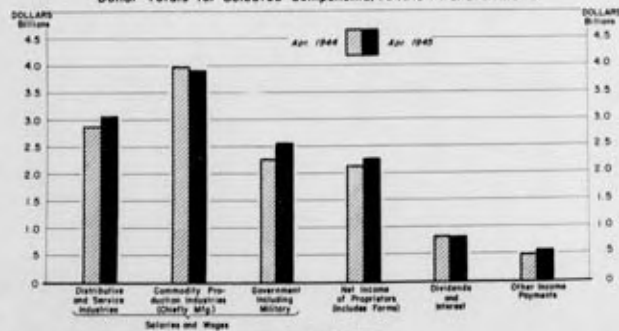
The CPA, in an effort to equalize the incidence of the meat shortage, has reduced meat rations for restaurants and hotels for July and August, when operators are to receive about 20 percent less meats and fats than they received in May and June.

Chart 1

NATIONAL INCOME PAYMENTS AND COMPONENTS



Dollar Totals for Selected Components, APR 1944 and APR 1945



Office of the Secretary of the Treasury
Bureau of Economic Warfare

Source: Department of Commerce

C-481-B

FACTORY EMPLOYMENT, PAYROLLS AND WAGES 1939=100, Unadjusted



Office of the Secretary of the Treasury
Bureau of Economic Warfare

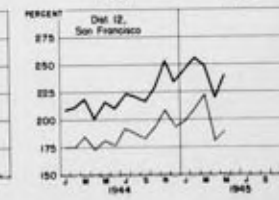
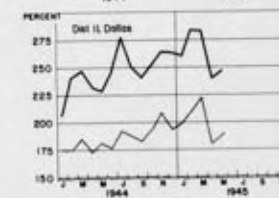
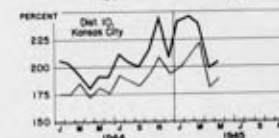
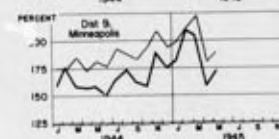
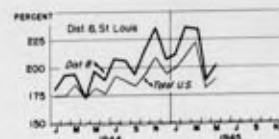
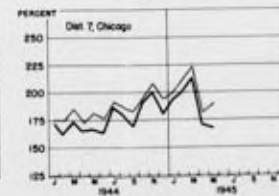
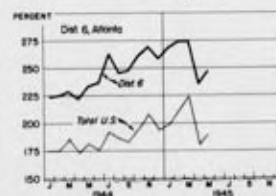
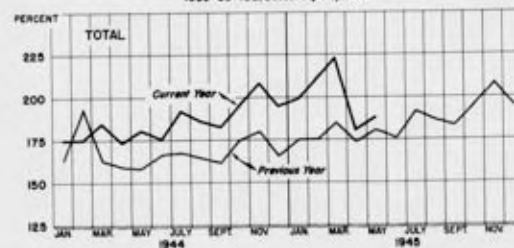
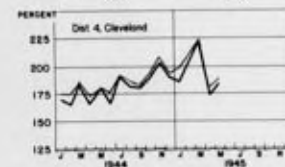
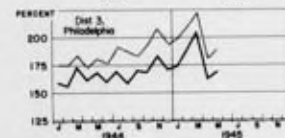
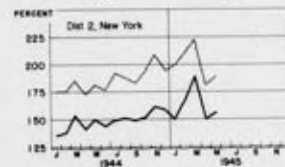
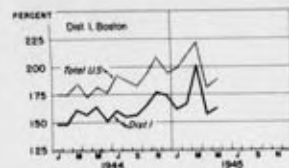
C-488-B

Chart 2

110 DEPARTMENT STORE SALES By Federal Reserve Districts



MONTHLY INDEX OF SALES 1935-39=100, Seasonally Adjusted



Note: All latest figures are preliminary

Office of the Secretary of the Treasury

C-181-A

Chart 3

Chart 4

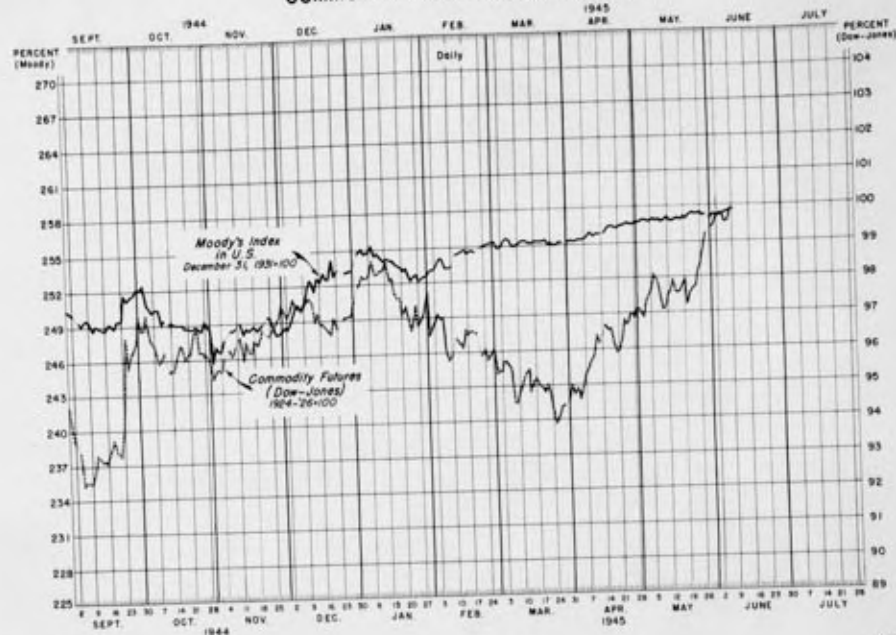
STOCK PRICES, DOW-JONES AVERAGES Daily



Office of the Secretary of the Treasury
Bureau of Economic Warfare

P-144-B-1

COMMODITY PRICE INDEXES IN U.S.



Office of the Secretary of the Treasury
Bureau of Economic Warfare

P-144-B-2

Chart 5
1/2

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 11 JUN 1945

TO Secretary Morgenthau
FROM Charles S. Bell *CSB*

Purchases for the week ended 2 June 1945 effected by the Procurement Division totaled \$17,824,460.30 of which \$12,700,000 was Lend-Lease; \$4,380,000 was UNRRA, and \$74,460.30 was regular.

Unusual requisitions included 5,000 Watthourmeters for China in the amount of \$165,000; 15,000 long tons of synthetic rubber required for the manufacture of tires and essential rubber goods for the United Kingdom in the amount of \$12,056,000; and 501,761,000 pounds of steel for France in the amount of \$18,190,000.

Unusual purchases included 1,879,247 square feet of transparent plastic (methyl methacrylate) in eight different specified thicknesses for the Soviet government in the amount of \$1,657,444; 100 electric adding machines and 5,218 typewriters for the Commonwealth of the Philippines; 33 motion picture projectors for the Public Health Service, Atlanta, Ga., in the amount of \$8,000; 606 tons of newspaper paper for the Belgian Government in the amount of \$36,300.

One new assignment was received by Procurement Price Adjustment Board, and one case was disposed of where the Board determined that there were no excessive profits.

Preliminary investigation and report have been completed in regard to a proposal to consolidate the two tele-type rooms in the Procurement building as soon as the Office of Surplus Property, Department of Commerce, moves out. It is estimated that savings of approximately

- 3 -

① \$30,000 per annum can be effected by this consolidation.

A meeting was held with representatives of the Maritime Commission, at which meeting was explained the type of service which the Procurement Division's Regional Warehouse and Supply Centers can render and the Commission's representatives agreed to instruct their field offices to take advantage of our service.

The informal arrangements which were recently made with the Office of Surplus Property, Department of Commerce, for that agency to utilize Procurement regional supply service were extended to include leases and public utility contracts.

Investigation of detention of cars containing manganese ore unloaded at Curtis Bay Ordnance Depot during April, 1944 resulted in a deduction of \$462.00 in demurrage charges of the Baltimore and Ohio Railroad.

① In connection with the Lend-Lease Program, the use of 72,240 additional nylon bobbins returned by the United Kingdom has been reported by the du Pont Company. This reflects a saving in cost of \$23,174.84.

Discussions were had with the Armed Forces of problems in connection with the organization of the Federal Specifications Advisory Board. They approve the organizational steps being taken.

Lend-Lease loadings totaled 4,427 cars during the past week. Active contracts totaled 15,558.

① The Washington Office subscriptions to the Seventh War Loan Campaign are still climbing. Latest report sent in the 30th of May shows this office 148.4% over the top, while the field climbed up to 90.8%. The two together make a combined total of 107.5%. This Division leads all large Treasury Agencies on the Board on display in the Treasury Building and there will be no let up in our efforts.

LEND-LEASE
TREASURY DEPARTMENT - PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U.S. PORTS
AS OF JUNE 2, 1945
(In Millions of Dollars)

	<u>Total</u>	<u>U.S.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative</u> <u>Expenses</u>	<u>Miscellaneous</u> <u>Undistributed</u>
Allocations	\$ 5946.7	\$ 2384.8	\$ 2305.3	\$ 157.6	\$ 19.0	\$ 1216.5
Requisitions in Purchase	\$ 140.5	\$ 48.3	\$ 12.2	\$ 3.1	-	\$ 81.7
Requisitions Not Cleared By W.P.B.	\$ 100.5	\$ 36.8	\$ 6.4	\$ 2.5	-	\$ 61.6
Obligations (Purchases)	\$ 5007.0	\$ 2140.8	\$ 2220.0	\$ 116.2	\$ 16.6	\$ 611.2
Deliveries to Foreign Gov'ts. at U.S. Ports *	\$ 3646.4	\$ 1951.8	\$ 1713.9	\$ 30.4	-	\$ 220.3

* Deliveries to foreign governments at U.S. Ports do not include the tonnage that is either in storage, "in transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

U.S.R.R.A.
TREASURY DEPARTMENT - PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U.S. PORTS
AS OF JUNE 30, 1945
(In Millions of Dollars)

	<u>Total</u>	<u>U.S.R.R.A.</u>	<u>Administrative Expenses</u>
Allocations	\$ 201.0	\$ 200.0	\$ 1.0
Requisitions In Purchase	\$ 42.78	\$ 42.78	-
Requisitions Not Cleared By W.P.B.	\$ 4.25	\$ 4.25	-
Obligations (Purchases)	\$ 116.94	\$ 116.18	.76
Deliveries to Foreign Gov'ts. at U.S. Ports *	\$ 3.25	\$ 3.25	-

* Deliveries to U.S.R.R.A. at U.S. Ports do not include the tonnage that is either in storage, "in transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

711

11 JUN 1945

Secretary Morgenthau
Charles S. Bell (SIGNED) CHARLES S. BELL

Purchases for the week ended 8 June 1945 effected by the Procurement Division totaled \$17,524,460.30 of which \$12,700,000 was Lend-Lease; \$4,350,000 was UNRRA, and \$474,460.30 was regular.

Unusual requisitions included 8,000 Watthourmeters for China in the amount of \$155,000; 15,000 long tons of synthetic rubber required for the manufacture of tires and essential rubber goods for the United Kingdom in the amount of \$12,026,000; and 501,761,600 pounds of steel for France in the amount of \$15,190,000.

Unusual purchases included 1,875,247 square feet of transparent plastic (methyl methacrylate) in eight different specified thicknesses for the Soviet government in the amount of \$1,657,444; 100 electric adding machines and 2,215 typewriters for the Commonwealth of the Philippines; 28 motion picture projectors for the Public Health Service, Atlanta, Ga., in the amount of \$8,000; 606 tons of newsprint paper for the Belgian Government in the amount of \$36,360.

One new assignment was received by Procurement Price Adjustment Board, and one case was disposed of where the Board determined that there were no excessive profits.

Preliminary investigation and report have been completed in regard to a proposal to consolidate the two teletype rooms in the Procurement building as soon as the Office of Surplus Property, Department of Commerce, moves out. It is estimated that savings of approximately

- 2 -

\$20,000 per annum can be effected by this consolidation.

A meeting was held with representatives of the Maritime Commission, at which meeting was explained the type of service which the Procurement Division's Regional Warehouse and Supply Centers can render and the Commission's representatives agreed to instruct their field offices to take advantage of our service.

The informal arrangements which were recently made with the Office of Surplus Property, Department of Commerce, for that agency to utilize Procurement regional supply service were extended to include leases and public utility contracts.

Investigation of detention of cars containing manganese ore unloaded at Curtis Bay Ordnance Depot during April, 1944 resulted in a deduction of \$462.00 in demurrage charges of the Baltimore and Ohio Railroad.

In connection with the Lend-Lease Program, the use of 72,240 additional nylon bobbins returned by the United Kingdom has been reported by the du Pont Company. This reflects a saving in cost of \$23,174.84.

Discussions were had with the Armed Forces of problems in connection with the organization of the Federal Specifications Advisory Board. They approve the organizational steps being taken.

Lend-Lease loadings totaled 4,427 cars during the past week. Active contracts totaled 15,558.

The Washington Office subscriptions to the Seventh War Loan Campaign are still climbing. Latest report sent in the 30th of May shows this office 148.4% over the top, while the field climbed up to 90.8%. The two together make a combined total of 107.5%. This Division leads all large Treasury Agencies on the Board on display in the Treasury Building and there will be no let up in our efforts.

[Handwritten signatures and initials]

LEND-LEASE
TREASURY DEPARTMENT - PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U.S. PORTS
AS OF JUNE 2, 1945
(In Millions of Dollars)

	<u>Total</u>	<u>U.K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous Undistributed</u>
Allocations	\$ 5946.7	\$ 2264.8	\$ 2308.8	\$ 187.6	\$ 19.0	\$ 1216.5
Requisitions In Purchase	\$ 140.8	\$ 48.3	\$ 12.2	\$ 3.1	-	\$ 61.7
Requisitions Not Cleared By W.P.B.	\$ 108.5	\$ 36.8	\$ 8.4	\$ 2.5	-	\$ 61.8
Obligations (Purchases)	\$ 5007.0	\$ 2140.8	\$ 2220.0	\$ 116.2	\$ 18.8	\$ 511.2
Deliveries to Foreign Gov'ts. at U.S. Ports *	\$ 3946.4	\$ 1981.8	\$ 1713.9	\$ 30.4	-	\$ 220.3

* Deliveries to foreign governments at U.S. Ports do not include the tonnage that is either in storage, "in transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

U.N.R.R.A.
TREASURY DEPARTMENT - PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U.S. PORTS
AS OF JUNE 2, 1945
(In Millions of Dollars)

	<u>Total</u>	<u>U.N.R.R.A.</u>	<u>Administrative Expenses</u>
Allocations	\$ 201.0	\$ 200.0	\$ 1.0
Requisitions In Purchase	\$ 42.78	\$ 42.78	-
Requisitions Not Cleared By W.P.B.	\$ 4.25	\$ 4.25	-
Obligations (Purchases)	\$ 116.94	\$ 116.18	.76
Deliveries to Foreign Gov'ts. at U.S. Ports *	\$ 3.25	\$ 3.25	-

* Deliveries to U.N.R.R.A. at U.S. Ports do not include the tonnage that is either in storage, "in transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

June 12, 1945
9:14 A. M.

121

HMJr: Good morning. Has anybody found that invitation from the French Government?

Mrs. Johnson: (Mr. Grew's Secretary) Mr. Secretary, Mr. Grew checked on that last night and he was going to call you a little later in the evening.

HMJr: He did, he did.

J: And told you that it had been delivered to the White House.

HMJr: Yeah, but since then Mr. Monnet called me and said he was going to have a copy at eight o'clock this morning delivered personally to Mr. Grew.

J: Well, I haven't seen it. I can check on that and let you know.

HMJr: Yeah, well, I....

J: Nothing has come in this office this morning.

HMJr: Well, do you mind calling up the French Embassy....

J: All right.

HMJr: ...and see if you can't get a copy, because I expect to see the President sometime after eleven and I'd like to have a copy before I go over there.

J: And he -- he said he was sending it this morning to us?

HMJr: He said he would have it over there between eight and nine this morning and delivered to Mr. Grew personally.

J: All right, I'll check it.

HMJr: If you please.

J: All right, good bye.

June 12, 1945
9:37 A. M.

122

HMJr: Hello.

Operator: Secretary Wallace has an appointment at the Capitol this morning, and he won't be in his office until about an hour.

HMJr: Well, let me talk to his secretary.

Operator: Right. His secretary is on the phone, I have Miss Buchanan in his office.

HMJr: All right.

Operator: Right. -- Miss Buchanan.

Miss Buchanan: Yes, sir.

HMJr: This is Mr. Morgenthau speaking. Will you give a message to Mr. Wallace?

B: Yes, sir.

HMJr: Are you his secretary?

B: No, sir, I am not. It's Mrs. Eaton, but she is on the other telephone.

HMJr: That's all right. Well, just - have you got a pencil?

B: Yes, sir.

HMJr: I said I would get in touch with him about walking down, but I've been working all week to get ready to testify on the Hill today on Bretton Woods.

B: Yes, sir.

HMJr: And I'm going to go out of town tomorrow.

B: Yes, sir.

HMJr: ..and when I get back next week I will look forward to seeing him.

B: All right, sir, then you will get in touch with us next week?

HMJr: Definitely.

- 2 -

B: All right. I'll see that he gets it.

HMJr: I tell you what you do. Supposing you extend to Mr. Wallace an invitation to have lunch with me next week on Wednesday.

B: Next week on Wednesday.

HMJr: Yes.

B: All right, sir.

HMJr: Will you do that?

B: Yes, sir, I will.

HMJr: Thank you very much.

B: All right, sir. Goodbye

June 12, 1945
10:35 a.m.

BUREAU OF INTERNAL REVENUE
DECENTRALIZATION

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

H.M.JR: If you men would come in and talk about this suggestion of decentralizing the Appeal Section of the Bureau--talk amongst yourselves and I'll be with you in a minute. Talk about this idea of decentralization, how we do it, how fast, and I'll be with you in a minute.

MR. O'CONNELL: Look, there isn't a whole lot to say.

(The Secretary leaves the conference temporarily.)

MR. O'CONNELL: There are a lot more pros than cons.

MR. OLIPHANT: They are all good, too.

MR. O'CONNELL: And partly because of our tie-in with the Department of Justice with respect to criminal cases, but we have got the framework for decentralization.

MR. D.W. BELL: The pros are in favor of decentralization?

MR. O'CONNELL: Yes. You start out with the proposition we have to have upwards of one hundred and fifty lawyers on this job. Why, a month ago we had fifteen. We have got the investigation workers decentralized, of course. We have got the framework for decentralization. The Review Division of the General Counsel's Office which works on the technical side of civil cases is already decentralized.

- 2 -

MR. D.W. BELL: This would be tied in with that to some extent, or would it be a separate section?

MR. OLIPHANT: We have got Division line-up in each one of the states. There are nine officers with a top lawyer there, and they have got that organization set up, and the thing he is talking about is moving them into that as a separate section.

MR. O'CONNELL: Oh, yes. I was using it as an analogy.

MR. D.W. BELL: Under the top lawyers?

MR. O'CONNELL: In some cases, yes, and in some cases, no, because in some cases you have a top penal man you could put into a particular section of the country and you would want--

MR. FEHLE: He would be bigger than the top lawyer.

MR. OLIPHANT: They have these Assistant Division Counsels in each Division Counsel's Offices, and each Assistant Division Counsel handling criminal cases, because now one handles seven hundred and twenty-two, for instance, in the Division Counsel's Office.

MR. O'CONNELL: The main difficulty is two problems. One is getting arrangements which would be effective with Justice, because unless they extend the principle we have been discussing before about permitting those cases to go direct to the field to the United States Attorney-- unless they are willing to go along with something like that or have the comparable decentralization themselves, we haven't gained as much as we otherwise would.

MR. FEHLE: You still gain a lot though, don't you? If Clark says he can speed cases through his shop in short order, you can refer to the United States Attorney and he would put Clark on notice, and in the meantime go right on working.

- 3 -

MR. O'CONNELL: You can't refer them to the United States Attorney.

MR. D.W. BELL: After they get--

MR. FEHLE: Even assuming that he still wasn't going to decentralize, Joe, but he gave you permission to refer them directly.

MR. O'CONNELL: That's what I say. We have got to deal with Justice, either have arrangements that we can refer them direct to the United States Attorney, or Clark is going to have to decentralize his own group, or we don't gain very much.

MR. FEHLE: Didn't the job used to be done this way?

MR. OLIPHANT: Yes, but--

MR. D.W. BELL: He won't do that.

MR. OLIPHANT: No. One problem is the rivalry between the United States Attorney and the Department of Justice. The other is criminal tax cases are handled by Sam Clark in the Tax Division, whereas other criminal cases are handled in the Criminal Division.

MR. FEHLE: Alcohol taxes are.

MR. O'CONNELL: Tax--

MR. FEHLE: Counterfeiting cases are referred directly to the United States Attorney.

MR. D.W. BELL: After you decentralize, Joe, and you run these cases through your decentralized organization, and you fix them up and are satisfied there is a case and they have to be tried in a court, they have to come to Washington and be tried in the Department of Justice?

MR. O'CONNELL: Unless Justice changes the present procedure, when we have done the job on a decentralized basis in our shop, they go to Sam Clark.

- 4 -

MR. D.W. BELL: You haven't gained anything.

MR. PHELLE: You have gained a lot.

MR. O'CONNELL: It depends on what we actually do in the Penal Division. We are not going to have a Penal Division that is going to operate in all of these cases the way we are operating in the Lustig case, because the manpower proposition is impossible. In other words, you can't have--unless you are going to have five thousand lawyers, you are not going to be able to have a joint operation the way we have in the Lustig case, generally, where you have the United States Attorney sitting in, practically, on the case while it is being developed and having the Penal Division lawyer sit in on it while it is being developed, because you don't have that many lawyers.

MR. PHELLE: But you do gain, don't you, Joe, by having the person who is going to pass on it right there working in the same region with the investigator, and if the investigator's case is any good--

MR. O'CONNELL: We gain--

MR. D.W. BELL: We gain a little, but we have got a worse bottleneck in the Department of Justice if you rush your cases through.

MR. PHELLE: That's inevitable. Justice has to gear up to this thing.

MR. O'CONNELL: The Justice's job here in Washington--Sam Clark talks about it being a twenty-four hour proposition. That is true only if the investigator has a good case, or if our Penal Division does the job which Sam Clark's Division otherwise would have to do.

The function of the lawyers in the field is done ninety-nine percent by the Penal Division and one percent by the lawyers in the Department of Justice. Isn't that right?

- 5 -

MR. OLIPHANT: That's right.

MR. O'CONNELL: If Sam Clark gives us forty-eight hour service, it's because we have an airtight case. He reviews the case and if we don't, all his outfit does is send it back.

MR. OLIPHANT: We gain this way. The biggest job in the Penal Division is winnowing out the cases we can't prosecute. Now, assuming we get the right kind of attitude in the Penal Division on cases, we still gain as far as the Bureau and the Department are concerned, because that winnowing will be done in the field, whereas John says the men can talk to the Division Counsel man like they have done in some cases.

MR. O'CONNELL: There are several advantages as to the decentralization, whether we get anything out of Justice or not. One is on the simple proposition of recruitment. If you are going to have to recruit one hundred or one hundred and fifty lawyers who have had some District Attorney experience, Assistant District Attorney or some type of criminal law experience, I think we can do a much better job recruiting in New York, Chicago, San Francisco, and such places to work in the field rather than try to bring them in here, because you haven't enough to offer them in the first place.

MR. D.W. BELL: Suppose the Department of Justice did not decentralize their Criminal Division down here? Could you make arrangements with Clark whereby the United States Attorney in that district would sit in on the case?

MR. O'CONNELL: Well, that I don't know.

MR. D.W. BELL: And if you never came to trial, you would have not lost anything on time. You would be that much ahead if you could do that.

MR. O'CONNELL: We have been able to do that in a couple of cases, but Sam is going to be reluctant to give us a blank check to work with the United States Attorneys, because that in effect abolishes the Tax Division of the Department of Justice.

129
- 6 -

MR. D.W. BELL: The United States Attorney has to try the case, doesn't he, when it goes back to the court?

MR. O'CONNELL: Yes.

MR. D.W. BELL: Some place along the line your attorneys may say, "This looks like a good case and we can bring it to trial." Couldn't he designate somebody as liaison to work with your local office, who, from that point, would sit in--somebody with the necessary education and the background? He would make no decision as to the trial, and it would come here, and you would have gained all that time. That man would have that background.

MR. O'CONNELL: It does involve the Tax Division of the Department of Justice. We can get enough out of this to make it worth our while, because there are positive advantages of decentralization from our point of view, even though they all come to the Tax Division after our decentralized operations.

MR. D.W. BELL: You have gained a lot of ground if you can have a fellow sit in and get background experience.

MR. PERLE: When the case goes to the United States Attorney the copy of the same case goes to Sam Clark directly from the Penal Division in the field, and then the matter between Sam Clark and the United States Attorney, that's their affair. If Sam Clark wants to review a case, and has any special feelings, he would tell the United States Attorney that.

MR. OLIPHANT: One fact we might as well know about and that's the way these cases are handled. The United States Attorney's Office is subject to pressure. The Attorney General doesn't have political pressures or local pressures, and it works time and time again. See, if the United States Attorney gets a hot case, tomorrow he will get Sam Clark to have somebody come out from Washington to try the case. The day by day turnover is no small amount. There's a local political factor

130
- 7 -

involved and the United States Attorney's Office is subject to it.

MR. PERLE: The same is true in the political pressure down here.

MR. OLIPHANT: It is not so strong.

MR. O'CONNELL: A Tax Division is a positive advantage in the over-all accounting of these cases.

MR. OLIPHANT: That's right.

MR. O'CONNELL: Because they tend--

MR. PERLE: When was the ruling changed that these cases went into Washington instead of being tried in the field?

MR. OLIPHANT: When the Executive Order was written putting the cases in the Department of Justice.

- 8 -

MR. PEHLE: When was that?

MR. CLIPHANT: In '33, 1936, but that--I mean, it might look like a minor factor, but it's not. I have seen innuendoes in these cases. The United States Attorney won't do this or that. He doesn't want to do this or that. I am talking about cases that I saw when I was over there working, strictly income tax cases, over in the Bureau.

You had lots of cases that the Department of Justice will have to say, "You go ahead and do it." There has been all kinds of that going on in this big Burton case on trial in Louisiana, which is important from a criminal tax standpoint. That was tried once and they had a hung jury on it, and the pressure on that was tremendous. The United States Attorney was mixed up in it.

There is all kinds of stuff in the United States Attorney's office, and that you will find when you talk to Sam Clark, that that is going to be one of the big factors he is talking about.

MR. O'CONNELL: Dan, there's another point. I am not too clear on that and Charlie can correct me. Your suggestion that at some point before the investigation is completed and maybe at the time our lawyers think we have got a pretty good case, to bring the United States Attorney people in in order to familiarize them with it--I am not so sure that would gain very much. I think we ought to complete our cases, complete investigation, and complete legal examination in order to have enough to go on so we are sure we have got a case and are prepared to recommend prosecution before we bring the United States Attorney in.

- 9 -

MR. D.W. BELL: You would save the time he would take after the case went back to him for study and consultation with you.

MR. O'CONNELL: Once he is on the job there isn't much left except to present it to the Grand Jury.

MR. D.W. BELL: He must have to read an awful lot of stuff before he goes before a court, doesn't he?

MR. CLIPHANT: As a matter of fact, it sounds like it's that way, but what happens, the way these cases are really tried, is this: The exhibits come in with the Special Agent's report. Those exhibits go to Justice and most of them are mill of the run cases, and then Justice says, "We'll prosecute." They send it to the United States Attorney. The United States Attorney gets hold of the Special Agent who worked the case, or the Revenue Agent. Nine out of ten of the cases are tried right on those exhibits, and, as a matter of fact, the trial work isn't anything like as involved a job as it would seem to be, and that's just the point. If we get these tax cases built right, a lot of those cases try themselves, and maybe it's eight out of ten will try themselves on the Special Agent's report. See what I mean?

MR. O'CONNELL: In the same way, Sam Clark can give us forty-eight hour service on a case when we do a good job on it. The District Attorney doesn't have to spend a lot of time except to be ready for the Grand Jury to hear it, if we do the job we have traditionally done. I think we ought to continue to do that job in two steps, although we can telescope the two steps quite a bit, investigation and legal examination, and review and preparation of the necessary documents to go to Justice--not documents, but reports--which is a brief to the Grand Jury. I don't think that we will gain much in time or otherwise to complicate that by bringing in the United States Attorney and his people before that point. Take the Lustig case as an example. We had a big meeting in New York with the District Attorney, Department of Justice people, and our investigators, and the Secretary has an idea everybody, including the United States Attorney's Office and Sam Clark's Division, are working like beavers. That

- 10 -

133

isn't true. They are completing the investigation and the Penal Division lawyers are working with them, as much as they can, and the United States Attorney is waiting until we have the case prepared to the point he can present it to the Grand Jury.

MR. D.W. BELL: When do you think it will be presented?

MR. O'CONNELL: They thought a week ago it would be three weeks. I'll know pretty well at the end of this week. I'm going to New York Friday and I'll go to see McQuillan and talk to our people, but unless they made a bad guess, it will be within the next two weeks.

MR. D.W. BELL: He hasn't committed suicide yet, I see.

MR. PEHLE: Did he say he was going to?

MR. OLIPHANT: One man did, Armentano, the fellow who was diverting the King Syrup. He jumped out of a hotel window.

MR. O'CONNELL: The week after our investigation of Lustig started, out at Jamaica he bet five thousand dollars on one race and ten thousand dollars on another.

(Secretary enters the conference.)

(Discussion off the record)

H.M.JR: Now, is everything fixed, everything lovely?

MR. O'CONNELL: We're pretty much agreed that there are very positive advantages to decentralization of the Penal Division. In order to get the maximum advantage we would probably have to work out an arrangement with the Department of Justice that differs from the one we now have, but even if we aren't able to effect that, there are advantages enough, we think, in decentralizing our Penal Division from the standpoint both of recruitment

- 11 -

134

and the expeditious processing of the cases, to justify our going ahead on the decentralization, and discussing with Justice their bringing their procedure more in line with our new change.

H.M.JR: When we decentralized the Bureau before, on the rest of this stuff, didn't we do one thing first and try it out and cut our teeth, and then did the whole thing?

MR. OLIPHANT: That's correct. We tried it in one division first.

H.M.JR: Am I not right? I have a funny memory.

MR. OLIPHANT: We tried it in one area first. We decentralized procedure whereby the man in the field would have charge of tax cases, and then moved to--

MR. D.W. BELL: Here you have already got decentralization and you have a top lawyer who would be over this section.

MR. PEHLE: Everything has been decentralized except the Penal Division?

MR. O'CONNELL: No, but what we have decentralized on are the Review Divisions and the Technical Staff.

MR. OLIPHANT: There is one further advantage to decentralization, and that is the rest of the tax cases are handled in the field so that the fraud men never see them. There are lots of cases which are developed in the field. Well, now, the men in our Division Counsel's Office, if they are fraud minded, are going to pick up a lot of cases for the fraud penalty; fifty percent additional tax they are going to pick up in a lot of cases.

H.M.JR: Would you shoot the works, or do one district at a time?

- 12 -

MR. D.W. BELL: Maybe the whole thing.

MR. O'CONNELL: I think we could agree on the principle of decentralization. We would have to concentrate, I think, on the point of the timing without necessarily delivering a decision on decentralization. We probably would have to put emphasis on the decentralized process in New York and then fan out because we actually only have about fifteen lawyers experienced enough in Penal work. I'd be happy to have them in charge and have final say with respect to determination of criminal cases at this point. While it isn't as big a job in numbers as the job of recruiting five thousand Agents, it's a little different in that it probably will be pretty difficult. We'd like a little time to get one hundred or one hundred twenty-five lawyers who will be experienced enough to have final say for the Department on whether a case should go to Justice.

H.M.JR: Between now and Monday, when I come back, if it won't be asking too much, I'd like this thing settled and begin to move on it.

MR. O'CONNELL: It's not asking too much at all.

H.M.JR: To begin to move.

MR. O'CONNELL: Sure.

H.M.JR: Because I think if we do it, we shouldn't overlook the publicity angle of it. It has a publicity angle, and a good one. Well, then, we'll leave it this way. When I come back Monday you'll be able to report progress and possibly even set one district up, huh?

MR. O'CONNELL: Yes. I don't know about the district being set up and people working, but we'll certainly be able to tell you we have something worked out.

H.M.JR: And in this thing, will you use this fellow Lesser in one of those districts?

- 13 -

MR. O'CONNELL: Well, he certainly would be a good man to use in one of those districts. My only difficulty is this: Larry would be better in some place else in the Penal Division because the way this thing operates the investigation is done before it ever gets to the Penal Division. The Penal Division, even though they do an important legal job, does essentially a review job.

(Secretary holds telephone conversation with Dr. Kung.)

H.M.JR: Now, listen. All I want to say is this: I think that from all accounts this fellow Lesser is good, see?

MR. O'CONNELL: No question about that.

H.M.JR: You think it over, where you can use him best. I don't want to tell you, but I certainly would use him in this setup. You may even want to bring him in your own shop.

MR. O'CONNELL: Maybe. I don't know.

H.M.JR: Make the best use of his talent. That's all I'm going to say. Now we've got this decentralization. While I've got this gang together is there anything anybody else wants to suggest to me to do while I'm gone? I don't want you fellows to be loafing.

MR. O'CONNELL: This isn't a suggestion, but I may be gone a day while you're gone, because I want to be in New York on Saturday. I can spend my time to advantage there, but I have something I want to do.

H.M.JR: What's going on? St. Patrick's Day is behind us.

(Discussion off the record.)

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

- 14 -

H.M.JR: Is there anything else now? Everything in order? I'll start with you. Have you anything as far as the Bureau law enforcement, OPA black market, are concerned that you want me to raise? Is your wife getting all the meat she wants?

MR. D.W. BELL: No, no. We haven't had any for three weeks.

H.M.JR: I see.

MR. D.W. BELL: We got a piece day before yesterday and I think it just came off the cow's back. It was fresh. Couldn't eat it. It was terrible.

H.M.JR: Yes. Charlie, any suggestions?

MR. C.S. BELL: On the black market operations?

H.M.JR: On the Bureau.

MR. C.S. BELL: The Bureau. No, sir.

H.M.JR: Charlie?

MR. OLIPHANT: No, sir.

H.M.JR: John Pehle?

MR. PEHLE: Nothing.

MR. O'CONNELL: John and I had a talk the other day about this much debated question about the deduction of Congressmen's expenses for income tax purposes, and I'm having some further work done on it. It's pretty complicated legally, and I'm having a little difficulty seeing how, legally, we can reverse the position the Bureau has taken these many years about the deduction of expenses here, and, anyhow I'm having some work done on it and by the time you get back John and I will have had a talk and maybe we'll make some progress. I'm, at the moment, against it, but I'm open. Even so, I'm waiting to see what comes out.

- 15 -

MR. D.W. BELL: Haven't you a pending case? That's one of the problems which can be distinguished, probably.

MR. PEHLE: It's not a Congressional case.

MR. D.W. BELL: Yes, but it's along that line.

MR. O'CONNELL: The only decision we have on the point is a Congressman, but it's only a Tax Court case and the problem of reversing the Bureau regulation is pretty complicated, partly because Jere Cooper on the Floor of the House, and Senator George in the Senate, have already defended the Bureau regulation, and we'll be ready next week.

H.M.JR: All right.

Thank you.

MR. PEHLE: Before you get away we'll have a letter supporting the OPA thing for your signature.

H.M.JR: You're going to have to move fast.

MR. PEHLE: When is the time limit?

H.M.JR: Right now, between now and eleven-thirty.

(Discussion off the record.)

June 12, 1945
3:11 P. M. 139

HMJr: Hello.

Operator: Mr. Acheson is still on the Hill. Mr. Biffle hasn't returned from lunch. I have his secretary.

HMJr: No, thank you.

HMJr: ... this conversation took place on the China where we were all kidding. We didn't arrive at a rate - didn't decide something at least to the price. I want you to write a memorandum on that.

Mr. Frank Coe: I have one with this 41-9, I'll send it right in.

HMJr: Thank you.

June 12, 1945 140
3:35 P. M.

HMJr: Mr. Reams, Mr. Jean Monnet is coming in here at four o'clock to see me. Hello?

(they were cut off)

Operator: Operator.

HMJr: I'm not talking to him.

O: Just a second. I've been cut off. I'll call right back again.

(Pause)

HMJr: Hello.

Mr. Reams: Hello. What happened?

HMJr: I don't know. Jean Monnet is coming in at four o'clock to see me.

R: Yes.

HMJr: I understand that an invitation has arrived over in the State Department from France.

R: Oh, I haven't seen that.

HMJr: I wondered if you could run it down and let me know before four o'clock. You see?

R: I'll do that.

HMJr: I'll tell you what it is about. They want us to show a War Bond exhibit over there in Paris, you see?

R: Yes.

HMJr: And they've asked England, Russia, China, and us to do it. I know England has accepted, and it is.... When Pleven was here he spoke to President Truman about it and he got encouragement from him, and we sent two men over there last week to look over the ground. They brought the maps back and everything else.

R: Yes.

HMJr: I'd like to show it to you. But supposing you - do you think you can run it down between now and four o'clock?

- 2 -

R: I'll do my very best.
I should be able to.

HMJr: And then I want to find out what Mr. Grew is
going to do about it.

R: Quite. I'll get on it immediately.

HMJr: Thank you.

R: Not at all.

June 12, 1945 142
3:50 P. M.

HMJr: Hello.

Mr. R. Borden
Reans: Mr. Secretary.

HMJr: Speaking.

R: I have called Mr. Grew's office - he's out -
but none of the people in his office know any-
thing about this matter.

HMJr: I see.

R: I called Mr. Matthews and he knew nothing about
it, and the man on the French desk and he knew
nothing, so I'm having the code room make a
check at the moment.

HMJr: Well.

R: And if I can get anything I'll call you back,
but I thought I'd give you this preliminary
report.

HMJr: Well, when he comes in he'll most likely tell
me, and I'll let you know.

R: Righto.

HMJr: Thank you.

R: Thank you. Goodbye.

June 12, 1945 143
4:22 P. M.

HMJr: Hello.

Operator: Mr. Grew.

HMJr: Hello.

Mr. Joseph Grew: Yes, hello.

HMJr: Morgenthau.

G: Yes.

HMJr: Look, Mr. Grew, Jean Monnet just left here, and he said that Saturday evening the French Embassy delivered to your protocol people an invitation from the French government asking the President whether he would send me over to France early in July to open a War Bond exhibit there.

G: Yes.

HMJr: Mr. Plevin, when he was here, spoke to President Truman about it, and President Truman liked the idea.

G: Yes.

HMJr: Now, I asked Reams earlier if he knew anything about it - he couldn't track it down - your man, Reams.

G: Yeah.

HMJr: Now, I'm leaving town tomorrow on a little War Bond trip and I'll be gone for several days. If the State Department approved of my going, I wondered whether you and I couldn't see the President tomorrow morning because we've had two men over there in Paris and they've shown us what they want, you see - War Bond people.

G: Yes.

HMJr: And if we are going to do anything on it, we'd have to begin at once to send the material over. Great Britain is going to send stuff, and China is, and Russia have - they've all agreed to send material over. I would like to go.

- 2 - 144

G: Yes.

HMJr: But I only want to go if it is completely agreeable to the President and to the State Department.

G: Well, what kind of material do you refer to?

HMJr: It's going to be a War Bond exhibit.

G: A War Bond exhibit, oh, I see, that's it.

HMJr: Yes, and they want me to open it. They offered - asked Lord Kindersley to come.

G: That's to be in Paris?

HMJr: In Paris, yes.

G: Do you know what date exactly?

HMJr: They said early in July.

G: Early in July, all right, I'll try to trace that down, I haven't seen it yet. It is probably in protocol, but I'll look it up.

HMJr: They said they delivered it to protocol Saturday night.

G: Well, it hasn't gotten to my desk yet. I'll try to trace it down, and then you'd like to go over to the President and talk about it tomorrow morning, would you?

HMJr: Yes.

G: Well, supposing I trace it down and then call you the first thing in the morning, will that be all right?

HMJr: Well, don't you think we had better put in a reservation to see the President today?

G: Today? You put in a reservation today to see him tomorrow?

HMJr: That's right.

G: All right. Yes, I'd like to look into this thing a little first, I don't know anything about it at all.

HMJr: I see. Would you like Monnet to come over and see you?

- 3 -

G: No, I think I can track this down and it seems perfectly simple to me. But I'll attend to it and then if - see about making an appointment and call you back. How late will you be in your office?

HMJr: Well, I'll either be here or at home. On account of my wife being back, I go home a little earlier.

G: Well, I can get you then either here or there.

HMJr: But the point is I'm leaving at noon tomorrow.

G: All right, I'll follow it right up and let you know.

HMJr: Now, if you've got a moment, hello?

G: Yes.

HMJr: I talked to Clayton the other day, see?

G: Yes.

HMJr: And I told him that I thought that it would be good if this so-called committee on Germany, see, you know Clayton is Chairman.

G: Yes.

HMJr: Can you hear me?

G: Yes, perfectly.

HMJr: If we had a look at Germany- at the Ruhr, the Saar, particularly, and saw what was happening there, you see? Hello?

G: Yes.

HMJr: Now, Clayton gave me no reaction. Of course, if he would go at the same time and the others would go, I think it would be particularly worth while. We spent all this time getting out this directive, and then we haven't got any idea what is happening to it. But I'm just mentioning that because I don't know whether Clayton wants to go or not, see?

G: Well, I'll look in to that too.

HMJr: But if he doesn't, while I'm over there I'm going to ask the President if I go just with my War Bond people to let me go up into the Ruhr and the Saar

- 4 -

HMJr:(cont.) and see what is going on.

G: I see.

HMJr: But I wanted to put all of my cards on the table..

G: Right.

HMJr: So that you knew just what I had in mind.

G: I see.

HMJr: But the two things could be done together, or they could be done separately.

G: Yes.

HMJr: Now, of course, I'm not going to leave the country until the Bretton Woods legislation passes the Senate.

G: Yes.

HMJr: But immediately after that I would be free to go.

G: I see. All right....

HMJr: And one other thing, please. The War Bond people sent two men to Paris and they've come back with the plans, and they've seen the building where it is to be and all that.

G: Yes.

HMJr: And the other thing, the story they brought back - they were quite shocked to find that the British have got a tremendous exhibit over there on how the British won the war, and we haven't got a damn thing! These people we sent over are people that have to do with setting up an exhibit, you see, they are experts in that line. Here they found this whole panorama and all this equipment - most of it American - all under British supervision...

G: Oh, hell!

HMJr: ..showing how Montgomery-what he did, and how he won - and there isn't a damn thing there to show what the Americans have done!

- 5 -

G: That's typical.

HMJr: Now these people I'm taking with me are all people who are accustomed to putting on exhibits.

G: You'll get there too late to put on exhibits, won't you, if you are going there just for the opening?

HMJr: Well, what they are going to do, if the President approves this thing tomorrow, they'll begin to send this exhibit over immediately, you see?

G: I see.

HMJr: On War Bonds.

G: Yeah.

HMJr: They can get over there in time, but the French say that they wouldn't open it until I got over there. And Fleven did speak to President Truman about it when he was here.

G: All right, you've given me the story and I'll look into it and call you back sometime this evening.

HMJr: It is supposed to be in your protocol section now.

G: I'll look it up.

HMJr: I thank you.

G: All right, thank you.

June 12, 1945 148
4:30 P. M.

Mr. Leslie Biffle: Hello, Mr. Secretary.

HMJr: How are you?

B: I'm fine, thank you. I've been trying to get through to you, but your line has been busy.

HMJr: Oh, I'm sorry.

B: Oh, no.

HMJr: What I wanted to say, Mr. Biffle, is this that we got off to a good start this morning.

B: I understand you made a wonderful statement.

HMJr: Well, that I don't know, but we got off to a good start and to my amazement Mr. Taft was very meek.

B: I see - ahum. I expect that vote in the House had something to do with his attitude.

HMJr: I would think so. Now, have you any suggestions? Or have you heard anything that I ought to know?

B: Not at this time, we have been working on the O.P.A. and now have up the Reciprocal Trade Agreement.

HMJr: Yeah.

B: Resolution.

HMJr: Well, this thing may go much faster, you see, we're not planning to put on hardly any witnesses ourselves.

B: Well, I've been encouraging Senator Wagner to conclude the hearings this week if he can.

HMJr: Well, I gather from the speed of what they are doing that they might conclude them this week.

B: We'd like to take it up and dispose of it immediately after the disposition of the Reciprocal Trade agreement.

HMJr: Well, will you keep in touch with me?

- 2 -

149

B: I'll be very happy to.
HMJr: And if there is anybody up there that we should see or do something about, you let me know.
B: All right, fine. I'll keep in close touch with you on it.
HMJr: Will you do that?
B: Yes, sir.
HMJr: Thank you.
B: Goodbye.

6/18/45 150
 Copies to: Charles Bell
 Frank Coe
 Coe to talk to HM Jr today

File no answer necessary.

HEADQUARTERS
 EUROPEAN THEATER OF OPERATIONS
 United States Army
 Office of the Chief of Staff

12 June 1945

The Secretary of the Treasury,
 Washington 25, D. C.

Dear Mr. Secretary:

General Eisenhower, who is absent in England and will shortly be enroute to the United States, has asked me to acknowledge your letter of 6 June 1945 and to advise you that the requisite instructions have been issued for the prompt return to civilian status of the personnel listed in the enclosures with your letter.

The War Department will be advised as these men are returned to civilian status so that the requisite adjustments may be made with the Treasury Department.

Both General Eisenhower and I are gratified with the support we are receiving from the Treasury Department in providing adequate personnel for the investigations under Colonel Bernstein.

Sincerely yours,

Lucius D. Clay
 LUCIUS D. CLAY
 Lieutenant General, USA
 Acting Deputy Chief of Staff

cc: To General Hilldring

WRIGHT PATHAN
FIRST DISTRICT
STATE OF TEXAS

WASHINGTON ADDRESS:
THE HOUSE OFFICE BUILDING

152 ✓
COMMITTEE ON
BANKING AND CURRENCY
SECRETARY:
MRS. LUCILLE SPAIN

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

June 12, 1945

Hon. H. Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

Dear Mr. Morgenthau:

Your letter of June 7th was very much appreciated.

I did not say near as much as I should have in behalf of such a worthy public servant as yourself.

I am always glad to cooperate with you.

Sincerely yours,

Wright Patman
Wright Patman

BROOKS HAYS
FIFTH DISTRICT ARKANSAS

PHONE ADDRESS:
FLE BOUL, ARKANSAS

153 ✓
PAUL L. BARNARD
SECRETARY
BANKING AND CURRENCY COMMITTEE

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

June 12, 1945

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

My dear Mr. Secretary:

It was very nice of you to write to me following the Bretton Woods vote. We were very happy, of course, over the outcome. I want you to know that we are very grateful to you and your staff for your highly effective service and splendid cooperation at all stages of the discussion.

Sincerely yours,

Brooks Hays

12"

154

The Speaker's Rooms
House of Representatives H. O.
Washington, D. C.

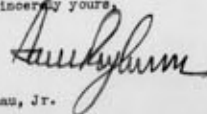
June 12, 1945

Dear Henry:

Thank you very much for
your most generous letter regarding
the House vote on the Bretton Woods
bill and for what you say about my
work. I indeed appreciate your
kind thoughts.

With every good wish, I am

Sincerely yours,



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

ALBERT RAINS
5th District Alabama

155
COMMITTEE:
BANKING AND CURRENCY

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

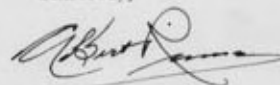
June 13, 1946

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

My dear Mr. Morgenthau:

I appreciate sincerely your letter with reference to my support and assistance in securing the passage of the Bretton Woods legislation. I was highly honored and pleased to have even a small part in the adoption of this important step toward international cooperation.

Sincerely,



R/R

156 ✓
June 12, 1945

MEMORANDUM FOR THE FILE

Subject: Settlement for U.S. Army Expenditures in China Fourth Quarter 1944.

Pursuant to the Secretary's instructions, I rang Dr. Kung and Dr. Chi and explained as follows:

The Treasury technical staff had recommended to the Secretary that the settlement with the Chinese for the U.S. Army expenditures in the fourth quarter should be \$41,900,000. (See memorandum to the Secretary of June 12 for the basis of this). The Secretary had wanted me to tell the Chinese that such was our recommendation. If they wished to pursue the matter further, they should get in touch with Dr. White, while the Secretary was away. He would be back on Monday, and would be prepared to discuss the matter with Dr. Kung at that time if the latter so desired.

Dr. Chi wished to know whether this recommendation had been accepted by the Secretary. I replied that there had been no occasion for him to accept or reject it, that he had wished us to communicate it to the Chinese and that I thought he was favorably disposed to such a basis.

Dr. Kung wanted to know at what time the Secretary was leaving tomorrow. I said I knew he would be here in the morning but did not know the exact time. I explained to Dr. Kung that the Secretary had testified before Congress this morning and that this afternoon was the first opportunity he had had in the last two days to deal with this matter. I explained to Dr. Kung that it might be possible for the Secretary to see him today or tomorrow and that if Dr. Kung desired this he should telephone the Secretary direct. Dr. Kung said that he would telephone the Secretary from New York tomorrow.

I explained to Dr. Kung that Dr. Chi was familiar with the conditions which we were attaching to this recommendation and specifically to the various sums of Chinese money for which we were not proposing to make any settlement.

Frank Coe *FC*

156A ✓
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 12 June 1945

TO Secretary Morgenthau
FROM Mr. Coe *FC*

Subject: Settlement for U. S. Army expenditures in China during last quarter of 1944.

1. We owe the Chinese for US\$8 billion of advances to the U. S. Army during the last quarter of 1944. This excludes US\$1.10 billion for taxes and US\$60 billion for procurement which was, in effect, for the Chinese Army, and we have made clear to the Chinese that we do not intend to reimburse them for these expenditures. However, even if the Chinese accept our contentions in principle, they can dispute the exact amounts involved and this matter will have to be settled later.
2. We are recommending a figure of US\$41.9 million to settle these advances totalling US\$8 billion. We think, however, that a good case could be made for settling for anything up to US\$50 million, while if we wish to take into consideration that the Chinese provide food and lodging for an ever-increasing number of troops at a time when their economy is seriously deteriorating, an even larger figure could be justified. We have discussed this with Mr. White and he agrees with this approach and our approximate figures.
3. We arrived at our figure of US\$41.9 million on the basis of the third quarter offer of US\$60 million for US\$8.5 billion which we adjusted for price increase during the fourth quarter. We used the price index computed by the U. S. Army in the field since it was most favorable to the United States side. A settlement at the basis of our figure would mean that per U. S. dollar, the U. S. Army would have acquired the same amount of goods and services in the fourth quarter of 1944 as in the previous quarter.
4. The Chinese can point out, however, that by the use of some other price index, a settlement figure more favorable to them would result. We feel, however, that the use of an index which is favorable to our side is justifiable since other factors in addition to prices must be taken into consideration. Thus, it may be argued that the third quarter offer of US\$60 million for US\$8.5 billion on which we are basing our present offer, did not reflect the comparative price situations in the two countries. Moreover, the black market rate for U. S. currency during the

- 2 -

fourth quarter of 1944 rose sharply and a settlement based on these black market rates would be in the neighborhood of about US\$20 million as compared with our recommendation of US\$41.9 million. We, of course, feel that the black market rates for U. S. currency do not reflect the actual situation in China, but, nevertheless, we cannot ignore the fact that even a settlement for US\$41.9 million would give, in effect, a rate of CN\$191 to US\$1, while during this period the black market rates for U. S. currency ranged from CN\$235 to CN\$710 per US\$1.

5. We are attaching hereto a series of tables summarizing the most pertinent data and statistics on this matter.

List of Appendices

- Table I. Retail Prices & Cost of Living for China & the United States, January - December, 1944
- Table II. Wholesale Prices in China & the United States, January - December, 1944
- Table III. Previous Settlement and Offers to China for U. S. Army Expenditures
- Table IV. CN\$8 Billion Expenditure Adjusted for Price Increase Over Previous Quarter
- Table V. Possible U. S. Dollar Amounts for Settlement of 4th Quarter of 1944 Expenditures and Resulting Settlement Rates for 4th Quarter
- Table VI. Yuan Value of the U. S. Dollar on the Black Market in China in 1944
- Table VII. Comparison of U. S. Army and Chinese Figures on U. S. Army Expenditures in China for Last Quarter of 1944
- Table VIII. Yuan Value of the U. S. Dollar in Chungking in Terms of U. S. Currency, Gold and Different Dollar Instruments

Table I.

Retail Prices & Cost of Living for China & the United States,
January - December, 1944

(January, 1944 = 100)

<u>1944</u>	<u>Retail prices in 14</u> <u>leading cities of China 1/</u>	<u>Cost of living in</u> <u>the United States 2/</u>
January	100.0	100.0
February	116.2	99.7
March	132.3	99.7
April	149.4	100.3
May	174.6	100.7
June	190.5	100.9
July	204.6	101.5
August	215.7	101.8
September	234.4	101.8
October	250.3	101.8
November	279.9	101.9
December	321.4	102.2

1/ Source: Farmers' Bank of China. Beginning May, 1944, the figures are for nine cities, the other five having been captured by the Japanese.

2/ Source: Bureau of Labor Statistics.

Table II.

Wholesale Prices in China & the United States,
January - December, 1944

(January, 1944 = 100)

<u>1944</u>	<u>Chungking & Chengtu 1/</u>	<u>United States 2/</u>
January	100	100
February	126.4	100.3
March	149.6	100.5
April	163.7	100.6
May	187.9	100.7
June	204.8	101.0
July	209.9	100.8
August	207.3	100.6
September	221.9	100.7
October	237.9	100.8
November	258.1	101.1
December	285.9	101.3

1/ This index is an average of the Chungking index which is compiled by Nankai University, Chungking, and the Chengtu index which is compiled by the University of Nanking, Chengtu.

2/ Source: Bureau of Labor Statistics.

Table III

Previous Settlement and Offers to China for U. S. Army Expenditures

<u>For U. S. Army Expenditures:</u>	<u>CN Obligation</u> <u>(billions)</u>	<u>U. S. Dollar Offers &</u> <u>Final Settlement</u> <u>(billions)</u>	<u>Date</u>
Up to June 30, 1964	CN\$13.9	\$185.0	CN\$111 to U.S.\$1
July 1 - Sept. 30, 1964	CN\$ 5.5	\$ 60.0	CN\$142 to U.S.\$1
	CN\$22.4	\$185.0	—
Plus the inducement to settle	—	25.0	—
	CN\$22.4	\$210.0	CN\$107 to U.S.\$1

191

12"

Table IV

One Billion Expenditure Adjusted for Price Increase Over Previous Quarter

	Price Index for Fourth Quarter 1944 ^{1/} (Third quarter 1944 = 100)	One Billion Adjusted for Price Increase (billions of C\$)
Army computed index of price increase	134.8	5.96
Retail prices in 14 leading cities of China ^{2/}	130.1	6.15
Retail prices in Chungking ^{2/}	126.0	6.35
Cost of living in Chungking ^{4/}	124.7	6.42
Wholesale prices in Chungking ^{5/}	118.2	6.77
-----	--	--
Average increase in price indexes	126.8	6.31

^{1/} Arithmetic average for the 3-month period.^{2/} Farmers' Bank of China.^{3/} Farmers' Bank of China.^{4/} University of Banking, Chungking.^{5/} Bankai University, Chungking.

162

TAB. 1
Possible U.S. Dollar Amounts for Settlement of 4th Quarter of 1944 Expenditures
and Resulting Settlement Rates for 4th Quarter

(Derived by application of settlement rate for 3rd quarter of 1944 to 4th quarter figures, deflated to make them equivalent to 3rd quarter figures 1/)

<u>On basis of:</u>	<u>Army Expenditure Deflated for Price Increase (billions)</u>	<u>U.S. Dollar Amount on Basis of Third Quarter of 1944 Settlement Rate (million dollars)</u>	<u>Resulting Settlement Rate 2/</u>
Army computed index	CN\$5.96	US\$41.9	CN\$191 to US\$1
Retail prices in 14 leading cities of China	CN\$6.15	US\$43.4	CN\$124 to US\$1
Retail prices in Chungking	CN\$6.35	US\$44.8	CN\$179 to US\$1
Cost of living in Chengtu	CN\$6.42	US\$45.3	CN\$177 to US\$1
Wholesale prices in Chungking	CN\$6.77	US\$47.8	CN\$167 to US\$1
-----	-----	-----	-----
Average increase in price indexes	CN\$6.31	US\$44.5	CN\$180 to US\$1

- 1/ The settlement rate for the third quarter was CN\$141 to US\$1. derived from CN\$8.5 billion for US\$60 million.
- 2/ Expenditures in the fourth quarter totalled CN\$5 billion and settlement rate is derived by dividing CN\$5 billion by U. S. dollar amount.

Table VI.

Yuan Value of the U. S. Dollar on the Black Market in China in 1944

(In yuan per U. S. dollar)

<u>1944</u>	<u>Chungking</u>	<u>Kunming</u>	<u>Chengtu</u>
January	78-96	-	-
February	97-230	90-300	-
March	216-290	190-220	-
April	195-220	-	-
May	170-200	190	215
June	160-195	190	190
July	180-195	190-200	-
August	170-180	185	200-240
September	210-260	225	290
October	235-280	250-300	-
November	280-710	-	-
December	470-645	-	-

Source: Bank of China Fortnightly Letter, Treasury Disbursing Officer in China, and Treasury Attaché in China.

Table VII.

COMPARISON OF U. S. ARMY AND CHINESE FIGURES ON
U. S. ARMY EXPENDITURES IN CHINA FOR LAST QUARTER OF
1944

	<u>Chinese Claim</u>	<u>Army Report</u>
	(billion yuan)	
Direct Advances to U. S. Army	6.00	6.00
Expenditures made on behalf of the Army:		
By Chinese Engineering Commission	3.64	3.64
By Chinese Aviation Commission	<u>1.02</u>	<u>0.26</u>
Gross Expenditures.	10.66	9.90
Less:		
Taxes		1.10
Procurement for Chinese		<u>0.80</u>
Net Expenditures		8.00

Table VIII.

Yuan Value of the U.S. Dollar in Cheongtong in Terms
of U.S. Currency, Gold and Different Dollar Instruments
 (In CN dollars per U.S. dollar)

<u>1944</u>	<u>U.S. Notes</u>	<u>U.S. Dollar-Backed</u> <u>Savings Certificates</u>	<u>U.S. Dollar-Backed</u> <u>Chinese Bonds</u>	<u>United Clearing</u> <u>Board Drafts 1/</u>	<u>Gold</u> <u>(Selling Price) 2/</u>
January	78-96	97-63	42-43	—	384-412
February	97-230	82-140	60-120	—	432-711
March	216-250	130	120	—	583
April	195-220	107-108	94-99	—	583
May	170-200	110	95	—	555
June	160-195	120-130	91-95	105-110	555
July	180-195	—	110	115	540
August	170-180	130	—	130	626-631
September	210-260	140-155	110-120	140-170	512-853
October	235-280	170-185	102-122	—	654-682
November	280-710	198-380	113-250	—	705-1052
December	470-645	310-330	190-236	300	896-1046

1/ Sales did not begin until June, 1944.

2/ The figures were arrived at by dividing the CN price per oz. by the U.S. price for an oz. of gold, namely, \$35.

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



In reply refer to
ES 800.515/5-3145

DEPARTMENT OF STATE
WASHINGTON

June 12, 1945

My dear Mr. Secretary:

I have your letter of May 31, 1945, suggesting that this government formally approach the Portuguese Government with respect to the purchase in May 1943, of certain German vessels.

I am in thorough agreement with you that this matter be given immediate consideration. You will recall that the American Embassy at Lisbon suggested in an earlier despatch that no use be made of the information regarding the apparent failure of the Portuguese Government to block the purchase price of the vessels, without prior agreement with the British Government. The Department is in entire agreement with the Embassy's suggestion in this connection and believes that any approach to the Portuguese Government should be made jointly with representatives of the British Government.

Accordingly

The Honorable

Henry Morgenthau,
Secretary of Treasury.



TOP SECRET

168

-2-

Accordingly, the Department has despatched cables to the American Embassies at Lisbon and London suggesting immediate consultation with the British Government in connection with this matter with a view to registering a joint protest to the Portuguese Government in the event that such action may be taken without compromising the British source of information.

I shall be very glad to communicate with you further when replies have been received to these cables.

Sincerely yours,

Wm. H. C. Smith

Acting Secretary

TOP SECRET

12"

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 12, 1945

TO Secretary Morgenthau
FROM Mr. Coo *CC*
Subject: Grew's Cable to Hurley

We have looked over the paraphrase of this cable. We particularly like the last sentence in this cable which seems to make it clear that you bear no blame for any lack of information to Hurley.

If you make a separate answer to Hurley's telegram I should recommend that you make it a formal one stating that you understand the State Department has already given him a reply.

169a

June 12, 1945

Secretary Morgenthau

Mr. Cox

Subject: Grew's Cable to Hurley

We have looked over the paraphrase of this cable. We particularly like the last sentence in this cable which seems to make it clear that you bear no blame for any lack of information to Hurley.

If you make a separate answer to Hurley's telegram I should recommend that you make it a formal one stating that you understand the State Department has already given him a reply.

FC:rl 6/12/45

12"

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



DEPARTMENT OF STATE
WASHINGTON

June 11, 1945

My dear Mr. Secretary:

I am enclosing a paraphrase of a telegram I have sent to Ambassador Hurley in Chungking. I fully agree that his telegram dated June 6 to you should not be permitted to go unanswered.

Sincerely yours,

Acting Secretary

Enclosure:

Paraphrase.

The Honorable

Henry Morgenthau, Jr.

Secretary of the Treasury.

171
TOP SECRET

Paraphrase

An information copy of your telegram to Secretary Morgenthau replying to his background message on the supply of gold to China has come to my attention. I feel that you should know that the decision reached by State, Treasury and other interested agencies was made only after full consideration of all factors involved and on the basis of all available information. Any possible shortcoming upon this matter arises out of the fact that the Department did not send progress reports on conversations.

25

12 JUN 1945

My dear Mr. Secretary:

I refer to my letter of 18 May 1945 concerning the availability of certain officer and enlisted personnel for assignment to work in the financial administration of the U.S. Army in Germany. The preliminary reports of the results of the investigations of German financial institutions being undertaken by the Finance Division of the U.S. Group Control Council for Germany and the Finance Division of SHANP have demonstrated both the importance and urgency of this work and the need for a greatly increased staff. The Treasury Department, at the direction of the President, has recently been attempting to recruit suitable personnel on a considerably larger scale than was previously contemplated.

I have your letter of 29 May 1945 and appreciate your assignment of Lt. Lawrence C. Moore, SC(S), 73838, to Supreme Headquarters in order that he may be available for this work. I note that the other personnel requested in my letter of 18 May 1945 are presently in assignments from which they could not appropriately be transferred. The name of Ensign Joseph M. Murphy is, however, omitted from your letter of 29 May 1945. If his assignment to SHANP is not possible for the same reasons that apply to the others named in your letter it would assist in completing our records if you would advise us accordingly.

In our search for trained personnel we have found the names of a number of additional men, currently in the Navy, whom we would like, if possible, to make available to the Finance Division of the U.S. Group Control Council. As stated in my previous letter it is not my intention to request the reassignment or release of naval personnel presently in combat duty. If some of the personnel named in the attached list are actually in combat duty, their inclusion is due to the fact that the Treasury Department's information is unavoidably incomplete on such matters.

Inasmuch as the Army authorities in charge have advised us that the technical and professional personnel engaged in this work are very much more effective in civilian status than in the status of junior officers or enlisted men, the Treasury Department has agreed

173

- 2 -

to place on its payroll any such personnel requested by this Department for assignment to this work for which the military services will authorize the discharge or otherwise restore to civilian status. If it would be possible to work out such an arrangement for the naval personnel in the attached list and others which have been or may be assigned to the Treasury Department or to the European Theater of Operations for this work, I would appreciate it if you would so advise me in order that appropriate officials of our respective Departments may work out the details.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The Honorable

The Secretary of the Navy

Enclosure

H. Hoffmann 6/2/45

174

Abrams, H. A. (Lt.)

Balick, Jules (S-1/c) 836-88-47
Ship Service Department
Naval Air Station Annex
Camp Allen, Norfolk, Virginia

Cobb, David (Sp. C 1/c) 836-47-78
Classification Center
N.S. South Annex
Norfolk 11, Virginia

Cotton, Eugene (N/T 2c) 837-19-99

Echols, L. E. (Lt.)

Feinstein, Louis (SF 2d Class) CBSE No. 570, USNATS
Fort Pierce, Florida

Kramer, Victor, Pharmacist Mate
U.S. Naval Hospital
Philadelphia, Pennsylvania

Marshall, Wilbur J. (Lt., J.G.)
Lake Champlain Detail N.T.S.
Newport, N.I.

Meltzer, Bernard (Ensign)
Pentagon Building

Pressman, I. E. (Ensign) 425169
Esso Manhattan Armed Guard
F.F.O. N.Y.

Shapiro, E. (Lieut.)
U.S. Naval Training Center
Room 207, Administration Building
Great Lakes, Illinois

12"

175

THE SECRETARY OF THE NAVY
WASHINGTON

MAY 20 1945

The Honorable
The Secretary of the Treasury

My dear Mr. Secretary:

This will acknowledge receipt of your letter of 18 May 1945 concerning the availability of certain officer and enlisted personnel for assignment to the Finance Division of SHARP. I beg to advise that by virtue of their present assignment to combatant duty all but one of the Navy personnel so requested are not now available. Lieutenant Lawrence C. Moore, SC(S), 73838, now on duty in the European theater is available for assignment to SHARP, and he will be so ordered.

For the purpose of supplying up to date information for your records the remaining men requested are assigned as follows:

BRONFENBRENNER, Martin Lieut. S(I) 297761
Has had training in the Japanese language and
is now at Pearl Harbor.

KIRBY, John J. ST/c V-6 906-89-29
Duty aboard the U.S.S. WILKES BARRE

HERMIS, Joseph A. Ensign DV(S) 362793
Duty aboard the U.S.S. SOUTH DAKOTA

PARKER, Paul C. Lt.(jg) SC(R) 247105
Duty aboard the U.S.S. SAVO ISLAND

PROCTOR, James M. Lt.(jg) S(A) 335455
Duty aboard the U.S.S. MANILA BAY

SCHWARTZ, Richard C. Lt.(jg) D 276023
Duty aboard the U.S.S. ACHER

SCHWARTZ, Robert J. 1st Lieut. USMC 276023
Headquarters Squadron 35, Marine Aircraft Group 35,
Marine Corps Air Station, El Centro, California 1945
Has been trained for special duties and is scheduled
for imminent assignment overseas to the Pacific Area.

176

I appreciate the urgency of the request of the War Department upon the Treasury Department for assistance in furnishing financial experts to assist SHARP in its program, but I believe you will agree that in its overall aspects the war effort will not be enhanced by moving the men, who are actively engaged in the continuing war against Japan, from their present billets.

Sincerely yours,

Forrestal

177

June 12, 1945

My dear Mr. Prime Minister:

Mrs. Morgenthau and I were so pleased to read in the papers today that the Canadian people have given you their approval once more.

We realize the great service you have rendered during your term of office, and we are so happy that you will continue as Prime Minister of Canada. In the difficult days to come, the world needs your kind of statesman to guide us through the stormy seas ahead.

With kind personal regards, I remain

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The Right Honorable,
W. L. Mackenzie King, C.M.G.,
Prime Minister of Canada,
Ottawa, Canada.

178

June 12, 1945

My dear Mr. Prime Minister:

Mrs. Morgenthau and I were so pleased to read in the papers today that the Canadian people have given you their approval once more.

We realize the great service you have rendered during your term of office, and we are so happy that you will continue as Prime Minister of Canada. In the difficult days to come, the world needs your kind of statesman to guide us through the stormy seas ahead.

With kind personal regards, I remain

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The Right Honorable,
W. L. Mackenzie King, C.M.G.,
Prime Minister of Canada,
Ottawa, Canada.

179

Collier's

THE NATIONAL WEEKLY
THE CHOWELL-COLLIER PUBLISHING COMPANY
250 PARK AVENUE
New York 17, N. Y.

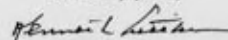
June 12, 1945

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

Dear Mr. Secretary:

Mr. Morris left for a short trip to Europe on the day that your letter to him about our article on Bretton Woods reached us. This is to thank you. Frank Gervasi, who wrote the article, is especially pleased to have your approval.

Sincerely yours,



Kenneth Littauer
Executive Editor

KL/jk

12"

TREASURY DEPT.

INTER OFFICE COMM.

TO Mr. Luxford, Mr. White, and Mr.
FROM The Secretary

Article on Balkan Issue
WASHINGTON, June 10 (AP)—It was learned today that Mr. Hopkins' conferences with Premier Stalin and other Russian chiefs might result in opening the door to occupied Balkan countries to American and British representatives. Thus far they have had only a "token" hand in political and military policy.
"While Hopkins may not have specifically asked the Russians to begin his three consultations on the Balkans," one official said, "it is most certainly one of the undertones of his talks in Moscow."
The United States is known to have been preparing public suggestions to Moscow that consultations begin on the broadening of government in Romania, Bulgaria and Hungary.

6/12/45

For your information I am attaching a clipping which appeared in yesterday's New York Times.

TREASURY DEPT.

INTER OFFICE COMMUNICATION

TO Mr. Luxford, Mr. White, and Mr.
FROM The Secretary

For your information I am attaching a
clipping which appeared in yesterday's New York
Times.

WASHINGTON, June 10 (AP)—
It was learned today that Mr. Hop-
kins' conference with Premier
Stalin and other Russian chiefs
might result in opening the Rus-
sian-occupied Balkan countries to
American and British representa-
tives. Thus far they have had only
a "token" hand in political and
military policy.

"While Hopkins may not have
specifically asked the Russians to
begin Big Three consultations on
the Balkans," one official said, "it
must certainly was in the under-
current of his talks in Moscow."

The United States is known to
have been preparing public sugges-
tions to Moscow that consultations
begin on the broadening of govern-
ments in Rumania, Bulgaria and
Hungary.

180 ✓
6/12/45

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 6/12/45

TO Mr. Luxford, Mr. White, and Mr. Pehle
FROM The Secretary

For your information I am attaching a clipping which appeared in yesterday's New York Times.

12

181 ✓
June 12, 1945

MEMORANDUM FOR THE FILES:

Lt. Colonel Burris C. Jackson of Hillsboro, Texas, and the Post War Planning Committee of the American Cotton Shippers Association, as well as representatives of the Texas Cotton Association, Southern Cotton Association and Atlantic Cotton Association, called on the Secretary this afternoon. Those present were:

W. B. Davis, Newman, Georgia
W. L. Walker, Houston, Texas
Ben J. Williams, New Orleans, Louisiana
Robert Laver, Dallas, Texas
A. M. Fell, Charlotte, North Carolina
J. M. Locke, Houston, Texas
Marc Anthony, Dallas, Texas
L. T. Murray, Waco, Texas
John C. White, Memphis, Tennessee

Present from the Treasury were Secretary Morgenthau, Messrs. Pehle and Luxford.

Colonel Jackson stated that the purpose of their call was to congratulate the Secretary on the excellent handling of the Bretton Woods legislation and to inform him that the Cotton Shippers Association were prepared to throw their full support behind getting the legislation through the Senate. Secretary Morgenthau expressed his appreciation for their offer of cooperation and said that the Cotton people had done an admirable job in supporting the legislation.

One of the party stated that he was anxious to see the Export-Import Bank legislation pushed forward as early as possible since it formed an important part of our international economic program of which the Bretton Woods and reciprocal trade agreements were other facets. Secretary Morgenthau advised the group off the record that he and Will Clayton had discussed the Export-Import Bank legislation only yesterday and that he expected the legislation would be introduced in the House very shortly. The party was very happy to learn of this development.

182 ✓
June 12, 1945

Dear Oscar:

Receiving a letter from you
is like a voice from the dead.
Where have you been? I have missed
you.

We had a good team working
in behalf of Bretton Woods, and
the results were most gratifying.

Hope to see you soon.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Oscar Cox,
Foreign Economic Administration,
Washington, D.C.

183
June 12, 1945

Dear Oscar:

Receiving a letter from you
is like a voice from the dead.
Where have you been? I have missed
you.

We had a good team working
in behalf of Bretton Woods, and
the results were most gratifying.

Hope to see you soon.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Oscar Cox,
Foreign Economic Administration,
Washington, D.C.

184
FOREIGN ECONOMIC ADMINISTRATION
WASHINGTON

OFFICE OF THE ADMINISTRATOR

June 7, 1945

Dear Secretary Morgenthau:

I have been meaning to tell you for some time what a wonderful job I think you are doing on the Bretton Woods proposals.

The sustained courage and sticktoitiveness which you have shown over several years in connection with these proposals ought to chalk up some good marks for you.

Sincerely yours,

Brown Cox

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

12"

185 ✓
12 June 1945

Secretary Morgenthau

Charles S. Bell

(SIGNED) CHARLES S. BELL

Last December you expressed an interest in the plan for giving meritorious promotions to Treasury employees in especially deserving cases, and since that time this office has endeavored to promote this plan through the heads of Bureaus and Divisions.

It was our idea to put the meritorious promotion procedure on a basis that would contemplate bringing together at one time during each quarter all persons, who, in the opinion of a committee appointed by you, had deserved such promotions, and have you hand them letters and make a brief little talk.

This plan has not worked out for the reason that the procedure for granting these promotions as promulgated originally by the Bureau of the Budget, passed by the Congress, and controlled by the Civil Service Commission, is so involved that Bureau heads are reluctant to recommend their employees for the meritorious promotions for fear of criticism before the Appropriation Committees, to say nothing of possible criticism on the part of the Bureau of the Budget.

The result has been that instead of giving meritorious promotions for particularly deserving employees, the Bureaus are advancing them to the next highest positions, which is far more lucrative and much easier to obtain.

Perhaps you would like to discuss this with me at your convenience.

CSB:jc

MORGENTHAU:

*Phoned to Sam's
great day - 6/14/45*

It is my privilege now to introduce to you a gracious lady -- known to all of you -- who has been sitting across from me throughout this broadcast. She has been a good friend and neighbor to my wife and to me for the past thirty years. Indeed, she has been a neighborly friend to all America. And the title she held as first lady of the land, she will continue to hold in the esteem and the affection of millions of her countrymen -- Mrs. Franklin D. Roosevelt.

Revision in Banking speech -

Allen Barth

1306 304 N
187

MORGENTHAU:

A ~~gradual~~ ^{little} ~~way~~ has been sitting across from me throughout this broadcast. I know of no ^{better} ~~nicer~~ way to introduce her to you than to say that she has been like a good neighbor to all of us these past dozen years, ^{for the last thirty or so} ~~and~~ no one in all our history has been more universally loved by the people of the United States than ~~she~~ Mrs. Franklin D. Roosevelt.

APPLAUSE:

MRS. ROOSEVELT:

Thank you, ^{Henny} ~~Mr. Secretary~~ ... It has been a comfort to me, as it would be to all the mothers listening in, to have seen how well this Convalescent Hospital is operated.

It has not been possible for us at home to stand side by side with our sons in battle. We would like to do that. There is probably no parent listening in who would not willingly share his son's own danger. Yes, and even sacrifice his own life for the safety of that son. Of course, we cannot actually do that in person, and yet in a very real sense we can do it. When we buy War Bonds we put a rifle into our son's hands. When we buy War Bonds we put planes in the air to protect him as he hits the beach. When we buy War Bonds we put bandages on his wounds... we put tools in the surgeon's hand. We buy the time needed for his recovery. Yes, we buy convalescent centers and

27

188

MRS. ROOSEVELT:
(cont.)

hospitals like Pawling.

There are those who could give you the reasons to buy Bonds if they could but speak. Who are they? They are our war dead. The gallant young men who now lie silent beside the mountain streams. Some lie asleep beneath the tropic skies. They lie in green fields, in volcanic ash, they lie beneath the seven seas. They lie there in the sleep of heroes, and it is for us to keep faith with them. We who stay at home can do that by the loyalty we exhibit in the Seventh War Loan.

And yet sometimes people ask, "Why do we need War Bond Drives?" We need them only because we have so little contact with the actual war itself. We need them to make good on what our men died for - the full freedom man has ever struggled for. The heavy price God puts upon freedom is clear - and there is no way of bargaining. There are no shortcuts to peace - and no bargain rates for freedom.

One soldier up here said, "I don't see why people have to be sold on buying War Bonds. I've got a glass eye out of this war -- ten

MRS. ROOSEVELT:
(cont.)

28. 189
years from now those people who buy Bonds can collect every penny plus a generous return -- ten years from now I'll still have only one eye." That boy wasn't bitter -- he was simply puzzled. Buying Bonds to him seemed as simple and as necessary to life as digging a foxhole is to the soldier on the beach, and as one soldier here put it. "When you are on the beach you dig your foxhole fast. If you knew there was a thousand dollars at the bottom of it you couldn't dig any faster than you were already digging."

That is the way it should be with War Bonds. (MUSIC SNEAK) Some of these boys here at Pawling have artificial legs -- some have lost a hand -- others an eye. All they have to show for their demonstration of faith in their country are the medals and ribbons plus the War Bonds each of these men owns. For they, too, buy and hold War Bonds. We can do no less to show our own faith than to continue to follow the example of faith in their country which they have set for us overseas and here at home.

MUSIC:

TO FINISH

190
12 June 1945

Secretary Morgenthau

Mr. O'Connell

Re: Price Ceiling on Currants

The situation with respect to prices of currants is substantially the same this year as last year. There has been some talk about placing a ceiling on sales by growers but no ceiling is now in effect, and I am informed that none is officially under O.P.A. consideration. There is also no ceiling on the sale of currants for fresh consumption. There are ceilings on sales of frozen currants and on sales of the juice obtained from pressing the berries (for use in jellies) which would, of course, as a practical matter, affect the price obtainable by the grower.

[Initials] J. J. O'G., etc.

DJS:ml
6/12/45191
June 12, 1945

C. S. Bell

Secretary Morgenthau

Send me in a report on Lesser, the attorney,
today. *Done*

12"

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date June 12, 1945

TO Secretary Morgenthau
FROM Randolph Weltus

Subject: Tax Investigation Program

I recommend that you employ a competent publicity man to devote his full time exclusively to the tax evasion investigations. He need not be a policy man. He should work under Russell. I will, of course, be glad to advise him on policy and techniques as long as I am here, and afterward, for that matter.

I have discussed this with Fehle and he agrees.

R.J.

193 ✓
READING COPY OF SECRETARY'S STATEMENT
BEFORE SENATE BANKING AND CURRENCY
COMMITTEE ON BRETON WOODS -

JUNE 12, 1945 - 10:30 am.

194

When I appeared before the House Committee on Banking and Currency to discuss this legislation, I told the Committee that in my opinion, "the Bretton Woods Agreements are good for every American citizen" and that "the program we are advocating is definitely good business for the United States."

In that statement I discussed the importance of Bretton Woods to world trade. Before the war, we were the largest exporting nation in the world. We needed exports to maintain jobs, to absorb part of the output of American factories and farms. We were also a large importer, the second largest in the world. We needed imported raw materials for our industries and scores of imported products to meet the everyday demands of our consumers.

195

- 2 -

After the war, we will have even more reason for exporting and importing, for expanding trade. To make this possible, the producing and trading power of many countries must be restored and developed; the currency restrictions and discriminations that stifle trade must be relaxed and removed. And that - in substance - is what the Bretton Woods proposals are about.

I want to emphasize another aspect of the Bretton Woods Agreements no less important to American business - that of establishing a world in which international trade and international investment can be carried on by businessmen on business principles.

195
- 2 -

After the war, we will have even more reason for exporting and importing, for expanding trade. To make this possible, the producing and trading power of many countries must be restored and developed; the currency restrictions and discriminations that stifle trade must be relaxed and removed. And that - in substance - is what the Bretton Woods proposals are about.

I want to emphasize another aspect of the Bretton Woods Agreements no less important to American business - that of establishing a world in which international trade and international investment can be carried on by businessmen on business principles.

196
- 3 -

You can't do business in an environment of disorderly currencies. Carl Wynne, President of the Chicago Exporters Club, told the House Committee that arbitrary exchange practices make it difficult to import or export without taking risks that are too big for the ordinary businessman.

As you know, during the 1930's a number of countries began to use their currency systems for the purpose of securing unfair advantages in international trade. Germany in particular, developed numerous devices for exploiting her creditors and competitors. The use of these tricks by Germany forced other countries to adopt similar measures in self-defense. The result was an era of currency warfare that virtually destroyed international trade and investment and prepared the way for total war.

- 4 -

American businessmen have demonstrated that they are more than willing to take their chances in fair competition with the businessmen of any country. All they ask is an opportunity to sell a better product at a better price. But they can't trade if the marks or the pesetas they collect for their automobiles and their movies are arbitrarily changed in value, or cannot be sold for dollars.

That's what happened to many American companies when they sold goods to Germany. They could either take blocked marks or some commodity that Germany was willing to offer in payment. The American commercial attache in Berlin reported that one company had to take 8,000,000 mouth organs in payment for petroleum, another 200,000 canaries for a large press for making automobile bodies, and a movie company was bamboozled into taking a live hippopotamus for its films.

- 5 -

This was only one of the many currency tricks widely used in the 1930's. Germany had more than 35 different kinds of marks, some selling at discounts up to 50 per cent. She had about 40 bilateral clearing agreements under which exports to Germany were paid for only if the country took German imports. This country couldn't and wouldn't do business on that basis.

I should add that this country was the principal victim of these unfair currency practices. Between 1928 and 1938 the value of our exports fell by nearly one-half while world trade fell by one-third. We know a country cannot always keep the same export markets. But we believe that changes in trade among countries should result from productive efficiency, not from exchange restrictions.

- 6 -

199

With such currency practices as these, international trade and investment can no longer be conducted along business lines. They become a matter of international politics, and they may become an international racket.

One might suppose that when Nazism is destroyed, its strong-arm currency practices will be destroyed, too. But this will not necessarily happen. Many countries had to adopt similar measures in self-defense. They still have them. And now, as these countries look on their shelled, bombed and pillaged lands, as they contemplate the difficulties of reconstruction, there is real danger that they may be tempted to continue and to extend these practices.

- 7 -

200

If we do nothing to help establish orderly exchanges, to help these countries get foreign capital for reconstruction, they will feel compelled to revert to barter deals, clearing agreements, competitive exchange depreciation and multiple currencies. And these devices will be used with greater ingenuity and with greater effectiveness than ever before.

Rebuilding and restoring the devastated countries, as I see it, is primarily a job for their domestic industries. Certain basic essentials, however, will have to be imported. These include transportation equipment and industrial and agricultural machinery. If private investors abroad will not lend the necessary capital on reasonable terms, countries will be forced to seek help in other ways.

- 8 -

201

Foreign loans might then be arranged on a political basis. This could only mean the rule of power politics in international economic relations.

I repeat, the businessmen of this country do not want to do business that way. The extension of these tactics must mean in the end the domination of international trade and investment by governments. This country has the greatest interest in seeing that international trade and investment are determined by economic and not by political considerations.

We in the Treasury have been aware of these dangers. In 1941, we began to work on post-war currency and investment problems. We prepared a tentative proposal for a World Fund to set fair currency rules and to help countries abide by these rules.

- 9 -

202

We also prepared a tentative proposal for a World Bank to encourage private investors to make sound and productive foreign loans, the risks to be shared by all countries.

Our discussions showed that other countries were convinced that our proposals offered a practical basis for the solution of common monetary and financial problems. That conviction explains the cooperative spirit at the Bretton Woods Conference. All the 44 countries were determined to protect their own interests - the United States no less than others - yet all were aware that their own well-being depends on international cooperation. On some points, national differences had to be reconciled; and I may add that Senator Wagner and Senator Tobey, both delegates to the Conference, rendered conspicuous service in this delicate task.

- 10 -

Personally, I take pride in the fact that in spite of all the obstacles and pitfalls, we did get an agreement on the basis of the proposals submitted by this government. We had to compromise - of course we did - that is the democratic way. But it's one thing to compromise on details, on procedures; and it is quite another to compromise on fundamental principles. That is where we draw the line.

One aspect of the Bretton Woods Agreements deserves special emphasis, their relation to peace. Peace is more than a political problem. It is a complicated structure that can be built only upon the solid foundation of economic order and prosperity in all countries. Peace and prosperity are two sides of the same problem. We can't neglect one without endangering the other.

- 11 -

We all know how horrible war can be, and we are all determined to do everything possible to prevent these horrors from happening again. But you and I know that if peace is to endure, there must be jobs, there must be hope of economic betterment. Otherwise, men fall easy victim to the rabble-rouser, to the quack with a dangerous nostrum.

It is much the same with nations as with men. In either case, scuffling, pushing and shoving soon lead to blows. And when blows are struck in a crowd, there is likely to be work for the police riot squad.

There was no riot squad on duty to prevent World War II. There were no rules of the game to prevent pushing and shoving; and the economic scuffling of the 1930's developed the gangsters who finally discarded their economic blackjacks and brass knuckles in favor of the tanks and bombs that bathed Europe, and most of the world, in blood.

- 12 -

International monetary and financial problems have been a source of conflict for a generation. We must see that after this war they do not become the basis for new conflicts. That will be possible if international trade and investment are put on a business rather than a political basis. In my opinion, the Bretton Woods proposals give us the opportunity to decide whether international trade and investment will be carried on through private enterprise on the basis of fair currency rules or through governments on the basis of bilateral agreements.

International cooperation is a continuing and difficult task. But we are making progress. The overall job of building a world security organization is being worked out at San Francisco.

- 13 -

Despite the obstacles to final agreement, the Conference nevertheless moves on. It will succeed because the people of all countries insist that it must succeed.

The fact that at Bretton Woods we were able to get representatives of 44 nations to agree on proposals for a monetary and financial program is evidence that with care, patience and understanding, we can get agreement on all international problems.

The people of this country have shown that they are eager to have our Government take the leadership in dealing with international economic and political problems.

- 14 -

207

There is no difference of opinion among Americans, no partisan division in Congress on this policy. Action by this Committee approving the Bretton Woods Agreements will be an inspiration to war-weary and hungry people everywhere, to people who have faith that the United Nations can and will work together to bring about a better world.

draft 9/12/45
208

Statement of Secretary Morgenthau before the Senate Committee on Banking and Currency

Tuesday, June 12, 1945

The Bretton Woods Agreements

When I appeared before the House Committee on Banking and Currency to discuss this legislation, I told the Committee that in my opinion, "the Bretton Woods Agreements are good for every American citizen" and that "the program we are advocating is definitely good business for the United States."

In that statement I discussed the importance of Bretton Woods to world trade. Before the war, we were the largest exporting nation in the world. We needed exports to maintain jobs, to absorb part of the output of American factories and farms. We were also a large importer, the second largest in the world. We needed imported raw materials for our industries and scores of imported products to meet the everyday demands of our consumers.

After the war, we will have even more reason for exporting and importing, for expanding trade. To make this

209

- 2 -

possible, the producing and trading power of many countries must be restored and developed; the currency restrictions and discriminations that stifle trade must be relaxed and removed. And that--in substance--is what the Bretton Woods proposals are about.

I want to emphasize another aspect of the Bretton Woods Agreements no less important to American business--that of establishing a world in which international trade and international investment can be carried on by businessmen on business principles.

You can't do business in an environment of disorderly currencies. *Carl Hynne, president of the Chicago Exporters Club told* As a Chicago exporter testified before the House Committee, ^{that} arbitrary exchange practices make it difficult to import or export without taking risks that are too big for the ordinary businessman.

As you know, during the 1930's a number of countries began to use their currency systems for the purpose of securing unfair advantages in international trade.

Germany in particular, developed numerous devices for exploiting her creditors and competitors. The use of

210

- 3 -

these tricks by Germany forced other countries to adopt similar measures in self-defense. The result was an era of currency warfare that virtually destroyed international trade and investment and prepared the way for total war.

have demonstrated that they
American businessmen are more than willing to take their chances in fair competition with the businessmen of any country. All they ask is an opportunity to sell a better product at a better price. But they can't trade if the marks or the pesetas they collect for their automobiles and their movies are arbitrarily changed in value, or cannot be sold for dollars.

That's what happened to many American companies when they sold goods to Germany. They could either take blocked marks or some commodity that Germany was willing to offer in payment. The American commercial attache in Berlin reported that one company had to take 8,000,000 mouth organs in payment for petroleum, another 200,000 canaries for a large press for making automobile bodies, and a movie company was bamboozled into taking a live hippopotamus for its films.

- 4 -

This was only one of the many currency tricks widely used in the 1930's. Germany had more than 35 different kinds of marks, some selling at discounts up to 50 percent. She had about 40 bilateral clearing agreements under which exports to Germany were paid for only if the country took German imports. This country couldn't and wouldn't do business on that basis.

I should add that this country was the principal victim of these unfair currency practices. Between 1928 and 1938 the value of our exports fell by nearly one-half while world trade fell by one-third. We know a country cannot always keep the same export markets. But we believe that changes in trade among countries should result from productive efficiency, not from exchange restrictions.

With such currency practices as these, international trade and investment ^{can} ^{be conducted along} ^{lines} ~~are~~ no longer business. They become a matter of international politics, and they may become an international racket.

One might suppose that when Nazism is destroyed, its strong-arm currency practices will be destroyed, too. But

- 5 -

this will not necessarily happen. Many countries had to adopt similar measures in self-defense. They still have them. And now, as these countries look on their shelled, bombed and pillaged lands, as they contemplate the difficulties of reconstruction, there is real danger that they may be tempted to continue and to extend these practices.

If we do nothing to help establish orderly exchanges, to help these countries get foreign capital for reconstruction, they will feel compelled to revert to barter deals, clearing agreements, competitive exchange depreciation and multiple currencies. And these devices will be used with greater ingenuity and with greater effectiveness than ever before.

Rebuilding and restoring the devastated countries, as I see it, is primarily a job for their domestic industries. Certain basic essentials, however, will have to be imported. These include transportation equipment and industrial and agricultural machinery. If private investors abroad will not lend the necessary capital on

- 6 -

reasonable terms, countries will be forced to seek help in other ways. Foreign loans might then be arranged on a political basis. This could only mean the ^{rule} ~~resumption~~ of power politics in international economic relations.

I repeat, the businessmen of this country do not want to do business that way. The extension of these tactics must mean in the end the domination of international trade and investment by governments. This country has the greatest interest in seeing that international trade and investment are determined by economic and not by political considerations.

We in the Treasury have been aware of these dangers. In 1941, we began to work on post-war currency and investment problems. We prepared a tentative proposal for a World Fund to set ~~standards of~~ fair currency ^{rules} ~~practice~~ and to help countries abide by these ^{rules} ~~standards~~. We also prepared a tentative proposal for a World Bank to encourage private investors to make sound and productive foreign loans, the risks to be shared by all countries.

- 7 -

Our discussions showed that other countries were convinced that our proposals offered a practical basis for the solution of common monetary and financial problems. That conviction explains the cooperative spirit at the Bretton Woods Conference. All the 44 countries were determined to protect their own interests--the United States no less than others--yet all were aware that their own well-being depends on international cooperation. On some points, national differences had to be reconciled; and I may add that Senator Wagner and Senator Tobey, both delegates to the Conference, rendered conspicuous service in this delicate task.

Personally, I take pride in the fact that in spite of all the obstacles and pitfalls, we did get an agreement on the basis of the proposals submitted by this government. We had to ^{compromise} ~~make concessions~~--of course we did--that is the democratic way. But it's one thing to compromise on details, on procedures; and it is quite another to compromise on fundamental principles. That is where we drew the line.

- 8 -

One aspect of the Bretton Woods Agreements deserves special emphasis, their relation to peace. Peace is more than a political problem. It is a complicated structure that can be built only upon the solid foundation of economic order and prosperity in all countries. Peace and prosperity are two sides of the same problem. We can't neglect one without endangering the other.

We all know how horrible war can be, and we are all determined to do everything possible to prevent these horrors from happening again. But you and I know that if peace is to endure, there must be jobs, there must be hope of economic betterment. Otherwise, men fall easy victim to the rabble-rouser, to the quack with a dangerous nostrum.

It is much the same with nations as with men. In either case, scuffling, pushing and shoving soon lead to blows. And when blows are struck in a crowd, there is likely to be work for the police riot squad.

- 9 -

There was no riot squad on duty to prevent World War II. There were no rules of the game to prevent pushing and shoving; and the economic scuffling of the 1930's developed the gangsters who finally discarded their economic blackjacks and brass knuckles in favor of the tanks and bombs that bathed Europe, and most of the world, in blood.

International monetary and financial problems have been a source of conflict for a generation. We must see that after this war they do not become the basis for new conflicts. That will be possible if international trade and investment are put on a business rather than a political basis. In my opinion, the Bretton Woods proposals give us the opportunity to decide whether international trade and investment will be carried on through private enterprise ^{on the basis of fair currency practices} ~~on the basis of fair currency practices~~ or through ~~bilateral agreements between governments~~ ^{on the basis of bilateral agreements}.

International cooperation is a continuing and difficult task. But we are making progress. The overall

- 10 -

317

job of building a world security organization is being worked out at San Francisco. Despite the obstacles to final agreement, the Conference nevertheless moves on. It will succeed because the people of all countries insist that it must succeed.

~~Meanwhile, the United Nations are ready to go ahead~~
~~on the Bretton Woods proposals.~~ ^{as Bretton Woods} The fact that we were
^{representative of} able to ^{propose for} get 44 nations to agree on a monetary and financial program is evidence that with care, patience and understanding, we can get agreement on all international problems.

The people of this country have shown that they are eager to have our Government take the leadership in dealing with international economic and political problems. There is no difference of opinion among Americans, no partisan division in Congress on this policy. Action by this Committee approving the Bretton Woods Agreements will be an inspiration to war-weary and hungry people everywhere, to people who have faith that the United Nations can and will work together to bring about a better world.

12"

12 JUN 1945

(Typed) February 9, 1945

My dear Admiral Taffinder:

During your tour of duty as its Commandant, the Thirteenth Naval District established an enviable record in the Navy War Bond Program. Your recent assignment as Commander, Service Force, Atlantic Fleet insures the continued sound growth and expansion of the Bond Allotment Plan among Atlantic Fleet personnel.

Your keen appreciation of the significance of War Bonds as an ideal medium whereby individuals can accumulate savings to assure their future financial well-being has been of vital aid to the success of the Navy Bond Savings Program.

In recognition of the able leadership and wholehearted support which you have given to the Program, this citation is presented to you. With it go my warm thanks and sincere appreciation.

Sincerely,

(Signed) H. Morgenthau, Jr.

Vice Admiral Taffinder, USN
Commander Service Force, Atlantic Fleet
c/o PPO, Norfolk, Virginia

CJG:JMS:rs

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 12 June 1945

TO Secretary Morgenthau

FROM Charles S. Bell

Herewith is a chronological sheet showing data abstracted from the personnel file of Lawrence Lesser.

I have always been impressed with Lesser's high degree of intelligence and on one occasion suggested to Harry White that he might use Lesser as top man in Germany before it was decided to send Orvis Schmidt.

I think he would be good in almost any post where a bit of law and financial economics are involved.

LAWRENCE E. LESSERChief Counsel, Office of Surplus Property, Commerce Department, P-8, \$8,000

Age: 38 Married Legal Residence: New York
Education: A.B. Yale, 1928; LL.B. Harvard, 1931

Treasury Experience:

		Salary
5 Feb. 1942	Appointed Head Attorney, P-7	\$6,500
18 May 1944	Transferred to War Refugee Board as Assistant Executive Director, P-7	7,500
1 Feb. 1945	Appointed Chief Counsel, Procurement Division, P-8	8,000
1 May 1945	Transferred to Commerce Department with Office of Surplus Property, P-8	8,000

Other Experience:

17 June 1937 to	Attorney, Securities and Exchange Commission	4,600 to 6,000
4 Feb. 1942		
1934 to 1937	Special Deputy Assistant to District Attorney, New York County	4,000 to 5,000
1932 to 1934	Associate Lawyer, House, Holthusen & McCloskey, New York	2,700
1931 to 1932	Legal Assistant, Joint Legislative Center to Investigate the Affairs of the City of New York	2,160
June to Oct. 1930	Law Clerk, Comert Brothers, New York	960

A favorable character investigation was submitted in 1942.

Abstracted
12 June 1945

229 a
12 June 1945Secretary Morgenthau
Charles S. Bell

Herewith is a chronological sheet showing data abstracted from the personnel file of Lawrence Lesser.

I have always been impressed with Lesser's high degree of intelligence and on one occasion suggested to Harry White that he might use Lesser as top man in Germany before it was decided to send Orris Schmidt.

I think he would be good in almost any post where a bit of law and financial economics are involved.

CSB:je

220 b
LAWRENCE S. LESSERChief Counsel, Office of Surplus Property, Commerce Department, P-8, \$8,000

Age: 38 Married Legal Residence: New York
Education: A.B. Yale, 1928; LL.B. Harvard, 1931

Treasury Experience:

		<u>Salary</u>
5 Feb. 1942	Appointed Head Attorney, P-7	\$6,500
18 May 1944	Transferred to War Refugee Board as Assistant Executive Director, P-7	7,500
1 Feb. 1945	Appointed Chief Counsel, Procurement Division, P-8	8,000
1 May 1945	Transferred to Commerce Department with Office of Surplus Property, P-8	8,000

Other Experience:

17 June 1937 to 4 Feb. 1942	Attorney, Securities and Exchange Commission	4,600 to 6,000
1934 to 1937	Special Deputy Assistant to District Attorney, New York County	4,000 to 5,000
1932 to 1934	Associate Lawyer, House, Holthausen & McGloskey, New York	2,700
1931 to 1932	Legal Assistant, Joint Legislative Center to Investigate the Affairs of the City of New York	2,160
June to Oct. 1930	Law Clerk, Coudert Brothers, New York	960

A favorable character investigation was submitted in 1942.

Abstracted
12 June 1945

12"

12 JUN 1945

(Typed) February 9, 1945

My dear Admiral Kelly:

During your tour of duty as Commandant of the Navy Yard, New York, that activity led all Navy Yards in Cash War Bond sales during the Treasury War Loan Campaigns. In addition, civilian workers of the Yard were among the leaders in participation in the Payroll Savings Plan.

In your new assignment as its Commandant, the Third Naval District led all Districts in the Treasury Sixth War Loan Campaign and the Navy Pearl Harbor Day "Extra" Cash sale.

These consistently high records evidence the fine leadership and wholehearted support which you have given to the Navy War Bond Program. They are also evidence of your appreciation of the significance of War Bonds to the Government in financing current War needs and to the individual in financially preparing himself for the readjustments and opportunities of the future.

This citation is presented to you in recognition of your distinguished leadership and your zealous interest in the program. My thanks, and those of the Treasury Department, are extended to you.

Sincerely,

(Signed) H. Morgenthau, Jr.

Hear Admiral Monroe Kelly, USN
Commandant, Third Naval District
90 Church Street
New York, New York

CJL:JSH:rs

12 JUN 1945

(Typed) February 9, 1945

My dear Admiral Jacobs:

The wise guidance and support which you, as Chief of Naval Personnel, have given in formulating the policies of the Navy War Bond Program, have played a significant part in the splendid success of the program.

Your recognition of the importance of systematic savings to the present and future welfare of Navy personnel and your further recognition of the fact that the War Bond allotment plan affords Navy personnel an ideal medium for voluntarily investing in future individual security, are of benefit to all Navy personnel.

This citation is presented to you in recognition of the able support which you have given the Navy Bond Program. My sincere thanks and deep appreciation are extended to you.

Sincerely,

(Signed) H. Morgenthau, Jr.

Vice Admiral Randall Jacobs, USN
Chief of Naval Personnel
Room 3073, Arlington Annex
Arlington, Virginia

CJL:JSH:rs

223 ✓
(Typed) February 9, 1945

12 JUN 1945

My dear Admiral Munroe:

Wherever you have been in Command, the Navy War Bond record has been a distinguished one. This has been true of the Naval Districts of which you were Commandant.

You were among the foremost to recognize the vital part which the War Bond Program plays in financing the current war needs of the Government, in waging the fight against inflation, and in enabling individuals to save substantial sums for their future use.

In your new duty as Commander, Fourth Fleet, I know that you will continue your effective support of the Navy War Bond Program.

This citation is presented to you in recognition of your able leadership and wholehearted cooperation. Sincere appreciation and warm thanks are extended to you on behalf of the Treasury.

Sincerely,

(Signed) H. Morgenthau, Jr.

Vice Admiral W. R. Munroe, USN
Commander, Fourth Fleet
FPO, New York, New York

CJE:JHM:rs

224 ✓
12 JUN 1945
(Typed) February 9, 1945

My dear Admiral Bellinger:

Highlighting the distinguished Navy War Bond program is the record of the Air activities.

As Commander, Air Force, Atlantic Fleet you were one of the first, and continue to be one of the staunchest supporters of the Bond program. Your early recognition of the importance of systematic savings through War Bond purchases to the morale and future financial security of the personnel in your command has been a most influential factor in the growth of the Navy War Bond Savings Program.

This citation is presented to you in recognition of the continued leadership and personal interest which you have given the Navy Bond program. I extend heartfelt appreciation to you.

Sincerely,

(Signed) H. Morgenthau, Jr.

Vice Admiral F. H. L. Bellinger, USN
Commander Air Force, Atlantic Fleet
Fleet Post Office
New York, New York

CJE:JHM:rs

12 JUN 1945

(Typed) February 9, 1945

My dear Admiral Stark:

Leadership in its true sense must be all-embracing.

That you have given such leadership to the Naval Forces in Europe is evidenced not only by the unexcelled combat record established by the units in your command, but by the splendid results obtained in the Navy War Bond Program.

Your warm interest in the present physical and moral well-being of European Fleet Personnel is equalled by your interest in their future financial well-being.

This citation is presented to you in recognition of your wholehearted support of the Navy War Bond Program. I extend warm personal thanks and appreciation.

Sincerely,

(Signed) H. Morgenthau

Admiral H. R. Stark, USN
Commander U. S. Naval Forces in Europe
Fleet Post Office, New York

CJS:JWH:rs

12 JUN 1945

(Typed) February 9, 1945

My dear Admiral Calhoun:

From the inception of the Navy War Bond Program in the Pacific Ocean areas, you have been its warm advocate and supporter.

Under you, as Commander, Service Force, Pacific Fleet, the War Bond Program was planned, organized, and put into successful operation. Through your personal interest and support, War Bond Issuing Agencies and the services of War Bond Promotional Officers were made available in the far-flung advanced bases of the Pacific.

This citation is presented to you in recognition of your wise leadership and support of the Navy War Bond Program, through which Pacific Fleet personnel are enabled to assure their future financial security. My heartfelt thanks are extended to you.

Sincerely,

(Signed) H. Morgenthau

Vice Admiral William L. Calhoun, USN
Commander Service Force, U. S. Pacific Fleet
Fleet Post Office, San Francisco, California

CJS:JWH:rs

12"

12 JUN 1945

(Typed) February 9, 1945

My dear Captain Wakefield:

Since the inception of the Navy War Bond Program, you have played a significant role in its success. You pioneered the Payroll Savings Plan in the Fourth Naval District and the Philadelphia Navy Yard. Following this you became the able Deputy to the Coordinator for War Bonds, a position which you held with distinction until your recent detachment for other important duties.

As Deputy Coordinator for War Bonds, you evidenced a keen understanding of the many phases of the Program, you exercised sound judgment in helping formulate basic policies, you used great tact and diplomacy in your dealings with other Bureaus of the Navy and with the Treasury Department, and in all respects carried out your duties with credit to yourself and the Navy.

This citation is presented to you in recognition of your distinguished services and important contributions to the Navy and the Treasury War Bond Program. I extend warm personal thanks and sincere appreciation to you.

Sincerely,

(Signed) H. Morgenthau, Jr.

Captain W. M. Wakefield, SC USNR
Officer in Charge, Finance Group
Bureau of Supplies and Accounts
Navy Department

CJE:JUN:rs

12 JUN 1945

(Typed) February 9, 1945

My dear Admiral Gygax:

The Navy War Bond Program has been fortunate in having the benefit of your sound guidance and generous support. During your tour of duty as its Commandant the Navy Yard, Norfolk, Virginia, won the Secretary of Navy's War Bond Honor Flag for outstanding achievement.

In your new assignment as Commandant of the First Naval District, I know that the Bond Program of the activities in your command will continue to expand and to climb to new levels of success.

This citation is presented to you in recognition of the wise leadership and determined support which you have given to the program. On behalf of the Treasury Department, I extend heartfelt thanks to you.

Sincerely,

(Signed) H. Morgenthau, Jr.

Rear Admiral Felix X. Gygax, USN
COMMANDANT, First Naval District
150 Causeway Street
Boston, Massachusetts

CJE:JUN:rs

12 JUN 1945

(Typed) February 9, 1945

My dear Admiral Purlong:

Since the very inception of the Navy War Bond Program, the Pearl Harbor Navy Yard has been in the forefront among all Navy activities. This leadership is typical of the record of your command in all phases of the War effort.

As Commandant of the Navy Yard, Pearl Harbor, you have been one of the most generous and personally interested supporters of the Bond Program. The outstanding records made by the personnel in your command, particularly during the Treasury War Loan Campaigns, have been an inspirational example to the entire nation. The unique position which Pearl Harbor holds in the minds and hearts of our nation gives added significance to these accomplishments.

This citation is presented to you in recognition of the continued wise and friendly direction which you have given to the Navy War Bond Program. I am particularly pleased to have this opportunity of extending thanks and warm personal regards to you.

Sincerely,

(Signed) H. Morgenthau, Jr.

Rear Admiral William R. Purlong, USN
Commandant Pearl Harbor Navy Yard
Fleet Post Office, San Francisco, California

CJH:JHM:rs

230

12 JUN 1945

(Typed) February 9, 1945

My dear Admiral James:

Under your leadership as Commandant, the Sixth Naval District and the Navy Yard, Charleston, South Carolina, have been in the forefront in the Navy War Bond Program. I am informed that the Charleston Navy Yard leads all other Yards in percentage of gross payroll pledged under the Payroll Savings Plan.

You have been among the first to recognize the importance of the War Bond Program to the War effort. The systematic purchase of War Bonds has been of vital aid to the Treasury Department in financing the current War needs of the Government. Furthermore, it is an ideal means whereby the individual can save today for the needs and opportunities of tomorrow.

In recognition of your splendid leadership and personal interest in the program, this citation is presented to you. It is accompanied by my sincere thanks and warm appreciation.

Sincerely,

(Signed) H. Morgenthau, Jr.

Rear Admiral Jules James, USN
COMMANDANT, Sixth Naval District
Fort Sumter Hotel
Charleston, South Carolina

CJH:JHM:rs

From: 7th War Loan News Desk
War Finance Division
Treasury Department
Washington 25, D. C.

#69
(6-12-45)

RELEASE FOR AMs AND PMs WEDNESDAY, JUNE 13

WASHINGTON, D.C., June 12 (or 13) — To answer some of the questions Americans are asking about the rehabilitation program for the wounded, Secretary of the Treasury Henry Morgenthau, Jr., will conduct a special broadcast Wednesday night, June 13, from 10:30 to 11:00 p.m., EDT, from the Army Air Forces Convalescent Hospital at Pawling, N. Y.

The Secretary will interview patients who are being restored to a useful civilian life through facilities whose cost is covered by the sale of war bonds. The men will relate their own experiences on the road back to rehabilitation.

Mrs. Eleanor Roosevelt, who will also visit the hospital, will deliver a special message to the nation on this program.

###

IMMEDIATE RELEASE

WASHINGTON, D.C., June — Carrying the mail on a route serving only 270 patrons, Mrs. Mary Jane Clark, rural letter carrier of Babson Park, Florida, has sold more than 200 war bonds to more than 200 persons for a total of \$26,606.25. Babson Park has a population of 691. The War Finance Committee of the Treasury Department has made Mrs. Clark the second four-star general in Florida's Blue Star Brigades of 7th War Loan bondsellers.

###

12"

232



TREASURY DEPARTMENT
FISCAL SERVICE
Washington



12 June 1945

TO THE SECRETARY:

In response to your oral request, I am sending you herewith the weekly report relating to payments to veterans.

VETERANS PAYMENTS
UNDER
G. I. BILL OF RIGHTS

	<u>Week ended 1 June 1945</u>		<u>Cumulative</u>	
	<u>Number of</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
	<u>recipients</u>			
Unemployment benefits a/	25,310	\$528,614	762,309	\$15,230,566
Self-employed.. b/	1,839	180,371	22,327	2,357,949
Students' subsistence allowances ... c/	10,349	595,513	--	602,538
Tuition and fees for students d/	1,119	137,679	--	180,056
Total	38,617	\$1,442,077	784,636	\$16,371,131

a/ \$20 a week; four weeks' allowance for each month of active service, not to exceed 52 weeks.
b/ Difference between monthly earnings and \$100.
c/ \$50 a month without dependents; \$75 with dependents.
d/ Limited to \$500 per annum.

W. B. Barrett

12"

233

12 June 1945

TO THE SECRETARY:

In response to your oral request, I am sending you herewith the weekly report relating to payments to veterans.

VETERANS PAYMENTS
UNDER
S. I. BILL OF RIGHTS

		<u>Week ended 1 June 1945</u>		<u>Cumulative</u>	
		<u>Number of</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
		<u>residents</u>			
Unemployment					
benefits	a/	25,310	\$528,614	762,309	\$15,230,588
Self-employed..	b/	1,639	180,371	22,327	2,357,949
Students'					
subsistence					
allowances ...	c/	10,349	595,513	--	602,538
Tuition and					
fees for					
students	d/	1,119	137,579	--	180,056
Total		38,617	\$1,442,077	784,636	\$18,371,131

- a/ \$20 a week; four weeks' allowance for each month of active service, not to exceed 52 weeks.
 b/ Difference between monthly earnings and \$100.
 c/ \$50 a month without dependents; \$75 with dependents.
 d/ Limited to \$500 per annum.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 12,
1945TO Secretary Morgenthau
FROM J. W. Pehle

The following is a summary of significant developments in the Surplus Property and Procurement Offices for the week ending April 28, 1945.

SURPLUS PROPERTY:

The War Food Administration accepted our invitation to assign to this office two liaison officers to work with us in matters involving surplus disposal to farmers and rural areas. It is felt that by this collaboration programs of mutual interest can be implemented more effectively and expeditiously than in the past.

Following the issuance by the Surplus Property Board of Regulation 2, establishing priorities of government agencies and state and local governments, preparatory steps were taken in connection with circularizing the agencies concerned pursuant to the provisions of the Regulation.

An additional 20,000 pairs of "as is" Army shoes were sold to a relief organization in this country for shipment to Czechoslovakia.

Approximately \$89,816 worth of clothing, shoes, and bedding was transferred to Lend-Lease for use in its relief programs.

To avoid rehandling a small quantity of outdated sensitized materials produced by various photographic manufacturers, we are negotiating with the Eastman Kodak Company for the sale of these goods, which were shipped to Eastman along with goods of their own manufacture which Eastman contracted to purchase during 1944.

- II -

After considering all aspects it has been agreed that Canadian firms requesting the Surplus Reporter may now be placed on the mailing list. However, such firms will continue to obtain the approval of the War Assets Corporation before purchasing surplus property for export to Canada. Distribution of the Reporter to Canadian firms will be centralized in the Chicago and Seattle regional offices.

In view of the proposed transfer to the Interior Department on May 1 of responsibility for surplus disposal in the territories and possessions, efforts are being made to complete pending problems in those areas in which responsibility was previously assigned to this office.

In accordance with our plan to proceed with paid advertising of construction equipment on a test basis, quarter-page advertisements of a sale to be held in the Boston region were forwarded to ten newspapers.

Assistance was given to a writer for the Washington Star in the preparation of an article discussing surplus property disposal operations for the first year period.

PROCUREMENT:

Total purchases for the week amounted to \$27,971,138.68, including \$27,500,000.00 for Lend-Lease (schedule attached) and \$471,131.68 for regular purchases.

Carloadings of Lend-Lease materials totaled 4,633 cars; and active contracts totaled 15,400.

Unusual requisitions for the week included 66,000,000 lbs. of Reinforcing Bars for France; 3,000 S. T. Butyl Alcohol for Russia and 60 each - Cranes, Gentry, with-swinging boom, electric-powered with 60 sets of spare parts, for Continental France. Of the 1800 cranes located in French Harbors before the war, only about 300 will be in

12"

336

- III -

usable condition after necessary repairs. The balance were either removed by the Germans or were destroyed in their retreat.

Unusual purchases for the week included 261,594 lbs. of Oakum for delivery to Liberated Areas; 15,000,000 gallons of Ethyl Alcohol for the Soviet Government; 1,040 lbs. of lactic acid (used for infant feeding) and 10,300 gallons cod liver oil. These products are to be used in the manufacture of medicine by the Egyptian Government for the public health; 4,188,778 lbs. of copper sulphate for UNRRA for the treatment of plant diseases in the Liberated Areas; 55,000 short tons of rock salt. The purpose of this sale is for brining fish. There is a clause in the requisition to the effect that shipping space will not be requested for this shipment in the event salt from German Mines is available; and three prefabricated steel warehouses from the Bethlehem Steel Export Corporation for erection on the Island of Guadeloupe in the French Caribbean Group, to improve the harbor facilities.

In connection with the development of a better purchasing plan for warehouse stock replenishment there was completed a tabulation of data showing the price, quantity, location of vendor and other pertinent information in connection with the last purchase made of each of 300 representative items by each of our Regional Warehouse and Supply Centers.

Initial plans were laid to absorb the War Food Administration warehouse at Chicago into our own Regional Warehouse and Supply Center at that location.

ADMINISTRATION:

In preparation for the transfer of the Office of Surplus Property to the Department of Commerce, general instructions were prepared and released to the field concerning the transfer of property with personnel. A more detailed procedure is in process and will be released as soon as the accompanying exhibits are completed.

337

- IV -

Meetings are currently being held with Public Buildings Administration in an attempt to readjust our space recommendations to fit our altered needs, both in Washington and in the field. Tentative plans are in process for the relocation of the Office of Surplus Property in the Commerce Building, possibly by June 1. When this move has been accomplished, plans are made for moving other Procurement Division employees back into the Procurement Division Building from their present location in the Sloane Building, and various other locations.

JTB

12

LEND-LEASE
TREASURY DEPARTMENT - PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF APRIL 28, 1945
(In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$5936.8 (5936.7)	\$2369.6 (2361.8)	\$2466.3 (2450.1)	\$135.4 (135.4)	\$18.9 (18.9)	\$946.8 (941.5)
Requisitions in Purchase	\$ 164.1 (163.0)	\$ 25.4 (24.4)	\$ 15.2 (13.6)	\$ 2.4 (2.4)	-	\$121.1 (122.8)
Requisitions not Cleared by W.F.B.	\$ 82.4 (87.9)	\$ 17.7 (20.9)	\$ 25.2 (27.1)	\$ 1.1 (1.1)	-	\$ 38.4 (38.8)
Obligations (Purchases)	\$4912.1 (4864.6)	\$2127.7 (2122.1)	\$2173.7 (2166.5)	\$115.1 (114.9)	\$18.1 (18.1)	\$477.5 (473.0)
Deliveries to Foreign Governments at U. S. Ports*	\$3830.9 (3804.4)	\$1925.4 (1918.8)	\$1667.2 (1652.9)	\$ 30.4 (30.4)	-	\$207.9 (207.9)

*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of April 21, 1945

12"

239

June 12, 1945
5 p.m.

RESTRICTED

AKOONASST.
CHUNGKING.

900

Hays Organization has informed Dept US distributors willing accept Finance Minister's 10 percent remittance proposition at 20 to one exchange rate (URTEL 777, May 14) if effective immediately and you think impossible to obtain higher percentage.

Hays requests your contd cooperation for better conditions and asks also that negotiations with Govt re foregoing not (repeat not) be notified to US film managers Chungking.

GHEW
(ACTING)
(GHC)

WD:GHCantylaf 6/9/45 CA

eficopy
6-15-45

12"

240

PARAPHRASE OF TELERAM RECEIVED

FROM: American Embassy, Chungking via Navy
 TO: Secretary of State, Washington
 DATED: June 12, 1945
 NUMBER: 969

CONFIDENTIAL

PRIORITY.

The Minister of Finance gave information directly to the effect that the decision to raise price of gold to cn dollars 50,000 per liang (on 32nd of a kilogram) was reached on the evening of the 7th of June in his discussion with the Generalissimo. Early next morning instructions were sent out to the banks. There has been no scandal as far as we can determine and the Minister declares there will be no scandal.

The price for gold deposits had been cn dollars 35,000 per liang until the morning of the 8th of June. This rate had been in effect from 30th of March. The amount of Chinese currency required as deposit against delivery of gold after six months is represented by this price. On May 28 the government banks ordered sales of gold for delivery when available discontinued.

The price of cn dollars 50,000 was arrived at through rough calculation of the current worth, at present interest rates, of a right to receive one liang of gold six months hence, the current black market price of gold for spot delivery being taken
at approximately

241

-2-

at approximately cn dollars 100,000, according to the Minister of Finance. Black market gold price rose from cn dollars 90,000 per liang on the 7th of June to a high on the afternoon of the 8th of June of cn dollars 128,000/ as reported in commercial daily news. At Chungking gold transactions on black market varied from cn dollars 105,000 to cn dollars 111,800 on the 9th of June.

HURLEY

DC/L:HEED:CVT
 6-12-45

June 13, 1945
9:46 A. M.

HMJr: Hello.

Mr. Jean Monnet: Hello, good morning.

HMJr: Good morning.

M: Monnet speaking.

HMJr: Right.

M: You tried to get me last night?

HMJr: Yes. Let me tell you what happened. I forget what time it was, but it was around eight o'clock, Mr. Grew called me, and I'll repeat my conversation with him.

M: Yes.

HMJr: He said he tried to get the French Ambassador. He tried to get the Counselor, he tried to get the First Secretary, and he finally got a stenographer.

M: Yes.

HMJr: And he asked them where was this document. And then he said it turned out that the messenger had delivered the document directly to the White House, and had never delivered it to the State Department.

M: Well, last night after I spoke to you, Monnet called me and he said that he had found out - whether it was through Grew or how I don't know - but that he had found out that through some ~~person~~ the name of the President was on the envelope. The letter had been delivered at the White House.

HMJr: Yeah.

M: Now this morning there is being delivered to Mr. Grew now a copy of the invitation.

HMJr: Yeah, I thought you were going to get it there by eight o'clock.

M: Well, (Laughs) I couldn't -- eight o'clock - I talked to them last night and they said they would deliver it the first thing in the morning.

HMJr: Yeah.

M: It may be there by now for all I know, but I telephoned again and it had gone. Now whether it was there at eight or soon after, but it should be with him now.

HMJr: Yes, because I'm seeing the President at quarter to eleven and nobody knows what is in that document. I'm seeing him at quarter to eleven.

M: Would you like to have a copy of it?

HMJr: It would be very helpful.

M: Well, it will be --- what time are you leaving your office?

HMJr: 10:30.

M: Fine, then I will see to it that you get one at once.

HMJr: Be wonderful.

M: All right.

HMJr: You know I work at the Treasury.

M: (Laughs) All right.

HMJr: (Laughs) All right.

June 13, 1945 344
10:22 A. M.

HMJr: Thanks for arranging for my appointment.

Miss Roberts Barrows: You are welcome, sir. You know you had asked the President about that thing because I had asked Mr. Latta and he didn't know and I hadn't seen it.

HMJr: Yes.

B: I'd just ask him.

HMJr: Pardon?

B: You'd better ask the President.

HMJr: Well, I've got a copy of it. Haven't they got it over there yet?

B: Well, they may have, but I couldn't find out where it was. Mr. Latta didn't know, and he would be the one it would come to.

HMJr: Gee, you don't -- they say they delivered it over there Monday morning.

B: Monday morning, huh. Well, we are always having trouble with them and where they delivered and who got it.

HMJr: Who?

B: I suppose it is around and, no doubt, the President has it. If he has it there is no way we can go in and find out.

HMJr: Oh.

B: But you could ask him.

HMJr: Well, you have no copy?

B: No copy?

HMJr: You don't know whether he -- I have a copy here.

B: Oh, I imagine he has it, Mr. Secretary.

HMJr: Oh, you think he has it?

B: I think he has.

345
- 2 -

HMJr: Right. Ever so much obliged.

B: You are welcome, sir.

June 13, 1945
11:00 A. M.

246

HMJr: Hello.
Operator: Dr. Kung in New York.
HMJr: Just a moment, please.
HMJr: Hello.
Dr. Kung: Hello.
HMJr: Dr. Kung?
K: Yes.
HMJr: How are you?
K: Well, I got to New York late today, and thank you very much. How are you?
HMJr: Oh, I'm all right.
K: I understand that you are going to make a trip today, eh?
HMJr: Make a what?
K: You are going to take a trip?
HMJr: A train?
K: No, you are going to make a trip? You are going to leave Washington?
HMJr: I'm leaving Washington at lunchtime today, yes.
K: Ahuh. I'm glad to hear that your wife is better, is that correct?
HMJr: Yes.
K: And Dr. Chel reported that conversation he had with Mr. Coe and Mr. Friedman. I think they have reported to you.
HMJr: Mr. Coe has kept me posted, yes.
K: Yes. I don't want to engage you in a long telephone message because I know you are busy. I think there are several points we should clear, therefore I'm asking(?) T. V. Soong and Dr. Chel to make a trip tomorrow.

- 2 -

247

HMJr: Yes.
K: To make a trip to Washington and to get in touch with Dr. White and Mr. Coe and anybody you name.
HMJr: Well, it would be Mr. White and Mr. Coe.
K: Yes. The only thing I want to remind you is that we don't want to give any wrong impression. This is a time when both America and China are cooperating in fighting a common war against Japan. We appreciate the past assistance you have rendered to China. Now the Army, UNRRA and FEA - everybody is trying to help China and you - the Treasury -
HMJr: Yeah.
K: We want you to get the credit, and we don't want anybody trying to sponge. And that is why I am a little concerned.
HMJr: Well, listen, Dr. Kung.
K: I don't mind -- anything you say is O. K. with me.
HMJr: Yeah. Well, I'm almost exhausted from helping China after the gold and the 4,000 trucks and 45 million yards of cotton goods.
K: Yes, I know, you have done wonderful.
HMJr: I almost used all up my influence that I have to get that for you.
K: Well, I know you have much more influence than that.
HMJr: Well, I have to rest a little bit after that.
K: (Laughs) Well, Mr. Secretary, anything you say is O. K. with me, and I suppose I ought to the three gentlemen who are coming down to Washington tomorrow have another talk with your men.
HMJr: Good.
K: Then next week, if necessary, I may see you again.

- 3 -

248

HMJr: Fine.
K: Well, all right, at lunch?
HMJr: Fine. In the meantime, take care of yourself
but don't go to any more of these vegetarian
hospitals.
K: All right. Thank you.
HMJr: All right.
K: How is Mrs. Morgenthau?
HMJr: She is getting along nicely, thank you.
K: Well, I'm glad to hear that.
HMJr: Right.
K: Well, good bye.
HMJr: Bye.
K: Have a good trip.
HMJr: Thank you.

White, Luxford and O'Connell have
read.

June 13, 1945
11:07 A. M.

250

Mr. Leslie
Biffle:

Good morning, Mr. Secretary.

HMJr:

How are you?

B:

Fine, thank you.

HMJr:

Look, Mr. Biffle, one fellow that I don't
know where he stands is Senator Bankhead.

B:

Bankhead?

HMJr:

Yeah.

B:

I'll find out.

HMJr:

Would you find out?

B:

I'll be glad to. He is going home in a day
or two.

HMJr:

Pardon?

B:

He's leaving the city either today or tomorrow.

HMJr:

Yeah, you see all of the exporters are for this
thing and importers, but, of course, you know
Bankhead is just interested in one thing and
that is a higher price for cotton.

B:

That's true. (Laughs)

HMJr:

And where he stands on this, I don't know.
I'm out of town but I call up every day, and
if you have a message for me you tell my
operator you want to talk to me.

B:

All right, Mr. Secretary, I'll find out about
this.

HMJr:

And the other thing, yesterday at the hearing
the Senator from Arkansas, Senator Fulbright,
he kind of acted like a colt - he was kind of
playful and kidding me and one thing and another,
you know. Hello?

B:

Yes, sir.

HMJr:

And you might have a little talk with him if
you see him.

- 2 -

251

B: All right, well....

HMJr: Because he was talking about the Argentine, and scrap iron to Japan, and he brought in everything but the democratic ghost. Hello?

B: Yes, sir, I'll get busy on him.

HMJr: He could be very useful if he would settle down and become a real horse on this thing.

B: Well, I'll have him in here today and talk to him because, as you suggest, he can be very useful.

HMJr: Yeah, well, he was kicking up his heels like a young colt. I told him - I said, off the record I don't mind having my leg pulled, but I don't think it does much good. I said that publicly up there at the committee.

B: Oh, yes, well, I'll have him in here today.

HMJr: He's very friendly, but he was just having a good time at my expense which is all right. But I don't think he helped the hearing any.

B: Well, I'll have him here today and talk to him and let you hear from me later today or tomorrow morning.

HMJr: O. K.

B: Bye.

HMJr: Thank you.

252 -
June 13, 1945
11:34 A. M.

HMJr: Hello.

Mr. Joseph Grew: Hello, good morning.

HMJr: You just caught me with my hat on - I'm on my way to the White House.

G: Oh, I'm sorry. I just wanted to tell you that elusive document has just this minute come to my hands by the French Ambassador. Now, you have it, have you?

HMJr: I have a copy of it.

G: O. K. I just wanted to tell you...

HMJr: Have you got the original?

G: I have a copy of it given me by the French Ambassador. The original went to the White House.

HMJr: I see. Well, all I can say is (Laughs) I hope not all of their stuff is handled that way.

G: Well, fortunately not. Their messengers apparently got tangled up. The Ambassador told me how it happened. All right, I just wanted you to know that.

HMJr: Well, I appreciate the courtesy of your calling me.

G: Well, I did the best I could on it. (laughs)

HMJr: Well, thank you so much.

G: All right, good bye.

253
June 13, 1945
11:39 A. M.

HMJr: Hello.
Operator: Senator Fulbright.
HMJr: Hello.
Senator Fulbright: Hello.
HMJr: Morgenthau speaking.
F: Goodmorning. How are you?
HMJr: I just wanted to say I enjoyed the exchange of wits with you yesterday, although I don't know whether I was up to it.
F: (laughs)
HMJr: But I hope that we can count on you when the going gets heavy.
F: On this Bretton Woods?
HMJr: Yeah.
F: Oh, certainly.
HMJr: Good. I just didn't know what you were trying to do - whether it was pull my leg, as I said.
F: Well, no, I wasn't in the beginning, what I did have to say, of course, didn't relate directly to Bretton Woods, it is the overall coordination of our whole foreign policy. That's what I had in mind.
HMJr: Well, I was wholly in sympathy worried with you, but I was a little bit embarrassed.
F: Well, you see my point is that this - because this is an essential part - and it is only a part of the overall policy, and I think it should be related directly to our political policy, and that the two should work closely together.
HMJr: You know there is an advisory committee to the Bretton Woods people.

- 2 -
254
F: Yes.
HMJr: In the legislation.
F: Well, I know there is that position, of course, in Bretton Woods that they should consult with and work under or with an international organization. I only saw your statement there that seemed to imply that we are going to do this now without any regard to politics.
HMJr: Well....
F: Of course, you know we politicians are a little bit sensitive about everybody wanting to exclude politics as if it is something illegal.
HMJr: Yes, now, well there's politics and politics.
F: That's right. Well, I try to use...
HMJr: What I couldn't say was-I was trying to get over -- that at Bretton Woods we've really taken the little nations into camp.
F: Yeah.
HMJr: And I was afraid you would have me on the spot comparing what we had done there and what they are doing at San Francisco.
F: Yes.
HMJr: And I was scared of that.
F: I see. Yes, of course, on there - taking the whole picture - it seems to me, while I wouldn't want to say it in public and I don't think we should - I think we should evidence the greatest friendship to all of the collective nations - on the other hand I think we should be conscious of the underlying struggle between the two and treat that in a friendly way, but be conscious of it.
HMJr: Well, we are conscious of it.
F: I think it is our policy and, I think the Congress is to blame a great deal-it's been the opposite, that we are inclined to assist them in a material way and belabor them in public. I think we ought to be most friendly in public and be careful of our interests in private.

- 3 -

HMJr: Well, as I say, I was afraid the first thing I know, I'd be ending up possibly criticizing San Francisco, and that was what I was worried.

F: Oh, I see.

HMJr: See?

F: Well, I didn't want to do that. I just - as a matter of fact, it was just a hunch there from one of those remarks about politics being excluded, and actually we know we do have to deal with politics all the time, and the only solution is that we have better politics.

HMJr: Now, the other thing is - we need real help from you because some of the members senior to you, a little bit on the oldish side,...

F: Yeah.

HMJr: So if you will interest yourself in this, particularly when we get on the floor, I would appreciate it very much.

F: Well, I certainly expect to do it if I am able to do it.

HMJr: Well, I know you are.

F: I feel considerable inadequacy with regard to - especially the technical side of it.

HMJr: Well, our people are available anytime you want to spend an evening with them.

F: I - right now - Dean Acheson is in there - of course, the trouble is the bickering that goes on makes it difficult to get much advantage out of his testimony. I mean not through his fault, through the fault of the committee.

HMJr: Is he having heavy going now?

F: Oh, yes, with the same person though.

HMJr: Oh, with the same person?

F: Oh, yes, he's just holding the thing up.

HMJr: I got off easy yesterday.

- 4 -

F: Yes, you did.

HMJr: Well, the whole purpose is that we do need help, and I would like to feel we can count on you particularly when we get on the floor.

F: Well, I expect to do my bit - all I'm able to do.

HMJr: Well, thank you so much.

F: Thank you very much.

JOHN H. FOLGER
870 EIGHTH
NORTH CAROLINA

WILFRED W. THOMPSON
SECRETARY

Congress of the United States

House of Representatives

Washington, D. C.

June 13, 1945

257 ✓
COMMITTEE
BANKING AND CURRENCY

PERSONAL

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

My dear Mr. Morgenthau:

I have been so engrossed in the CPA Extension Bill that I have not had time or opportunity to keep up with my correspondence. I acknowledge receipt of your very kind letter of June 8 expressing your appreciation of my efforts in connection with the Bretton Woods proposal.

I shall keep your letter as a memory. I feel, however, that the thanks and congratulations are to be extended to you and your splendid staff for the very efficient handling of the subject which made it possible for us to come through with a successful result. Withal, I am very proud of the accomplishment.

With all good wishes,

Sincerely yours,

John H. Folger

JHF/s

258

June 13, 1945

Dear Nathan:

I was very pleased to receive your letter of June 11th enclosing a copy of the broadcast, "Halls of Congress." This is an excellent broadcast, and I compliment you on its production.

Elinor is getting along fine, and we are planning to move to the country on or about the 1st of July.

With affectionate regards to Helen and yourself,

Sincerely yours,

(Signed) Henry

Mr. Nathan Straus,
WMCA,
1657 Broadway,
New York 19, New York.

259

June 13, 1945

Dear Nathan:

I was very pleased to receive your letter of June 11th enclosing a copy of the broadcast, "Halls of Congress." This is an excellent broadcast, and I compliment you on its production.

Elinor is getting along fine, and we are planning to move to the country on or about the 1st of July.

With affectionate regards to Helen and yourself,

Sincerely yours,

(Signed) Henry

Mr. Nathan Straus,
WMCA,
1657 Broadway,
New York 19, New York.

12"

200

June 13, 1945

Dear Nathan:

I was very pleased to receive your letter of June 11th enclosing a copy of the broadcast, "Halls of Congress." This is an excellent broadcast, and I compliment you on its production.

Elinor is getting along fine, and we are planning to move to the country on or about the 1st of July.

With affectionate regards to Helen and yourself,

Sincerely yours,

(Signed) Nathan

Mr. Nathan Straus,
WMCA,
1657 Broadway,
New York 19, New York.

201

wmca
INCORPORATED*America's Leading Independent Station*

WMCA BUILDING, 1647 BROADWAY, NEW YORK 19, N.Y. CIRCLE 8-1000

NATHAN STRAUS
President

June 11, 1945

Dear Henry:

Hearty congratulations on the passage of the Bretton Woods Agreement by the House. You ought to be very proud of your successful leadership in this difficult and, at the outset, seemingly hopeless fight.

I am enclosing a copy of our "Halls of Congress" broadcast which concerns itself generally only with Congressional debate. However, we thought that your statement, hailing the passage of the bill through the House, was of unique importance and therefore, as you will note, it is the high light of the broadcast.

I hope Eli is getting along. I have not heard any news for the last few days.

Helen joins in love to both.

As ever,

Nathan Straus

Hon. Henry Morgenthau, Jr.
2029 Connecticut Avenue, N. W.
Washington, D. C.

12"

HALLS OF CONGRESS
HARMAN WATCH CO.

262
SUNDAY, JUNE 10, 1945
3:30-4:00 P.M.

OPENING

ANNR: (COLD) IT IS NOW 3:30....HARMAN WATCH TIME.

SOUND: VOICES UP....GAVEL BANGS TWICE....VOICE CONTINUE IN B.G.

VOICE 1: MR. SPEAKER, I ASK UNANIMOUS CONSENT.

VOICE 2: THE GENTLEMAN IS NOT IN ORDER..

SOUND: GAVEL.....

VOICE 1: MR. SPEAKER! MR. SPEAKER!

SOUND: GAVEL

VOICE 1: WILL THE GENTLEMAN YIELD?

SOUND: (GAVEL - AND VOICES FADE OUT)

ANNR: THE HALLS OF CONGRESS! PRESENTED BY HARMAN WATCH COMPANY....
 EVERY TIME PIECE A MASTERPIECE!

MUSIC: THEME UP AND UNDER

ANNR: EACH WEEK AT THIS TIME, HARMAN WATCH COMPANY FAMOUS FOR
 ACCURATE TIME-KEEPING FOR OVER A QUARTER OF A CENTURY TAKES
 ITS LISTENERS TO A FRONT ROW SEAT IN THE GALLERIES OF THE
 HALLS OF CONGRESS, AS DRAMATIC MOMENTS OF THE PAST
 WEEK OF CONGRESSIONAL DEBATE ARE RE-ENACTED, THUS PROVIDING
 FOR YOU A LIVING PICTURE OF YOUR CONGRESS IN ACTION...
 THIS WEEK YOU WILL HEAR.....

- 2 -

VOICE: HOW CAN BRETTON WOODS EFFECT YOUR FUTURE.

MUSIC: CHORD

VOICE: AND....WHAT IS THE FUTURE OF THE F.R.P.C.

ANNR: ALL THE DIALOGUE IS TAKEN DIRECTLY FROM THE CONGRESSIONAL
 RECORD AS HARMAN WATCH COMPANY BRINGS YOU....THE HALLS
 OF CONGRESS.

MUSIC: THEME PLAY OFF

264
HALLS OF CONGRESS (BRETTON WOODS)

- 1 -

NAR: A LITTLE OVER A YEAR AGO, AT BRETTON WOODS, NEW HAMPSHIRE, REPRESENTATIVES OF THE UNITED NATIONS MET TO EVOLVE A PLAN TO MAKE A REALITY OF INTERNATIONAL ECONOMIC COOPERATION. THE RESULT OF THE MEETING, KNOWN AS THE BRETTON WOODS PROPOSALS, PROVIDED THAT MEMBER NATIONS SUBSCRIBE TO TWO FUNDS FROM WHICH THEY MIGHT LATER BORROW AT LOW INTEREST RATES. THE PURPOSE OF THE FIRST--THE INTERNATIONAL MONETARY FUND, IS, PRIMARILY, THE STABILIZATION OF WORLD CURRENCIES. THE PURPOSE OF THE SECOND, THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, IS TO ASSIST NATIONS IN REBUILDING DEVASTATED AREAS AND TO RECONSTRUCT THEIR ECONOMY. FOR THE UNITED STATES, AS WELL AS FOR ALL THE SUBSCRIBING NATIONS, PARTICIPATION MEANS EXPANSION OF INTERNATIONAL TRADE, A SMOOTH TRANSITION FROM A WAR-TIME TO A PEACETIME ECONOMY, AND THE END OF CURRENCY DIFFERENCES THAT FREQUENTLY MEAN PRICE WARS AND DISRUPTION OF WORLD ECONOMIES. THE LATE PRESIDENT ROOSEVELT SAID OF THE BILL...

VOICE 1: INTERNATIONAL POLITICAL RELATIONS WILL BE FRIENDLY AND CONSTRUCTIVE ONLY IF SOLUTIONS ARE FOUND TO THE DIFFICULT ECONOMIC PROBLEMS WE FACE TODAY. THE CORNERSTONE FOR INTERNATIONAL ECONOMIC COOPERATION IS THE BRETTON WOODS PROPOSALS.

NAR: AND ON TUESDAY OF THIS WEEK, PRESIDENT TRUMAN, IN A LETTER ADDRESSED TO THE CHAIRMAN OF THE HOUSE COMMITTEE ON BANKING AND CURRENCY WROTE:

- 2 -

VOICE 2: "THE PROMPT ENACTMENT OF THE BRETTON WOODS LEGISLATION IS OF PARAMOUNT IMPORTANCE IN THE ESTABLISHMENT OF A SOUND ECONOMIC FOUNDATION FOR LASTING PEACE."

NAR: IT WAS ON TUESDAY THAT THE LONG AWAITED DEBATE ON THE BRETTON WOODS AGREEMENTS ACT BEGAN. REPRESENTATIVE SABATH, DEMOCRAT FROM ILLINOIS, SPEAKING FOR THE PROPONENTS OF THE BILL STATED:

SABATH: THE PRINCIPLE UPON WHICH THIS BILL HAS BEEN DRAWN WAS AGREED TO BY 44 NATIONS. I KNOW THAT SOME GENTLEMEN WILL CLAIM THAT THEY DO NOT KNOW WHETHER OUR SHARE OF CONTRIBUTIONS IS NOT GREATER THAN THAT OF SOME OTHER NATIONS, BUT, AS I UNDERSTAND, THE AGREEMENT WAS REACHED THAT THE CONTRIBUTIONS AND ADVANCES SHOULD BE MADE IN ACCORDANCE WITH THE WEALTH OF EACH NATION.

SOUND: (MURMUR OF VOICES)

SABATH: MR. SPEAKER, AT THIS POINT, I DESIRE TO INSERT SOME EXCERPTS FROM AN APPEAL BY THE UNION OF DEMOCRATIC ACTION, A NATIONAL ORGANIZATION WITH HEADQUARTERS IN NEW YORK, AS FOLLOWS: HERE IS THE SIMPLE A B C OF BRETTON WOODS...QUESTION: WHAT IS THE BRETTON WOODS PLAN? ANSWER: IT IS A PLAN AGREED UPON BY 200 FINANCIAL EXPERTS REPRESENTING 44 NATIONS TO AID IN POST-WAR RECONSTRUCTION AND TO STABILIZE CURRENCIES FOR INTERNATIONAL TRADE....QUESTION: WHY SHOULD WE CARE ABOUT OTHER COUNTRIES AFTER THE WAR?...ANSWER: IF THE ECONOMIC FABRIC OF EUROPE FALLS APART, CHAOS AND WORLD WAR 3 WILL ENVELOPE US ALL. MORE IMMEDIATELY, WE NEED A MARKET FOR OUR PRODUCTS IF WE ARE TO AVOID UNEMPLOYMENT AND DEPRESSION AT HOME...(CONT.)

- 3 -

SABATH: QUESTION: HOW DOES THE PLAN OPERATE? ANSWER: THROUGH A WORLD BANK AND A MONETARY FUND. THE BANK WILL HAVE A CAPITAL OF 9 BILLION ONE HUNDRED MILLION DOLLARS, TO WHICH EVERY NATION CONTRIBUTES IN PROPORTION TO ITS WEALTH. OUR SHARE IS 3 BILLION 175 MILLION DOLLARS. VOTING POWER AND CONTROL CORRESPOND TO CONTRIBUTIONS. THE BANK WILL APPROVE AND GUARANTEE LOANS FOR RECONSTRUCTION AND DEVELOPMENT OF COUNTRIES RUINED BY THE WAR...THE FUND IS AN INTERNATIONAL STABILIZATION POOL OF 8 BILLION 8 HUNDRED MILLION DOLLARS, TO WHICH WE CONTRIBUTE 2 BILLION 750 MILLION DOLLARS. THE FUND IS A NEW APPROACH TOWARD CONTROLLING THE EVILS OF CURRENCY MANIPULATION, SPECULATIVE TRADING, IN CURRENCIES, AND ECONOMIC WAR-FARE WHICH IS THE DREAD PRECURSOR OF SHOOTING WARFARE.

SOUND: (VOICES.....UP AND FADE AS HE RESUMES)

SABATH: MR. SPEAKER, THIS MAY NOT BE A PERFECT BILL. NO LEGISLATION OR TREATIES ARE PERFECT, AND THERE CANNOT POSSIBLY BE EMBODIED IN THEM EVERY CONCEIVABLE PROVISION TO COVER ALL SITUATIONS IN ANTICIPATION OF FUTURE HAPPENINGS...I AM AWARE THAT SOME OUTSTANDING BANKERS AND THE BANKERS "BUND" ARE OPPOSED TO THIS LEGISLATION BECAUSE IT WILL PREVENT THEIR MANIPULATION OF FOREIGN CURRENCY AS THEY HAVE EXERCISED IT IN THE PAST....AGAIN, MOST OF THE ISOLATIONISTS FIND FAULT WITH RUSSIA'S CONTRIBUTION TO THE FUND AS NOT BEING AS GREAT AS OURS OR THAT SHE WILL DERIVE CERTAIN ADVANTAGES. (CONT.)

- 4 -

SABATH: THESE STATEMENTS ARE UNJUSTIFIABLE AND UNWARRANTED AND ARE MADE ON THE PART OF ISOLATIONIST GROUPS, AND SOME GENTLEMEN FOR THE PURPOSE OF CREATING FRICTION BETWEEN OUR COUNTRY AND RUSSIA.....SURELY WE HAVE AIDED RUSSIA, BUT NO ONE CAN DENY THAT WITHOUT RUSSIA IT WOULD HAVE REQUIRED THE LIVES OF ONE MILLION OF OUR BOYS TO BRING ABOUT THE DEFEAT OF HITLER... WE SHOULD SEEK TO OBTAIN THE COOPERATION OF RUSSIA WHICH IS IN A BETTER AND STRONGER POSITION TO AID US THAN GREAT BRITAIN.....I FEEL THAT WE SHOULD DESIST IN UNNECESSARY ATTACKS AND CRITICISMS OF PEOPLES OF OTHER COUNTRIES AND SEEK TO RETAIN THE FRIENDSHIP AND GOOD WILL OF ALL....

SOUND: (VOICES...HOLD THROUGH NAR.)

NAR: MISS JESSIE SUMNER, REPUBLICAN, AND REPRESENTATIVE FROM ILLINOIS, OPPOSED TO THE BRETTON WOODS AGREEMENTS, OBTAINED THE FLOOR.

SUMNER: THIS BILL RAISES THE QUESTION; WHO LOST THIS WAR? THE AMERICAN PEOPLE?...IT IS OF COURSE, THE WORST SWINDLE IN WORLD HISTORY...WITH ALL DUE RESPECT TO THE AMATEUR DIPLOMATS WHO WENT TO BRETTON WOODS FROM CONGRESS, IT SEEMS TO ME THEY WERE BABES LOST IN THE BRETTON WOODS...MAYBE IT IS OLD-FASHIONED TO THINK SO, BUT AFTER THAT EXPERIENCE I THINK THAT WHEN IT COMES TO CONFERENCES, A MAN'S BEST PLACE WHEN HE IS A CONGRESSMAN IS IN THE HOUSE....THE BEST QUALIFIED EXPERTS IN THE UNITED STATES HAVE WARNED YOU THAT THE BRETTON WOODS AGREEMENTS ARE SO CLUTTERED UP WITH LOOPHOLES THAT THE MONETARY ORGANIZATION WOULD OPERATE TO PROMOTE AND FINANCE THE VERY SAME VICIOUS PRACTICES IT IS INTENDED OR SUPPOSED TO PREVENT. (CONT.)

268

- 5 -

SUMNER: THIS IS A SCHEME TO GET AMERICAN MONEY UNDER FALSE PRETEXTS.

SOUND: (VOICES...HOLD BRIEFLY, THEN FADE AS SHE RESUMES)

SUMNER: THERE ARE NO REAL STRINGS IN THIS DEBTOR-CONTROL ORGANIZATION. DEGAULLE'S GOVERNMENT, NOW USING AMERICAN AID IN THE WAR, COULD USE THE 450 MILLION DOLLARS WHICH THIS SCHEME GIVES HIM. WHO IS TO PREVENT RUSSIA FROM GENERATING WARS ALL OVER THE WORLD WITH THE BILLION AND A HALF DOLLARS WHICH THIS DEBTOR-CONTROL ORGANIZATION GIVES TO RUSSIA AND THE RUSSIAN PUPPET GOVERNMENTS?

SOUND: (VOICES...)

SUMNER: THIS SWINDLING, WAR-BREEDING BRETTON WOODS PROPOSAL WOULD, IN MY JUDGMENT, AND IN THE JUDGMENT OF REALLY COMPETENT PEOPLE, THE MOST COMPETENT PEOPLE IN THE UNITED STATES, THROW AWAY OUR CHANCE TO DO THE THINGS WE WANT TO DO IN THE FUTURE. THIS IS FORCING THE AMERICAN PEOPLE TO PAY TRIBUTE TO FOREIGN GOVERNMENTS. IT WILL MAKE THE AMERICAN PEOPLE THE ECONOMIC SLAVES OF FOREIGN GOVERNMENTS...MR. SPEAKER, I AM SAYING NOW WHAT MULTITUDES OF AMERICANS WILL BE SAYING IF YOU PUSH THIS THING MUCH FURTHER.

SOUND: (VOICES...HOLD THROUGH NAR.)

RICH: MR. SPEAKER, WILL THE GENTLEWOMAN YIELD?

SUMNER: I YIELD TO THE GENTLEMAN FROM PENNSYLVANIA.

NAR: REPRESENTATIVE RICH, REPUBLICAN FROM PENNSYLVANIA.

269

- 6 -

RICH: THE UNITED STATES, WITH SIX PERCENT OF THE POPULATION AND 7 PERCENT OF THE AREA OF THE WORLD IS SUPPOSED TO PAY INTO THIS BANK AND STABILIZATION FUND 25 PERCENT OF THE AMOUNT TO BE SUBSCRIBED. WHY ARE WE ASKED TO PAY THAT ENORMOUS AMOUNT AS OUR PROPORTIONATE SHARE?

SUMNER: WELL, I SUPPOSE IT IS BECAUSE OF THE KIND OF PUBLIC OFFICIALS WE HAVE, AND THAT WE SEND THEM TO THESE INTERNATIONAL CONFERENCES. WE ARE LIKE THE MAN WHO TRIED TO BE HIS LAWYER. HE HAD A POOL FOR A CLIENT....

SOUND: (VOICES...HOLD THROUGH NAR.)

SPEAKER: THE TIME OF THE GENTLEWOMAN FROM ILLINOIS HAS EXPIRED.

SOUND: (ONE GAVEL RAP)

SABATH: I YIELD TEN MINUTES TO THE GENTLEMAN FROM TEXAS.

NAR: REPRESENTATIVE PATMAN, DEMOCRAT FROM TEXAS, A PROPONANT OF THE BILL.

PATMAN: MR. SPEAKER, THIS IS THE FINEST, THE LONGEST, THE BEST STEP THAT HAS EVER BEEN ATTEMPTED BY THE CONGRESS TO SECURE PEACE IN THE WORLD IN THE FUTURE AND TO ENCOURAGE AND RESTORE INTERNATIONAL TRADE....IF WE HAD ADOPTED PROPOSALS LIKE THIS AFTER THE LAST WAR IT IS UNLIKELY THAT THIS PRESENT WAR WOULD HAVE OCCURRED.

HALLECK: MR. SPEAKER, WILL THE GENTLEMAN YIELD?

SOUND: (VOICES...HOLD THROUGH NAR.)

PATMAN: I YIELD TO THE GENTLEMAN FROM INDIANA

NAR: REPRESENTATIVE HALLECK, REPUBLICAN FROM INDIANA.

- 7 -

270

HALLECK: IF THE GENTLEMAN HAD DISCOVERED THIS, WHY DID HE NOT IMMEDIATELY AFTER 1933 PROMOTE AND ADOPT THIS POLICY?

PATMAN: SECRETARY MORGANTHAU COMMENCED IN 1934, WHICH WAS PRETTY SOON AFTER 1933 AND HE HAS BEEN WORKING ON IT EVER SINCE. YOU CANNOT QUICKLY AGREE WITH 44 GOVERNMENTS. I BELIEVE THAT HE HAS MADE JUST AS MUCH PROGRESS AS COULD HAVE BEEN MADE BY ANY SECRETARY OF THE TREASURY....I HEARD SOME REFERENCE OF CRITICISM ABOUT RUSSIA A WHILE AGO. I AM NOT GOING TO CRITICIZE RUSSIA. IT IS MY BELIEF THAT A MILLION FIGHTING MEN WILL COME BACK ACROSS THE ATLANTIC TO THE UNITED STATES AND TAKE THEIR PLACES IN THE VACANT CHAIRS IN THE HOMES OF AMERICA BECAUSE OF WHAT RUSSIA DID. SO I AM NOT JUST ABOUT TO GET INTO ANY FIGHT WITH RUSSIA IN VIEW OF WHAT SHE HAS DONE IN THE RECENT PAST, TO HELP SAVE THE WORLD, AS WELL AS HELP SAVE THE UNITED STATES.

SOUND: (VOICES...HOLD THROUGH NAR.)

OUTLAND: MR. SPEAKER, WILL THE GENTLEMAN YIELD?

PATMAN: I YIELD TO THE GENTLEMAN FROM CALIFORNIA.

NAR: REPRESENTATIVE OUTLAND, DEMOCRAT FROM CALIFORNIA.

OUTLAND: DOES NOT THE GENTLEMAN THINK THAT A GREAT DEAL OF THE CRITICISM ABOUT RUSSIA THAT IS TAKING PLACE IN THE PRESS AND OVER THE AIR AND IN CERTAIN OTHER PLACES IS DOING A GREAT DEAL OF HARM TOWARD THE BUILDING OF AN INTERNATIONAL PEACE ORGANIZATION.

PATMAN: IT CERTAINLY IS.

THOMAS: MR. SPEAKER, WILL THE GENTLEMAN YIELD?

PATMAN: I YIELD, FOR A QUESTION.

- 8 -

271

THOMAS: DOES NOT THE GENTLEMAN THINK THAT IF RUSSIA ENTERS THE WAR AGAINST JAPAN IT MAY ALSO SAVE ANOTHER MILLION MEN?

SOUND: (VOICES)

PATMAN: WE HAVE PEOPLE LOOKING AFTER THAT FOR US, AND I AM GOING TO LET THEM DO SO. I BELIEVE THEY WILL DO A BETTER JOB IF WE KEEP OURSELVES OUT OF IT....THIS IS A BILL TO REGULATE THE SELFISHNESS AND RESTRAIN GREED AMONG THE NATIONS OF THE WORLD. IT WILL PREVENT INTERNATIONAL MONOPOLY. IT WILL STOP INTERNATIONAL CHEATERS, CHISELERS, RACKETEERS, AND INTERNATIONAL DESPERADOES.

SABATH: MR. SPEAKER, WILL THE GENTLEMAN YIELD?

SOUND: (VOICES)

PATMAN: I YIELD.

NAR: (QUICKLY) REPRESENTATIVE SABATH.

SABATH: CONSEQUENTLY, THE OPPOSITION THAT WE HEAR ON THE PART OF A FEW COMES FROM THESE BANKERS WHO DID NOT GET EVERYTHING THEY DESIRED, ALTHOUGH SOME SAY THAT WE HAVE YIELDED MORE TO THEM THAN THEY WERE ENTITLED TO.

PATMAN: WE HAVE NOT YIELDED TO THE INTERNATIONAL BANKERS.

SABATH: I AM GLAD TO HEAR THAT.

SOUND: (VOICES)

PATMAN: THERE IS AN INTERNATIONAL BANKING RING WITH HEADQUARTERS IN THIS COUNTRY, THAT IS OPPOSING THIS LEGISLATION WITH ALL THEIR POWER. IN EVERY WAY POSSIBLE THEY ARE OPPOSING IT. (CONT.)

- 9 -

PATMAN: IT IS AGAINST THEIR SELFISH, GREEDY INTEREST FOR THIS BILL TO BECOME A LAW. THEY DO NOT WANT THESE AGREEMENTS. IT IS AGAINST THEIR INTERESTS. THEY ARE THE VULTURES THAT SIT AROUND WAITING FOR SOME COUNTRY TO GET INTO TROUBLE SO THAT THEY CAN HELP BAIL IT OUT AT A BIG PRICE AND TO THE DISADVANTAGE OF THE REST OF THE WORLD. THEY ARE THE ONES WHO ARE FIGHTING THIS BILL....I KNOW THE OPPONENTS OF THIS LEGISLATION POINT TO THE FACT THAT IT WILL COST THE UNITED STATES 6 BILLION DOLLARS. IT WILL NOT COST THE UNITED STATES ANYTHING BECAUSE WE ARE NOT GOING TO LOSE ANYTHING... BUT LET US SUPPOSE FOR THE SAKE OF ARGUMENT THAT WE WILL LOSE THE ENTIRE AMOUNT. HOW MUCH IS 6 BILLION DOLLARS?

SOUND: (VOICES...SLIGHTLY)

PATMAN: WE SPEND MORE THAN THAT ON THE COST OF THE WAR IN ONE MONTH. IT IS LESS THAN WE ARE SPENDING ON THE WAR IN 30 DAYS. SO CAN WE NOT AFFORD TO RISK THE EXPENDITURES OF ONE MONTH OF WAR TO MAKE IT POSSIBLE FOR US NOT TO HAVE WORLD WAR 3?

MUSIC: (TRANSITION UP AND FADE FOR)

NAR: ON WEDNESDAY THE HOUSE RESUMED DEBATE ON THE BRETTON WOODS AGREEMENTS. THE HIGH POINT OF THE SESSION WAS AN AMENDMENT PROPOSED BY REPRESENTATIVE SUMNER OF ILLINOIS, WHICH WOULD HAVE MEANT WITHHOLDING UNITED STATES BACKING FROM THE PROPOSED INTERNATIONAL MONETARY FUND, WHICH IS PLANNED TO BE USED TO STABILIZE WORLD CURRENCIES. THE EFFECT OF THIS WOULD HAVE BEEN NULLIFICATION OF OUR PARTICIPATION IN THE BRETTON WOODS PROPOSALS, SINCE A NATION MUST BELONG TO THE FUND IN ORDER TO BELONG TO THE INTERNATIONAL BANK. MISS SUMNER, IN SUPPORTING HER AMENDMENT, STATED:

- 10 -

SUMNER: I REGARD THE FUND AS A SWINDLE AND A FRAUD FOR ONE REASON OUTSTANDING ABOVE ALL OTHERS---THAT IT PROMOTES AND FINANCES THE VERY PURPOSES AND PRACTICES IT IS SUPPOSED TO CORRECT... AS A PERSON WHO HAS BEEN IN THE BANKING BUSINESS, AND STILL IS, I CANNOT CONCEIVE OF ANYBODY WANTING TO PUT HIS CAPITAL IN ANY KIND OF A SOUND BANK AND AT THE SAME TIME SET UP SOME KIND OF CORPORATION OR FUND OR MONETARY AGREEMENT, OR WHATEVER YOU MAY CALL IT, WHICH WOULD FINANCE CURRENCY DEPRECIATION, DEBT REPUDIATION, AND EXCHANGE CONTROL, AND RUIN THE CREDIT OF THE INSTITUTION LENDING THE MONEY.... THE SOUND BANK, IF IT IS SOUND. FOR THIS REASON I WOULD NOT VOTE FOR THE BANK UNLESS THE FUND WERE DELETED FROM THIS BILL.

SOUND: (VOICES...HOLD THROUGH NAR.)

NAR: REPRESENTATIVE SPENCE, DEMOCRAT FROM KENTUCKY, AND CHAIRMAN OF THE COMMITTEE ON BANKING AND CURRENCY, ROSE IN OPPOSITION TO THE SUMNER AMENDMENT.

SPENCE: THIS PROPOSED AMENDMENT IS NOT A FRONTAL ATTACK ON THE BILL, IT IS AN ATTACK FROM AMBUSH...UNDER THE AGREEMENT ONE OF THE PREREQUISITES TO JOINING THE BANK IS THAT THE COUNTRY MUST BE A MEMBER OF THE FUND; IT WAS THE MAIN OBJECTIVE OF THE CONFERENCE. IN THE AGREEMENT IT IS PROVIDED THAT IN ORDER TO BECOME A STOCKHOLDER IN THE BANK, ONE MUST BE A MEMBER OF THE FUND. IF YOU PASS THIS AMENDMENT YOU DESTROY THE AGREEMENT, YOU DESTROY ALL THE WORK WE HAVE DONE. IT IS AN EFFECT, AN AMENDMENT TO STRIKE OUT THE ENACTING CLAUSE OF THE BILL...(CONT.)

- 11 -

SPENCE: WE HAVE DEBATED THESE MATTERS IN THE COMMITTEE AND THE COMMITTEE REPORTED THIS BILL 23 TO 3. THIS AMENDMENT GOES TO THE VERY FUNDAMENTALS OF THE PROPOSALS, AND I ASK THAT IT BE VOTED DOWN.

SOUND: (VOICES...HOLD THROUGH NAR:)

BARRY: MR. SPEAKER, WILL THE GENTLEMAN YIELD?

SPENCE: I YIELD TO THE GENTLEMAN FROM NEW YORK.

NAR: REPRESENTATIVE BARRY, DEMOCRAT FROM NEW YORK.

BARRY: UNLESS WE STABILIZE WORLD CURRENCIES, WILL IT NOT BE VERY UNCERTAIN AS TO WHAT KIND OF INTEREST WE GET BACK ON THEIR BANK LOANS?

SPENCE: OF COURSE, THAT IS TRUE; AND FURTHERMORE, IF YOU STRIKE OUT THE FUND YOU STRIKE OUT THE VERY BASIS OF THIS LEGISLATION AND MAKE IT IMPOSSIBLE EITHER TO HAVE A FUND OR A BANK. IT WOULD BE NECESSARY TO HAVE ANOTHER CONFERENCE. IT WOULD BE NECESSARY TO HAVE THE CONFEREES COME FROM THE FOUR CORNERS OF THE EARTH. IT WOULD BE IMPOSSIBLE TO GET THEM TOGETHER AGAIN.

SUMNER: WILL THE GENTLEMAN YIELD?

SPENCE: I YIELD TO THE GENTLEWOMAN FROM ILLINOIS.

SUMNER: DO NOT MISUNDERSTAND ME. I THINK IT IS FOR THE BEST INTERESTS OF THE UNITED STATES TO USE THE BANK; I WOULD NOT EVEN BOTHER TO MAKE A SPEECH AGAINST IT. I WOULD HAVE NO OBJECTION TO IT EXCEPT FOR THIS FUND.

SPENCE: I DO NOT KNOW WHAT THE GENTLEWOMAN'S IDEAS ARE IN INTRODUCING THIS AMENDMENT, BUT IT SCUTTLES THE WHOLE THING.

SOUND: (VOICES...HOLD.)

- 12 -

SPEAKER: THE TIME OF THE GENTLEMAN HAS EXPIRED.

SOUND: (ONE RAP OF GAVEL)

SPEAKER: THE QUESTION IS ON THE AMENDMENT OFFERED BY THE GENTLEWOMAN FROM ILLINOIS.

NAR: A VOTE WAS TAKEN ON THE SUMNERS AMENDMENT. IT WAS DEFEATED. THE AYES BEING 18, THE NAYS 120.

MUSIC: (TRANSITION...FADE FOR:)

NAR: FINAL VOTE ON THE BRETTON WOODS PROPOSAL WAS TAKEN IN THE HOUSE ON THURSDAY. THE RESULT WAS OVERWHELMING SUCCESS FOR THE ADMINISTRATION, FOR IT WAS PASSED BY 345 TO 18. THOSE WHO OPPOSED IT WERE ALL REPUBLICANS, BUT, AT THE SAME TIME, 138 REPUBLICANS SUPPORTED THE MEASURE. ON HEARING THE RESULT OF THE BALLOT, HENRY MORGANTHAU, JR., SECRETARY OF THE TREASURY SAID:

MORGANTHAU: THE HOUSE OF REPRESENTATIVES, IN VOTING OVERWHELMING APPROVAL OF THE BRETTON WOODS LEGISLATION HAS SPOKEN FORCEFULLY FOR THE PRINCIPLE OF INTERNATIONAL COOPERATION. THE ACTION WILL ENGENDER A FEELING OF GREAT CONFIDENCE THROUGHOUT THE WORLD AT A TIME WHEN IT IS IMPORTANT THAT WE CONCENTRATE OUR EFFORTS UPON THE ACHIEVEMENT OF WORLD SECURITY AND PEACE. IT IS PARTICULARLY ENCOURAGING TO OBSERVE THAT DEMOCRATS AND REPUBLICANS WORKED TOGETHER FOR THE PASSAGE OF THE LEGISLATION AND THAT THE VOTE REPRESENTED A STRONG MAJORITY IN EACH PARTY. THE AMERICAN PEOPLE AND THE PEOPLES OF THE WORLD WILL WELCOME THIS EVIDENCE OF STATESMANSHIP IN WORLD AFFAIRS. IT PRESAGES AN ERA OF WORLD COOPERATION WHICH WILL LEAD FOR PROSPERITY FOR ALL.

MUSIC: (PLAY-OFF)

12"

576

June 13, 1945

Chief Wilson

Secretary Morgenthau

I have a letter from Mrs. Roosevelt in which she says that Shafer, the Secret Service man who used to look after the President personally, has been most helpful to her and she wants to thank you and to thank him for all he has done.

She asked me whether he cannot be kept in Washington. Please speak to me personally about it. My own impression about Shafer is that he is a very good man. I would like to see you about it before noon. *Done*

277

June 13, 1945

Cliff Mack

Secretary Morgenthau

Mrs. Roosevelt would like to have two more rolls of wire netting. If they don't have the 40 inch, she will take the 36 inch. I don't have the memoranda with me that you gave me. If they haven't got it, be sure to let me know before 12:00 today. *Done*

278
✓

13 June 1945

My dear Mrs. Karr:

Mr. Nathan Straus sent me the script of the broadcast, "Halls of Congress," for June 10th. I have written Mr. Straus that I think the script was unusually good.

A little birdie has told me that you are the author of this script, and I would like to compliment you on its excellence.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mrs. David Karr
Carlyn Apartments
2500 Que Street, N. W.
Washington, D. C.

AFL:ehb
12/6/45
GRR

279

13 June 1945

My dear Mrs. Karr:

Mr. Nathan Straus sent me the script of the broadcast, "Halls of Congress," for June 10th. I have written Mr. Straus that I think the script was unusually good.

A little birdie has told me that you are the author of this script, and I would like to compliment you on its excellence.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mrs. David Karr
Carlyn Apartments
2500 Que Street, N. W.
Washington, D. C.

AFL:ehb
12/6/45

280
13 June 1945

My dear Mrs. Karr:

Mr. Nathan Straus sent me the script of the broadcast, "Halls of Congress," for June 10th. I have written Mr. Straus that I think the script was unusually good.

A little birdie has told me that you are the author of this script, and I would like to compliment you on its excellence.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mrs. David Karr
Carlyn Apartments
2500 Que Street, N. W.
Washington, D. C.

AFI:ehb
13/6/45281
13 June 1945

My dear Mrs. Karr:

Mr. Nathan Straus sent me the script of the broadcast, "Halls of Congress," for June 10th. I have written Mr. Straus that I think the script was unusually good.

A little birdie has told me that you are the author of this script, and I would like to compliment you on its excellence.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mrs. David Karr
Carlyn Apartments
2500 Que Street, N. W.
Washington, D. C.

AFI:ehb
13/6/45

282

My dear Mrs. Carr:

Mr. Nathan Straus sent me the script of the broadcast, "Halls of X Congress," for June 10th. ~~I think this was particularly good, and I have written him so.~~ *Mr. Straus that I think the script was unusually good.*

A little birdie has told me that you are the author of this script, and I would like to compliment you on its excellence.

Sincerely yours,

282, Pehle
to prepare
letter

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 13 June 1945

TO Secretary Morgenthau
FROM J. W. Pehle

As I told you, the suggestion to decentralize the Penal Division came from Cliff Mack, who made the suggestion to me both orally and in a memorandum which I asked him to prepare.

It would be very nice if you could call him on the telephone or drop him a note telling him how much such suggestions are appreciated.

J. W. Pehle

12"

384

13 JUN 1945

Dear Mr. Doughton:

I have your letter of 13 June 1945, addressed to Secretary Morgenthau, with respect to the recent publicity given a tax deduction allegedly taken by John A. Hartford for a debt owed Mr. Hartford by Brigadier General Elliott Roosevelt and charged off by Mr. Hartford as a bad debt in 1942.

The statements referred to, insofar as they relate to action by the Treasury Department, are untrue.

Our records show that in 1942 Mr. Hartford claimed losses from "uncollectible notes" of \$225,500, but none of the item has been allowed by the Bureau of Internal Revenue as a proper deduction. To the contrary, the Bureau has questioned the propriety of the deduction and, on 30 May 1945, in connection with its pending examination of Mr. Hartford's returns for 1942, requested its field office to investigate this item.

Sincerely,

(Signed Joseph J. O'Connell, Jr.)

Acting Secretary of the Treasury.

Hon. Robert L. Doughton,
House of Representatives.

JJG'C/kfa

185

14 June 1945

Dear Miss Barrows:

The Secretary has asked me to send to you the attached exchange of letters between Congressman Doughton and the Department, with the suggestion that you call them to the attention of the President.

Mr. Doughton is to explain the situation, from the Treasury Department point of view, on the floor of the House today, at which time the letters will be released by him.

Sincerely,

(Signed Joseph J. O'Connell, Jr.)

Acting Secretary of the Treasury

Miss Roberta Barrows,

The White House

Enclosures

JJG'C/kfa

12"

C
O
P
YROBT. L. DOUGHTON
9th Dist. North CarolinaCHAIRMAN, COMMITTEE ON
WAYS AND MEANS

286

CONGRESS OF THE UNITED STATES
House of Representatives
Washington, D. C.

June 13, 1945.

Dear Mr. Morgenthau:

Certain statements have been made by Members of the Congress and several articles have appeared in the newspapers with regard to an alleged transaction between Brigadier General Elliott Roosevelt and John A. Hartford, resulting in a loss to the latter, which loss was allowed by the Treasury Department as a deduction for 1942 tax purposes.

Please advise me as to whether or not these statements are true.

Sincerely,

/s/ R. L. Doughton

R. L. Doughton

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

287

SCRIPT FOR BROADCAST FROM PAWLING, NEW YORK
OVER THE BLUE NETWORK
10:30 to 11:00 PM, June 13

288

ROUTINE

1. SECRETARY MORGENTHAU...OPENING
2. LT. JAMES GLADSTONE
3. THERAPIES ROUNDUP
4. LT. DORIS AMBROSE AND LENT
5. CORPORAL GERALD REYMAN AND
LT. CHESTER NELSON
6. SGT. WILLIAM VINEREK
7. MAJOR THEODORE BACCHIANI AND
STAFF SGT. SUMNER R. COHEN
8. SGT. MORTON MESTEL
SHIRLEY MESTEL
9. COLONEL HOBART H. TODD
10. CAPTAIN ROBERT SELIMER
11. SGT. JOSEPH BOROS
12. MRS. ROOSEVELT...CLOSING

- 2 -

WOMAN 2: What's the Army doing about that?
(cont'd)

MAN 2: (FADES IN) So far, we've had more

than one million casualties. What

I want to know is: do our bond money

really taking care of our risk and

wounded?

MUSIC: (STING ... SWELLS UP AND FADES UNDER)

ANNOUNCER:

are distressed. Tonight a

special broadcast presented by the

United States Treasury with the cooperation

of the American Broadcasting Company ^{CONFES}

To you ~~some of the answer~~, direct from the

U. S. Army Air Forces Convalescent Hospital,

located in Pawling, New York.

- 3 -

ANNOUNCER:
(cont'd)

are distressed. Tonight a

Here to report to you
eighty-five million bondholders is
your Secretary of the Treasury, the
Honorable Henry Morgenthau, Jr.

(MUSIC: OUT)

APPLAUSE:

(over)

(over)

- 4 -

MORGENTHAU:

As I sit before this microphone here in this auditorium, I cannot but wish - earnestly wish - that you could personally share this experience with me and with Mrs. Franklin D. Roosevelt who is ^{Beside} ~~here~~ ~~with~~ me. I'm only sorry Mrs. Morgenthau couldn't be here too - for she's always wanted to visit Pawling, but she is ill at home ... Men who have felt the impact of war are by our side. Airmen. Across from us is a young ^{man} ~~man~~ - By his side are his crutches.

(over)

- 5 -

MORGENTHAU:
(cont'd)

Here and there is an empty sleeve ... These days we are engaged in another great demonstration of our united determination to force complete defeat upon our enemy. We are doing that through the Seventh War Loan. Few of us can share the actual immediacy of war. We can only feel war by seeing what it does -- through pictures and through the looks, the words, the actions of the fighting men who return to us. We in the Treasury deal in facts and figures. But there is another side to the war - the human side.

(over)

- 6 -

293

MORGENTHAU:
(cont'd)

And behind every fact and figure
are people. You - me - and the young
men with me. (MUSIC SNEAK) Tonight,
here at this convalescent hospital
in the green Berkshire hills of Pawling
we are going to take you behind the
facts and figures, behind the quotas,
behind the E Bonds. We are going
to see, together, War Bonds at work.

MUSIC: SWELLS HERE, THEN DOWN UNDER

MORGENTHAU:

As you round the crest of a hill you
get your first view of Pawling. You see
the vine-covered buildings. You see
young men in Air Force uniforms on an
archery range.

(over)

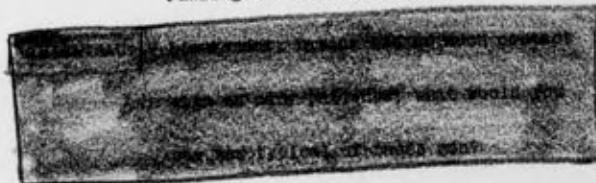
- 7 -

294

MORGENTHAU:
(cont'd)

Others are on the green lawn playing
volley ball. As you come through the door
you see a group of Air Force patients
lounging in the lobby. (MUSIC -- OUT)
And the first person you'd meet would
be an officer of the Convalescent
Services Branch -- Lt. James Gladstone.

GLADSTONE: Yes sir, Mr. Secretary. Some two
thousand patients have arrived at
Pawling and done just that.



- 8 -

GLADSTONE:

295
 [REDACTED], All these men are heroes and have seen all kinds of thrilling action. Yet, can you imagine such a hero saying the greatest thrill of the war came to him when he could turn a doorknob without any help?

MORGENTHAU:

Is that typical?

GLADSTONE:

Yes, sir. It's not so much the physical achievement as it is the spirit of independence these men seek. For example -- One day I was sitting in my office when I heard a tapping against my door. I opened it. There was a young chap -- his hands hanging limp and useless.

- 9 -

GLADSTONE:
(cont'd)

296
 He'd been kicking the door. "Sorry I had to do that," he said. He stood there. He'd had both wrists shattered by machinegun slugs. He said to me, "Lieutenant, think there's any chance of patching up these mits of mine?" I told him we'd certainly do our best. Frankly, I didn't feel hopeful, but we gave him various types of physiotherapy and individual exercises. [REDACTED] He'd been sitting at mess and waiting for all. Finally, came the day when he called at my office and turned the doorknob with his own hand ... "You may not believe it," he said, "but this is the biggest day in the war for me."

- 10 -

GLADSTONE: It means I can really go home - open
(cont'd)

my own front door - myself!" ...

Yes, Mr. Secretary, I've seen about

two thousand Air Force men come to

Pawling. And ~~it's been a~~
~~it's been a~~
WONDERFUL EXPERIENCE.
~~it's been a~~

seeing them leave under their own
steam!

MUSIC: CURTAIN - SOFT SEGUE

(over)

(over)

- 11 -

MORGENTHAU:

You know in the old days a hospital

~~wasn't the~~ wasn't the

place it is today. Now emotional and
mental needs are cared for. And today,

when you walk through a place like

the Pawling Convalescent ~~hospital~~ Hospital you

are constantly impressed by the lengths

to which the doctors go to speed a

man's full recovery. (MUSIC OUT)

Here are just a few of the kind of

things Pawling does to put its patients

on the road back:

- 12 -

S/Sgt. Seymour Mills FROM THE BRONX

A:

I'm ~~from the Bronx~~

I'm taking a class called Backyard Exploration.

I always lived in a big city and so I never knew the simplest things about trees and flowers and birds. But I'm learning now and I was surprised to find out what you can learn about nature right in your own back yard.

B:

Pvt. John A. Sturt FROM Toronto, CANADA.

I'm ~~from Toronto~~

I'm taking a course in how to use the slide rule. What for? Well, it's a short cut to multiplying, dividing and other tricky calculations. After the war, I figure maybe it'll help me understand my wife's household budget.

- 13 -

C:

STAFF Sgt. SUMNER Cohen FROM Boston.

I'M learning something about plastics, their chemical background and the things they can be used for. I think I'll be ready for that postwar world we keep hearing about.

FRIDMAN: I'm Technical Sergeant Harcourt M. Friedman from Brooklyn. I lost the use of my right arm, so the art department here gave me some simple designs to trace with my left hand. Now I'm beginning to write with my left hand, and I hope I'll be able to go back to work as a draftsman without a worry.

(OVER)

- 14 -

MORGENTHAU:

There is one more truly unusual

Therapy I want you to know about. And

I've asked ^{MISS JANE SICKLER} of the

Pawling Red Cross to tell you about it.

SICKLER:

Some months ago I sat down to talk

with an Air Force gunner. He was a

huge fellow, [REDACTED] He

always seemed morose and uneasy and

I knew he was suffering from combat

fatigue. I asked him if there was

something I could do [REDACTED] for him.

"Lady" he said, "you'd die laughing

if I told you what I wanted." I coaxed

him to tell me.

301

- 15 -

SICKLER:

(cont.)

Finally, he blurted out, "A French

poodle - a little, white poodle is

what I want!" I got it for him the

next day ... and you should have seen

that soldier change. He had a friend -

someone who wouldn't ask too many

questions - and his recovery was rapid.

(MUSIC SNEAK) We've found that four

legs, a wagging tail, and a friendly

bark can do wonders. ^{NOW} Anyone at Pawlingwho wants a dog gets one - and the ^{EXACT} kindhe wants, ^{too} And when he leaves, the dog

leaves with him.

MUSIC:

SWELLS AND THEN GOES UNDER

(OVER)

(over)

302

303

HOSPITAL

SECTION.

- 17 -

304

Mr. Morgenthau.

Just a

Mr. Morgenthau, he wanted to be able
to smile - but he couldn't.

What had happened to him, Lieutenant?

- 18 -

305

AMROSE: A bullet had struck him on the left side of his head and his facial muscles were paralyzed. We gave him heat, **MASSAGE, AND MUSCLE RE-EDUCATION** **RE-EDUCATION** for forty minutes a day and now he's beginning to be able to control the left side of his face. Nothing he could do meant so much to him - and to me - than one day last week when he finished a treatment, looked at me, and actually managed a smile.



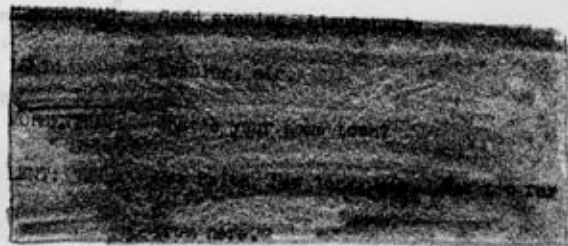
- 19 -

306

AMROSE: We speed up nature's own process of healing injuries, Mr. Morgenthau. Once life is restored to an injured part, a man can exercise himself to hurry along his recovery.

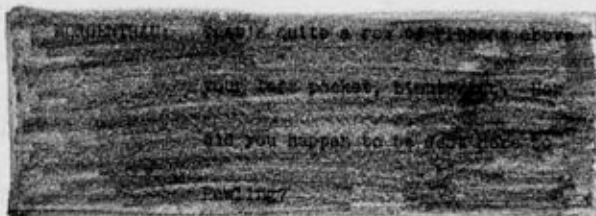
MORGENTHAU: And how about men who've sustained serious leg injuries, Lieutenant?

AMROSE: I can give you an expert witness on that point, Mr. Morgenthau: Lieutenant Richard W. Lent.



- 20 -

307



LENT: I was a navigator in a heavy bomber, Mr. Secretary, and last December after I'd flown fifty missions, our plane was hit over Yugoslavia. We had to bail out. When I hit the ground, I had bad luck. I broke both my legs. I was taken prisoner by some Germans but they kept me with them for only an hour; they couldn't carry me along and still move as fast as they wanted to. So they left me in a field.

- 21 -

308

LENT:
(cont'd)

I was sure then my number was up, but finally a party of Yugoslav Partisans found me. Under the circumstances, their doctor did as good a job on my legs as he could.

MORGENTHAU:

Do you think you'll suffer any permanent disability?

LENT:

I don't think so, sir. I'm only twenty-three and I'm pretty strong. On top of that, the treatments and exercises I'm taking here have strengthened my legs so I'm not worried. In another few months I expect to be running, walking and dancing just as well as I ever did.

MUSIC: SNEAK

(OVER)

(over)

- 22 -

309

MORGENTHAU: Thank you, Lieutenant Lent. With
your spirit, and what they're doing
for you here at Pawling, you have good
cause not to be worried!

MUSIC: SWELL AND FADE UNDER

MORGENTHAU: It's a ~~strange~~ **STRANGE** thing about casualties.
We're all well aware that some men lose
their lives, that hundreds of thousands
have been wounded, and that others are
prisoners and missing. But soldiers are
just like other people. Sometimes they
just get ill. Those men have to be
taken care of just the same as our
wounded are cared for. (MUSIC OUT)



- 23 -

310

MORGENTHAU:
(cont'd)

For example, here is Corporal Gerald
Reyman of Mt. Vernon, New York who
served with the 12th Air Force in Italy.
Corporal, why were you ^{sent to the hospital.} hospitalized?
REYMAN: Mr. Secretary, I contracted infantile
paralysis in Italy. My arms and legs
were of no use to me at all - I pretty
much lost all hope. My very lowest moment
came on the transport when I was being
shipped back to the States. The man
next to me was paralyzed from the neck
down by a bad wound, and both of us knew
that if the ship was torpedoed, we'd
have no chance of escaping by ourselves.

- 24 -

311

REYMAN:
(cont'd)

So we got hold of a cribbage board
and agreed to sweat out the sinking
by playing cribbage.

MORGENTHAU:

That really must have been tough.

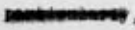
REYMAN:

It was. But 


 Three

weeks after I arrived here I could
discard my crutches for leg braces. I
got rid of those last January and since
then I've been taking at least four hours
of exercise a day 

MORGENTHAU:

What kind of exercise 
Corporal?

- 25 - 26 - 27

312

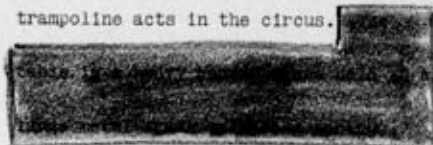
REYMAN:

Jumping on a trampoline table.

MORGENTHAU:

Trampoline table?

REYMAN:

Yes, sir. You've probably seen
trampoline acts in the circus. 

When you go jumping on it, you go
bouncing up in the air. It's great
exercise and a lot of fun.

MORGENTHAU:

I see, Corporal. Will you be able to
go back to duty?

REYMAN:

Yes, sir, I'm going tomorrow.

MORGENTHAU:

How do you feel about it?

REYMAN:

Well, sir, I can honestly say that I'm
glad to go back. 

(OVER)

- 28 -

313

MORGENTHAU:

CORPORAL REYMAN, YOUR

~~story shows that~~

our men have as much courage in overcoming handicaps as they showed in combat. I believe our listeners would be willing to pay anything to see that our men get all they need. And yet, our military hospitalization costs us only \$5 per patient per day. Paraphrasing the words of Winston Churchill, we can truthfully say, there never was so much of the best provided for so many of the best, for so little cost.

MUSIC:

CURTAIN AND SOFT SEGUE - STAYS UNDER

(OVER)

(over)

- 29 -

314

MORGENTHAU:

Being ~~something of~~ a farmer myselfin this neighborhood, there is one

place here among the rolling hills of

Pawling that was of special interestto me today. That's the 540 acrefarm ~~properly~~ run by, and for the

patients of this amazing Convalescent

Hospital.~~Center~~. Here -- most any day -- you can

see men in Air Force Fatigue uniforms

going about -- doing the farm chores --

milking cows and feeding chickens andall the rest. (Music Out) ~~and~~~~Take a man like~~this smiling soldier beside me.

- 32 -

CLARK! IM LT. GEORGE CLARK
~~REDACTED~~ ~~General~~ ~~Koming~~ of New York City.

MORGENTHAU: They tell me you're a very enthusiastic
 worker out there ~~on~~ ⁱⁿ the fields ~~of the~~
~~farming land.~~

KOMING: It took me a long time to catch on.
 Because I'm from the sidewalks of
 New York. I was raised thinking milk
 came fresh in the bottle from the milk
 wagon and no questions asked. But up
 here - I said, "I like the open air.
 And this farming business is something
 different." So all day I carry mash
 for the chickens, pull up rhubarb stalks
 and so on. I'll tell you one thing. You
 get to value food all the more.

(OVER) (over)

- 33 - 34

MORGENTHAU:

You mean -- when you see the problems
 of growing and raising it?

CLARK!

Yes, sir. The other day at mess --
 one guy said - "I'm not hungry. I can't
 finish my ham and eggs." "Partner,"
 I said, "You'll finish 'em all right.
 Cause why? Cause I got callouses toting
 feed to that hog and a backache lugging
 mash for the hen that laid the eggs."
 (MUSIC SNEAK) But seriously,
 Mr. Morgenthau, my days out here on the
 Pawling farm have been the most wonderful
 tonic in the world. ~~and later on - if~~

MUSIC: CURTAIN - SEQUE
 (OVERT) (over)

-12-

317

CAPTAIN J. K. Wallis

Wallis:

Sir, combat fatigue is the popular term for an emotional state rising out of the stress and strain of battle.

- 26 -

WALLS:
~~DISCUSS~~:
(cont'd)

I'd like to make it very clear such reactions are perfectly natural. Everyone of us, at one time or other is affected in a similar way. It is only a question of degree. Riding through a barrage of flak over Tokio is a far greater strain than most civilians ever experience.

Just what do you desire, you man

YR PLANK

Kilow Gram

- 37 -

319

WALLIS:
BACKGROUND:
(cont'd)

Although the men don't arrive here in Pawling we have a little chat - we encourage the men to get things off their chest. You'd be surprised how much they're helped by the knowledge that we really understand them. Also we see they have plenty of activity to help work off accumulated tension. In most cases this encourages them to talk.

TOTEI

I would like you people listening ~~to~~ THE STORY OF ONE man who has actually come through combat fatigue.

[REDACTED]

38-39-40-

320

WALLIS:

He was a tail gunner. He got along okay until he flew his ninth mission over Munich. Then he got so he couldn't keep anything on his stomach. On his 17th mission he saw the nose gunner killed by German machinegun bullets. After that he couldn't sleep but a few hours each night. It got worse as time went by. On August 12th of last year he flew his last mission - number 48. His plane raided the invasion coast of Southern France, and made a crash landing. His best friend died in that crash. After that he'd keep dreaming. He always had the same nightmare -- about how his friend died there in the wreckage of his plane. It got so he could hardly sleep at all. He couldn't sit still. He felt all the time like he used to when he was riding thru heavy flak - nervous, with the palms of his hands sweating and his face twitching.

MOROSNIETHAU:

I see. How has he done here at Pawling, Captain?

WALLIS:

He's on the up-grade. He's sleeping better. He doesn't have that nightmare all the time like he used to. He feels calmer. And he gets a kick out of playing soft ball with the boys. He's getting a thrill ... because he used to think he'd never enjoy anything again. He's shooting for one goal -- to get back in the fight.

MOROSNIETHAU:

I know from his spirit he'll make the grade again, and I know every American joins me in saluting him and wishing him a speedy recovery.

MUSIC: CURTAIN AND SOFT SEQUE -- UNDER

(over)

(over)

- 41 -

321

MORGENTHAU:

Here at Pawling if you walk down the gravel path you're sure to see a soldier walking arm in arm with a smiling young lady. The soldier ^{MAY} look a bit drawn ~~but~~ but if you look in the face of the young woman -- you see only joy and kindliness. For she is an American wife. The staff here at Pawling encourages these visits, because -- after all -- there's nothing like the friendly smile of a soldier's wife to speed his recovery. (MUSIC OUT) One such couple is beside me now.

MESTEL:

I'm 28-years old from Brooklyn, New York. Sergeant Morton Mestel.

- 42 -

322

SHIRLEY:

Staff Sergeant. You mean Staff Sergeant -- Morton.

MESTEL:

That's right. Staff Sergeant Morton Mestel.

MORGENTHAU:

When did you enter the service, Sergeant?

MESTEL:

In May, 1943, Mr. Morgenthau. My outfit went to the Southwest Pacific. We saw plenty of action, but right now, I feel like I'm missing the real thing. I want to get back.

MORGENTHAU:

Mrs. Mestel, how do you feel about that?

SHIRLEY:

I want Morton to do what he wants to do - and I'm very proud of him.

MORGENTHAU:

~~Mestel~~, How do you like it out here in Pawling?

- 48 -

SHIRLEY: Mr. Morgenthau, it's heaven. I never dreamed Morton and I could be together in this grand place.

MORGENTHAU: How did you decide to come here and stay nearby?

SHIRLEY: I wanted to be with my husband. When he wrote he was being shipped back and that he'd lost 50 lbs., I was plenty worried. But they told me I could see him if I came up here. So I did.

MESTEL: And believe me that was the best medicine of all when I saw Shirley coming up the drive.

(OVER)
over

323

SHIRLEY: I wanted to be with my husband. When he wrote he was being shipped back and that he'd lost 50 lbs., I was plenty worried. But they told me I could see him if I came up here. So I did.

MESTEL: And believe me that was the best medicine of all when I saw Shirley coming up the drive.

MORGENTHAU:

324

Mrs. Mestel, you're doing as much to aid your husband's recovery as any doctor at the hospital. (PAUSE) Ladies and gentlemen, sooner or later every patient here at the Convalescent Center gets to know one man. The Commanding Officer -- 32 year old Lt. Colonel Hobart H. Todd, a veteran Flight Surgeon and overseas returnee. Each airman here comes to think of him in a very real sense as a friend. And the reason is plain to see. I tell all the men at Pawling they have one obligation -- Mr. Secretary -- and that is to get well. To help them achieve this objective we have done many other things in addition to our normal procedures. For instance, we try to make the men's quarters look like home. They live in attractively decorated, cheerful rooms -- other unusual features include

TODD:

45 + 46

325

a completely equipped skoot range, a large riding academy with a riding master, and a beautifully furnished sound-proof music appreciation room complete with a Hammond electric organ and Capehart record changer. I believe these things go a long way to explain the gratifying results that we've had. You know the Army will spend 45 million dollars on care for its sick and wounded during the ninety days of the Seventh War Loan. And believe me that money brings results. I'm proud of these men. And there's one thing that makes me proudest of all.

What is that, Colonel?

Nearly ninety percent of our patients return to duty with the Air Forces.

That is a record to be proud of.

MORGENTHAU:

TODD:

MORGENTHAU:

MUSIC

CURTAIN - SOFT SQUEE - Under

(OVER)

- 47 -

326

MORGENTHAU:

Most of the young men up here have had truly amazing experiences. In fact, their experiences make most fiction really pallid by comparison. The record of the young man beside me is a good case in point. (MUSIC OUT) He is Captain Robert Sellmer of Milwaukee, Wisconsin. In one minute he told me enough this afternoon to fill a book. Captain, suppose you tell our listeners what you told me?

SELLMER:

Well, sir, after I finished college at Dartmouth I went to Europe in 1937. I reported then on German plans for aggression. I got beat up in Memel because I refused to salute some Storm Troopers.

- 48 -

327

SELLMER:
(cont'd)

When England and France went to war, I joined the French Foreign Legion as a Private. I helped cover the retreat of French troops. The Germans were shooting all Legionnaires rather than taking them prisoners. I had been wounded and taken to a hospital. But my life was saved by a nurse who changed the papers at the foot of my bed. Finally, I escaped to unoccupied France and made my way to England. I enlisted in the RAF and piloted an attack bomber in England and later in Africa. Later I was transferred to the American Air Force in Italy. There I had a crackup and lost the use of my right arm.

(OVER)

- 49 -

328

MORGENTHAU:

How long have you been ^{in the hospital} hospitalized?

SELLMER:

I spent 6 months at England General Hospital in Atlantic City and have been here for about six months.

MORGENTHAU:

And how is that right arm of yours?

SELLMER:

Well, sir, I was urged to try to paint and the art instructors up here encouraged me so that I've regained pretty effective use of my right arm.

[REDACTED]

-50-

329

SELLNER: Someday I hope to find a career open in the art world, and I can thank the Convalescent Hospital for opening that new world to me.

MUSIC: CURTAIN AND SOFT MUSIC - UNDER

(OVER)

- 51 -

330

MORGENTHAU:

As I was strolling around the grounds here, on several occasions, I saw a soldier fishing. Just as I was watching, he pulled a sixteen-inch speckled trout out of the stream. After I talked to him he showed me a picture of a couple of whopping trout he'd caught at the same spot last week. I know myself what satisfaction there is in landing a good fish, and so I wasn't surprised to learn that fishing has its great therapeutic powers too. (MUSIC OUT) And Technical Sergeant Joseph J. Boros, I think, deserves anything that fishing can do for him. Sergeant, how did you come to be injured?

- 52 -

331

BOROS:

Well, Mr. Secretary, I was an aerial engineer in a Flying Fortress and we were hit by flak over Frankfurt^{am}-Main a year ago April. A twenty millimeter shell hit us, and shrapnel cut my eyes very badly. We bailed out and were taken prisoner. The first four days I spent with the Germans were pretty bad; my eyes were swollen out like a red beet. But the German doctors didn't do a thing for me. I couldn't even get an aspirin tablet.

- 53 -

332

BOROS:
(cont'd)

Then I was sent to a prisoner-of-war hospital where an English eye doctor took out my eye and took good care of me for two months, even though we didn't have nearly enough medical supplies. I was a prisoner until January of this year - nine months in all - when I was brought home in a prisoner exchange.

MORGENTHAU:

BOROS:

Were you sent here at once, Sergeant? No, sir, I wasn't. I was at Halloran Hospital and they put in a glass eye. After a furlough at home in Hilliards, Pennsylvania, I came here. Just a month ago.

(OVER)

(over)

- 54 -

333

MORGENTHAU: Exactly what benefits were you sent here to get, Sergeant?

BOROS: The doctors seem to think I need lots of rest, Mr. Secretary.

MORGENTHAU: And are you getting it?

BOROS: Yes, sir, I am. This is the most wonderful vacation a man could have.

I can just fish and fish and fish.

MORGENTHAU: I would say -- you've well earned that privilege.

MUSIC: CURTAIN -- SOFT SEQUE -- UNDER

(OVER)

-55-

334

MORGENTHAU:

It is my ^{pleasure} ~~privilege~~ now to introduce to you a great lady - known to all of you -- who has been sitting across from me throughout this broadcast. She has been a good friend and neighbor to my wife and to me for the past thirty years. Indeed, she has been a neighborly friend to all America. No one in all our history has been more universally loved by the people of the United States than Mrs. Franklin D. Roosevelt.

APPLAUSE:

MRS. ROOSEVELT: Thank you, Henry ... and thank you, men and

officers at Pawling. I'm glad to be here again and to see what improvements have been made since

my first visit more than a year ago. It has been a comfort to me, as it would be to all the mothers listening in, to have seen how well this Convalescent Hospital is operated.

It has not been possible for us at home to stand side by side with our sons in battle. We would like to do that.

- 56 -

MRS. ROOSEVELT: There is probably no parent ^{OR WIFE} listening
(cont'd)

in who would not willingly share ~~his~~ ^{THEIR}

LOVED ~~ONE'S~~ ^{OWN} own danger. Yes, and even
sacrifice ~~his~~ ^{THEIR} own ~~lives~~ ^{LIVES} for the safety
of ~~his~~ ^{THEIR} LOVED ~~ONES~~ ^{ONES}.
Of course, we cannot

actually do that in person, and yet

in a very real sense we can do it.

When we buy War Bonds we put a rifle into
our sons' hands. When we buy War Bonds
we put planes in the air to protect
him as he hits the beach. When we buy
War Bonds we put bandages on his wounds ...
we put tools in the surgeon's hand. We
buy the time needed for his recovery.

- 57 -

MRS. ROOSEVELT: Yes, we buy convalescent ~~patients~~
(cont'd)

hospitals like Pawling. There are
those who could give you the reasons
to buy Bonds if they could but speak.
Who are they? They are our war dead.
The gallant young men who now lie
silent beside the mountain streams.
Some lie asleep beneath the tropic
skies. They lie in green fields, in
volcanic ash, they lie beneath the seven
seas. They lie there in the sleep of
heroes and it is for us to keep faith
with them. We who stay at home can do
that by the loyalty we exhibit in the
Seventh War Loan.

- 58 -

337

MRS. ROOSEVELT: And yet sometimes people ask, "why
(cont'd)

do we need War Bond Drives?" We need them only because we have so little contact with the actual war itself. We need them to make good on what our men died for - the full freedom man has ever struggled for. The heavy price God puts upon freedom is clear - and there is no way of bargaining. There are no shortcuts to peace - and no bargain rates for freedom.

One soldier up here said, "I don't see why people have to be sold on buying War Bonds."

- 59 -

338

MRS. ROOSEVELT: I've got a glass eye out of this
(cont'd)

war -- ten years from now those people who buy bonds can collect every penny plus a generous return -- ten years from now I'll still have only one eye." That boy wasn't bitter -- he was simply puzzled. Buying Bonds to him seemed as simple and as necessary to life as digging a foxhole is to the soldier on the beach, and as one soldier here put it, "When you are on the beach you dig your foxhole fast. If you knew there was a thousand dollars at the bottom of it you couldn't dig any faster than you were already digging."

- 60 -

339

MRS. ROOSEVELT: That is the way it should be with
(cont'd)

War Bonds. (MUSIC SNEAK) Some of these
boys here at Pawling have artificial
legs -- some have lost a hand -- others
an eye. All they have to show for their
demonstration of faith in their country
are the medals and ribbons plus the
War Bonds each of these men owns.
For they, too, buy and hold War Bonds.
We can do no less to show our own faith
than to continue to follow the example
of faith in their country which they
have set for us overseas and here at
home.

MUSIC: TO FINISH

ANNOUNCEMENT:

61

346

You have been listening to a special Seventh War Loan broadcast from the Army Air Forces Convalescent Hospital at Pawling, New York, with Secretary of the Treasury, Henry Morgenthau, Jr. and Mrs. Franklin D. Roosevelt.

This hospital is one of the ten such hospitals under the supervision of the Personnel Distribution Command.

The Treasury Department wishes to thank Richard Dana and Paul E. Milton for assisting Lt. (jg) David Levy, USNR in the participation of the material presented on this program and for assisting in its production. Our thanks, too, to Lt. Colonel Hobart Todd and his staff for their cooperation. Music was under the direction of Mark Varnow. This is the Blue Network of the American Broadcasting Company.

341

June 13, 1945

Memorandum for the Secretary's desk:

The things I want to go to France for are

1. To open up the War Bond Exhibit in Paris.
2. To visit General Clay and see how his outfit is functioning in governing Germany.
3. To have an opportunity to see something of Germany, particularly the industrial section and the Ruhr and the Saar. If this is in the English Division, then the Army should arrange with the English that I have permission to go in to see the Ruhr and the Saar.
4. To look into the complaints we are receiving about the French exchange rate and how it affects the American soldier.
5. I also want to get some idea as to how much it is going to cost in Germany for the next year. While I am there I also want to visit some of the ports of embarkation there.
6. I would like to visit Berlin.
7. Arrange with General Marshall so that he would arrange transportation for me over and back at least as good as he did for me last August when I visited Normandy.
8. Also a note to Grew that the American diplomatic officers abroad should extend to me every courtesy and my party.

12"

13 June 1945

- 2 -

Dear Mr. Spence:

I am greatly concerned, both as an American citizen and as Secretary of the Treasury, that the existing price control legislation be extended before its expiration on 30 June without amendments of such a character that they would result in increasing the cost of living.

The successful control of prices has, more than any other thing, distinguished the home-front management of this war from that of every other major war in which the United States has been engaged.

This successful control of prices has resulted, and will continue to result, in great benefit to the American people -- particularly to the recipients of fixed incomes, including servicemen's allotments, and to wage earners, who would have certainly lost heavily in a spiral of rising prices and wages.

The success of price control has also resulted in a vast saving to the Government of the United States. The saving due to the greater effectiveness of price control in this war as compared with World War I amounts alone to nearly a hundred billion dollars. This saving reduces by that much the burden which must be shouldered by this and succeeding generations of taxpayers.

Many of the prices paid by the Government are for things bought solely or chiefly by it. Others are for the same things as enter into the cost of living of the people. If the cost of living is permitted to rise, moreover, it would not merely increase directly a large proportion of Government expenditures, but would inevitably result in upward pressures on the costs -- and consequently upon the prices -- of everything else purchased by the Government.

The maintenance of effective control over the cost of living is also vital in order to assure a sound civilian economy during the remainder of the war and the transition period. If price rises which are caused only by temporary wartime pressures are permitted to occur, they will not merely upset the cost-price structure of today, but they will intensify the difficulties of adjustment to the more normal supply-and-demand situation which will prevail after the war.

The maintenance of present price levels is also of great importance to the expansion of the peacetime export trade of the United States and to the promotion of domestic full employment. An increase in prices in this country would make it more difficult for us to export on a commercial basis, and would make it more difficult for the rest of the world to acquire those commodities which are indispensable for world economic recovery.

For these reasons, I should like to urge as strongly as I know how that your Committee recommend, and that the Congress approve, the extension of the existing price control legislation without any amendments which would result in a significant increase in the cost of living.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Brent Spence
Chairman, Committee on
Banking and Currency
House of Representatives
Washington 25, D. C.

GCH:NCW:ceh 13 June 1945

ANSWERING REPLY TO
OFFICE OF PROCUREMENT AND MATERIAL

Rm 2414

NAVY DEPARTMENT
WASHINGTON 25, D. C.



AND REPLY TO

13 June 1945

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

Dear Mr. Secretary:

I was even more pleased than surprised to receive your heartening letter congratulating me on the President's action. It is good to know that they still leave you enough leisure to do things of that sort.

You asked whether there is anything that you can do to help. The only thing that I can think of now is to give me an opportunity, when your time and Mrs. Morgenthau's health permit, to see something of you in the months to come.

Very Sincerely yours,

Paul M. Hertzog
PAUL M. HERTZOG
Lieutenant, USNR

WAR DEPARTMENT
WASHINGTON 25, D. C.

13 June 1945

Dear Mr. Secretary:

I was pleased and encouraged to have your note of congratulations on my appointment as Administrator of the Veterans Administration. I hope that we shall be able to justify your confidence in Army leadership and bring to the returning veterans the consideration they have earned.

On my return from Germany this summer I shall look forward to meeting you again and renewing our friendship.

Sincerely,

O. M. Bradley
O. M. BRADLEY
General, U.S. Army

The Honorable
The Secretary of the Treasury



June 13, 1945

My dear General Meyers:

I certainly was highly flattered to receive your very kind letter of June 8th. I thought that the work I had done in those early days had been forgotten, but evidently not by you.

I know how hard you worked to get the air program started, and I think when history is written you should occupy a very important place. I don't know of anybody who deserves more credit than you do.

I hope that the fact that your letter was written from the hospital at Coral Gables means that you are convalescing and not that you are ill. If you should be coming through Washington at any time, please be sure to drop in to see me.

Again with many thanks for your very kind letter,
I am

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Major General Bennett E. Meyers,
AAF Reg & Conv Hospital,
Biltmore Unit,
Coral Gables 34, Florida.

June 13, 1945

My dear General Meyers:

I certainly was highly flattered to receive your very kind letter of June 8th. I thought that the work I had done in those early days had been forgotten, but evidently not by you.

I know how hard you worked to get the air program started, and I think when history is written you should occupy a very important place. I don't know of anybody who deserves more credit than you do.

I hope that the fact that your letter was written from the hospital at Coral Gables means that you are convalescing and not that you are ill. If you should be coming through Washington at any time, please be sure to drop in to see me.

Again with many thanks for your very kind letter,
I am

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Major General Bennett E. Meyers,
AAF Reg & Conv Hospital,
Biltmore Unit,
Coral Gables 34, Florida.

12"

348
Hause -

AAP Reg & Conv Hospital
Siltmore Unit
Coral Gables 34, Florida

8 June 1945

The Honorable,
The Secretary of the Treasury

Dear Mr. Morgenthau:

For the first time in several years I am now enjoying the opportunity to temporarily relax and look back over the events leading to the successful conclusion of the war against Germany. The important part played by United States Airplane Production and Air Power cannot be over evaluated. I cannot over emphasize how impressed I am with the invaluable work you accomplished by helping the Allies, on behalf of President Roosevelt, to obtain airplanes and other materiel during the early stages of the European War.

Your farsighted, vigorous and successful efforts in stimulating airplane and engine production during those early stages of the European War not only resulted in Britain's ability to stand up against the Germans but even more important turned out to be the great blessing which gave the United States a "running start" to the later expansion of the Aviation War Industry. I know it hastened the Victory and saved many thousands of lives.

Your activities in this connection were not, to be sure, widely publicized. But those few of us who have been continuously in close contact with Aviation War Production from its inception remember and are fully aware of the importance of the role you filled. Having such an intimate knowledge of all that took place from the very beginning until the successful culmination of the war in Europe I feel an obligation to let you know that we appreciate your contribution and your example of progressive action in the best tradition of American statesmanship.

Sincerely,



ROBERT E. HAYES
Major General
U.S.A.

13 JUN 1945

Dear General Giles:

349

I want to thank you most sincerely for the excellent statement you made available to the Treasury for our use in promoting the 7th War Loan Drive. The newspapers of the nation gave it splendid front page coverage, and I am sure it will be helpful to us in reaching our high quotas for the drive.

Sincerely,

(Signed) H. Morgenthau, Jr.

Lieut. General Barney H. Giles, AAP,
Commanding General, Pacific Ocean Areas
The Pentagon
Washington 25, D. C.

SGL:eb

6-11-45

12"

13 JUN 1945

Dear Admiral Towers:

I want to thank you most sincerely for the excellent statement you made available to the Treasury for our use in promoting the 7th War Loan Drive. The newspapers of the nation gave it splendid front page coverage, and I am sure it will be helpful to us in reaching our high quotas for the drive.

Sincerely,

(Signed) H. Morgenthau, Jr.

Vice Admiral J. H. Towers, USN
Deputy Commander in Chief, Pacific Fleet
Navy Department
Washington 25, D. C.

SGL:eb

6-11-45

350

13 JUN 1945

Dear Admiral Kirk:

I want to thank you most sincerely for the excellent statement you made available to the Treasury for our use in promoting the 7th War Loan Drive. The newspapers of the nation gave it splendid front page coverage, and I am sure it will be helpful to us in reaching our high quotas for the drive.

Sincerely,

(Signed) H. Morgenthau, Jr.

Vice Admiral Alan G. Kirk, USN
Commander, U. S. Naval Forces, France
Navy Department
Washington 25, D. C.

SGL:eb

6-11-45

351

13 JUN 1945

Dear General Handy:

I want to thank you most sincerely for the excellent statement you made available to the Treasury for our use in promoting the 7th War Loan Drive. The newspapers of the nation gave it splendid front page coverage, and I am sure it will be helpful to us in reaching our high quotas for the drive.

Sincerely,

(Signed) H. Morgenthau, Jr.

General Thomas T. Handy
Deputy Chief of Staff, U. S. Army
The Pentagon
Washington 25, D. C.

SCL:eb

6-11-45

13 JUN 1945

Dear Admiral McCain:

I want to thank you most sincerely for the excellent statement you made available to the Treasury for our use in promoting the 7th War Loan Drive. The newspapers of the nation gave it splendid front page coverage, and I am sure it will be helpful to us in reaching our high quotas for the drive.

Sincerely,

(Signed) H. Morgenthau, Jr.

Vice Admiral John S. McCain, USN
Commander, Carrier Task Force Third Fleet
Navy Department
Washington 25, D. C.

SCL:eb

6-11-45

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 13 June 1945

TO Secretary Morgenthau
FROM E. B. Fussell

Attached are:

A 20-page summary of the Treasury's principal activities in connection with the war, through 1939, plus a summary of Lend-lease development up to the period of establishment of the Lend-lease administration. I am retaining a carbon of this material, for further checking.

Ribbon and carbon copy of your letter of Oct. 17, 1938, to President Roosevelt. I am retaining no copy of this letter.

If the 20-page summary is along the line of what Fred Smith requires, I plan to carry on this narrative account of the Treasury's participation in the war effort, also to develop similar (but much briefer) accounts of the Treasury's interest in food stamps and housing. That is all that I have in sight beyond what I have previously given Fred in memo form, but I'll be glad to have further assignments along this line.

20- page summary was given to
Fred Smith.

COPY

October 17, 1938.

Dear Mr. President:

The events of the past weeks have brought home to all of us the increasing effectiveness of the forces of aggression. Since 1931 we have seen, succeeding each other with briefer and briefer intervals between, the fall of Manchuria and the invasion of China, the conquest of Ethiopia, fomented unrest in Latin America and in the Near East, armed intervention in Spain, the annexation of Austria, and the dismemberment of Czechoslovakia -- All in seven short years.

How can we expect aggression to end there. Japan at first wanted only Manchuria; then North China; now she will not be content with less than the whole of China. Italy wanted only Ethiopia; now she wants control of North Africa. Germany wanted only equality in armaments, then the remilitarization of the Rhineland, then Austria, then Czechoslovakia, now colonies. The current claim of an aggressor power is always its last -- until the next one.

So well have the aggressor nations mastered the tactics of aggression that a victory in one part of the world is followed by outbursts of aggression elsewhere. Germany's victory in Czechoslovakia is followed with indecent haste by Polish and Hungarian demands. Japan, watching her opportunity, loses no time in attacking Canton, while in Palestine, Arab discontent is fomented to fever pitch.

We should learn the lesson which the history of the last seven years has to teach us. Let us not repeat the short-sighted mistakes of Britain and France. The impact of the aggressor nations upon American life and American interests has so far, to be sure, been more insidious than overt but it will be too late if we wait until the effects are obvious. Who in France as late as 1930 would have dreamt that in less than a decade that great democratic nation was to become a second-rate power, shorn of influence in central Europe, depending upon a grudging and demanding ally for security? Who would have expected that Great Britain's might would be challenged in the Mediterranean, that her economic interests would be brushed aside in China, and that the Premier of England would hurry to Hitler to plead that he be not too demanding or impatient, and to plead, moreover in humble tones lest the dictator take umbrage and demand more?

Let us while we can peacefully do so try to check the aggressors. Let us not be placed in the position of having to compound with them. Let it not be necessary for the President of the United States to fly to Tokyo and in humble manner plead with the Mikado that he be content with half the Philippines rather than wage war for the whole. Such a possibility may seem ridiculous now, but no more ridiculous than Chamberlain's flight to Berlin would have seemed seven years ago.

In March of this year Winston Churchill called upon England to act, saying "If we do not stand up to the dictators now, we shall only prepare the day when we shall have to stand up to them under far more adverse conditions. Two years ago it was safe, three years ago it was easy, and four years ago a mere dispatch might have rectified the position... Now the victors are the vanquished, and those who threw down their arms in the field and sued for an armistice are striding on to world mastery." The basis for the present humiliation of England was laid in 1931, when England failed to join the United States in disapproval of Japanese aggression in Manchuria. The basis of either humiliation or war for the United States is being laid today by a foreign policy that shuts its eyes to aggression and withholds economic support from those who resist.

I know you are firmly convinced as I am firmly convinced that the forces of aggression must be stopped. By whom if not by us? I believe that we are the only country in the world now in a position to initiate effective steps to stop aggression by peaceful means. Once the United States takes the lead in developing an effective program, democratic forces in all countries -- even those now submerged in the aggressor nations -- will take heart. In England and in France groups within the government and without will be stimulated and encouraged to press for parallel action.

To use our great financial strength to help safeguard future peace for the United States, and to make your "Good Neighbor" policy really effective, we should introduce at once a program of peaceful action on two fronts -- in the Far East and in Latin America. In these two areas we can move most effectively and with the least complication.

Two opportunities are now before us:

1. The extension of credit to China. It is yet possible for such aid to be of decisive help. Sanguine as I desire to be, I am forced to the view that without substantial financial aid given promptly the Chinese resistance may soon disintegrate. By risking little more than the cost of one battleship we can give renewed vitality and effectiveness to the Chinese. We can do more than that. By our action we can further the struggle of democracy against aggression everywhere.

-3-

I am pleading China's cause with a special urgency because you have on numerous occasions told me to proceed with proposals for assistance to China. All my efforts to secure immediate substantial aid for China have proved of no avail against the adamant foreign policy of doing nothing which could possibly be objected to by an aggressor nation. I need not tell you that I respect the integrity and sincerity of those who hold the belief that a course of inaction is the right one, but the issues at stake go beyond any one of us and do not permit me to remain silent. What greater force for peace could there be than the emergence of a unified China?

2. The extension of credit to Latin American countries.
Our neighbors to the south are sorely in need of capital and commerce to enable them to develop their resources free from foreign intervention. Unless we assist them they will become a helpless field for political and economic exploitation by the aggressor nations. Already some inroads have been made in that direction. Now, after the Munich agreement, we may expect that Germany, Italy and Japan will become bolder and more effective in their attempts to establish areas of economic and political support to the south of us. We can stop that penetration by an intelligent use of a small proportion of our enormous gold and silver holdings.

The measures we may adopt can be developed as the specific occasions requiring assistance may arise. We have several such occasions before us right now: Brazil, Cuba, Mexico, Peru. The details of the assistance can be worked out in conjunction with the representatives of those governments, but it is first necessary that we accept in principle the need for positive action of this kind as a part of our "Good Neighbor" policy.

European events of the last month have made me feel more certain than ever of the wisdom of initiating a positive program of assistance along the lines indicated above. Reports from China convince me that the need for quick action is urgent.

Sincerely,

The President,
Hyde Park, N. Y.

FROM: Newspaper Section
War Finance Division
Treasury Department
Washington 25, D. C.



NEWS DESK

Room 746, Washington Building, Washington 25, D. C.

FRANK E. THORN, Chairman, Allied Newspaper Council, Current Newspapers, Director

A. GEORGE LITTLE, Special Consultant, Treasury
EUGENE DAVIS, War Finance Division, Editor
LEONARD COOK, Minneapolis Star Journal
ROBERT TAYLOR, Scripps-McCraw Newspapers

KEVIN D. DOD, International News Service
MORRIS KAMARSKY, News Newspaper Publishers Association
HAROLD HARTMAN, Bureau Newspapers

L. LEON LAMSON, Labor Editor
FRANCIS J. MCCARTHY, Financial Writer
MAX HARRIS, Associated Press
PAUL HARRISON, United Press

Office of War Information cooperation Sp. Release "000"

RELEASE BEFORE JUNE 13

WASHINGTON, D.C., JUNE

-- Secretary of the Treasury Henry Morgenthau, Jr.

will interview patients and personnel at the Army Air Forces Convalescent Hospital at Pawling, N.Y., during a special War Bond program to be broadcast from the hospital on Wednesday, June 13, from 10:30 to 11:00 P.M., EST, over the Blue network, the Treasury announced today.

RELEASE UPON RECEIPT

Sp. Release "000-1"

WASHINGTON, D.C., JUNE

-- Every permanent employee at the Pueblo, Colo., Ordnance Depot is now buying war bonds through payroll savings, the depot informs the War Finance Division of the Treasury. After V-E Day savings on the regular allotment plan jumped to 15 percent of the total payroll for the first time during the entire war. Extra cash purchases also are being made during the 7th War Loan, the depot reported.

RELEASE UPON RECEIPT

Sp. Release "000-2"

WASHINGTON, D.C., JUNE

-- The entire population of Ezel, Kentucky, 123 men, women and children, plus 27 more folks from the country around, turned out at Ezel high school and purchased \$6,450 worth of E-Bonds to see three 16 mm. War Bond movies supplied by the Treasury's War Finance Division. Bond purchases averaged \$43 for each spectator.

RELEASE UPON RECEIPT

Sp. Release "000-3"

WASHINGTON, D.C., JUNE

-- Ten pupils, the entire student body of a Stormy Point, Iowa, school, who set an outstanding record of \$12,830 in sales of War Bonds and stamps during the past school year, are continuing to sell bonds through the 7th War Loan, even though vacation has begun.

Release date

A. M. P. M.

Release No.