

DIARY

Book 855

June 14-18, 1945

NEW YORK DIVISION DIVISION

The Jewish Agency for Palestine

New York Office: SUITE 1205, 542 MADISON AVENUE, NEW YORK 17, N. Y., MU 5-1100 HED 2-8805

Washington Office
1720 SIXTEENTH ST., N.W.
Michigan 4480

June 14, 1945

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

My dear Mr. Secretary:

Please accept my sincere thanks for the information conveyed to me yesterday through Mrs. Kots. May I tell you how deeply appreciative I am of the promptness with which you considered the subject of our recent conversation. Your profoundly sympathetic approach is a source of great comfort in a very dark period for our people.

I trust that the idea upon which you are working will be carried out as rapidly as circumstances permit. Whether the action taken will bear fruit will depend, in a very large measure, on the thoroughness of the survey made and the experience and the sympathy of those making the study. The very nature of the position of the Jew in Europe requires a specialized examination of his requirements, his prospects and his hopes.

With regard to Mr. Earl Harrison, I assume, of course, that he is sympathetic and has every desire to render a maximum of service within the framework of his terms of reference. I do believe, however, that regardless of who else may accompany him, he should have with him a person, as advisor, secretary or interpreter, one who is familiar with Jewish history and Jewish tradition, one who has deep roots in Jewish life and equipped to talk directly with some of the Jews who must be dealt with in arriving at conclusions with respect to the European Jewish problem. Otherwise, I fear, the results might be inconclusive. If permitted to do so, I shall be pleased to submit certain suggestions in this regard.

I know that you will appreciate the spirit in which I send you these observations. I pray that early action of your program will be forthcoming.

With deepest appreciation for your efforts, I am

Very sincerely yours,

M. W. Weisgal
Mayer W. Weisgal

FOREIGN ECONOMIC ADMINISTRATION
WASHINGTON

OFFICE OF THE ADMINISTRATOR

June 11, 1945

Dear Secretary Morgenthau:

It warmed my heart to get your letter of June 12th.

Being in San Francisco for the Conference for a month sort of took me out of circulation here. And then as soon as I got back the lend-lease appropriation began to take some time. I hope as soon as that is over I can buy you a lunch.

You are too modest about the work you have done on Bretton Woods. I think it was one of the best jobs that has been done for the good of the country in many years.

Sincerely yours,

Dean Loef

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

C
O
P
YTHE SECRETARY OF THE NAVY
Washington

14 June 1945

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

My dear Mr. Secretary:

In compliance with your request for the services of Lieutenant (jg) David Levy, USNR, to be utilized during the Eighth War Loan, orders will be issued by the Bureau of Naval Personnel extending this officer's present duty with your organization for an additional six months.

It is the desire of the Navy Department to aid our War Loan campaigns wherever possible.

Sincerely yours,

/s/ James Forrestal



WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
WASHINGTON 25, D. C.

14 June 1945

MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

Dear Mr. Secretary:

I have talked several times with General Marshall regarding your interest in securing an Army officer to direct your law enforcement activities, and he is familiar with the qualifications.

He feels it would be impracticable to recommend an officer of the Regular Army. It is my understanding that if such an officer were drawing retired pay, the Treasury Department could pay him only the difference between his retired pay and the \$8,000 salary which is proposed. On the other hand, he might, in private employment, arrange a considerably better financial proposition.

Among the civilian component general officers, there are four who General Marshall feels could fill your needs in a highly efficient manner. These are Major General Raymond S. McLain, Major General Miller G. White, Major General Robert S. Beightler and Brigadier General Sumter Lowry, Jr. I attach a biographical sketch of each.

If you should be interested in any of these officers, our procedure would be first to query the theater in which he is serving and determine whether the commander of that theater can release him; then to query the individual himself and determine whether he wishes to accept the post. I might point out that General McLain is now being hospitalized at Walter Reed and would not be immediately available, although his recovery should not take long. General Beightler is commanding a division in action, and I am not very optimistic about General MacArthur's willingness to release him.

We do not have available in the War Department detailed summaries of the civilian experience of these officers, but I should think that your investigative representatives in their areas could fill in the background.

If any one of the officers serves the purpose and your secretary will let me know, I shall go to work immediately in an effort to secure him for you.

Frank McCarthy
FRANK MCCARTHY
Colonel, GSC
Secretary, General Staff

*Shanks Bill to
talk to High tomorrow -
6/14/45*

4
SAVE

12

MILLER GRIVVE WHITE

Miller G. White was born on July 28, 1895, at Macon, Georgia. He entered Federal Service as a private in the Georgia National Guard on April 16, 1917, and was later promoted to sergeant and battalion sergeant major. He served overseas in the engagements at Aisne-Marne, St. Mihiel, Champagne-Marne and Meuse-Argonne.

In 1918 he attended the Officer Candidates School in France. For bravery when wounded at St. Mihiel he was awarded the Purple Heart. After service in the American Forces in Germany, he returned to the United States in 1919.

He again enlisted in the Georgia National Guard as a private and was commissioned a captain in that organization on May 4, 1921; promoted to major on February 24, 1931. In 1934 he attended the National Guard Officers' Course at the Command and General Staff School, Fort Leavenworth, Kansas. He was called to active duty on July 16, 1937, and assigned to Washington, D. C., for duty in the Personnel Division, G-1, of the War Department General Staff where he handled National Guard affairs.

He was promoted to lieutenant colonel on June 17, 1939, and to colonel (temporary) on February 1, 1942. In March 1942 he was transferred to Headquarters of the Services of Supply in Washington, D. C., for duty with the Military Personnel Division of that headquarters. He returned to the War Department General Staff in June 1943 and in September 1943 was named Assistant Chief of Staff, G-1, of the War Department General Staff.

He was promoted to brigadier general (temporary) on September 18, 1942, and to major general (temporary) on June 25, 1943. He was given an unannounced assignment in August 1944.

DECORATIONS

He was awarded the Distinguished Service Medal in 1944, with the following citation:

Major General Miller G. White, as a member of the General Staff Corps, United States Army, during the period of the limited emergency declared by the President, September 8, 1939, and as Assistant Chief of Staff for Personnel, War Department General Staff, since September, 1942, has rendered exceptionally meritorious service in positions of great responsibility. His foresight, tireless effort and superior knowledge of the many problems involved made possible the orderly absorption of 20,000 officers and 250,000 enlisted men of the National Guard into the Army of the United States. He has personally guided the passage of legislation essential to the war effort concerning personnel and maintained close and harmonious relations with other governmental agencies and between the principal commands of the Army.

Under his guidance the Army has expanded from 3½ million to approximately 8 million men, and the efficiency with which this expansion occurred and the uninterrupted flow of manpower to overseas battle fronts are largely attributable to the sound policies which he enunciated. General White inaugurated the steps which have greatly improved the morale of the Army forces who are prisoners of war and initiated the prisoner exchanges which have resulted in the repatriation of our seriously sick and seriously wounded.

OVER

White, Miller G.

He established personnel procedures based on a complete understanding of the problems of the American soldier and his family, and the result has been manifested in the high morale of our troops. His broad knowledge of personnel matters, his soundness of judgment and his untiring devotion to duty have made his counsel of high value in the prosecution of the war."

WAR DEPARTMENT - Up to date as of 12 September 1944. 19 June 1945

12

6/14/45

RAYMOND STALLINGS McLAIN
(0-157002)

Raymond S. McLain was born in Washington County, Kentucky, on April 4, 1890. He served as a private, corporal, and sergeant, Infantry, Oklahoma National Guard, from December 12, 1913, until he was appointed a second lieutenant, Infantry, Oklahoma National Guard, on December 15, 1914.

PROMOTIONS

He was promoted to first lieutenant on May 14, 1916, and was mustered into federal service on June 19, 1916, in that grade. He served on active duty until March 1, 1917, when he was mustered out, and he was promoted to captain, Oklahoma National Guard, on March 13, 1917. He was called to active duty again, on March 31, 1917, and served in the grade of captain until July 5, 1919, when he was honorably discharged. He was appointed a captain, Infantry Reserve, on August 26, 1919, and was then reappointed a captain in the Oklahoma National Guard to rank from April 12, 1921. He was promoted to major, Oklahoma National Guard, on October 19, 1922; to lieutenant colonel on February 8, 1924; to colonel on December 23, 1925; and to brigadier general of the line on April 2, 1937. He was ordered to extended active duty with the rank of brigadier general on September 16, 1940, and was promoted to major general (temporary) on August 31, 1944.

SERVICE

From June 19, 1916, to March 1, 1917, he served on border patrol duty in federal service with the Oklahoma National Guard. Upon being re-mustered into federal service for the World War, he served with the 36th Division at Fort Sill, Oklahoma, Fort Worth, Texas, and with the American Expeditionary Forces in France, where he participated in the Charnagne Offensive and the Meuse-Argonne Defensive Sector. He was honorably discharged on July 5, 1919.

His service with the Oklahoma National Guard was with the 45th Division, as Assistant Chief of Staff, G-3, Chief of Staff, until January 1938, when he became Brigade Commander, 70th Field Artillery Brigade. He was ordered to extended active duty for the present war on September 16, 1940, in command of the 70th Field Artillery Brigade at Fort Sill, Oklahoma. He subsequently moved to Camp Berkeley, Texas, in that capacity on March 10, 1941, and served until August 1941.

His next assignment was to command the 89th Infantry Brigade, until December 1941, when he assumed command of the 45th Division Artillery. He subsequently went overseas with that division, and served until April 1944, when he was assigned to the First Army, European Theater of Operations. Shortly thereafter he assumed command of the 30th Infantry Division Artillery, and in August 1944, he became Commanding General of the 90th Infantry Division. He was relieved of the 90th Infantry Division in October 1944, and when placed in command of the XIX Corps.

DECORATIONS

He was awarded the Distinguished Service Cross in 1943, with the following citation:

"For extraordinary heroism in action on the 11th, 12th, and 13th July 1943, during the campaign in Sicily. On 11 July, General McLain

OVER

McLain, Raymond S.

entered Vittoria, Sicily, with leading elements of the attacking infantry, where, despite active enemy snipers and artillery, his presence and actions with both army and civilian officials aided materially in the establishment of order and security at a critical stage of the operations. On 12 July, the attack of three battalions from different organizations upon Comiso Air Field was held up because of heavy enemy fire. With complete disregard for his own safety, he visited the headquarters and troops of two battalions, coordinated his activities and inspired them to renewed effort that resulted in the capture of the air field. On 13 July, an infantry regiment of his division had become disbursed and somewhat disorganized. General McLain requested permission from the division commander to visit this regiment in order to assist in its reorganization and subsequent advance. While he was accomplishing this mission, it was discovered that the enemy was withdrawing, and immediately General McLain placed himself at the head of our troops and moved them forward rapidly, his prompt action resulting in the capture of Biscari, Sicily. His courage, bravery, and coolness under fire, and tireless effort inspired the officers and men of these units, contributing greatly to the accomplishment of these missions, and stand as examples of the highest tradition of the military service."

WAR DEPARTMENT - Up to date as of 4 March 1946.
14 June 1946

ROBERT SPRAGUE BEIGHTLER
(O-26642)

Robert S. Beightler was born in Ohio on March 21, 1892. He enlisted in the Ohio National Guard as private on August 7, 1911, and served as private, corporal, sergeant, and first sergeant, until March 23, 1914. On the following day he was appointed a second lieutenant of Infantry.

He went into Federal service on border patrol duty as a second lieutenant on July 9, 1916, and following demobilization on March 3, 1917, was promoted to first lieutenant on July 10, 1917. He re-entered the Federal service for World War duty as a first lieutenant on July 15, 1917, and was promoted to captain in Federal service on June 19, 1918. Following demobilization on June 24, 1919, he was promoted to major on August 31, 1920; to lieutenant colonel on May 10, 1924; to colonel on June 15, 1939; to brigadier general of the line on August 22, 1940; and to major general of the line on October 12, 1940.

He was graduated from the National Guard Officers' Course, at the Command and General Staff School, Fort Leavenworth, Kansas, in 1926, and from the Military Intelligence Course, Army War College, Washington, D. C., in 1930.

He entered Federal service in October 1940, and became Commanding General of the 37th Infantry Division that same month, retaining command of the division when it moved to the Southwest Pacific Area in the Spring of 1942. In January 1945 the division was announced as a part of General MacArthur's command on the Philippine Islands.

DECORATIONS

He was awarded the Distinguished Service Medal in 1943, with the following citation:

"For exceptionally meritorious and distinguished service in a position of great responsibility. General Beightler commanded the 37th Infantry Division in combat against Japanese forces in New Georgia, Solomon Islands, from 23 July to 8 August 1943. He assumed command when the major elements of his division were already engaged with the enemy, and with conspicuous energy and foresight effected their reorganization, regroupment, and revitalization. Under his inspiring leadership the attack was resumed and despite a well organized defense by a determined enemy the division's assigned objective was captured in a minimum of time. General Beightler's repeated presence with the forward elements of his division during combat was largely responsible for the high morale of his command and its forward drive over extremely difficult terrain. He contributed in great measure to the success of the entire operation."

WAR DEPARTMENT - Up to date as of 14 June 1945

25-22018-35

SUMNER DE LEON LOWRY, JR.

Sumner De Leon Lowry, Jr., was born at St. Augustine, Florida, on August 27, 1893. He was graduated from the Virginia Military Institute in 1914 with the degree of Bachelor of Science. He was appointed a captain, Florida National Guard, on September 14, 1914.

PROMOTIONS

He was mustered into federal service as a captain on July 2, 1916, and served until March 17, 1917, when he was demobilized. He again served in federal service as a captain, during the World War, from September 15, 1917, to February 3, 1919, when he was honorably discharged. He was promoted to major, Florida National Guard, on February 15, 1922; to lieutenant colonel on October 1, 1922; to colonel on January 20, 1924; and to brigadier general of the line on October 4, 1934. He was called to extended active duty in that grade, in federal service, on November 25, 1940.

SERVICE

He first entered federal service with the Florida National Guard in July 1916, and served on border duty until demobilization on March 17, 1917. On September 15, 1917, with his unit, he again entered federal service and went overseas to serve with the American Expeditionary Forces, until February 3, 1919, when he was honorably discharged.

He was named president of the Victory National Life Insurance Company at Tampa, Florida, in 1922, serving until 1928. Meanwhile, in 1926, he was awarded the Florida Cross for services during the hurricane of that year. In 1928 he became chairman of the Board of Directors of the Gulf Life Insurance Company, Jacksonville, Florida. He is also a director of the Motor Transit Company.

He was president of the Jacksonville Chamber of Commerce during 1931 and 1932, and since 1933 has been chairman of two groups advocating the Gulf-Atlantic Ship Canal.

He was chairman of the Red Cross Disaster Relief Committee from 1929 to 1934, and he is a director of the Welfare League and the Community Chest association.

He became commanding general of the 56th Field Artillery Brigade, National Guard, in 1934. He later became Commanding General of the 1st Infantry Division artillery at Camp Bowie, Texas, and he was ordered to extended active duty in that capacity, at that same station. He later served as Artillery Commander of the 1st Infantry Division at various posts in the continental United States, and he accompanied his division overseas. In December 1940, he was assigned to Headquarters Army Ground Forces, Washington, D. C. He assumed duty as Assistant Commanding General, Infantry Replacement Training Center, Camp Livingston, Louisiana, in February 1945.

DEPARTMENT - Up to date as of 14 June 1945



OFFICE OF STATE CHAIRMAN

TREASURY DEPARTMENT
WAR FINANCE COMMITTEE1270 Sixth Avenue
New York 20, New York
14 June 1945

My dear Mr. Secretary:

I heard the program broadcast from
Pawling last night, and I feel it was one of
the most touching and effective of the entire
War Loan thus far.

I thought you might like to hear this
from one of your radio fans.

Faithfully yours,

Frederick W. Gehle
State ChairmanHonorable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

12"

36

14 June 1945

My dear Mr. Justice:

In the absence of the Secretary, I am acknowledging two letters -- one enclosing a copy of a communication you have received from Mrs. Roosevelt, and the other enclosing a copy of a letter you wrote to the Honorable Earl O'Connor. Of course, these will be brought immediately to the Secretary's attention on his return to Washington.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Honorable Felix Frankfurter,
Justice of the Supreme Court
of the United States,
Washington, D. C.

GKR/dhs

14 June 1945

My dear Mr. Justice:

In the absence of the Secretary, I am acknowledging two letters -- one enclosing a copy of a communication you have received from Mrs. Roosevelt, and the other enclosing a copy of a letter you wrote to the Honorable Earl C. Cramer. Of course, these will be brought immediately to the Secretary's attention on his return to Washington.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Honorable Felix Frankfurter,
Justice of the Supreme Court
of the United States,
Washington, D. C.

GKZ/dbs

14 June 1945

My dear Mr. Justice:

In the absence of the Secretary, I am acknowledging two letters -- one enclosing a copy of a communication you have received from Mrs. Roosevelt, and the other enclosing a copy of a letter you wrote to the Honorable Earl C. Cramer. Of course, these will be brought immediately to the Secretary's attention on his return to Washington.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Honorable Felix Frankfurter,
Justice of the Supreme Court
of the United States,
Washington, D. C.

GKZ/dbs

12

13
Supreme Court of the United States
Washington, D. C.

CHAMBERS OF
JUSTICE FELIX FRANKFURTER

June 11, 1945

Dear Henry:

The enclosed copy of a letter from Mrs. Roosevelt will interest you and not the less so because it was written in your apartment. The Morison referred to you doubtless will recognize as Commander Samuel Morison, the distinguished historian of Harvard whom F.D.R., early in the war, named as the naval historian of the war.

Ever yours,
✓

Hon. Henry Morgenthau, Jr.

Copy

14
2029 Connecticut Avenue, N.W.

Washington, D.C.

June 8, 1945

Dear Justice Frankfurter:

I have been thinking ever since I read your letter and at the same time I have had an opportunity to talk with Mr. Shigman and his assistant, Mr. Nison, at the library at Hyde Park.

They are both nice young men with a deep interest in developing the library to be useful to historians in the future, and to the general public so that they may have an interest in history. They are, however, conscious of the fact that alone they are not going to be able to achieve satisfactory results.

I am wondering whether you and the Memorial Committee might agree with me in thinking that Franklin's own personal desire was to have them not only get his own papers in order and accessible at the library for future historians, but papers of others that would illuminate this period. Some one of stature, with a sense of history and acceptable to the important men of this day, would have to do this job. Would the Memorial Committee feel that this might be a beginning, do you think? I thought perhaps Mr. Morison of Harvard whom I know was with Franklin from the start in organizing the library, of whom Franklin thought very highly and who knew a great deal of what Franklin dreamed, might not undertake to work in the library, realizing of course, that one can not write the real history for many years, but that one must write something contemporary and collect the material for future historians?

Many people should be made to write their particular memories and little bits of history which they helped to make - simple people should write what certain things during the last twelve years have meant in their lives, or this period of history will not be properly understood in the future.

It seems to me that one of the great contributions of the past twelve years is that so many people have come to be aware of government and of its real obligation to make life worth living for the people.

Very cordially yours,

(signed) Eleanor Roosevelt

15
 Supreme Court of the United States
 Washington, D. C.

CHAMBERS OF
 JUSTICE FELIX FRANKFURTER

June 11, 1945

Dear Henry:

I assure you received a letter from
 Doc O'Connor similar to the one he wrote me.
 I should like you to see what I wrote in reply.

Ever yours,
 F

Mon. Henry Morgenthau, Jr.

Copy

16
 May 25, 1945

Dear Doc:

Your letter of May 23rd, which has just come, leads me to express the hope that the meeting of the Roosevelt National Memorial Committee will be held prior to June 21st, for I shall then have to leave Washington and we shall not be back until late in the fall.

The habits of a lifetime, I suppose, make me feel the importance of right procedure for the reaching of right results, but, in any event, I think that we ought not to begin with collecting specific suggestions about the best way to memorialize President Roosevelt. Before we do that, ought we not to have full discussion of the aims we shall pursue and the manner of realizing them? In a word we should work out a procedure that will assure that Franklin D. Roosevelt will continue to be not merely a symbol but a driving energy for the promotion of those ideas and ideals for which he gave his life. At present I see only two things clearly but they seem to me to be vital to the whole enterprise:

1. That the manner of collecting the fund should in itself be a means of promoting the purposes of Franklin D. Roosevelt's life.
2. That the purposes to which the fund shall be put should be a continuing process of education in the ideals of Franklin D. Roosevelt and of their human realization.

Sincerely yours,

(signed) Felix Frankfurter

Mon. Basil O'Connor

12"

17
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

C
O
P
YROBT.L.DOUGHTON
9th Dist. North Carolina18
CHAIRMAN, COMMITTEE ON
WAYS AND MEANS

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.

19

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 P. O'Connor, Jr.)

Acting Secretary of the Treasury.

Hon. Robert L. Doughton,

House of Representatives.

JJO'C/kfa

REPUBLIC OF LIBERIA
TREASURY DEPARTMENT
MONROVIA

June 14, 1946

My dear Mr. President:

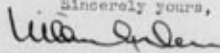
The American Legation here forwarded me your letter of February 22nd, attached to which was a copy of your Article about the Bretton Woods Agreements published in Foreign Affairs. I had already read this Article and the one of Mr. White's in Foreign Affairs. However, I thank you and appreciate your thoughtfulness.

I hope some day of having the pleasure of renewing our acquaintance.

With kind regards,

I remain,

Sincerely yours,



William E. Dennis

Honorable Henry Morgenthau, Jr.
President, United Nations
Monetary and Financial Conference,
Treasury Department,
WASHINGTON, D. C., U. S. A.

WED:ES

Republic of Liberia
Treasury Department,
Monrovia.
VIA AIR MAIL



Honorable Henry Morgenthau, Jr.
President, United Nations
Monetary and Financial Conference,
Treasury Department,
WASHINGTON, D. C., U. S. A.



12

21

FEDERAL RESERVE BANK
of New York

14 June 1945

CONFIDENTIAL

Dear Mr. White:

I am enclosing our compilation for the week ended
6 June 1945, analyzing dollar payments and receipts in affi-
cial British, French, Canadian, and Australian accounts at the
Federal Reserve Bank of New York.

Very truly yours,

H. L. Sanford,
Assistant Vice President

The Honorable Harry D. White,
Assistant Secretary of the Treasury,
Washington 25, D. C.

Enclosures 2.

23

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

16 June 1945

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended 6 June 1945, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

11/2

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS (In Billions of Dollars)

Week Ended June 6, 1945.Strictly
Confidential

PERIOD	DEBITS					CREDITS					BASE OF FINANCE (CATER'S CENTRAL) (h)		
	Total	Gov't Expendi- tures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Securities (Official)		Transfers from Australian Account	Other Credits (c)	Net Incr. (+) or Decr. (-) in \$ Funds (d)	Total Debits (e)	Total Credits (f)	Net Incr. (+) or Decr. (-) in \$ Funds (g)
						Gold (b)	Official (b)						
War Years (a)													
First	1,793.2	605.6	20.9	1,166.7	1,820.2	1,356.1	52.0	3.9	416.2	+ 35.0	844.3 (f)	1,095.3 (g)	+ 299.0
Second	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	11.9	8.8	- 30.1
Third	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	11.5	4.4	- 14.1
Fourth	764.0	312.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3
Fifth	1,197.7	300.4	61.4	835.9	1,369.6	-	-	253.0	1,116.6	+ 171.9	-	-	-
1944													
September	151.0	19.9	50.4	80.7	56.5	-	-	1.0	55.5	- 94.5	-	-	-
October	127.9	21.0	7.4	99.5	54.7	-	-	1.0	53.7	- 73.2	-	-	-
November	74.2	45.4	2.9	25.9	9.1	-	-	1.0	91.1	+ 17.9	-	-	-
December	80.4	21.0	-	58.5	91.6	-	-	-	91.6	+ 11.2	56.7	6.5	- 50.2
1945													
January	142.9	99.7	31.3	15.9	54.2	-	-	-	54.2	- 94.7	27.4	6.2	- 21.2
February	71.4	15.7	4.9	19.8	80.5	-	-	-	80.5	+ 25.1	85.8	0.8	- 86.0
March	79.2	45.3	6.2	15.7	75.3	-	-	-	75.3	- 1.9	2.7	1.7	- 0.8
April	56.6	25.9	11.1	29.6	62.6	-	-	-	62.6	- 4.0	22.1	1.4	- 21.0
May													
June													
July													
August													
Week Ended													
May 16, 1945	9.2	0.7	-	8.5	25.2	-	-	-	25.2	+ 16.0	1.5	0.4	- 1.1
May 23, 1945	6.1	2.5	-	3.6	30.1	-	-	-	30.1	+ 24.6	0.5	0.3	- 0.2
May 29, 1945	10.1	1.1	-	9.0	5.5	-	-	-	5.5	- 5.2	16.2	0.3	- 16.1
June 6, 1945	10.5	4.1	-	6.4	9.9	-	-	-	9.9	- 0.6	54.7 (j)	95.9 (k)	+ 41.2

See attached sheet for footnotes.

Average Weekly Expenditures Since Outbreak of War

France (through June 19, 1940)	\$19.6 million
England (through June 19, 1940)	\$27.6 million
England (through June 20, 1940 to March 12, 1941)	\$54.9 million
England (since March 12, 1941)	21.5 million

Reports and Analysis Division

- 58
- (a) Includes payments for account of British Ministry of Supply Mission; British Supply Board; Ministry of Supply Timber Control; and Ministry of Shipping.
 - (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
 - (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
 - (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
 - (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
 - (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
 - (g) For monthly breakdown see tabulations prior to April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.
 - (h) Transactions for account of Caisse Central de La France E'Occidentale included for first time in week ended December 6, 1944.
 - (i) Includes \$4.7 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, about \$1.0 million each transferred from accounts in this market of the Irish Free State and of the Norwegian Shipping and Trade Mission and \$0.5 million in connection with the expenses of our armed forces abroad.
 - (j) Includes \$50.0 million paid to French American Banking Corp. from the account of Tresorier Payeur General aux Etats Unis by order of the French Treasury, and \$4.0 million to account at this bank of "Banque Algerie Trésorerie Afrique Nord".
 - (k) Includes \$35.6 million representing advance payments on the sale of gold.

12"

26
Reports and Analysis DivisionANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS
(In Millions of Dollars)

Week Ended June 6, 1945

Strictly
Confidential

PERIOD	CANADA (and Canadian Government)				COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)			
	DEBITS		CREDITS		DEBITS		CREDITS	
	Total Debits	Transfers to Official A/C	Proceeds of Gold Sales	Transfers from Official British A/C	Total Debits	Transfers to Official A/C	Proceeds of Gold Sales	Transfers from Official British A/C
War Years (a)								
First	321.0	16.6	306.4	204.7	312.7	32.4	280.3	280.3
Second	460.4	-	460.4	246.2	34	121.9	88.5	121.9
Third	525.8	0.3	525.5	566.3	198.6	7.2	360.0	40.5
Fourth	723.6	-	723.6	958.8	47.1	170.4	741.3	235.2
Fifth	849.3	1.0	848.3	958.5	38.1	61.4	859.0	283.3
1944								
September	76.7	0.1	76.6	91.8	-	50.4	-	41.4
October	26.1	-	26.1	84.2	-	7.4	-	76.8
November	38.8	-	38.8	31.7	-	2.9	-	50.8
December	61.5	0.7	60.8	32.7	-	-	-	32.7
1945								
January	35.1	-	35.1	91.6	30.0	31.3	-	50.3
February	27.8	-	27.8	103.9	-	4.9	-	99.0
March	21.5	-	21.5	62.4	-	6.2	-	56.2
April	28.4	0.5	27.9	70.8	-	11.1	-	59.7
May								
June								
July								
August								
Week Ended								
May 16, 1945	26.1	-	26.1	28.4	-	-	-	28.4
May 23, 1945	0.2	-	0.2	39.0	-	-	-	39.0
May 29, 1945	1.5	-	1.5	32.1	-	-	-	30.6
June 6, 1945								

Average Weekly expenditures for

First year of war	6.2 million.
Second year of war	8.9 million.
Third year of war	10.1 million.
Fourth year of war	13.9 million.
Fifth year of war	16.1 million.
Sixth year of war (through June 6, 1945)	9.0 million.

- (a) For monthly breakdowns see tabulations prior to: April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 4, 1944.
 (b) Reflects changes in all dollar holdings payable on demand or maturing in one year.
 (c) Includes \$ 11.5 million deposited by War Supplies, Ltd., and \$ 12.6 million received from ~~these~~ accounts of Canadian chartered banks.
 (d) Reflects net change on all dollar holdings payable on demand or maturing in one year.
 * and \$8.0 million from official French account in this market.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, June 14, 1945.

Press Service
No. 46-63

Secretary Morgenthau and Mrs. Franklin D. Roosevelt spoke on a Seventh War Loan broadcast last night, devoted largely to interviews with patients at the U. S. Army Air Forces Convalescent Hospital at Pawling, N. Y.

The theme of the broadcast, at 10:30 p.m., E.S.T., over the Blue Network of the American Broadcasting Company, was the work of War Bond dollars in restoring the health of disabled fighting men.

Although military hospitalization costs only \$5 per patient per day, Secretary Morgenthau said, "we can truthfully say there never was so much of the best provided for so many of the best for so little cost".

In opening the half-hour broadcast, Secretary Morgenthau said:

"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. And behind every fact and figure are people. Tonight, here at this convalescent hospital in the green hills of Pawling, we are going to take you behind the facts and figures, behind the quotes, behind the E Bonds. We are going to see, together, War Bonds at work."

Patients on the program discussed the various treatments that were aiding their recovery. Others interviewed included officers of the hospital, the wife of one of the patients and a worker of the Pawling Red Cross.

This worker told of an Air Force gunner, morose from combat fatigue, whose recovery had been impeded until it was learned that he was longing for a pet: "A French poodle -- a little, white poodle is what I want."

- 2 -

The worker added:

"I got it for him the next day ... and you should have seen that soldier change. We've found that four legs, a wagging tail and a friendly bark can do wonders. Anyone at Pawling who wants a dog gets one -- and the kind he wants. And when he leaves, the dog leaves with him."

At the close of the program Secretary Morgenthau introduced Mrs. Roosevelt as a neighbor who "has been a neighborly friend to all America".

Mrs. Roosevelt said:

"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, 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 hospitals like Pawling.

"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 men 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."

000

TREASURY DEPARTMENT
WashingtonFOR RELEASE, MORNING NEWSPAPERS,
Thursday, June 14, 1945.Press Service
No. 46-63

Secretary Morgenthau and Mrs. Franklin D. Roosevelt spoke on a Seventh War Loan broadcast last night, devoted largely to interviews with patients at the U. S. Army Air Forces Convalescent Hospital at Pawling, N. Y.

The theme of the broadcast, at 10:30 p.m., E.W.T., over the Blue Network of the American Broadcasting Company, was the work of War Bond dollars in restoring the health of disabled fighting men.

Although military hospitalization costs only \$5 per patient per day, Secretary Morgenthau said, "we can truthfully say there never was so much of the best provided for so many of the best for so little cost".

In opening the half-hour broadcast, Secretary Morgenthau said:

"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. And behind every fact and figure are people. Tonight, here at this convalescent hospital in the green hills of Pawling, we are going to take you behind the facts and figures, behind the quotes, behind the E Bonds. We are going to see, together, War Bonds at work."

Patients on the program discussed the various treatments that were aiding their recovery. Others interviewed included officers of the hospital, the wife of one of the patients and a worker of the Pawling Red Cross.

This worker told of an Air Force gunner, morose from combat fatigue, whose recovery had been impeded until it was learned that he was longing for a pet: "A French poodle -- a little, white poodle is what I want."

- 2 -

The worker added:

"I got it for him the next day ... and you should have seen that soldier change. We've found that four legs, a wagging tail and a friendly bark can do wonders. Anyone at Pawling who wants a dog gets one -- and the kind he wants. And when he leaves, the dog leaves with him."

At the close of the program Secretary Morgenthau introduced Mrs. Roosevelt as a neighbor who "has been a neighborly friend to all America".

Mrs. Roosevelt said:

"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, 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 hospitals like Pawling.

"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."

oOo

TREASURY DEPARTMENT
WashingtonFOR RELEASE, MORNING NEWSPAPERS,
Thursday, June 14, 1945.Press Service
No. 46-63

Secretary Morgenthau and Mrs. Franklin D. Roosevelt spoke on a Seventh War Loan broadcast last night, devoted largely to interviews with patients at the U. S. Army Air Forces Convalescent Hospital at Pawling, N. Y.

The theme of the broadcast, at 10:30 p.m., E.W.T., over the Blue Network of the American Broadcasting Company, was the work of War Bond dollars in restoring the health of disabled fighting men.

Although military hospitalization costs only \$5 per patient per day, Secretary Morgenthau said, "we can truthfully say there never was so much of the best provided for so many of the best for so little cost".

In opening the half-hour broadcast, Secretary Morgenthau said:

"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. And behind every fact and figure are people. Tonight, here at this convalescent hospital in the green 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."

Patients on the program discussed the various treatments that were aiding their recovery. Others interviewed included officers of the hospital, the wife of one of the patients and a worker of the Pawling Red Cross.

This worker told of an Air Force gunner, morose from combat fatigue, whose recovery had been impeded until it was learned that he was longing for a pet: "A French poodle -- a little, white poodle is what I want."

- 2 -

The worker added:

"I got it for him the next day ... and you should have seen that soldier change. We've found that four legs, a wagging tail and a friendly bark can do wonders. Anyone at Pawling who wants a dog gets one -- and the kind he wants. And when he leaves, the dog leaves with him."

At the close of the program Secretary Morgenthau introduced Mrs. Roosevelt as a neighbor who "has been a neighborly friend to all America".

Mrs. Roosevelt said:

"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, 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 hospitals like Pawling.

"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 men have 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."

000

12

33

TREASURY DEPARTMENT
WashingtonFOR RELEASE, MORNING NEWSPAPERS,
Thursday, June 14, 1945.Press Service
No. 46-63

Secretary Morgenthau and Mrs. Franklin D. Roosevelt spoke on a Seventh War Loan broadcast last night, devoted largely to interviews with patients at the U. S. Army Air Forces Convalescent Hospital at Pawling, N. Y.

The theme of the broadcast, at 10:30 p.m., E.W.T., over the Blue Network of the American Broadcasting Company, was the work of War Bond dollars in restoring the health of disabled fighting men.

Although military hospitalization costs only \$8 per patient per day, Secretary Morgenthau said, "we can truthfully say there never was so much of the best provided for so many of the best for so little cost".

In opening the half-hour broadcast, Secretary Morgenthau said:

"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. And behind every fact and figure are people. Tonight, here at this convalescent hospital in the green hills of Pawling, we are going to take you behind the facts and figures, behind the quotes, behind the E Bonds. We are going to see, together, War Bonds at work."

Patients on the program discussed the various treatments that were aiding their recovery. Others interviewed included officers of the hospital, the wife of one of the patients and a worker of the Pawling Red Cross.

This worker told of an Air Force gunner, morose from combat fatigue, whose recovery had been impeded until it was learned that he was longing for a pet: "A French poodle -- a little, white poodle is what I want."

34

- 2 -

The worker added:

"I got it for him the next day ... and you should have seen that soldier change. We've found that four legs, a wagging tail and a friendly bark can do wonders. Anyone at Pawling who wants a dog gets one -- and the kind he wants. And when he leaves, the dog leaves with him."

At the close of the program Secretary Morgenthau introduced Mrs. Roosevelt as a neighbor who "has been a neighborly friend to all America".

Mrs. Roosevelt said:

"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, 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 hospitals like Pawling.

"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 men have 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."

oOo

12

TREASURY DEPARTMENT
WashingtonFOR RELEASE, MORNING NEWSPAPERS,
Thursday, June 14, 1945.Press Service
No. 46-63

Secretary Morgenthau and Mrs. Franklin D. Roosevelt spoke on a Seventh War Loan broadcast last night, devoted largely to interviews with patients at the U. S. Army Air Forces Convalescent Hospital at Pawling, N. Y.

The theme of the broadcast, at 10:30 p.m., E.W.T., over the Blue Network of the American Broadcasting Company, was the work of War Bond dollars in restoring the health of disabled fighting men.

Although military hospitalization costs only \$5 per patient per day, Secretary Morgenthau said, "we can truthfully say there never was so much of the best provided for so many of the best for so little cost".

In opening the half-hour broadcast, Secretary Morgenthau said:

"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. And behind every fact and figure are people. Tonight, here at this convalescent hospital in the green hills of Pawling, we are going to take you behind the facts and figures, behind the quotes, behind the E Bonds. We are going to see, together, War Bonds at work."

Patients on the program discussed the various treatments that were aiding their recovery. Others interviewed included officers of the hospital, the wife of one of the patients and a worker of the Pawling Red Cross.

This worker told of an Air Force gunner, morose from combat fatigue, whose recovery had been impeded until it was learned that he was longing for a pet: "A French poodle -- a little, white poodle is what I want."

- 2 -

The worker added:

"I got it for him the next day ... and you should have seen that soldier change. We've found that four legs, a wagging tail and a friendly bark can do wonders. Anyone at Pawling who wants a dog gets one -- and the kind he wants. And when he leaves, the dog leaves with him."

At the close of the program Secretary Morgenthau introduced Mrs. Roosevelt as a neighbor who "has been a neighborly friend to all America".

Mrs. Roosevelt said:

"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, 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 hospitals like Pawling.

"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."

oOo

DEPARTMENT
OF
STATE

RECEIVED
DIVISION OF
CENTRAL SERVICES
INCOMING
TELEGRAM

37
DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

195 JUN 15 AM 9 36

CSL-433

CC/L

PLAIN

London

Dated June 14, 1945

Rec'd 8:15 p.m.

Secretary of State

Washington

6035, Fourteenth,

FOR DEPT WRB AND HARRISON

Executive Committee of Intergovernmental Committee on Refugees held thirteenth meeting today. Request of French Govt that IOC assume legal and administrative protection Spanish refugees accepted. No other business transacted. Next meeting Executive Committee will be convened in about a month.

URGENT

MRG

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

38
DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

GEN-418

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (RESTRICTED)

Paris

Dated June 14, 1945

Rec'd 7:42 p.m.

CC/L
LIAISON

Secretary of State,

Washington.

3560, June 14, 5 p.m.

FOR JOSEPH SCHWARTZ JOINT DISTRIBUTION COMMITTEE FROM GREENLEIGH

"Boneter here to work out repatriation of former residents France now Philippeville. Also for your information all perishable units previously referred to utilized with slight spoilage."

CAPPERY

JH

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

DIVISION OF ³⁹
CENTRAL SERVICES
TELEGRAPH SECTION

CSL-332

Distribution of
true reading only by
special arrangement
(SECRETW)

RECEIVED
DIVISION OF
CENTRAL SERVICES

JUN 13 46

Bern

Dated June 14, 1946

Rec'd. 3:42 p.m.

Secretary of State

Washington

3174, June 14, Noon

FOR WRB FROM ROCHELLELAND

For Dr Nahum Goldmann, World Jewish Congress, 1634
Broadway, NYC, from Gerhart, Riegner and Paul Guggenheim,
Geneva.

"Informing you confidentially that Max Maximos,
Jewish businessman from Rumania at present Switzerland
who once lived several years in Soviet Russia where he
apparently has good relations, will go end June on
business for short stay in Moscow. On suggestion Theodor
Fischer Maximos declared ready to do his utmost in order
to establish relations between Soviet Govt and Congress
if authorized by us this purpose.

We intend ask him negotiate competent authorities
view Dispatch Congress delegate to Moscow with aim reach
understanding on Jewish reconstruction and rehabilitation
on territories under Soviet occupation and possibly crea-
tion permanent representation on Moscow. Request your
urgent cable instructions.

For security reasons the
text of this message must
be closely guarded.

HARRISON

JT

12"

41
CABLES FROM AMERICAN EMBASSY

MOSCOW

Russian Press Comment

ON

Internal Developments in the USSR

40
PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
 TO: American Embassy, Chungking
 DATED: June 14, 1945
 NO.: 904

SECRET

T.V. Soong stated, in a recent meeting with Assistant Secretary Clayton, that registration of foreign firms would be postponed for at least a year giving ample time for further discussions. Request is made of the Embassy to make discreet inquiries and if confirmed, report by cable.

CHEN
 (Acting)

CP:TJK:ating:lhg
 Paraphrased:
 DC/L:MAS:CVT
 6-16-45

ef:copy
 6-19-45

42
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 15 June 1945

TO: Secretary Morgenthau
 FROM: Mr. Coe FC

Subject: Recent Internal Developments in the U.S.S.R.

The attached cables from the American Embassy in Moscow summarizing economic information appearing in the Russian press provide a rough indication of post-hostilities Soviet production trends.

Reconstruction and Reconversion of Soviet Industry

1. In the Baku oil fields and the Donbass coal fields, production has not yet been restored to prewar levels. On the basis of press information Ambassador Harriman has concluded that Baku oil output which accounted for 70 percent of Soviet pre-war crude oil production "remains substantially below prewar levels and has never increased substantially since 1942". This production drop is ascribed to the cessation of new drilling which has been enforced by a shortage of machinery. Similarly, it is estimated that the Donbass coal fields will be producing at a level only 62 percent of the pre-war standard at the end of 1945.

2. Harriman estimates that it will be 6 years before tractor inventories are up to prewar levels, despite sharp production increases this year and planned increases for ensuing years. "Unless important units of the Soviet tank industry are reconverted to tractor production. Of this there are yet no signs."

3. Harriman stresses the fact that increased production of consumer's goods is being undertaken without large scale reconversion of Soviet war industry.

43

15 June 1945

Secretary Morgenthau

Mr. Coe

Subject: Recent Internal Developments in the U.S.S.R.

The attached cables from the American Embassy in Moscow summarizing economic information appearing in the Russian press provide a rough indication of post-hostilities Soviet production trends.

Reconstruction and Reconversion of Soviet Industry

1. In the Baku oil fields and the Donbass coal fields, production has not yet been restored to prewar levels. On the basis of press information Ambassador Harriman has concluded that Baku oil output which accounted for 70 percent of Soviet pre-war crude oil production "remains substantially below prewar levels and has never increased substantially since 1942". This production drop is ascribed to the cessation of new drilling which has been enforced by a shortage of machinery. Similarly, it is estimated that the Donbass coal fields will be producing at a level only 62 percent of the pre-war standard at the end of 1945.

2. Harriman estimates that it will be 6 years before tractor inventories are up to prewar levels, despite sharp production increases this year and planned increases for ensuing years, "unless important units of the Soviet tank industry are reconverted to tractor production. Of this there are yet no signs."

3. Harriman stresses the fact that increased production of consumer's goods is being undertaken without large scale reconversion of Soviet war industry.

SG:esp - 6-15-45

44

SUMMARY INDEX OF CABLES FROM THE AMERICAN
EMBASSY IN MOSCOW ON RUSSIAN PRESS COMMENT
ON INTERNAL DEVELOPMENTS:

1. Russian report on tractor production.
2. Press report on state assistance to disabled servicemen.
3. Press report on enrollment in factory schools.
4. Press report on presentation of American Awards to Soviet personnel.
5. Press report on Baku oil production.
6. Press report on Donbas coal production.
7. Embassy report on Stalin's toast to the Red Army.
8. Press report on German removal of Soviet equipment.
9. Press report on war losses of the Soviet Ukraine.
10. Press report on enrollment in advanced technical schools.
11. Press report on increase of consumer goods production.
12. Press report on Soviet Award to General Bradley.

12"

DEPARTMENT
OF
STATEINCOMING
TELEGRAM
DIVISION OF
CENTRAL SERVICESDIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

LD-690

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

Moscow via Army

Dated June 5, 1945

Rec'd 12:23 p.m.

Secretary of State,
Washington.

1907, June 5, 3 p.m.

TRUD June 2 carries information on Soviet tractor
industry which together with previously published in-
formation and research done in Embassy (RECEIVEDS 1907
Sept. 27, 1944) permits presentation of complete picture
of Soviet tractor production.

Current production tractors in USSR is estimated at
maximum of 700 per month or 8400 per year with total
horsepower measured at drawbar of tractor of maximum of
2,700,000 per year. This compares with maximum prewar
production in 1936 of 116,000 tractors with horsepower
of 2,619,000. (Production in 1938 was 58,000 of
1,800,000 hp) This current production is about 7%
maximum prewar in number of units and about 10% in terms
of total horsepower.

Current production is not sufficient to replace
more than a small part of annual retirements from
tractor inventory. At present time total inventory of
tractors in Soviet agriculture is about one half of
prewar

COPY FOR SECRETARY

46

4-2- #1907, June 5, 3 p.m., from Moscow via Army

prewar and in abasnet of new production on large scale during war average age of Soviet tractor has increased by four years.

While tractor production has risen sharply during past year and will rise sharply during coming years as new plants are completed and destroyed plants reconstructed it is improbable that USSR inventory of tractors in agriculture will attain prewar level in less than six or more years unless important units of Soviet tank industry are reconverted to tractor production. Of this there are as yet no signs.

Telegram follows summarizing information on Soviet tractor factories.

MESSAGE UNRECORDED

WPS

2

COPY FOR SECRETARY

DEPARTMENT
OF
STATEINCOMING
TELEGRAMDIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

47

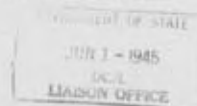
ET-990

PLAIN

Moscow via Army

Dated May 31, 1945

Rcd'd 12:50 p.m.

Secretary of State
Washington

1830, Thirty-first.

Trud May 27 carries article on measures for assistance to war invalids. Types of assistance for war invalids include government pensions (administered by the USSR Commissariat for Social Security), trips to sanatoria and rest homes, access to special stores and restaurants, allotment of amounts of merchandise at firm prices, special attention in matters of fuel supply, apartment repair, allotment of space for vegetable gardens and the like. War invalids are also given certain tax exemptions. War invalids returning to collective farms are exempted from deliveries of meat, milk, eggs and wool in whole or in part. War invalids returning to factories are given special attention so as to make it possible for them to work again -- special appliances

when necessary

48

-2- 1830, Thirty-first, from Moscow via Army

when necessary and special training.

War invalids appear before medical commissions which determine types of work for which they are capable.

Considerable success has been attained to date in returning war invalids to labor force. 81% of all war invalids are now employed. War invalids of group three (limited incapacity) are almost all employed as well as over 50% of group two (serious incapacity). About half of all working war invalids are employed in agriculture.

HARRIMAN

WJF

COPY FOR SECRETARY

HING
RAMDIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

49

LFG-1187

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

Moscow via Army

Dated May 31, 1945

Rec'd 7:55 p.m.

Secretary of State,
Washington.

1838, May 31, 9 p.m.

PRAVDA May 30 carries an article citing accomplishment
of factory schools (fso) and trade schools during wartime.
Factory schools are attached to factories and prepare
young people for work in the factory to which attached.
Trade schools provide an analogous type of education
but are not attached to specific factories. These
schools are to be distinguished from technicians which
unlike factory and trade schools require completion of
ten years of primary and secondary schooling for entrance
and turn out technical specialists rather than ordinary
workers (REMEMBS 1772, May 28, 12).

In 1940 factory and trade schools numbered 1580 and
had 600,000 students. In 1945, there are 2750 such school
with 800,000 students.

In June 1945, these schools will graduate 260,000
workers of

DEPARTMENT OF STATE
JUN 1 - 1945
L-1
LIAISON OFFICE

50

-R-1838, May 31, 9 p.m., from Moscow via Army

workers of whom 106,000 will be machine tool operators and the like for metal working and machinery industries, 11,000 for metallurgical industry, 68,000 construction workers, 17,000 railway workers, 19,000 miners and 10,000 oil workers.

Of the 260,000, graduates ferrous and non-ferrous metalurgy will receive 45,000, war industry 40,000, machinery factories (other than war industry) 15,000, construction and building materials industry 26,000, textile factories 10,000, railway, ocean and river transport 40,000.

It is of considerable interest that war industry, in spite of the fact that hostilities have ceased, will receive a large contingent of young and newly trained workers.

HARRISMAN

DJ EEC

COPY FOR SECRETARY

INCOMING
TELEGRAMDIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

ET-896

1945 MAY 31 PM 1 22

DC/L
LIAISON

PLAIN

Moscow via Army

Dated May 31, 1945

Rec'd 6:52 a.m.

Secretary of State

Washington

1824, Thirtieth.

RED STAR for May 28th and May 30th published items reporting respectively presentation of American awards to Soviet aviators and of American miniature wristwatch to Soviet nurse. First item appeared on front page and was datelined "H" Army May 28th. It described awarding of Bronze Star to hero of Soviet Union, Major I V Krinko, and Distinguished Flying Cross to Chief Petty Officer G I Dronzdov. Story stated that awards are evidence of recognition by American Government of outstanding successes achieved by Soviet aviators in battle against common enemy, German fascism. It described records of two men and stated that "representative of Command" wished them further success.

Second item states that woman's miniature watch presented

-2- 1824, Thirtieth, from Moscow via Army

presented by Emma Jordan of New Castle, Pennsylvania was sent to V M Molotov at San Francisco with letter requesting that it be presented to a Soviet military medical worker. Item quotes letter containing statement that watch would find place close to "flower of world humanitarianism, remarkable Red Army". It goes on to describe ceremony of presentation to Lieutenant of Medical Service Natalya Ivanovna Morozova. Brief sketch of Morozova's war record is given and story concludes by stating that she wrote letter of thanks to Emma Jordan.

UNSIGNED

EEC

DEPARTMENT
OF
STATEINCOMING
TELEGRAMDIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

53

HEM-148

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

Moscow via Army

Dated May 29, 1945

Rec'd 2:15 p.m.

Secretary of State,
Washington.

US URGENT

1795, May 29, 10 a.m.

DEPARTMENT OF STATE

MAY 30 1945

DEPT.
LIAISON OFFICE

Very little has been known about highly important Baku oil output during war. On one hand it is clear that 1942 German advances by cutting off all main lines of oil transport from Baku to European Russia forced a partial shutdown of production. On other hand Soviet press has not given any information on production there or on possible recovery from 1942 low. This leads supposition that Baku output remains substantially below prewar levels and has never increased substantially since 1942.

Recent press reports now give information on Baku which enables one to get some idea of what happened there. Before war Baku produced 70% of Soviet crude. (KRAVSKAYA ZVEZDA May 20) thus in 1940 Baku output was apparently about 24 millions tons. In 1941 production was apparently at all time peak. TRUD of May 5 states that

54

-2- #1795, May 29, 10 a.m., from Moscow via Army.

that under Soviet regime crude output at Baku increased 3.5 times as compared with 1913 level but does not state that present output is this great. Three and one-half times 1913 output is 26.6 million tons. It is assumed that this was output in 1941 since this estimate fits well with known facts on performance of field in that year.

No quantitative data are available for years since 1941. During war all new drilling ceased. This was a result of lack of pipe and machinery supplied before the war from Mariopol and Taganrog plants occupied by Germans on 1941-42 and from factory named after Lt. Schmidt in Baku itself which was converted to military production. (KURASHAYA ZVEZDA May 20 and May 22) Cessation of new drilling during war years clearly led to drop in production since life of Baku wells is short and production can only be maintained by continuous new drilling (REEMBSDES 928, Nov 14, 1940).

In order to maintain production of crude insofar as possible without new drilling, operating wells were studied and means were worked out of prolonging their life. In addition some older and inactive wells were studied and revitalized by various means. Pipe necessary for the

55

-3- #1795, May 29, 10 a.m., from Moscow via Army.

for the field was recovered from inactive wells and methods of extraction without pipe were even worked out. (KURASHAYA ZVEZDA May 20).

The main task imposed on field by war was increase of output of aviation gasoline. This had to be done in spite of lack of reagents used for refining of high octane product. To meet the problem cracking plants were transferred to refining of high octane products and methods were worked out for processing aviation gasoline without application of special reagents. (KURASHAYA ZVEZDA May 20).

Presumably it has been possible in recent months to increase amount of drilling at Baku. Soviet requisition of about 80,000 tons of pipe and tubing from Rumania should assist greatly. Total consumption of all types of steel pipe at Baku in 1938 was 139,000 tons.

HARRIMAN

WFS

COPY FOR SECRETARY

HARRIS
GRAMDIVISION OF
CENTRAL SERVICES56
DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

JP-1962

MOSCOW 29 PM

Moscow via Army

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

Dated May 28, 1945

Rec'd 9:30 p.m.

Secretary of State,
Washington.

1798, May 28, 9 p.m.

Trud May 27 states that in 1945 output of coal
in Donbass must attain 60 percent of prewar level and
increase 4.5 times as compared with past year.

These figures may be interpreted to mean that
by end of 1945, Donbass will be producing at 62
percent of its prewar rate of production of about
280,000 tons per day--about 155,000 tons per day
as compared with rate of about 85,000 tons per day
at end of 1944, and 34,000 tons per day at beginning
of 1944 (REEMB's 1685, May 21, 10 p.m.) (all tons metric).
Statement that output will increase 4.5 times is taken to
be a comparison of rate at end of 1945 with rate at
beginning of 1944. No other interpretation of these
figures is consistent with other information available.

Thus if plans are realized Donbass will produce
in 1945 over 40 million tons of coal.

HARRISMAN

REC

DJ

COPY FOR SECRETARY

WIRING
GRAMDIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

59

E.S.-1616

RECEIVED MAY 28 9 08

CC/L
LIAISON

FILM

Moscow via Army

Dated May 28, 1945

Rec'd 3:15 p.m.

Secretary of State,
Washington.

1700, Twenty-eighth
Embassy's translation of Stalin's toast at
reception for commanders of the Red Army follows:

"Comrades, permit me to propose one final toast.

I wish to propose a toast to the health of our
Soviet people and first of all of the Russian people.
(Loud prolonged applause and shouts of inverted 'hurrah')
I drink first of all to the health of the Russian people
because it is the most outstanding nation of all the
nations composing the Soviet Union.

I propose a toast to the health of the Russian
people because it has won general recognition in this war
as the leading force of the Soviet Union among all the
peoples of our country.

I propose a toast to the health of the Russian
people not only because it is the leading people but also

because

58

-2-#1782, Twenty-eighth, from Moscow via Army
because of its clear mind, steadfast character and
patience.

Our Government has made not a few mistakes.
We went through the moments of the desperate situation
of 1941 and 1942 when our army was retreating abandoning
our dear villages and towns of the Ukraine, White Russia,
Belarus, Leningrad, Oblast, Baltic and Karelian-Finnish
republic, withdrawing because there was no other course.
Another people might have said to its government: 'you
have not fulfilled our hopes. Get out. We will put in a
new government which will conclude peace with Germany
and assure us quiet'. But the Russian people did not do
this for it believed in the correctness of its government's
policy and proceeded to make sacrifices in order to
assure Germany's defeat. This confidence Russian people
for Soviet Government was decisive factor which assured
the historic victory over the enemy of humanity, over
Fascism.

Thank you, Russian people, for this confidence.

The health of the Russian people!" (loud continued
applause)

MESSAGE UNSIGNED

REF

12"

COPY FOR SECRETARY

ING
RAMDIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

E5-1720

1945 MAY 28 PM 1 20

PLAIN

Moscow

DC/L
LIAISON

Dated May 27, 1945

Rec'd 10:15 p.m.

Secretary of State

Washington

1778, Twenty-seventh.

RED STAR for May 25 published dispatch from unidentified Red Army group, substance of which follows:

German Fascists removed equipment of many Soviet factories during their occupation of Soviet territory. They placed their stamp on Soviet machinery. Now a part of this equipment has been found and is being sent back home. During the past few days 250 carloads of factory equipment have been dispatched to Soviet Union. A regular shipment of 800 carloads is being prepared.

Brigades of engineering and technical workers are investigating enterprises and are finding Soviet property which is being returned to its rightful owners.

Reprinted to Paris for Murphy as 138.

HARRIMAN

DJ
EEC

12"

COPY FOR SECRETARY

INCOMING
GRAMDIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

DGH-1671

PLAIN

Moscow via War

Dated May 27, 1945

Rec'd 3:01 p.m.

Secretary of State
Washington

1775, twentyseventh

DEPARTMENT OF STATE

MAY 28 1945

OCL

LIAISON OFFICE

Article in RED STAR for May 26 gives following facts concerning war losses of Soviet Ukraine: Ukraine lost two and one half million killed among civil population, one and one half million men killed, and three million driven forcibly into Germany. One third of population of Ukraine remained without homes. Material damages suffered by Ukrainian people are calculated at more than one hundred billion dollars.

MESSAGE UNRECORDED

RR

10

COPY FOR SECRETARY

 61
 DIVISION OF
 CENTRAL SERVICES
 TELEGRAPH SECTION
 DIVISION OF
 CENTRAL SERVICES
 TELEGRAPH SECTION

 DIVISION OF
 CENTRAL SERVICES
 TELEGRAPH SECTION

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

1945 MAY 28 Dated May 26, 1945
 At 9:00:15 p.m.

GC/L
 HANSON

Secretary of State,
 Washington.

1772, May 26, Midnight

IZVESTIYA May 26 carries interview with head of
 Committee on Advanced Schools, S. V. Kaftanov. Kaftanov
 stated that by end of 1945 higher schools of USSR
 (universities, technical institutes, etc.,) will have as
 many students as in 1940 and advanced schools in fields
 of industry and construction will have 18,000 more students
 than in 1940. In 1947 higher schools of USSR must graduate
 120,000 specialists with higher education as compared with
 100,000 before war. To keep supply of specialists with
 secondary education in balance with those with higher
 education, number of students in technical secondary schools
 (technicums) will be increased in near future to one million
 annual graduates amounting to 200,000 to 250,000 specialists
 with secondary education.

Emphasis in education program is almost entirely
 technical. Kaftanov states that during 1945 a significant
 number of discharged soldiers will apply for admission
 into higher schools of USSR and that preference will be
 given to this class of student in admissions.

JMS

HARRISMAN

COPY FOR SECRETARY

MING
GRAMDIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

EC-539

This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (RESTRICTED) OG/L

Moscow via Army

May 23, 1945

Rec'd. 11:57 a.m., 24th

Secretary of State,
Washington.

1725, May 23, 10:00 p.m.

Recently in the Soviet press there have been a
large number of reports of increases in production of
consumers goods for civilians. Typical of these are
the following:

Important textile mills of Ivanovo are to increase
output for civilian use (IZVESTIYA May 16). Commissariat
of light industry will increase shoe output 36% in
second quarter of 1945 over first quarter. Increase
will chiefly benefit civilians (TRUD May 16). Pro-
duction of cigarettes will increase 4 or 5 times in
1945 (EVENING MOSCOW May 17) Red October factory in
Leningrad will produce 500 pianos in 1945 and 2,000 in
1946 (TRUD May 18). The Tula Samovar factory will re-
attain prewar production of 120,000 a year by end of
1945 (IZVESTIYA May 22).

With end of war it is clear that more attention
will be devoted to production of consumers goods for
civilian use and a certain amount of relief is in sight

for average

-2-1725, May 23, 10 P.M., from Moscow via Army

for average Russian who has been able during war to get
very little clothing, footwear or other essential con-
sumers goods. These reports and similar reports in
Soviet press should not, however, be interpreted as
indications of any wide spread tendency toward demobili-
zation of war industry or reconversion. Increases in
consumers goods production so far mentioned in press
can be realized, now that hostilities have ceased,
without material alteration of existing war economy.

KENDAN

447

COPY FOR SECRETARY

MING
GRAM64
DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

ABB-1844

1945 MAY 23 AM 8:38 Moscow via Army

Dated May 22, 1945

DO/L

Rec'd 2:44 P.M.

Secretary of State,
Washington

1690, Twenty-second

Yesterday's IZVESTIYA and today's PRAVDA published on inside pages photograph of General Bradley receiving order of Suворov, First Class, from Marshal Konev. Texts accompanying photographs describe circumstances of presentation and quote Marshal Konev's expression of hope that victory won by Allied armies will be token of future friendship and cooperation of American and Soviet peoples.

MESSAGE UNSIGNED

HJP

12"

Leads in Special Tax Drive

Analysis showing number received, assigned, and on hand not assigned
weekly and cumulative

Week ending	Cumulative from April 7			Weekly figures		
	Number received	Number assigned	Number on hand not assigned	Number received	Number assigned	Change in number not assigned
May 5	8,039	1,829				
12	9,848	2,874	6,974	1,809	1,045	+764
19	11,665	4,256	7,409	1,817	1,382	+435
26	13,493	5,571	7,922	1,828	1,315	+513
June 2	22,925	10,122	12,803	9,432	4,551	+4,881
9	25,382	11,394	13,988	2,457	1,272	+1,185
16						
23						
30						

Office of the Secretary of the Treasury,
Division of Research and Statistics.

June 14, 1945.

Cases Assigned for Investigation in Special Tax Drive
 Analysis showing number assigned, disposed of and on hand,
 weekly and cumulative

Week ending	Cumulative from April 7			Weekly figures		
	Number assigned	Number disposed of	Number on hand	Number assigned	Number disposed of	Change in number assigned
May 5	1,829	409				
12	2,874	890	1,984			
19	4,256	1,773	2,483	1,045	481	+564
26	5,571	2,635	2,936	1,382	883	+499
June 2	10,122	3,592	6,530	1,315	862	+453
9	11,394	4,461	6,933	4,551	957	+3,594
16				1,272	869	+403
23						
30						

Office of the Secretary of the Treasury,
 Division of Research and Statistics.

June 14, 1945.

Cases Disposed of in Special Tax Drive
 Analysis showing number disposed of and by type of action
 Weekly and Cumulative

Week ending	Cumulative from April 7				Weekly figures			
	Number disposed of recommending			Total cases disposed of	Number disposed of recommending			Total cases disposed of
	Criminal action	Civil action	No action		Criminal action	Civil action	No action	
May 5	5	147	257	409				
12	11	328	551	890	6	181	294	481
19	17	869	887	1,773	6	541	336	883
26	20	1,171	1,444	2,635	3	302	557	862
June 2	26	1,520	2,046	3,592	6	349	602	957
9	37	1,885	2,539	4,461	11	365	493	869
16								
23								
30								

June 14, 1945.

Office of the Secretary of the Treasury,
 Division of Research and Statistics.

Direct and Indirect Results of Special Tax Drive
Weekly and Cumulative

Week ending	Cumulative from April 7						Weekly figures					
	Voluntary assess- ment of addi- tional taxes		Assessment of addi- tional taxes by investigators		Total voluntary and involuntary tax assessments		Voluntary assess- ment of addi- tional taxes		Assessment of addi- tional taxes by investigators		Total voluntary and involuntary tax assessments	
	Number of cases	Amount due	Number of cases	Amount due	Number of cases	Amount due	Number of cases	Amount due	Number of cases	Amount due	Number of cases	Amount due
	(000)		(000)		(000)		(000)		(000)		(000)	
May 5	*	*	152	\$1,241	*	*	*	*	*	*	*	*
12	*	*	339	2,161	*	*	*	*	187	\$920	*	*
19	*	*	886	8,050	*	*	*	*	547	5,889	*	*
26	*	*	1,191	9,014	*	*	*	*	305	964	*	*
June 2	*	*	1,546	15,094	*	*	*	*	355	6,080	*	*
9	4,659	2,732	1,922	16,812	6,581	19,544	*	*	376	1,718	*	*
16												
23												
30												

Office of the Secretary of the Treasury,
Division of Research and Statistics.

June 14, 1945.

*Not available.

Classification of Leads and Assigned Cases in Special Tax Drive
Week ended June 9, 1945

Part I. By Type of Operation

Type of Operation	Leads				Cases assigned			
	Leads on hand: beginning of week not assigned	Add: New leads: obtained during week	Subtract: Leads as- signed dur- ing week	Balance: Leads on hand end of week not assigned	Assigned cases on hand beginning of week	Add: New cases assigned during week	Subtract: Cases dis- posed of during week	Balance: Assigned cases on hand end of week
Currency	1,675	819	251	2,243	4,308	251	245	4,314
Fur, leather and luggage	220	17	17	220	46	17	24	39
Jewelry	396	57	64	389	138	64	47	155
Liquor	1,309	247	229	1,327	505	229	140	594
Meat, fish and poultry	731	180	72	839	499	72	90	481
Real estate	4,681	171	247	4,603	353	249	105	497
Miscellaneous	<u>3,521</u>	<u>966</u>	<u>390</u>	<u>4,167</u>	<u>681</u>	<u>390</u>	<u>216</u>	<u>653</u>
Total	12,803	2,457	1,272	13,988	6,530	1,272	669	6,933

Office of the Secretary of the Treasury,
Division of Research and Statistics.

June 14, 1945

Classification of Leads and Assigned Cases in Special Tax Drive
Week ended June 9, 1945

Part 2. By Geographic Location

Intelligence Unit Geographic District	Leads				Cases assigned				
	Leads on hand: beginning of week not assigned	Add: New leads obtained during week	Subtract: Leads assigned during week	Balance: Leads on hand end of week not assigned	Assigned cases on hand beginning of week	Add: New cases assigned during week	Subtract: Cases disposed of during week	Balance: Assigned cases on hand end of week	Average number of cases per agent
Boston	810	33	74	769	92	74	41	131	4.7
New York	2,898	833	402	3,329	925	402	163	1,164	7.8
Philadelphia	1,147	105	140	1,112	579	140	107	612	3.9
Washington	1,441	181	86	1,536	201	86	26	201	1.4
Atlanta	624	158	74	708	63	74	55	82	1.0
Louisville	110	19	14	115	46	14	7	53	1.5
Detroit	940	377	147	1,170	293	147	63	377	3.5
Chicago	1,062	249	187	1,124	3,785	187	250	3,722	13.4
Dallas	110	8	6	112	134	6	20	104	1.6
Kansas City	447	204	40	611	84	40	30	74	1.3
St. Paul	508	208	85	631	83	85	62	106	1.1
Denver	2,435	56	17	2,474	104	17	35	86	1.6
San Francisco	218	19	-	237	101	-	9	92	1.2
Seattle	53	7	-	60	50	-	1	49	1.8
Total	12,803	2,457	1,272	13,988	6,530	1,272	867	6,933	3.7

Office of the Secretary of the Treasury,
Division of Research and Statistics.

June 18, 1945.

Personnel Working on Cases Assigned for Investigation
Weekly

Type of Personnel	5/12/45	5/19/45	5/26/45	6/2/45	6/9/45
Deputy Collectors.....	666	749	817	970	936
Revenue Agents.....	534	585	637	707	715
Special Agents.....	181	184	186	203	199
Alcohol Tax Agents.....	22	23	27	28	28
Total.....	1,403	1,541	1,667	1,908	1,878

Office of the Secretary of the Treasury,
Division of Research and Statistics.

June 14, 1945.

Personnel Working on Cases Assigned for Investigation
by Districts, Week Ended June 9, 1945

District	Deputy Collectors	Revenue Agents	Special Agents	Alcohol Tax Agents	Total
Boston	114	63	18	1	196
New York	173	214	29		416
Philadelphia	46	101	11		158
Washington	65	92	25	1	183
Atlanta	30	31	18	2	81
Louisville	11	19	5		35
Detroit	95	39	13	5	152
Chicago	209	49	19		277
Dallas	47	16	11	2	76
Kansas City	23	18	12	3	56
St. Paul	56	30	7		93
Denver	31	13	5	4	53
San Francisco	25	20	19	10	74
Seattle	11	10	7		28
Total	936	715	199	28	1,878

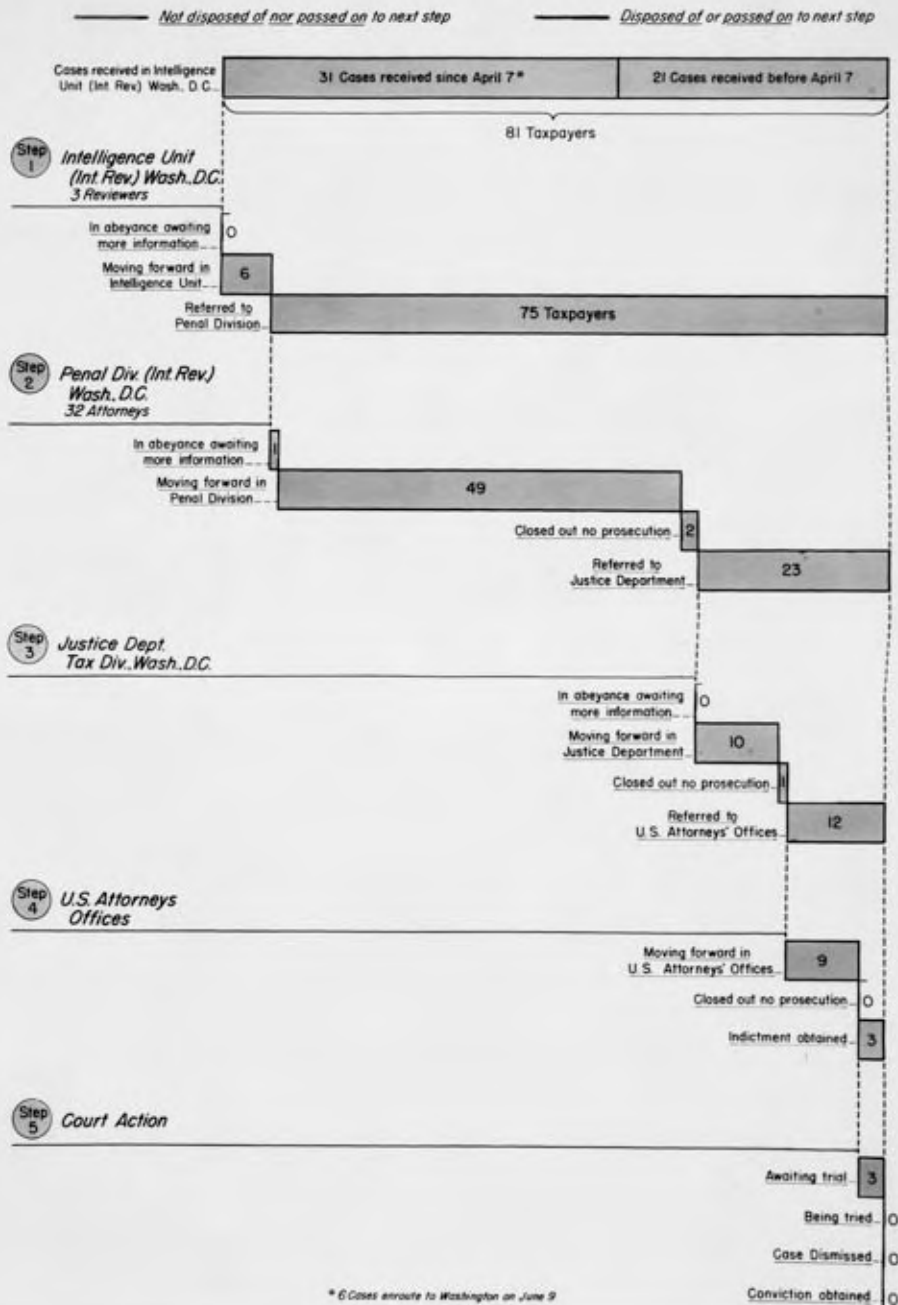
Office of the Secretary of the Treasury
Division of Research and Statistics.

June 14, 1945.

SPECIAL TAX DRIVE

II. Procedure in Handling Cases Referred to Washington, D.C.

Number of Cases Cumulative to June 9, 1945



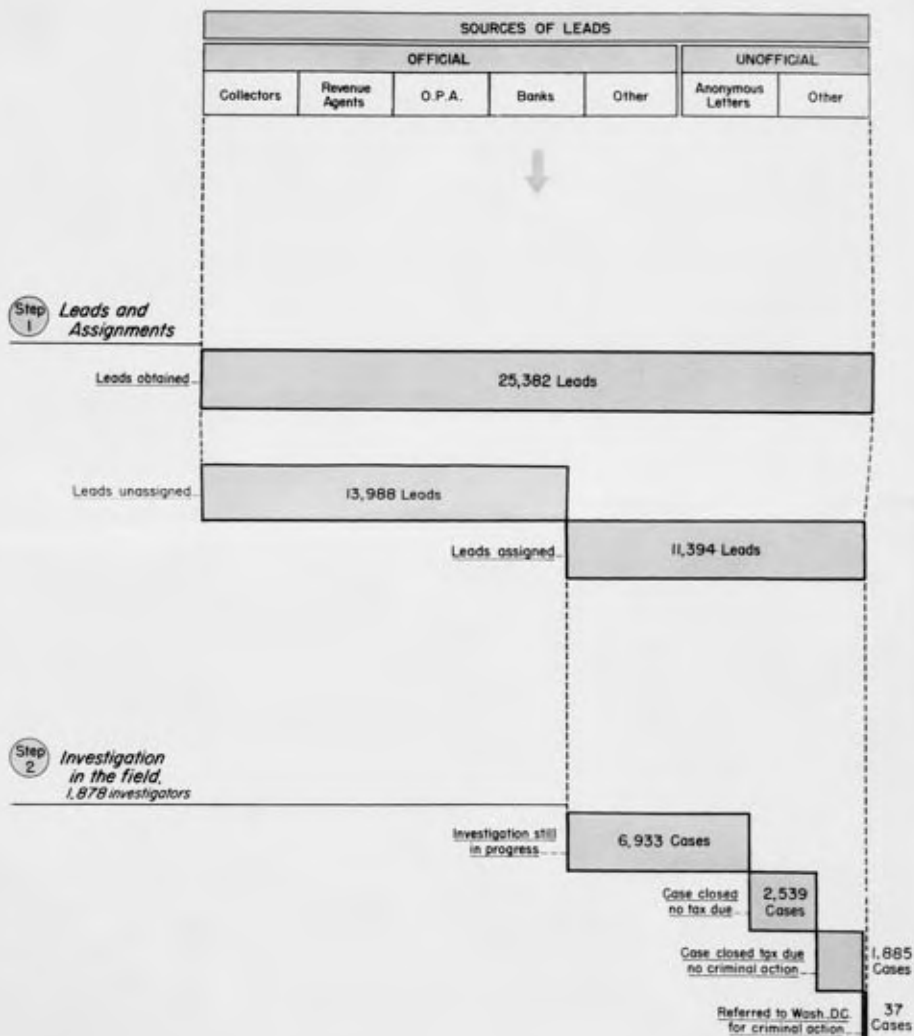
PRECISION TRADE MARK MICROSTAT / 816 U. S. PAT. OFF. MICROFILM ROLL NO. 12

SPECIAL TAX DRIVE

I. Field Procedure in Handling Cases

Number of Leads or Cases Cumulative from April 7 to June 9, 1945

———— *Not disposed of nor passed on to next step* ———— *Disposed of or passed on to next step*



PRECISION

TRADE MARK

MICROSTAT

REG. U. S. PAT. OFF.

MICROFILM

ROLL NO.

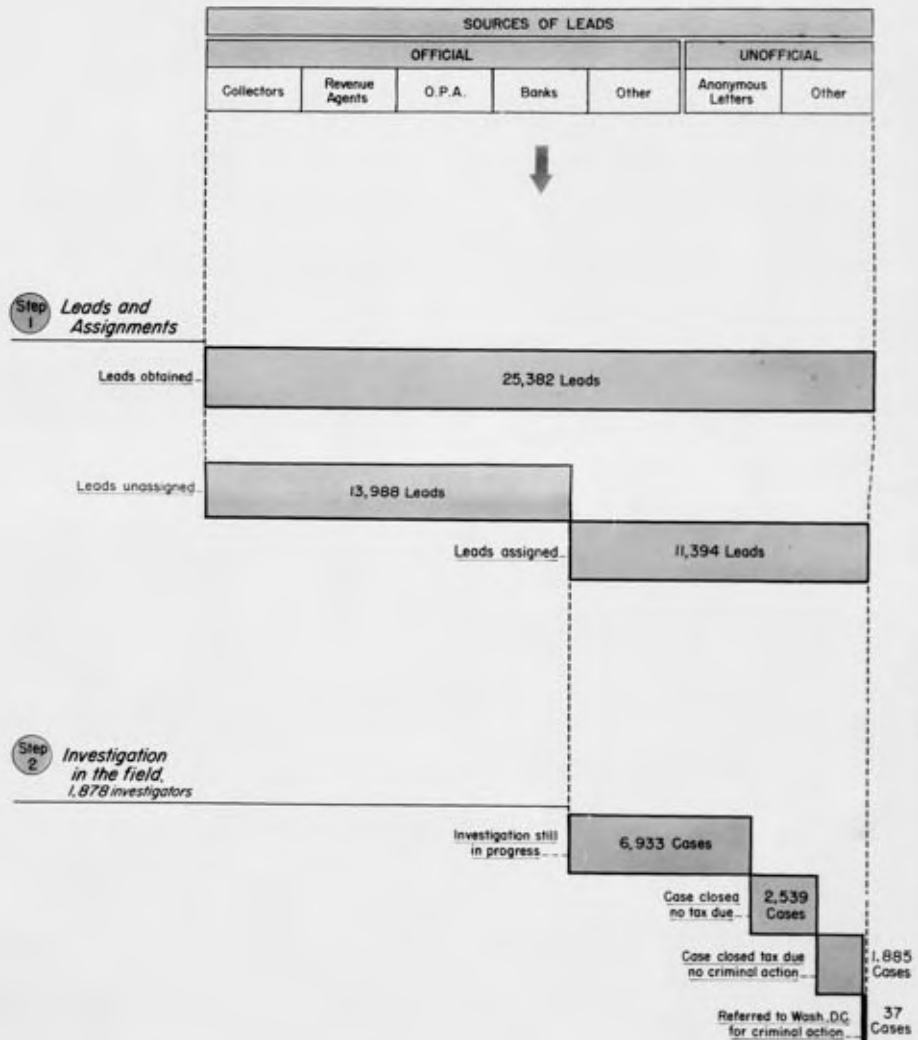
SPECIAL TAX DRIVE

I. Field Procedure in Handling Cases

Number of Leads or Cases Cumulative from April 7 to June 9, 1945

Not disposed of nor passed on to next step

Disposed of or passed on to next step

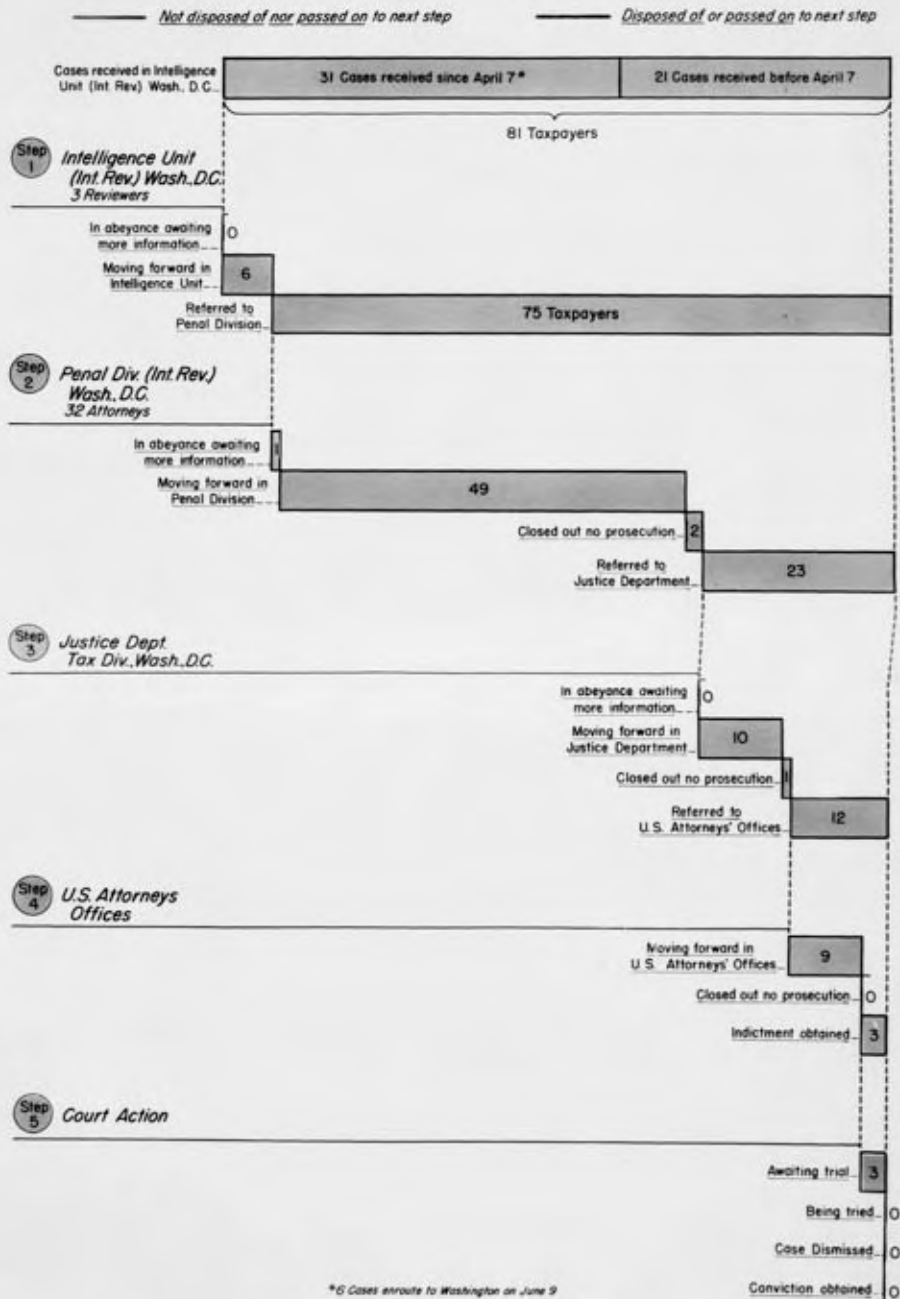


PRECISION TRADE MARK MICROSTAT REG. U. S. PAT. OFF. MICROFILM ROLL NO.

SPECIAL TAX DRIVE

II. Procedure in Handling Cases Referred to Washington, D.C.

Number of Cases Cumulative to June 9, 1945



12"

SECRET

AUTH: (Pres) Director, A. H. F.
OFFICIAL: *Allen*

15 JUN 1945

The Honorable,

The Secretary of the Treasury.

Dear Mr. Secretary:

This is in further reference to your letter dated 16 May 1945 relative to the shipment of gold to China.

This will confirm arrangements made through this office for the shipment of an additional four lots, details of which have been furnished to Mr. Lipman's office.

Lot No. 1 consisting of 53 kegs serially numbered CMC 711 through CMC 755 and CMC 764 through CMC 771, with a total weight of 12,289 pounds displacing 53 cubic feet, with a total value of \$5,880,249.90. Each keg should be marked HENT-L-OPD-OPD 165 and this shipment was to be delivered to the Port Transportation Officer, Los Angeles Port of Embarkation, Wilmington, California, on 13 June 1945.

Lot No. 2 consisting of 24 kegs serially numbered CMC 772 through CMC 825, with a total weight of 12,300 pounds displacing 24 cubic feet, with a total value of \$5,876,674.50. Each keg should be marked HENT-L-OPD-OPD 166 and this shipment was to be delivered to the Port Transportation Officer, Los Angeles Port of Embarkation, Wilmington, California, on 13 June 1945.

Lot No. 3 consisting of 24 kegs serially numbered CMC 826 through CMC 879, with a total weight of 12,306 pounds displacing 24 cubic feet, with a total value of \$5,888,996.68. Each keg should be marked HENT-L-OPD-OPD 167 and this shipment is to be delivered to the Port Transportation Officer, Los Angeles Port of Embarkation, Wilmington, California, on 15 June 1945.

Lot No. 4 consisting of 52 kegs serially numbered CMC 880 through CMC 931, with a total weight of 12,300 pounds displacing 52 cubic feet, with a total value of \$5,751,703.65. Each keg should be marked HENT-M-OPD-OPD 168 and this shipment is to be delivered to the Port Transportation Officer, Los Angeles Port of Embarkation, Wilmington, California, on 18 June 1945.

As outlined in my letter to you dated 26 May 1945, General Wedemeyer has established an air priority for June for the amount shown in your schedule for May air shipment. Arrangements are being completed under this priority, confirmation of which will be furnished in a separate letter. This, together with previous water shipments, will complete shipment of all amounts shown in your schedule through June 1945, and also includes the amount shown in the schedule for air shipment in July which has gone forward on fast vessels.

It is understood that the Treasury Department is making all necessary arrangements to transport the gold to the port of embarkation to arrive on the dates indicated above with insurance effected by the final consignee.

The Commanding General, India-Burma Theater will be advised by War Department radio the numbers of the vessels on which the kegs were loaded with request that arrangements be made for the acceptance and delivery of the kegs to Mr. F. P. Ling, Manager, Bank of China, Calcutta, India.

Sincerely yours,

(Signed) A. H. CARTER

A. H. CARTER
Major General, GSC
Fiscal Director

OCT 1945

JUN 19 1945

SECRET

12"

25

15 June 1945

My dear Colonel McCarthy:

In the absence of the Secretary, I am acknowledging your letter of 14 June 1945, which encloses information in regard to a number of Army officers. I know that Mr. Morgenthau will be glad to have the material that you sent him and shall bring this to his attention as soon as he is back at his desk.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Colonel Frank McCarthy, GSC,
Secretary, General Staff,
Office of the Chief of Staff,
War Department,
Washington 25, D. C.

GEF/dhs



OFFICE OF
COMMISSIONER OF INTERNAL REVENUE

ADDRESS ONLY TO
COMMISSIONER OF INTERNAL REVENUE
AND REFER TO

TREASURY DEPARTMENT

WASHINGTON 25

6/15/45
80MEMORANDUM FOR THE SECRETARY:

In accordance with your memorandum of 2 February 1945, a survey has now been completed of Bureau of Internal Revenue personnel, both Washington and Field, to discover income tax delinquents.

I am happy to report that of a total departmental and field personnel of 50,350, there were only 254 employees who failed to pay the taxes due. Of this number, 26 are employed in Washington, in the low-paid custodial group.

Of the field employees, 81 delinquents were in the Processing Division, located in the Bronx, New York, where turnover has been high; and 116 were among the temporary and "duration" deputy collector group.

Of the remainder, 23 were found to be in the field service of the Income Tax Unit, and 8 in the field service of the Alcohol Tax Unit.

In each case, arrangements have been made for the payment of the tax due by monthly installments commensurate with the individual employee's income, or, in a few instances, by borrowing.

We feel that the effects of the survey have been very salutary.

W. A. Rorer
Commissioner.

12"

SALUTE TO CANADA

FRIDAY JUNE 15, 1945 8-8:30PM EDT
STATIONS WHAM, WHEC, WSAY, ROCHESTER NEW YORK AND
THE

CBC THE TRANS-CANADA NETWORK

ANNCR:

HELLO CANADA, AND STATIONS OF THE CANADIAN BROADCASTING CORPORATION. THIS IS DEAN HARRIS SPEAKING FROM STATIONS WHAM, WHEC, AND WSAY IN ROCHESTER, NEW YORK, AND SENDING YOU HEARTIEST GREETINGS FROM THE CITIZENS OF OUR CITY. TODAY, JUNE 15TH, HAS BEEN CANADA DAY IN ROCHESTER. HUNDREDS OF YOUR GOOD PEOPLE HAVE STREAMED ACROSS THE BORDER TO HELP US CELEBRATE THIS FRIENDLY OCCASION. MEN AND WOMEN FROM ALL OVER THE UNITED STATES HAVE GATHERED HERE TO SALUTE YOU, OUR "NORTH OF THE BORDER" ALLIES AND COMRADES. FROM CANADA, ROCHESTER HAS BEEN HOST TO YOUR NAVY BAND, THE CENTRALIA PIPE BAND, ONE HUNDRED OF YOUR AIR CADETS. THE CANADIAN ROYAL MOUNTED POLICE HAS BEEN REPRESENTED, AS WELL AS YOUR NAVY, ARMY AND AIR FORCE. MEMBERS OF THE CANADIAN GIRL GUIDES, THE BOY SCOUTS, WAR FINANCE COMMITTEE, WARTIME INFORMATION BOARD, AND MANY OF YOUR CIVIL LEADERS INCLUDING HIS WORSHIP, THE MAYOR, OF TORONTO, MR. ROBERT SAUNDERS, HAVE ENJOYED THE HOSPITALITY OF ROCHESTER. YOUR WAR HEROES AND OUR WAR HEROES HAVE GATHERED IN FRIENDLY COMMUNION: YOUR BUSINESS LEADERS AND OUR BUSINESS LEADERS HAVE CONFERRED ON PROBLEMS OF MUTUAL INTEREST: YOUR MILITARY AND CIVIL DIGNITARIES AND OUR MILITARY AND CIVIL HAVE DISCUSSED THE COURSE OF OUR FUTURE RELATIONS.

(CONT)

-2-

ANNCR: (CONT) AND SO, TO ALL OF YOU IN CANADA FROM ALL OF US HERE, CONGRATULATIONS FOR A JOB WELL DONE. IN ROCHESTER WE ARE IN THE CLOSING DAYS OF OUR SEVENTH WAR LOAN DRIVE. WE HAVE RECEIVED MUCH INSPIRATION FROM THE SUCCESS YOU HAVE HAD IN YOUR EIGHT VICTORY LOAN DRIVES. AND WE THANK YOU FOR THE HELP YOU ARE GIVING TODAY IN AIDING ROCHESTER AND DISTRICT 2 OF THE WAR FINANCE COMMITTEE OF THE STATE OF NEW YORK TO GO OVER THE TOP IN THIS "MIGHTY SEVENTH." LATER IN THIS PROGRAM YOU WILL HEAR THE SECRETARY OF THE UNITED STATES TREASURY, THE HONORABLE HENRY MORGANTHAU JUNIOR, WHO WILL BROADCAST HIS GREETINGS TO YOU. CANADA'S ABLE MINISTER OF FINANCE, THE HONORABLE J. L. ILSLEY WILL RESPOND FROM OTTAWA. FROM CANADA WE WILL ALSO HEAR THE ROYAL CANADIAN AIR FORCE CENTRAL BAND. BUT FIRST, MUSIC FROM THE UNITED STATES FURNISHED BY MEMBERS OF THE ROCHESTER PHILHARMONIC ORCHESTRA CONDUCTED BY GUY FRASER HARRISON. WE HEAR THE STIRRING STRAINS OF "POPE AND CIRCUMSTANCE" BY THE GREAT ENGLISH COMPOSER, SIR EDWARD ELGAR.

FROM ROCHESTERMUSIC: POPE AND CIRCUMSTANCEFROM ROCHESTER

ANNCR: OUR CANADA DAY IN ROCHESTER PROGRAM IS SINGULARLY HONORED TO HAVE AS IT'S SPECIAL GUEST THE DISTINGUISHED SECRETARY OF THE UNITED STATES TREASURY, THE HONORABLE HENRY MORGANTHAU JR. MR. MORGANTHAU WILL SPEAK FROM HIS HOME IN Poughkeepsie, NEW YORK. LADIES AND GENTLEMEN, THE

-3-

ANNCR(CONT) SECRETARY OF THE TREASURY, MR. MORGANTHAU.
(3 SEC. SHIFT)

FROM POUGHKEEPSIE

MORGANTHAU: TALK

(3 SEC SHIFT)

FROM ROCHESTER

ANNCR: THANK YOU SIR: LADIES AND GENTLEMEN, YOU HAVE HEARD THE SECRETARY OF THE UNITED STATES TREASURY DEPARTMENT, THE HONORABLE HENRY MORGANTHAU JR. WE TAKE YOU NOW TO OTTAWA, CANADA, FOR A RESPONSE FROM THE HONORABLE J. L. ILSLEY, MINISTER OF FINANCE. MR. ILSLEY. (5 SEC. SHIFT)

FROM OTTAWA:

MR. ILSLEY: TALK

FROM OTTAWA

ANNCR: THANK YOU MR. ILSLEY. WE HAVE HAD THE PLEASURE, LADIES AND GENTLEMEN, OF PRESENTING THE CANADIAN MINISTER OF FINANCE, THE HONORABLE J. L. ILSLEY. AND NOW, MUSIC FROM CANADA. THE ROYAL CANADIAN AIR FORCE CENTRAL BAND, CONDUCTED BY _____ DEDICATES ITS SELECTION TO ROCHESTER AND THE UNITED STATES AS IT PLAYS THE MARCH, THE THIRD MOVEMENT, FROM THE SIXTH SYMPHONY BY TCHAIKOWSKI.

BAND: (FROM OTTAWA) MARCH - TCHAIKOWSKI

FROM OTTAWA,

-4-

ANNCR: THE THIRD MOVEMENT OF THE SIXTH SYMPHONY BY TCHAIKOWSKI PLAYED BY THE ROYAL CANADIAN AIR FORCE CENTRAL BAND FROM OTTAWA. WE RETURN YOU NOW TO ROCHESTER, NEW YORK.
(5 SEC SHIFT)

FROM ROCHESTER

ANNCR: OUR THANKS TO YOU, GOOD FRIENDS IN CANADA, FOR HELPING US CELEBRATE CANADA DAY IN ROCHESTER. THE ROCHESTER PHILHARMONIC ORCHESTRA CONTINUES OUR INTERNATIONAL EXCHANGE PROGRAM WITH VARDELL'S BIT OF AMERICANA "JOE CLARK STEPS OUT."

FROM ROCHESTER

MUSIC: JOE CLARK STEPS OUT

FROM ROCHESTER

ANNCR: GUY FRASER HARRISON CONDUCTS THE ROCHESTER PHILHARMONIC ORCHESTRA IN MUSIC BY EDWARD GERMAN, THE "PASTORALE" AND "MERRYMAKERS' DANCE" FROM HIS "WELL GOWN SUITE".

FROM ROCHESTER

MUSIC: DANCES - WELL GOWN SUITE

FROM ROCHESTER

WHILE: WE HAVE PRESENTED A SPECIAL PROGRAM IN HONOR OF "CANADA DAY IN ROCHESTER", A SALUTE TO OUR GOOD FRIENDS AND NEIGHBORS TO THE NORTH. THE SECRETARY OF THE UNITED STATES TREASURY, THE HONORABLE HENRY MORGANTHAU JR. SPOKE FROM POUGHKEEPSIE. FROM OTTAWA, WE HEARD THE CANADIAN MINISTER OF FINANCE, THE HONORABLE J. L. ILSLEY.

-5-

0 JNNCR (CONT) MUSIC FROM CANADA WAS FURNISHED BY THE ROYAL
CANADIAN AIR FORCE CENTRAL B.N.D. FROM THE UNITED STATES
BY THE ROCHESTER PHILHARMONIC ORCHESTRA. THIS PROGRAM
WAS HEARD IN CANADA THRU THE FACILITIES OF THE
CANADIAN BROADCASTING CORPORATION AND IN THE UNITED
STATES BY THE COMBINED FACILITIES OF STATIONS WJLM, WHEC,
AND WENY,

This is a corrected first page
of Rochester's speech

6/15/43

ANNOUNCER:

86

Rochester is singularly honored today to have as its special guest the distinguished Secretary of the United States Treasury Department, The Honorable Henry Morgenthau, Jr. Mr. Morgenthau left a busy desk in Washington, D. C. in order to come to Rochester for this splendid occasion. Ladies and gentlemen, The Secretary of the Treasury, Mr. Morgenthau.

- 2 -

MORGENTHAU:

It is entirely appropriate that the busy city of Rochester should take time off from its Seventh War Loan selling to salute our friend and neighbor, Canada. It is actually a kind of "time off from selling" that will sell Bonds.

For this salute to our sister nation to the north will remind thinking Americans of the harmony and cooperation which have characterized all our mutual relations.

MORGENTHAU:
(cont'd)

It is the same harmony and cooperation which -- coupled with hard work and hard fighting -- brought Victory to the United Nations in Europe and will win Victory for us in the Pacific.

No load is too heavy if enough people are pulling it together. No task is too great if we work in unison and unity with others. Our Seventh War Loan poster -- the picture of the Marines placing the flag on Mount Surabachi and the message -- "Now All Together" -- typifies this spirit of working with others. It is all together that we have won in Europe.

- 4 -

89

MORGENTHAU:
(cont'd)

It is all together that we have taken
pin point islands in the Pacific and will
take Japan. It is all together that we
meet our goals in this Seventh War Loan.

Your Victory Loans in Canada and
our War Loans in the United States are for
a common cause. It is important to us
when your campaigns exceed their quotas
and we rejoice with you over each
success. Similarly you look to our
American citizens to pour out their might
and you have shown today that you are
pulling with us in the Mighty Seventh.

- 5 -

90

MORGENTHAU:
(cont'd)

The money which the people of
both our nations lend to their respective
Governments is a solid vital factor in
winning the war. It is also the citizen's
share in forging a lasting peace. War
Bonds earn more than interest on a
percentage basis. They earn for the
citizen his peace of mind. By means of
the Bonds he has bought he is in every
landing on hostile soil, on every bombing
mission, in every convoy and in every
hospital. Through them, he will deserve
the Victory for which so many men of many
nations have fought and sacrificed and
died.

MORSETHAU:
(cont'd)

- 6 -

91

It is not asked of us that we match those sacrifices. It is asked of us that we meet our own individual obligations -- to work, to save, to lend generously. I know that Americans will continue to do that in this War Loan as in past ones.

We are grateful to our neighbor Canada for the assistance she has lent us in our Drive and for the example she has set us in her own. We have worked for Victory together. We will celebrate that Victory together when the time comes, with confidence in our friendship, our common interests and our common future.

92

ANNOUNCER: Rochester is singularly honored today to have as its special guest the distinguished Secretary of the United States Treasury Department, The Honorable Henry Morgenthau, Jr. ~~Mr. Morgenthau left a busy desk in Washington, D. C. in order to come to Rochester for this splendid occasion.~~ Ladies and gentlemen, The Secretary of the Treasury, Mr. Morgenthau.

MORGENTHAU:
(cont'd)

~~It is the same harmony and cooperation which -- coupled with hard work and hard fighting -- brought Victory to the United Nations in Europe and will win Victory for us in the Pacific.~~

No load is too heavy if enough people are pulling it together. No task is too great if we work in unison and unity with others. Our Seventh War Loan poster -- the picture of the Marines placing the flag on Mount Surabachi and the message -- "Now All Together" -- typifies this spirit of working with others. It is all together that we have won in Europe.

- 3 -

93

- 4 -

MORGENTHAU:
(cont'd)

It is all together that we have taken
pin point islands in the Pacific and will
take Japan. It is all together that we
meet our goals in this Seventh War Loan.

Your Victory Loans in Canada and
our War Loans in the United States are for
a common cause. It is important to us
when your campaigns exceed their quotas
and we rejoice with you over each
success. Similarly you look to our
American citizens to pour out their might
and you have shown today that you are
pulling with us in the Mighty Seventh.

- 5 -

MORGENTHAU:
(cont'd)

The money which the people of
both our nations lend to their respective
Governments is a solid vital factor in
winning the war. It is also the citizen's
share in forging a lasting peace. War
Bonds earn more than interest on a
percentage basis. They earn for the
citizen his peace of mind. By means of
the Bonds he has bought he is in every
landing on hostile soil, on every bombing
mission, in every convoy and in every
hospital. Through them, he will deserve
the Victory for which so many men ~~of many~~
~~nations~~ have fought and sacrificed and
died.

- 6 -

96

MORGENTHAU:
(cont'd)

It is not asked of us that we match those sacrifices. It is asked of us that we meet our own individual obligations -- to work, to save, to lend generously. I know that Americans will continue to do that in this War Loan as in past ones.

We are grateful to our neighbor Canada for the assistance she has lent us in our Drive and for the example she has set us in her own. We have worked for Victory together. We will celebrate that Victory together when the time comes, with confidence in our friendship, our common interests and our common future.

8

STATE OF NEW YORK

JOHN A. WARNER
SUPERINTENDENTGEORGE P. DUTTON
DEPUTYNEW YORK STATE TROOPERS
DIVISION OF STATE POLICE
HAWTHORNE, N. Y.TROOP K
JOHN A. GAFFNEY
CAPTAIN

CORRECTIONS

FIRST PARAGRAPH:

THE TREASURY DEPARTMENT IS PLEASED TO JOIN THE MEN AND WOMEN OF THE GREAT CITY OF ROCHESTER IN THIS SALUTE TO OUR FRIEND AND NEIGHBOR CANADA.

SECOND PARAGRAPH:

CERTAINLY THERE COULD BE NO MORE PERFECT EXAMPLE OF A GOOD NEIGHBOR POLICY THAN THE RELATION BETWEEN CANADA AND THE UNITED STATES. WE HAVE BEEN GOOD NEIGHBORS LIVING IN HARMONY FOR THE PAST ONE HUNDRED AND THIRTY YEARS. IT IS THE SAME KIND OF HARMONY AND CO-OPERATION WHICH COUPLED WITH HARD WORK AND HARD FIGHTING BROUGHT VICTORY TO THE UNITED NATIONS IN EUROPE AND WILL BRING US VICTORY IN THE PACIFIC.

98

MR. FORGENTHAU:

The Treasury Department is pleased to join the men and women of the great city of Rochester in this salute to our friend and neighbor Canada.

Certainly there could be no more perfect example of a good neighbor policy than the relations between Canada and the United States. We have been good neighbors living in harmony for the past 130 years. It is the same kind of harmony and cooperation which -- coupled with hard work and hard fighting -- brought Victory to the United Nations in Europe and will bring us Victory in the Pacific.

No load is too heavy if enough people are pulling it together. No task is too great if we work in unison and unity with others. Our Seventh War Loan poster -- the picture of the Marines placing the flag on Mount Suribachi and the message -- "Now All Together" -- typifies this spirit of working with others. It is all together that we have won in Europe. It is all together that we have taken

99
MR. MORGENTHAU:

The Treasury Department is pleased to join the men and women of the great city of Rochester in this salute to our friend and neighbor Canada.

Certainly there could be no more perfect example of a good neighbor policy than the relations between Canada and the United States. We have been good neighbors living in harmony for the past 130 years. It is the same kind of harmony and cooperation which -- coupled with hard work and hard fighting -- brought Victory to the United Nations in Europe and will bring us Victory in the Pacific.

No load is too heavy if enough people are pulling it together. No task is too great if we work in unison and unity with others. Our Seventh War Loan poster -- the picture of the Marines placing the flag on Mount Surabachi and the message -- "Now All Together" -- typifies this spirit of working with others. It is all together that we have won in Europe. It is all together that we have taken

100
ANNOUNCEMENT:

Rochester is singularly honored today to have as its special guest the distinguished Secretary of the United States Treasury Department, The Honorable Henry Morgenthau, Jr. Mr. Morgenthau left a busy desk in Washington, D. C. in order to come to Rochester for this splendid occasion. Ladies and gentlemen, The Secretary of the Treasury, Mr. Morgenthau.

SEC. MORGENTHAU:

It is entirely appropriate that the busy city of Rochester should take time off from its Seventh War Loan selling to salute our friend and neighbor, Canada. It is actually a kind of "time off from selling" that will sell Bonds.

For this salute to our sister nation to the north will remind thinking Americans of the harmony and cooperation which have characterized all our mutual relations. It is the same harmony and cooperation which -- coupled with hard work and hard fighting -- brought Victory to the United Nations in Europe and will win Victory for us in the Pacific.

No load is too heavy if enough people are pulling it together. No task is too great if we work in unison and

2. 101

SEC. MORGENTHAU

and unity with others. Our Seventh War Loan poster — the picture of the Marines placing the flag on Mount Suribachi and the message — "Now All Together" — typifies this spirit of working with others. It is all together that we have won in Europe. It is all together that we have taken pin point islands in the Pacific and will take Japan. It is all together that we will meet our goals in this Seventh War Loan.

Your Victory Loans in Canada and our War Loans in the United States are for a common cause. It is important to us when your campaigns exceed their quotas and we rejoice with you over each success. Similarly you look to our American citizens to pour out their might and you have shown today that you are pulling with us in the Mighty Seventh.

The money which the people of both our nations lend to their respective Governments is a solid vital factor in winning the war. It is also the citizen's share in forging

3. 102

SECRETARY MORGENTHAU

a lasting peace. War Bonds earn more than interest on a percentage basis. They earn for the citizen his peace of mind. By means of the Bonds he has bought he is in every landing on hostile soil, on every bombing mission, in every convoy and in every hospital. Through them, he will deserve the Victory for which so many men of many nations have fought and sacrificed and died.

It is not asked of us that we match those sacrifices.

It is asked of us that we meet our own individual obligations — to work, to save, to lend generously. I know that Americans will continue to do that in this War Loan as in past ones.

We are grateful to our neighbor Canada for the assistance she has lent us in our Drive and for the example she has set us in her own. We have worked for Victory together. We will celebrate that Victory together when the time comes, with confidence in our friendship, our common interests and our common future.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date

15 June 1945

TO Secretary Morgenthau
FROM Mr. O'Connell

I asked the Bureau of Internal Revenue to furnish me with a statement as to how it happened that Mr. Hartford's 1942 return was sent to Washington without having had the bad debt item questioned in the field, and from Mr. Sherwood, Assistant Commissioner, I have been advised substantially as follows:

The normal procedure in the field offices is to "survey" all tax returns with a view to segregating for field investigation those returns which are considered most worthy of attention. The returns so examined (by the most experienced officers in the field division) are divided into three categories:

1. Those marked "A" as returns of the first order of importance and to be investigated;
2. Those marked "B", as of lesser importance, but still to be investigated; and
3. Those determined as not worthy of investigation and to be returned to Washington without investigation.

Mr. Hartford's 1942 return was marked "A". By reason of what I am informed must have been a "mechanical error", Mr. Hartford's 1942 return was returned to the Washington office without investigation still bearing the marking directing investigation as indicated above. The Bureau routine established here includes a check for the purpose of preventing cases of this type being filed without investigation, and, the check so established having been effective in this case, Mr. Hartford's 1942 return was returned to New York for a field investigation with specific instructions that the item of deduction for bad debts required substantiation.

- 2 -

Since there has been some suggestion of undue delay in questioning this item, it should be borne in mind that 1942 and 1943 were the years involved in the transition to "pay as you go." You will recall that 75% of 1942 or 1943 tax obligations of individuals were forgiven (using the lower year). This meant that 1942 and 1943 returns had to be associated with each other for purposes of determining ultimate tax liability for these years and since a 1943 return would not be filed until 15 March 1944, we reached Mr. Hartford within a reasonable time.

Joseph J. O'Connell

15 June 1945

Secretary Morgenthau
Mr. O'Connell

I asked the Bureau of Internal Revenue to furnish me with a statement as to how it happened that Mr. Hartford's 1942 return was sent to Washington without having had the bad debt item questioned in the field, and from Mr. Sherwood, Assistant Commissioner, I have been advised substantially as follows:

The normal procedure in the field offices is to "survey" all tax returns with a view to segregating for field investigation those returns which are considered most worthy of attention. The returns so examined (by the most experienced officers in the field division) are divided into three categories:

1. Those marked "A" as returns of the first order of importance and to be investigated;
2. Those marked "B", as of lesser importance, but still to be investigated; and
3. Those determined as not worthy of investigation and to be returned to Washington without investigation.

Mr. Hartford's 1942 return was marked "A". By reason of what I am informed must have been a "mechanical error", Mr. Hartford's 1942 return was returned to the Washington office without investigation still bearing the marking directing investigation as indicated above. The Bureau routine established here includes a check for the purpose of preventing cases of this type being filed without investigation, and, the check so established having been effective in this case, Mr. Hartford's 1942 return was returned to New York for a field investigation with specific instructions that the item of deduction for bad debts required substantiation.

*Original sent to
Hartford his father's -
5/14/45.*

- 2 -

Since there has been some suggestion of undue delay in questioning this item, it should be borne in mind that 1942 and 1943 were the years involved in the transition to "pay as you go." You will recall that 75% of 1942 or 1943 tax obligations of individuals were forgiven (using the lower year). This meant that 1942 and 1943 returns had to be associated with each other for purposes of determining ultimate tax liability for these years and since a 1943 return would not be filed until 15 March 1944, we reached Mr. Hartford within a reasonable time.

(Signed Joseph J. O'Connell, Jr.)

JJO'C:kfm:gb
16-6-45

PRECISION

TRADE MARK

MICROSTAT

REG. U. S. PAT. OFF.

MICROFILM

ROLL NO.

12"

June 13th 91
1943-

THE
 $a b c$
OF
BRETTON
WOODS

CROWELL-COLLIER REPORT TO
BUSINESS #1

THE AMERICAN • COLLIER'S • WOMAN'S HOME COMPANION

PUBLISHED BY CROWELL-COLLIER PUBLISHING COMPANY

250 Park Avenue, New York 17, N. Y.

Copyright 1965, Crowell-Collier Pub. Co.

TABLE OF CONTENTS

1 PURPOSE AND BACKGROUND OF THE BRETTON WOODS AGREEMENTS page 1

Why was the Bretton Woods Conference held?
What do the United Nations hope to gain from Bretton Woods?
What is the United States' stake in Bretton Woods?
What mistakes were made after World War I?
How does the Bretton Woods Plan hope to correct the mistakes made after World War I?
Is Bretton Woods a "cure-all" for world trade ills?
Whose brain-child is the Bretton Woods Plan?

2 THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT page 5

PURPOSE

CAPITAL STRUCTURE

Total capitalization
How raised
Principal subscribers
Subscription requirements

ORGANIZATION AND MANAGEMENT

Overall management
General operations
Advisory Council
Voting power

OPERATING PRINCIPLES

Principal functions
Importance of functions
Limitations on lending powers
Loan and guarantee procedures

3 THE INTERNATIONAL MONETARY FUND page 7

PURPOSE

FINANCIAL RESOURCES

Total resources
Subscription requirements
Gold holdings

ORGANIZATION

Overall management
General operations
Voting power
Withdrawal from membership

OPERATING PRINCIPLES

Rates of exchange
Use of the Fund's resources
Exchange restrictions

RESEARCH FUNCTION

4 THE WAGNER-TORREY BILL page 15**5 REACTIONS TO THE BRETTON WOODS PLAN: COUNTER PROPOSALS** page 16

Who is for the Bank?
Who is for the Fund and who is against it?
What are the main arguments advanced against the Fund?
What counter proposals have been made to the Bretton Woods Plan?
What points are raised by the proponents of the Bretton Woods Plan?

FOREWORD

It has long been an established policy of the Crowell-Collier magazines—THE AMERICAN, COLLIER'S and the WOMAN'S HOME COMPANION—to present factual, up-to-the-minute reports of important national and international issues.

Over the next few years many problems will confront the American people whose solution will be essential if we are to have prosperity or lasting peace. Various programs undoubtedly will be advanced to cope with these problems. These will have to be weighed not only by Congress but by the nation's citizens as well.

THE AMERICAN, COLLIER'S and COMPANION will continue to report on these problems and programs as quickly and accurately as possible. In addition, because we believe that much of our post-war leadership must come from business, we shall prepare more detailed analyses of major issues and distribute these periodically to business executives.

Report No. 1 deals with the Bretton Woods Agreements concerning international monetary stabilization and international lending for reconstruction and development, now being considered by Congress.

HERMAN S. HETTINGER, *Director*
Editorial Extension

PURPOSE AND BACKGROUND OF THE BRETTON WOODS AGREEMENTS

WHY WAS THE
BRETTON WOODS
CONFERENCE
HELD?

Representatives of the forty-four United Nations met at Bretton Woods last summer to develop a practical program for pooling their efforts and their financial resources to accomplish two objectives. These objectives, vitally important to future world economic well-being and world peace, are:

1. To promote the stability of currencies throughout the world.
2. To help make long-term capital available to countries whose industry and agriculture were destroyed in the war and to countries who are economically undeveloped.

WHAT DO THE
UNITED NATIONS
HOPE TO GAIN
FROM
BRETTON WOODS?

Each of the United Nations hoped to bring back from Bretton Woods a workable, cooperative plan for dealing with international monetary and long-term lending problems. Practical self-interest dictated this course and shaped the plan which finally was evolved at Bretton Woods.

The experience of the decades following World War I had taught the United Nations that what a country does with its money is of concern, not only to itself, but to all other nations; that only concerted action regarding common monetary and trade problems could repair the damage wrought by the war; that no nation can prosper alone in the closely knit modern world.

WHAT IS THE
UNITED STATES'
STAKE IN
BRETTON WOODS?

The United States attended Bretton Woods for reasons of enlightened self-interest. High-level employment is a commonly accepted post-war goal for this country. Experts generally agree that, with full employment and a normal ratio of exports to total trade, American exports could reach between \$8 and \$10

billions annually after the war and could provide employment¹ for several million industrial and agricultural workers. Consequently, we are more interested than ever in an expanding foreign trade and experience has shown that the expansion of post-war foreign trade depends largely upon an effective program for international monetary stabilization.

We also want a durable peace. This is another cogent reason for our participation in any generally agreed-upon plan to promote world trade and the return of world economic stability.

WHAT MISTAKES WERE MADE AFTER WORLD WAR I?

The problems which the Bretton Woods Conference sought to solve are illustrated in what happened after World War I. During the century of comparative peace and stability between the Napoleonic Wars and the first World War, nations had evolved well-established channels of international trade and reasonably satisfactory procedures for meeting the payments necessary to sustain their trading operations. These procedures centered about the maintenance of the par value of their respective currencies in terms of a definite and fixed quantity of gold.

World War I destroyed this finely balanced structure. Inflation raised price levels materially and unevenly in the warring nations, as well as in most neutral countries. Normal channels of trade were completely upset. The Allies disregarded all pre-war trade relationships in their efforts to speed victory and this further disrupted international monetary relationships. As a result, the relative values of various monies—the dollar, pound, franc and mark—after the war, bore little or no relation to their relative values before the war.

After World War I each nation sought by individual action to stabilize the value of its currency and to bring it into line with world trade conditions. This was unsuccessful. The new currency rates had unfor-

¹ Imports to the United States (which must pay for most American exports to foreign countries) are especially sensitive to business fluctuations in this country. Consequently, maintenance of a high level of domestic prosperity is an important prerequisite of an expanding U.S. export trade.

tunate domestic and international consequences because they did not reflect the relative values of the currencies in terms of domestic costs and prices.

As the effects of the currency mistakes of the 1920's became intolerable, one country after another tried to "export its unemployment" by capturing for itself a larger fraction of the dwindling world market and by shutting its own markets to foreigners. Nations raised their tariffs, imposed import quotas and entered into direct barter agreements, usually with weaker nations. They established export subsidies, put restrictions on foreign exchange dealings; devalued their currencies to gain illusory advantages in world markets; and set up "multiple currency" deals, i.e., used special conversion rates for various types of transactions as a means of getting their goods accepted abroad.

These measures resulted in a further disintegration of international trade. After recovering from the depression of the 1930's, world trade in 1938 was still one-third below the level of 1929. American foreign trade declined to where it represented only 12.3% of the imports of all foreign nations in the period 1933-38 as compared to 16.8% in 1929 and 18.0% in the period 1922-24. Automobile exports dropped from \$539 million in 1929 to \$347 million in 1937. Agricultural exports were an average of \$1.18 billion less annually in 1937-39 than during the period 1922-24—a decrease of 61%.

HOW DOES THE BRETTON WOODS PLAN HOPE TO CORRECT THE MISTAKES MADE AFTER WORLD WAR I?

The Bretton Woods Plan proposes the establishment of an *International Monetary Fund* to keep the currencies of all member nations relatively stable. The Fund would promote exchange stability, maintain orderly exchange relations among member nations and avoid competitive exchange depreciation by:

1. Providing machinery for consultation and collaboration among nations regarding international monetary problems.
2. Establishing certain "rules of the game" to which nations must subscribe upon becoming members of the Fund.
3. Providing a pool of \$8.8 billion to be used as a revolving fund from which nations can borrow to meet temporary shortages in exchange.

The Bretton Woods Plan also proposes an *International Bank for Reconstruction and Development* to provide long-term capital for war-torn or underdeveloped countries. The Bank primarily would supplement the usual private investment channels by guaranteeing international loans in order to help borrowers to obtain funds at reasonable terms. The Bank also would make direct loans and would be empowered to borrow funds for the purpose of lending to governments or for government-guaranteed loans.

IS BRETTON
WOODS A
"CONCILI-
FOR WORLD
TRADE AGENT?

The Bretton Woods conference did not expect to solve all of the world's trade and monetary problems. They said that tariffs also would have to be revised, provision made for the orderly marketing of stable commodities at fair prices and joint action taken regarding reconversion and similar problems. However, they were convinced that these actions could not be successful unless the problems of international monetary stabilization and long-term lending—dealt with in the Bretton Woods Plan—were also solved.

WHOSE
DRAIN CHIEF
IS THE
BRETTON WOODS
PLAN?

The Bretton Woods Plan was the joint product of the United Nations' financial experts. Its origin is to be found in some of the ideas incorporated in the Bank for International Settlements in 1929 and in proposals made by financial experts in a number of countries during the 1930's. While these proposals finally crystallized in the British "Keynes Plan" and the U. S. Treasury's so-called "White Plan" in 1942, the tentative plan which furnished the basis for the Bretton Woods Conference incorporated many changes and additions made by the experts of approximately thirty of the United Nations. Even this tentative plan was further modified as a result of the Bretton Woods deliberations.

THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PURPOSE: To help make long-term capital available to countries whose industry and agriculture have been destroyed in the war and to economically undeveloped countries.

CAPITAL STRUCTURE

TOTAL CAPITALIZATION—\$10 billion with a minimum original subscription of \$9.1 billion.

HOW RAISED—On the basis of specified quotas from members of the International Monetary Fund, who alone can participate in the Bank.

PRINCIPAL SUBSCRIBERS

United States . . .	\$3.175 billion . . .	35% of total
United Kingdom . .	\$1.3 billion . . .	14% of total
Russia	\$1.2 billion . . .	13% of total
Other British Commonwealth nations (Canada, Australia, New Zealand, India and South Africa)		
—\$1.075 billion—		12% of total.

SUBSCRIPTION REQUIREMENTS

1. 20% of a nation's quota to be paid as follows:
2% in gold or U. S. dollars within 60 days after the Bank begins operation.

18% in the member country's currency when the Bank calls for it.

(The Bank must call for at least 10% of the subscribed capital during the first year.)

2. 80% of a nation's quota need not be paid in. This amount constitutes a guarantee fund to be called only to meet losses that the Bank might incur in its operations.

ORIGINAL U. S. SUBSCRIPTION \$63 million in gold (2% of quota) and \$572 million in dollars (18% of quota); total \$635 million.

ORGANIZATION AND MANAGEMENT

OVERALL MANAGEMENT—vested in a Board of Governors consisting of one Governor and one alternate appointed by each member nation and meeting at least once a year.

GENERAL OPERATIONS—delegated to an Executive Directorate of 12 members in continuous session, including five representatives of the five countries with the largest number of shares and seven elected by the other countries.

EXECUTIVE HEAD—A President elected by the Executive Directors.

ADVICE ON GENERAL POLICY—an Advisory Council of not less than seven members selected by the Board of Governors, including representatives of banking, commerce, industry, labor and agriculture, to meet annually or at the request of the Bank.

VOTING POWER—each member to have 250 votes, plus one additional vote for each \$100,000 of total subscribed stock. The U. S. share of total votes is 31.4%.

OPERATING PRINCIPLES

PRINCIPAL FUNCTIONS

1. Guaranteeing loans in order to help borrowers get funds at reasonable rates through the usual investment channels.
2. Making direct loans.
3. Borrowing additional funds to be used for loans to member countries or for loans guaranteed by them.

IMPORTANCE OF FUNCTIONS

GUARANTEE FUNCTION—enables member nations to borrow in the private investment market at more favorable rates and conditions and also encourages more venturesome private lending by providing a greater degree of safety.

DIRECT LOAN FUNCTION—enables Bank to help set a reasonable pattern of interest rates and loan conditions, thus preventing a recurrence of some of the excesses which followed World War I. (A member nation can borrow directly from the bank when its loan cannot be floated through normal channels at reasonable rates.)

WHO MAY USE THE BANK—member governments, their subsidiaries, and the business enterprises of their nationals.

LIMITATIONS ON LENDING POWERS

1. Total loans and guarantees are limited to an amount equal to the Bank's capital, surplus and reserves: a 1-to-1 ratio.
2. Only the 20% original subscription (See Subscription requirements) can be used to make direct loans and these loans must be approved by the member nations whose currency is involved.
3. The Bank may acquire additional funds by borrowing in the market of a member nation only if that nation approves and if it agrees that the proceeds may be freely convertible into the currency of any other member nations.
4. Loans can be made or guaranteed only for reconstruction and development, i.e., rebuilding industries, public utilities, etc., and developing natural resources and industries in underdeveloped countries. However, "in special circumstances" the Bank may make or guarantee loans which are not for specific purposes.
5. Loans or guarantees can be made only to finance a country's needs outside of its own borders, i.e., to provide exchange for foreign purchases. Money needed to pay for local labor and materials must be raised at home.¹

LOAN AND GUARANTEE PROCEDURES

Loans can be made or guaranteed under the following conditions:

¹There is a special provision, however, that in exceptional cases in which a borrowing country cannot raise its local currency requirements on reasonable terms, the Bank can provide the borrower with an appropriate amount of that currency.

1. The member nation, its central bank or an equivalent agency must guarantee the loan.
2. The Bank may make or guarantee a loan only when it is satisfied that the borrower cannot raise the money satisfactorily through normal channels.
3. Each loan or guarantee must be recommended favorably by a technical committee provided for in the Bank organization.
4. The Bank must assure itself that the proceeds of the loan are used for the purpose for which the loan is granted.
5. The Bank must be satisfied of the ability of the borrower to meet his obligations.
6. It also must be satisfied that the interest charges and repayment schedules are reasonable.
7. The loan must be made for specific reconstruction or development purposes (except "in exceptional circumstances").
8. The Bank must receive adequate compensation for its risk; a commission of between 1% and 1½% a year.

THE INTERNATIONAL MONETARY FUND

PURPOSE: To help revive and expand international trade by:

1. Promoting international monetary cooperation through a permanent institution which would provide the machinery for consultation and collaboration among member nations.
2. Promoting exchange stability, maintaining orderly exchange arrangements among members and avoiding competitive exchange depreciation.
3. Helping to eliminate exchange restrictions which hamper world trade and assisting in the clearing of payments among members with regard to current international currency transactions.
4. Maintaining a pool of resources which could be used to help member nations meet temporary drains on their exchange and thus avoid large and chronic balance of payment deficits without resorting to measures harmful to national and international prosperity.

FINANCIAL RESOURCES

TOTAL RESOURCES—\$8.8 billion to be subscribed on a quota basis by the United Nations participating in the Bretton Woods Conference. Principal subscriptions to be as follows:

United States . . .	\$2.75 billion . .	31.1% of total
United Kingdom . .	\$1.3 billion . .	14.7% of total
Russia	\$1.2 billion . .	13.6% of total
Other British Commonwealth nations (Canada, Australia, New Zealand, India and South Africa)		
—\$1.050 billion—11.9% of total.		

SUBSCRIPTION REQUIREMENTS—Subscriptions to be paid in gold to extent of at least 25% of a nation's quota or 10% of its net official holdings of gold or U. S. dollars, whichever is the smaller. (Countries occupied during the war may make provisional payments until they are able to determine their net official holdings.)

GOLD HOLDINGS—to be kept in the central banks and designated depositories of member nations.

50% of gold to be held by the Federal Reserve System at the outset.

40% by the central banks of the United Kingdom, Russia, China and France.

ORGANIZATION

OVERALL MANAGEMENT—vested in a Board of Governors consisting of one Governor and one alternate appointed by each member nation and meeting at least once a year.

GENERAL OPERATIONS—delegated to an Executive directorate of at least twelve members in continuous session; including five representatives of the countries with the five largest quotas, two appointed by Latin American nations and five elected by the other members.

The Executive Directors will select a Managing Director as chief of the operating staff.

VOTING POWER—each member to have 250 votes, plus one additional vote for each \$100,000 of its quota.

Voting power of principal member nations as follows:

United States	28.0%
United Kingdom	13.4%
Russia	12.4%
Other British Commonwealth nations (Canada, Australia, New Zealand, India and South Africa) —11.9%.	

SPECIAL VOTING PROVISIONS—One additional vote is granted for each \$400,000 net loans of a member's currency and one less vote for each \$400,000 net borrowing by a member whenever the Fund votes on the following: (a) waiving certain limitations on a member's use of the Fund and (b) declaring a member ineligible to use the Fund. (It has been computed that in an extreme case where the Fund's supply of dollars became completely exhausted, the U. S. would have 35% of the total votes.)

WITHDRAWAL—at any time a member wishes.

OPERATING PRINCIPLES

(4.) **RATES OF EXCHANGE**—(A central feature of the Fund.)

1. Each member nation's currency to have a definite par value in terms of gold or of the U. S. dollar.

2. Original par values must be communicated to the Fund 60 days before the agreement goes into effect. Both the Fund and member nation have 90 days in which to declare this rate to be unsatisfactory. If the Fund and member cannot agree on a new rate, the member must withdraw.

3. Countries that have been occupied by the enemy are allowed more time to select and adjust par values under conditions prescribed by the Fund.

4. Once a par value has been established, the Fund will prescribe a margin below and above par for transactions in gold by the member. The member is not allowed to buy or sell at prices which range above or below this margin.

5. Members agree not to permit exchange transactions except within a prescribed range—one per cent above or below par for spot transactions.

6. Members agree not to change the par values of their currencies by more than 10% and then only after consulting the Fund.

7. The Fund has the power to approve or disapprove any proposed changes beyond 10%.

On changes which do not exceed another 10%, the Fund must concur or object within 72 hours if a member so requests.

8. Violation of the above provisions may make the offending member ineligible to use the resources of the Fund.

9. The Fund must concur to a change in par value suggested by a member nation for its currency if it is convinced such a change is necessary to correct a fundamental disequilibrium or out-of-line condition with regard to the member's exchange.

10. The Fund may make uniform changes in all par values with the approval of the majority of the total votes plus the approval of each country having 10% or more of the total

Fund subscription. (The United States could vote such a proposal single-handed.)

11. The gold value of the Fund's assets shall be maintained notwithstanding changes in the par or foreign exchange value of a member's currency.

(B.) USE OF THE FUND'S RESOURCES

1. Members can use the Fund only to meet temporary needs for foreign exchange arising out of fluctuations in their current foreign transactions. (Current transactions are defined as those arising out of foreign trade, short-term banking, interest and dividend payments and similar business transactions.)

2. The Fund is not intended for financing long-term capital investment or facilitating the transfer of capital from one country to another.

3. The Fund exists only to provide assistance with regard to net balances not cleared through ordinary market transactions. (It supplements normal foreign exchange structures.)

4. A member country cannot borrow more than one-quarter of its quota in any 12-month period except by special permission, or when the Fund's holdings of its currency had previously fallen below 75% of its quota (due to the demand for its currency by other members).

5. A member's total net purchases of foreign exchange from the Fund with its own currency may not exceed the amount of its quota plus its gold contribution.

The Fund may waive these limits in the case of member countries having a record of avoiding large or continuous use of the Fund, countries faced with periodic or exceptional needs for foreign currencies, or countries willing to pledge acceptable collateral.

6. The Fund may limit or deny a member access to its resources if it believes the member is using them improperly. However, the Fund must make a report to the member setting forth its views.

7. Members using the Fund must pay a uniform service charge of 1/2% of one per cent on all purchases of exchange. With

minor exceptions, it must be paid in gold. In addition, special charges are levied on a member in proportion to the Fund's total holdings of its currencies and the time over which the currency has been held.

8. Members desiring to buy the currency of other nations with gold shall do so from the Fund if the purchase can be made with equal advantage. (This helps to build up or replenish the Fund's holdings of gold.)

9. Members are required to repurchase a portion of their currency held by the Fund at the end of each financial year if such holding has increased during the year or if the member's monetary reserves have increased. (This prevents a country from relying unduly on the Fund rather than on its own resources.)

10. If the Fund is short of a certain currency, it may borrow that currency, provided it has the approval of the member nations whose currency is involved. Members also agree to sell their currency to the Fund for gold so as to further ensure the Fund's being able to provide needed exchange to other nations.

(C.) EXCHANGE RESTRICTIONS

1. Restrictions on the purchase and sale of foreign exchange are, with a few exceptions, prohibited by the Fund. Certain exceptions are permitted with regard to (a) restrictions on the transfer of capital; (b) restrictions on a currency that has become scarce and cannot be supplied in adequate amounts by the Fund; (c) on transactions during the post-war transitional period.

2. The Fund has the power to prevent a member from using Fund resources to move a large or sustained outflow of capital. It can do this by making the restriction of capital movements a condition to the member's further use of the Fund.

3. If scarcity of a particular currency develops, the Fund may formally declare that currency to be scarce and therefore may apportion the Fund's supply as it deems appropriate. (This is a necessary safety valve since it is possible that, in spite of the Fund and corrective measures, such a shortage may develop.)

Whenever the Fund declares a currency scarce, members thereafter may impose restrictions on exchange operations in that currency, but only in consultation with the Fund. These restrictions may be no greater than necessary to balance the demand for the scarce currency with the supply held by the member in question. They must be removed as soon as the Fund declares the currency no longer to be scarce.

If the Fund anticipates that a scarcity is developing, it may issue a report setting forth the reasons for the scarcity and making recommendations. If it does declare a nation's currency scarce it must issue a report.

4. Members are allowed to retain or impose exchange restrictions during the post-war transition period, provided they could not settle their balance of payments without undue recourse to the Fund. The Fund must report on restrictions in force and after five years may require a member to withdraw from the Fund if it persists in maintaining such restrictions, but only after it has made representations to the country in question.

RESEARCH FUNCTION

The Fund will serve as a center for the collection and exchange of information on monetary problems and may require members to furnish data along the following general lines:

1. Holdings of gold and foreign exchange.
2. Gold production.
3. Gold exports and imports.
4. Merchandise exports and imports.
5. International balance of payments, including trade in goods and services, gold, capital transactions and other items.
6. Foreign investments and investments held by foreigners within its own borders.
7. Commodity price indices.
8. Exchange controls, if any are in effect.
9. Details regarding official clearing arrangements.

THE WAGNER-TOBEY BILL

This bill provides for U. S. participation in the International Monetary Fund and the International Bank for Reconstruction and Development and was introduced jointly in the House and Senate, February 15, 1945. Its principal features are:

1. The United States would become a member of the Fund and the Bank.
2. The U. S. subscriptions would be financed as follows: (a) \$1.8 billion would be taken from the U. S. Stabilization Fund (which has never been used) and transferred to the Fund; (b) the remainder would be raised by the U. S. Treasury under the Second Liberty Loan Act by means of public debt transactions. Thus no actual appropriations would have to be approved for making payments to either institution. Moreover, the Treasury would not pay all of the money into the Bank and Fund at the outset, but would make a substantial portion of its first payments in non-interest bearing notes which would be converted into actual deposits of dollars only as required.
3. The Johnson Act, which prohibits private commercial loans to countries defaulting on World War I debts to the United States would be repealed, but this repeal would apply only to countries which became members of the Fund and Bank.
4. Congress reserves to itself such powers as changing the value of the dollar in terms of gold, authorizing any loans to the Fund or the Bank by the Government or its agencies or changing the U. S. quota in the Fund.
5. The U. S. Stabilization Fund would be continued indefinitely. Its balance would be about \$280 millions after the transfer of \$1.8 billion to the International Monetary Fund.
6. The President would be required to appoint the U. S. officials of the Bank and Fund with the advice and consent of the Senate and to report to Congress no less than every six months regarding U. S. participation in the Bank and Fund.

REACTIONS TO THE BRETTON WOODS PLAN: COUNTER PROPOSALS

WHO IS FOR THE BANK? Everybody is for the Bank. The only important suggestions for changing the powers of the Bank have come either from groups who want to do away with the Fund and have the Bank take over some of its functions or from other groups who want to increase the powers of the Bank as a prerequisite to American participation in the Fund.

WHO IS FOR THE FUND AND WHO IS AGAINST IT? Committees or responsible groups from the following organizations are among those on record as favoring American participation in the International Monetary Fund:

Pennsylvania Bankers Association¹
Independent Bankers Association¹
American Farm Bureau Federation
Committee for Economic Development (with one important qualification)
Foreign Trade Council
National Planning Association

Those opposing the Fund include committees representing the American Bankers Association (in a joint report with the Association of Reserve City Banks and the Bankers Association for Foreign Trade)
New York State Bankers Association
U. S. Chamber of Commerce

WHAT ARE THE MAIN ARGUMENTS ADVANCED AGAINST THE FUND? The objections raised by various people to the Fund center mainly about its practicability, the safeguards provided against its misuse, and the question of whether two institutions are necessary. Principal objections are as follows:

¹ Composed of large city banks as well as smaller institutions.
² Made up of 2,000 country banks.

1. The Fund "introduces a method of lending which is novel and contrary to accepted principles" and goes far beyond "the principles heretofore accepted by the United States in recognizing and approving changes in currency values and maintenance of exchange control."²

2. Any system that expressly or implicitly confers on a borrower the right to a loan is unsound.

While rules are laid down governing the making of loans, any member in good standing seems to have the virtual right to borrow from the Fund if it has an adverse balance of payments.

3. Considering the broad purposes of the Fund, it will be difficult to refuse loans, especially in the transition period.

4. There is question as to whether the large stabilization Fund is necessary.

The outside world has \$20 billions of gold and dollar exchange as of the end of 1944. At the same time currency and credit expansion in the United States has reached a point where the President suggested to Congress the necessity of lowering the legally required gold reserves of the Federal Reserve Banks.

Moreover, with reasonable encouragement, large amounts of private U. S. dollars are ready to go abroad.

5. The dollar is most likely to be the "scarce" currency after the war.

There will be a huge demand for our goods and therefore for our exchange. The combined borrowing power of the other member nations is \$6,050 billions as compared to our subscription of \$2,750 billions.³

If U. S. dollars were declared "scarce" we might be asked to lend the Fund more dollars and refusal might be difficult.

The exchange restrictions which other member nations might impose on us if dollars became "scarce" would be to our disadvantage.

¹ American Bankers Association.

² It is contended by some experts that a more accurate calculation would be as follows: Foreign countries have a theoretical and conditional right to borrow \$7,000 billions of U. S. dollars (their quotas plus their gold contributions). To meet this theoretical demand the Fund would have \$2,750 billions contributed by the U. S., plus \$1.6 billion in gold (with which to buy dollars), or a total of about \$3.7 billions.

6. The safeguards against misuse of the Fund's resources are inadequate. Extension of credit to needy members is presumed to be automatic unless revoked by positive action of the Fund.

Other than the requirements (a) of furnishing certain information, (b) establishing a satisfactory par value, (c) changing par value only to correct a fundamental disequilibrium, (d) avoiding discriminatory exchange practices, (e) preventing large outflows and inflows of capital and (f) contributing quotas, the only operating guides are the general purposes of the Fund.

Since these purposes are broad a very large measure of discretion is vested in the Fund's management. It will be hard for management to decide when the Fund's resources are being misused and it may be difficult for the management to put pressure on a major nation if this question ever arises regarding it.

7. It will be difficult for the Fund to insist on the removal of exchange restrictions allowed during the transition period. It also is not clear what is meant by the "exceptional circumstances" under which restrictions may be imposed for a longer period. Allowing restrictions to be imposed on exchange under any circumstances is also objected to.

8. The functions of the Fund and the Bank could be performed better by a single institution. The Bank, with minor changes in its charter, might carry on the desirable functions of the Fund. It might readily provide the meeting place for international consultation on monetary matters and provide stabilization credits. Use of one institution would eliminate potential confusion and possible duplication of effort and would conserve high grade personnel.

9. The Fund is not suited for the transition period. Its machinery is designed primarily for relatively stable conditions. These will not exist immediately after World War II.

10. Maintenance of stable relations between the pound and the dollar is one of the most important postwar problems, since these two are the great international trading currencies. Britain liquidated the major portion of its foreign investments during the war and accumulated more than \$12 billion of debts in the form of "frozen" sterling balances. Her adverse trade balances undoubtedly will be large for at least a few years after the war. But the amount that Britain could borrow from the Fund in that period would be very small in comparison to her needs.

18

It is conceded that the Fund alone cannot solve all of Britain's huge stabilization problem and that other means will have to be found for dealing with it. If this problem is not solved, Britain may have to continue to expand the "sterling bloc" and to maintain Empire preference. This would seriously impair the Fund's operations. Therefore, the Fund should not be established until the British problem is solved and a measure of stabilization attained in world economic relations.

11. Political considerations may enter into the Fund's operations since "politics quite frankly entered into the determination of quotas at Bretton Woods."

12. The United States has only a minority voting power.

WHAT ARE THE PRINCIPAL COUNTRY PROPOSALS TO THE BRETTON WOODS PLAN?

The American Bankers Association and allied groups propose the following:

1. Eliminate the Fund and accept the Bank.

2. Expand the powers of the Bank by:

a. Making the Governors and Directors of the Bank responsible for negotiating agreements between member countries regarding currency stabilization, removal of exchange controls and the general rules of procedure governing international monetary policies.

b. Broadening the lending powers of the Bank to allow the making of stabilization loans under proper safeguards.

c. Transferring the Fund's research function to the Bank.

d. Creating a separate department within the Bank to deal with currency stabilization.

3. Increase the U. S. Export-Import Bank's capital by \$2 billion in order to meet deserving credit needs prior to the opening of the International Bank and to enable the U. S. to make loans in which it is especially interested and which it can make most effectively through its own bank.

4. Repeal the Johnson Act and any analogous provisions of the Neutrality Act.

19

5. Require Senate approval in the appointment of the Bank's American Governor and Director.

6. Establish a directing committee composed of officers such as the Secretaries of State, Treasury and Commerce, the chairman of the Federal Reserve Board, etc., to instruct the American Governor and Director of the Bank and possibly to act as the agency for the U. S. in matters wherein the Bank's articles call for a decision by this Government.

The proposals of the New York State Bankers Association differ from those of the American Bankers Association in these respects:

1. Instead of abandoning the Fund, they would postpone its consideration until basic conditions had become sufficiently stable. Only then can the Fund hope to be effective.

2. They recommend further study and consultation to determine how the Bank might assume limited stabilization functions.

3. They suggest that covenants be made by nations at the time of application for membership in the Bank regarding (a) initial parities, (b) changing par values only after consulting the Bank, (c) removing exchange controls and trade barriers as conditions permit, and (d) furnishing statistical data.

4. They recommend that the United States cooperate with Great Britain in a joint study of reconstruction and stabilization problems if invited to do so and state that agreement should be reached as soon as possible on ways and means to reduce obstacles to world trade.

The Committee for Economic Development believes that both the Fund and Bank are desirable. However, it makes its acceptance of the Fund contingent upon a clarification of the Bank's lending powers so that there will be no question of its ability to extend long-term stabilization loans. The Bank seems to have this authority under an obscure clause, but the Committee feels this issue to be so vital that there should be no question as to the Bank's authority to make such loans. The Committee maintains that conditions during the transition period may be so disturbed that unusual drains might occur on some of the currencies held by the Fund. If this happened, the Fund might become lop-sided and its assets might

20

become frozen in the form of large blocks of unwanted currencies. Under these conditions, long-term stabilization loans to specific countries might be needed to correct the situation and to enable the Fund to confine its operations within its established purpose of meeting temporary shortages of exchange.

"If the Bank is strengthened in this way," the Committee states, "the management of the Fund should be able to use the Fund strictly for currency transactions" and it therefore would "recommend that the Fund be approved."

The Committee also indicates that if "weighty political or diplomatic considerations" so dictate, it would give reluctant approval to the Fund without the suggested change in the Bank.

WHAT POINTS
ARE RAISED BY
THE PROPOSALS
OF THE BRETTON
WOODS PLAN?

Those who advocate American acceptance of the entire Bretton Woods Plan advance the following points:

1. *The Plan is fundamentally a good one, and "the technical details of the Fund and Bank, representing as they do the product of the experts of 44 nations, are as sound and workable as it is possible to formulate in advance of an actual trial and tested experience."*

Moreover, it is of utmost importance for nations to have confidence that they can get help without delay in meeting temporary shortages of exchange. It is contended that the Fund could perform this service much more effectively than could a specific stabilization loan; that the Bank could not negotiate any more favorable agreements on exchange rates and exchange restrictions than are already incorporated in the Fund plan; and that, if the Fund plan were not adopted, the whole international exchange situation easily might get out of hand before the Bank could be reorganized to take on even limited stabilization functions.

2. *It is impractical and undesirable to accept the Bank and to reject or postpone consideration of the Fund.*

Welding the Bank and Fund into one institution creates a danger because of the divergence in their aims and operations.

¹ Independent Bankers Association.

Past experience has taught the desirability of separating short-term credit operations from long-term investments. The Fund is primarily a monetary institution. Its management would be very much complicated if it were part of an institution whose principal purpose was to extend investment credits. Such action also would require calling a second conference. The resulting delay not only would be had in itself but would also seriously impair the confidence of other nations in the willingness of the United States to work actively for world economic stability and world peace.

Moreover, the "startling progress of the United Nations and the rush of events warrant immediate consideration of effective methods in dealing with financial developments during reconstruction and afterward."⁴

3. *The safeguards to the proper use of the Fund's resources are adequate.*

Numerous safeguards exist. Basic principles necessarily must be broad for no two situations arising under them would be exactly alike. A wide range of managerial discretion is necessary.

The Pennsylvania Bankers Association states that "the assets of the Fund and our share in it appear to be amply protected against abuses. Their gold value is guaranteed; they are protected against improper or excessive use, as well as by initial gold payments, subsequent repurchase requirements, and other provisions. The impression that the United States might lose its subscription is not borne out by the analysis of specific provisions of the Agreements. While the language of the Agreement appears complicated, the principal objectives of the Fund are clear and definite—to establish orderly international exchanges. The technical provisions of the Agreements are of concern to treasuries, stabilization funds, and central banks that alone will deal with the Fund."

The Association also observes that "the essence of success of any international plan . . . lies in mutual trust, understanding and willingness to carry out obligations" . . . and that "to be effective, any collaboration must be based on good faith."

⁴ Pennsylvania Bankers Association.

4. *The fear that U. S. dollars might become scarce is exaggerated.*

Gold and dollar holdings of foreign countries are at an all-time high and a substantial portion of these holdings can be used to purchase goods in the United States.

"Apart from periods of war there never has been a scarcity of a major currency except during a few years in the 1930's."

Moreover, if a country's currency is going to become scarce, it will do so because of fundamental conditions, not because of the Fund. At the least, the Fund might help to ease such conditions and thus minimize the danger.

5. While the Fund cannot solve all of Britain's balance-of-payment problems, its establishment would be helpful in a number of ways. Assuming that a solution for Britain's blocked balances were found outside of the Fund, the Fund would help substantially in maintaining the pound's stability for current transactions. Establishment of the Fund also would create confidence that concerted action would be taken on international monetary and trade problems and this should make it easier to reach solutions for questions such as the "sterling bloc" and Empire preference. Without the Fund, Britain would be impelled to expand these two devices in her own protection rather than to work toward their gradual removal.

6. *The United States will be in an excellent position to assume leadership in both the Fund and Bank, in its own interest and in the interest of other nations.*

It will have the largest block of votes in both institutions; more than the combined votes of the entire British Commonwealth of Nations.

The Bank will be located in the United States.

Half of the Fund's gold resources will be held in the Federal Reserve System.

⁵ "Scarce Currencies and the International Monetary Fund," E. M. Bernstein, Assistant Director of Monetary Research, U. S. Treasury, *Journal of Political Economy*, March, 1943.

SOME ARTICLES AND PAMPHLETS DEALING WITH BRETTON WOODS

International Monetary Fund and International Bank for Reconstruction and Development: Articles of Agreement. U. S. Treasury, Washington, D. C. 1944.

The United States in the World Economy. Economic Series No. 23. Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce. Government Printing Office, Washington, D. C. 1943.

"Bretton Woods Monetary Conference — Plans and Achievements." — Eleanor Lansing Dulles. *Foreign Policy Reports*, Vol. XX, No. 12. Foreign Policy Association, Inc., 22 East 38th St., New York 16, N. Y. September 1, 1944.

Conference at Bretton Woods Prepares Plans for International Finance. John Parke Young. Publication 2216, Conference Series 57. U. S. Department of State, Washington, D. C. 1944.

Bretton Woods Proposals: Report of the Committee on International Money Matters. New York State Bankers Association, 33 Liberty St., New York 5, N. Y. 1945.

Practical International Financial Organization Through Amendments to Bretton Woods Proposals. American Bankers Association, 60 East 43rd St. New York 17, N. Y. 1945.

Bretton Woods Program. Report of Finance Department Committee, Chamber of Commerce of the United States, Washington 6, D. C. 1945.

The Bretton Woods Agreements: Report of the Independent Bankers Association. Independent Bankers Association, Sauk Centre, Minn. 1945.

The Bretton Woods Proposals: A Statement of National Policy by the Research Committee of the Committee for Economic Development. Committee for Economic Development, 285 Madison Avenue, New York 17, N. Y. 1945.

The Status of Bretton Woods. A Statement by the Committee on International Policy. National Planning Association, 800 21st St., N.W., Washington 6, D.C. 1945.

Bretton Woods Agreements.—E. A. Goldenweiser and Alice Bourneuf. Board of Governors, Federal Reserve System, Washington, D. C. 1944.

"The Monetary Fund: Some Criticisms Examined."—H. D. White. *Foreign Affairs*. January, 1945.

24

HOUSE BANKING AND CURRENCY COMMITTEE REPORT ON BRETTON WOODS AGREEMENTS

On May 24th legislation enabling U. S. participation in the Fund and Bank (see Wagner-Tulsey Bill) was approved by the House Banking and Currency Committee by a vote of 23 to 3 with the following amendments:

1. A single Governor, appointed by the President with the advice and consent of the Senate, would represent the U. S. on the boards of both the Bank and Fund. However, separate

ADDITIONAL INFORMATION ON BRETTON WOODS

12"

15 June 1945.

Mr. Charles S. Bell,

Office of the Secretary.

Sir:

You are hereby promoted and appointed an Assistant to the Secretary with compensation at the rate of \$8,000 per annum, payable from the appropriation, "Salaries, Office of the Secretary", effective 15 June 1945.

In this capacity you will be responsible for coordinating and reporting to me on the work incident to the tax evasion drive being sponsored by this Department. To facilitate certain fields of administrative work heretofore handled by you, you are authorized to use the operating title of Administrative Assistant to the Secretary to the extent you deem necessary.

Very truly yours,

(Signed) H. Morganthau, Jr.

MEMORANDUM FOR THE SECRETARY

15 June 1945

Mail Report

Outstanding in the mail receipts of the past week was the subject of the drive against tax evaders. Except for a few sour notes, the mail indicates that the country is solidly behind the drive. Toward the end of the week the Hartford-Elliott Roosevelt case brought out a few nasty comments, with 3 writers recommending that the Treasury concentrate on protecting itself from tax loss in connection with the written off balance of the loan.

Nearly 80 men, one-half of them veterans, applied for jobs as Internal Revenue investigators. There were 43 additional reports of tax evaders, half of these being anonymous, and many other letters offering suggestions or simply approving the drive.

The letter of 9 June 1945 to banking institutions about currency transactions brought in 36 replies, all of them favorable except 4 or 5, which gave qualified endorsement as a result of the instructions given. There were still a number of letters written prior to the receipt of the letter of 9 June 1945, and these strongly objected to the orders as putting banks on the spot in their relations with their customers. As opposed to the general air of indignation reflected in the first group of letters received, this week brought in a number from bank presidents who applauded the handling of the situation and pledged cheerful cooperation.

Requests for tax refunds which have been long expected have been going up steadily. During the past week 17 persons wrote directly to the Secretary urging him to expedite the mailing of the refund checks.

- 2 -

Memorandum to the Secretary.

15 June 1945

On the bond front, routine inquiries and promotional material for the 7th Drive have dropped off. On the other hand, the number of cases about Adjusted Service Bonds tripled the number received during the preceding week. There were 38 such letters. Some 20 local bond chairmen praised "Here's Your Infantry", and there were over 20 complaints about delays in receiving bonds, usually those of service men.

As for the Roosevelt Memorial Bond, 3 correspondents approved it, and 1 disapproved. On the dime, there was 1 letter of approval, 4 protests. Correspondence about the Bretton Woods Proposals, Foreign Funds Control, and other Treasury affairs, was light. Only 5 small gifts were made to the war effort this week.

The attached general comments cover reactions to the large currency regulations sent the banks; praise of several Treasury publications; and comments on a Treasury speaker. There are the usual favorable and unfavorable comments on bonds and on taxes.

In the box score count, the subjects covered by 207 pieces of bond mail are listed and analyzed, as are those mentioned in 242 letters about taxes. Twenty protests -- against OPA restrictions; Procurement regulations; rates of exchange; the Congressional raise; wasteful spending; and the coddling of Nazi prisoners -- are analyzed by subject. There were 99 general communications, the subjects of which have been listed so far as is possible.

White House mail received for the week was low, with taxes accounting for more than half of the total. A separate page analyzes the subjects covered.

H. F. T. H. H.

General Comments

The following comments are quoted from a copy of a letter addressed to Hugh Leach, President, Federal Reserve Bank, Richmond, Virginia, by C. C. Strobecker, Cashier, Farmers Bank of Boynton, Boynton, Virginia: " * * * We bankers are getting used to Government regulations and it seems to me are prone to accept any sort of regulation with a shrug of the shoulders and label it another war measure. But I am wondering if this is the proper attitude for us to assume. The burden of financing the war, which you and I are bound to recognize could not have been possible without the banks of the country carrying the load; the collection of Withholding Taxes, which we remit once a month, the cashing of Series E Bonds, for which we are receiving a very nominal fee; the handling of Ration Banking, a stupendous job. All of these wartime activities have been taken in stride by the bankers of America, and I would not leave out the tremendous task that lies ahead for us, viz., trying to explain to the returning veterans the intricacies of the G.I. loans, who I understand are being told by their superiors are easily obtainable from the banks at \$2,000 a throw. How the banks are going to handle this situation when the veterans really begin to return, will be some problem. Maybe the master minds in Washington will have an answer, I do not know. Now, we are asked to reverse ourselves on one of the cardinal rules we, as bankers, have always had as a just pride. The divulging of confidential information regarding a customer's transactions through a bank, I have always been told, is the unpardonable sin. If we snoop on our customers and report every transaction involving \$1,000 or more in currency, I should like to know from Mr. Morgenthau what the Government intends to do about the tremendous amount of business that the banks will lose, not only from the customer with the \$1,000 transaction in currency, but from the customer who learns that the bank is acting "stool pigeon" for Washington. It is a

sixty-four dollar question to which I would like to find the answer. Several of my customers have already been to see me about the article published in a recent issue of the Richmond Times Dispatch, which they did not understand at all, and I had to sit down with them and try to explain as nearly as I could, the reason for the "regulations". * * * "

Joseph M. Dodge, President, The Detroit Bank, Detroit, Michigan. The objective of the Treasury Department to uncover deliberate tax evasion and black market operations naturally has the sympathy of everyone. However, in my opinion, the method being used is not only contrary to the American principles but is a definite embarrassment to the relationship between the banks of the Country and the bank depositors of the Country. It has been a principle of the banking business to guard its relationship with depositors and borrowing customers with care and treat the transactions in confidence. For the Treasury Department to have knowledge of tax evasion or black market operations and require a report of the transactions of an individual in view of these circumstances is one thing, but to use the banking system to discover such transactions is something of an entirely different character. This appears to me to contribute to the fear of innocent and guilty alike both of the Government and of their relationship with the banking business. The situation in which the banks are placed of using their discretion in reporting what appears to them to be unusual or improper transactions may seem to be a measure of protection. In practical application it is certain to be the opposite because it places the banks in the position of being informers on individuals selected by them or else ignoring the reporting requirement. If the banks conscientiously attempt to meet the requirement, they assume the risk of reporting the innocent with any who may be guilty.

- 3 -

George R. Hicks, President, Union National Bank, Kansas City, Missouri. * * * You appreciate, of course, that a bank may report a transaction which to it may seem abnormal and which may, nevertheless, be in all respects entirely proper and legitimate. But, almost certainly, if the fact that a bank has reported such a transaction comes to the knowledge of the bank's customer, it will put a severe strain on the relationship between bank and customer and not unlikely result in the loss of a valued account. From the bank's point of view it would be better if we had no discretion in the matter. * * * You say, "No bank or banker is going to find himself in difficulties with the Government because he made a mistake in judgment". That is very good, but what about a bank finding itself in difficulties with its customers, in case of a mistake in judgment? What assurance can be given on that point? We are not concerned about the customer who should be reported, but we are greatly concerned about the customer whom we reported through an error in judgment on our part, if knowledge that we made such report is obtained by the customer, either by direct information from the authorities or by reasonably clear inference. It does seem that this order places a bank rather definitely "on the spot" with its customers.

A. Williams, Albany, New York. The poor Congressmen are about to get a raise in salary. They work too hard, and they can hardly make a living. How about the Internal Revenue Agents? Why doesn't somebody think of them in order to keep 'em honest!

Carl D. Thompson, Public Ownership League of America, Portland, Oregon. Someone from your office has been kind enough to send me a pamphlet on fiscal and monetary policy, being an extract from the annual report of the Secretary of the Treasury for 1944. Whether it came from you direct or otherwise, I wish to express my appreciation of having the pamphlet and the information it contained. * * *

- 4 -

L. W. Duncan, President, The Commercial National Bank, Muskogee, Oklahoma. We acknowledge your letter of June 9th advising us, in a general way, the reasons for the order under which we are to report certain currency transactions and particularly those that we have reason to feel have to do with black market or tax evasion. Personally, I think this is a very fine move on the part of your Department and I am sure it will result in bringing to light many tax evasions and black market operations. * * * As stated in your letter, there has certainly been a great deal of resentment from a host of honest taxpayers because of the fact that tax evasion has been so wide spread. We certainly hope that you can bring most of these people to justice and you can count on our cooperation to this end.

H. C. Ford, President, The First National Bank, Granite, Oklahoma. I am heartily in accord with your currency report ruling. I think any method of running down tax dodgers is justifiable. We do not mind paying the tax, except for the fact that we are quite sure so many are dodging the issue and evading the tax, not only in the higher brackets but also in the lower. * * * Also we think you are doing the right thing if you give a lot of these veterans returning home a course in income tax returns and put them out in the field.

Josiah E. Fernald, President, National State Capital Bank, Concord, New Hampshire. We thank you for your letter of June 9, referring to the matter of large moneys in currency that might be handled, in connection with the people who did not want to leave evidence of their transactions. We believe that it is a good thing for you to do - to look these matters up. So far as we are concerned we assure you that we do not want to enter into any business transactions in the way of people trying to avoid their just and fair tax. If anything comes up in the way of large money transfers, we will be glad to report to you.

- 5 -

99

W. D. Lloyd, President & Cashier, The Commercial Bank, Douglasville, Georgia. Your letter of June 9, 1945, has been received. We also received the forms some time ago for reporting unusual currency transactions. I wish to state that I am with you 100% and will do all in my power to comply with your wishes in this matter. There are, no doubt, numbers of people who do not pay the required amount of income tax and it is necessary for the Government to do all that they can to collect same. * * * It would help if the Postmasters of the country were required to keep such a record. They could catch a number when they buy War Bonds, and certificates. You may do this for all I know, but it is just an idea of a small country banker. I am with the Government on this OPA business because if we did not have same, we small fellows on a salary could not exist. * * *

Mrs. May Goldman, Corresponding Secretary, Hollywood Women's Council, Los Angeles, California. Three hundred and fifty members of the HOLLYWOOD WOMEN'S COUNCIL wish to express their earnest approval of your request for five thousand FBI men to investigate income tax evaders. It is our sincere conviction that at all times, and especially now when we are engaged in a war to defeat fascism, such conduct is definitely disloyal and constitutes a threat to our democratic principles for which our loved ones are sacrificing so much.

Clyde Doyle, M.C. -- 18th District of California, House of Representatives, Washington, D. C. I just want to thank your Department, especially the very able courtesies extended by Mr. Norman T. Ness, for a really great speech on Bretton Woods at Long Beach, California, a few weeks ago, in my native State of California. The large crowd which heard him at the Long Beach Democratic Luncheon Club were very much impressed. Members of that Club still write me of the great fund of information and inspiration his talk was on that occasion. * * *

- 6 -

Favorable Comments on Bonds

100

Walter Lamb, Robert E. Lamb & Son, Building Construction, Philadelphia, Pennsylvania. For the past several weeks I have intended writing to you in appreciation for sponsoring Duke Ellington and his orchestra on your Treasury Department radio program. Like most Americans, when Monday morning came around, the inspiration had vanished. However, after the program of Saturday, June 9, procrastination was no longer possible. Such a wonderful program as the one referred to is probably not only helping the sale of bonds but is also presenting the only truly American music. I hope if other War Loan Drives are necessary, that you will continue to sponsor this great musician so that more people will be able to hear his music. Furthermore, I feel that the short speeches of Mr. Ellington are quite successful and have already caused me to buy more War Bonds than I would have intended. If the reaction is the same on others, the program must be highly successful.

Rev. A. S. Marsee, Fayette-Jellico Coal Company, Warren, Kentucky. We notice by the papers that you are considering a new type of bond with a picture of our late President, Franklin Delano Roosevelt. Since he is to be honored with three postage stamps bearing his image and also a new dime, I would suggest that we honor our present President. I would suggest a three hundred dollar bond with the image of Harry S. Truman, with the slogan, "To Tokyo or bust", or something similar to that. This would give us something to look forward to. We have enough to look back upon already. We need new visions. We believe that Mr. Truman is a great man and that the people are as solid behind him and his program as they need to be.

- 7 -

Ann Lawrence, New York City. I have just listened to you interviewing the wounded soldiers at Pawling and I am stirred intensely to the great need for us to dig deeper into our pockets in this great 7th War Bond Drive. Last year I came to Washington and worked in the War Bond Division of the Treasury. * * * I returned to New York last March and am now with the Special Settlement Accounts of the War Department. I know the sacrifices our soldiers are making, since my job deals with the deceased soldier's six months' death gratuity to his bereaved beneficiary. Each death report represents an American soldier who has given his life. So, again I say, it is the least that we can do to invest in War Bonds. I am buying a bond each pay day, and an extra one when I can from my meagre wage. I shall pass the word along to my co-workers of the situation at Pawling and the great need for the support of the 7th War Bond Drive.

- 8 -

Unfavorable Comments on Bonds

Charles Fleming, Chicago, Illinois. This letter is probably the only means I have of expressing my confirmed, considered, and continuing disapproval of one single War Bond advertisement. I refer to the ad, which I have seen in a number of magazines, built around the Japanese Emperor's white horse. I spent three un-heroic years in the Marine Corps. Like every other American, I have brothers and a sister in service. And if all the accumulated effort we've put forth had anything to do with Hirohito's horse, there's been a definite mistake some place. Disgust is the mildest term I can apply to the advertisement. I think my friends on Okinawa would have stronger ones. If I'm alone in my feelings, they are not important. But I don't think I am.

Mary Lynch, Louisville, Kentucky. * * * After trying to cash one of my small bonds this afternoon to help me in a financial difficulty, I am most discouraged.... to the point of possibly not purchasing more. We are told that if cashing them is a necessity we can, when we agree to purchase them, and then find that to do so our whole life history has to be told, and then we are sometimes refused. This is embarrassing, Sir. Is it the bonds, or the banks, who just don't want to cash them? I would like to know.

- 9 -

Unfavorable Comments on Taxation

P. A. Hubbell, President, First National Bank of Grant Park, Grant Park, Illinois. Your letter of the 9th inst. at hand, and carefully noted. I am glad to say, however, that we have experienced very little, if any, of the sort of practice to which you refer, and neither do I anticipate any. However, should there be any, we will report it on the forms received for the purpose. In connection with the matter of income tax, I have a little of the same which comes near to us here in the bank. Last December, an auditor from the Collector's Office came in the bank and made a check of our 1941 return. Quite some time after, we received his report showing the bank to be owing some tax. * * * Being convinced the assessment was in error, I asked for hearing and filed a protest. I received a letter saying it was too late then, and to be referred to their former letter, to which I explained I had filed the protest, but no hearing was had. Since that time I have had no further clearing of the matter except to receive a statement of the bill, with added interest. I feel sure the assessment is in error, and as we have never before had any trouble with our income tax, I feel we should be understood in the matter. * * * If this 1941 return is properly audited, I am sure you will see there is nothing due from us, as a matter of fact, I have gone into this rather carefully, and having learned more about such matters since 1941, feel there is an overpayment. I'll prepare this in detail later. I might go into this further, but I trust this will cause you to help me, as I am anxious to clear this up without any further work on my part, for I am so covered up now, I surely do not like to have any additional work that is not necessary. * * *

Felix T. Terry, C.P.A., Houston, Texas. I have read recently of your requesting ten thousand additional Internal Revenue Agents, and, based upon eighteen years' experience in income tax matters, I want to make these suggestions: First, that you require that the Agents you now have do an honest day's work. Second, that they be instructed to make a proposed additional

- 10 -

assessment only if the additional tax is actually due, and that they give some consideration to the reputations of the taxpayers and the accountants who prepared the returns. It is my personal opinion that there is not one out of four Revenue Agents who actually gives our Government an honest day's work. In other words, there is not one out of four who could hold a position with a private concern. Also, it has been my experience that most Revenue Agents like to take a return which has been well prepared and is easy to check, so that they can simply juggle income from one year to another and set up additional tax for the year which they are checking, even though it results in no net taxable gain so far as the Government is concerned. I can honestly say that I believe that, year in and year out, my clients would pay the Government just as much tax if Agents never came near their offices. On one or two occasions I have called to the attention of various Revenue Agents income that I knew had not been reported for tax purposes, and the standard answer seemed to be that "I don't want to get into a mess like that".

Leslie E. Thal, Secretary, Associated Yacht Clubs, Toledo, Ohio. Yachtsmen feel that an injustice is involved in their being required to purchase use tax stamps to be placed on pleasure craft July 1, 1945. As you probably know, the cost of this stamp is \$5, \$10, \$40 and so on, depending on the size of the yacht. * * * The gasoline rationing rules now in effect grants a maximum of twenty-four gallons for a three-month period. This much gasoline will run the \$40 stamp buyer about three hours, the \$10 buyer about six hours, and the \$5 craft nine hours. There is strong belief that under these conditions the tax is excessive as reasonable use is not allowed. * * *

12"

Report of Correspondence received in the
Secretary's Correspondence Division

8 June to 15 June, 1945, Inclusive

BONDS:		TOTALS
		207
Promotional ideas and materials for the Seventh Drive	26	
Promotional ideas and materials for the Eighth Drive	3	
Thanks for "Here's Your Infantry"	20	
Roosevelt memorial bond:	4	
Favorable	3	
Unfavorable	1	
Rumors that bonds will be invalidated	4	
Complaints about delays in receiving bonds:	9	
Service men	7	
Others	2	
Complaints about delays in receiving interest	5	
Other complaints:	11	
Eighth Drive will coincide with National War	1	
Fund Drive		
Evaluation of G bonds at par at death of owner	2	
a tax hardship	1	
\$1,000 bond marred by theater stamp	1	
Ads featuring Hirohito's horse annoys Marine veteran	1	
Interest checks fail to specify which bonds	1	
Had difficulty in cashing \$25 bond in Louisville, Ky.	1	
Savings banks not permitted to subscribe to 1½	1	
Treasury bonds		
Bond inscribed to daughter P.O.D. won't be available	1	
for her education		
Holder of Adjusted Service Certificate deprived	1	
of interest		
Volunteers in bond sales organization hurt by request	1	
for resignation		
General suggestions:	13	
Give special citation to those investing 75% or more	1	
of salary in bonds	1	
Issue mortgage bonds on Government property		
Schedule drives in January and July so investors will	1	
not lose bank interest	1	
Issue bonds for tax refunds	1	
Make E bonds negotiable		
Make Adjusted Service Bonds exchangeable at Treasury	1	
for other bonds	1	
Have returning generals autograph bonds for sale	1	
Sell surplus property for War Bonds only		

Make G.I. \$10-bond available to school children 1
Others 4
Routine matters: 112
 Inquiries about Adjusted Service Bonds 38
 Bonds for redemption 5
 Subscriptions 4
 Problems of inheritance, reinsurance, replacement, etc. 65

TAXES: 242

Requests for refunds 17
Tax evaders drive: 146
 Applications for jobs 77
 Reports of evaders 43
 Suggestions and comments: 26
 Call in large currency 7
 Freeze safety deposit boxes 3
 Eliminate check cashing businesses 1
 Improve personnel policies 5
 Check income of professional people 1
 Require everybody to keep account books 1
 Investigate Roosevelt-Hartford loan 3
 Others 5
Instructions to report currency transactions: 51
 Favorable 36
 Unfavorable 5
 Comment, clippings, etc. 10
Questions, protests, etc. 28
 Civilian employee in Hawaii is taxed twice 1
 Non-resident aliens escape capital gains tax 3
 Additional assessments are in error 2
 Municipal companies are depriving U. S. of taxes 1
 Repeal car use tax 3
 Soft drinks should be taxed 1
 Others 17

MISCELLANEOUS PROTESTS: 20

G.P.A. rent, gas, and meat restrictions 5
Procurement discrimination in accepting bids for wastepaper 1
Unfair rates of exchange with Canada 2
Charge by Bank of America of 2½ per withdrawal 1
Congressional raises of \$2,500 4
Defacing of silver dollars in manufacture of money clips 1

- 3 -

TOTALS

Coddling of Nazi prisoners
Wasteful spending by Government
Other

2

1

3

99

OTHER RECEIPTS:

Checks for rewriting
Donations to war effort
Bretton Woods Proposals
Roosevelt dine
 Favorable
 Unfavorable
Currency problems, mutilated money, etc.
Inquiries about foreign funds control
Favorable comment on plan for postwar treatment
 of Germany
Suggestion that Treasury approve transfer of
 Securities and Exchange to Justice
Requests for copies of "We the People Program"
Personally abusive

48

5

8

5

1

4

18

7

2

1

2

3

Report on White House Correspondence

9 June 1945 to 14 June 1945, incl.

BONDS

9

Comments on retention of War Bonds
War Bond pledges - 2 pages, containing
 approximately 50 signatures
Pictures for use in 8th Drive
War Bond sales suggestions

1

1

1

6

TAXES

25

Informers of income tax evasion
Comments on income tax evasion, black
 marketing
Requests for income tax refunds, questions
Complaints on collection of Excise taxes
Favorable comments on present tax system
Unfavorable comments on present tax system
Asks Presidential support of bill to
 exempt penalties from taxation
Miscellaneous tax plans, comments

3

2

7

1

1

1

3

7

GENERAL

9

Applications for job as Treasury Investigator
Complaints against Secret Service
Miscellaneous

2

1

6

12"

DEPARTMENT
OF
STATEINCOMING
TELEGRAMDIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION 109

DRM-690

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

Rome

Dated June 15, 1945

Rec'd 4:03 p.m.

Secretary of State

Washington

1627, June 15, 5 p.m.

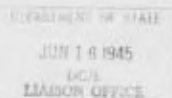
FOR MOSES LEAVITT AJDC FROM REUBEN RESNIK

39

Latest arrangements for exBergenBelsen exTheresien-
stadt refugees now Switzerland provide for first group
of 750 to arrive Italian camps last week in June. Second
lot of similar number will go directly to Palestine and
will be accompanied by a group of 180 certificate holders
now in Switzerland after the group is sent to Italy. We
are also arranging for the transfer of a small group of
twenty Palestine subjects who have just come to Italy from
camps in Central Europe.

KIRK

WTD

DEPARTMENT
OF
STATEINCOMING
TELEGRAMDIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION 110

EAS-770

PLAIN

Rome

Dated June 15, 1945

Rec'd 7:08 p.m.

Secretary of State,

Washington.

1619, Fifteenth

FOR MOSES LEAVITT AJDC FROM REUBEN RESNIK 40

Permission for Schwartz to enter Rumania denied.
ATHQ suggests I make application because it is possible
that Schwartz's birthplace may have caused difficulties.
Before making application, wish to have you clarify this
matter vis-a-vis JDC BALKAN MIDDLE EAST OFFICE.

KIRK

LIS



DEPARTMENT
OF
STATEINCOMING
TELEGRAMDIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

EAS-774

PLAIN

Rome

Dated June 15, 1945

Rec'd 7:08 p.m.

Secretary of State,
Washington.

1617, Fifteenth

FOR MOSES LEAVITT AJDC FROM REUBEN RESNIK

Former twenty-two ex-Fedhala refugees now camp in Palestine hold 411,000 Italian lire. AFHQ and Allied Financial Agency grant permission to have lire sent to us. Instructing Passmann Palestine to take up lire remit to us against payments from our accounts there.

KIRK

LMS

DEPARTMENT
OF
STATEINCOMING
TELEGRAMDIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

PEM-779

PLAIN

Rome

Dated June 15, 1945

Rec'd 7:13 p.m.

Secretary of State,
Washington.

1618, Fifteenth

FOR MOSES LEAVITT AJDC FROM REUBEN RESNIK 36

Imperative (repeat imperative) that additional fieldstaff and secretarial help arrive here soonest. Our program here Austria and Yugoslavia seriously handicapped. Request military permission for two fieldstaff members sent months ago. Action (repeat action).

KIRK

LMS

JOHN J. RILEY
201 East 50th Street, New York 17, N.Y.

COMMITTEE ON
ECONOMICS AND FINANCE

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

June 16, 1945

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

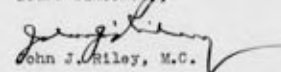
My dear Mr. Secretary:

I appreciate very much your letter of recent date regarding the small part that I played in the development and passage of the Bretton Woods Agreements through the House. I feel that it was a great privilege to participate in this legislation as it has been one of my lifelong ambitions to assist in the promotion of facilities that would tend to develop a proper basis for a permanent world peace.

We, who are interested in removing the causes of war, feel that we owe much to you and your able assistants for the fine work that you have done in writing and presenting to us the Bretton Woods Agreements.

With kind regards and best wishes, I am,

Yours sincerely,


John J. Riley, M.C.

JJR/B

113 ✓
MARY E. STUBBINS
SECRETARY
MARY E. BOSS
CLERK

12"

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

OFFICE OF THE DIRECTOR

JUN 16 1945



Dear Henry:

Thank you for your most friendly note of June 9, 1945, with respect to Bretton Woods.

Your victory in the House is not only a personal triumph for you but a splendid omen for the future of the country.

I am most gratified if you feel that I have made some small contribution either to the Bretton Woods Agreement itself or to the passage of the legislation. I must say, however, that the real accolade is yours. The Treasury has handled this program with splendid competence and vision. In truth, the Bretton Woods Agreement will be a monument to your statesmanship.

Ever yours,

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

115

JUN 16 1945

Dear Henry:

Thank you for your most friendly note of June 9, 1945, with respect to Bretton Woods.

Your victory in the House is not only a personal triumph for you but a splendid omen for the future of the country.

I am most gratified if you feel that I have made some small contribution either to the Bretton Woods Agreement itself or to the passage of the legislation. I must say, however, that the real accolade is yours. The Treasury has handled this program with splendid competence and vision. In truth, the Bretton Woods Agreement will be a monument to your statesmanship.

Ever yours,

(Signed) FRANK M. VINCOR

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

12"

6/18/45

Secretary said to tell Mr. Bartelt
he was not going to do this.



FISCAL ASSISTANT SECRETARY

TREASURY DEPARTMENT
FISCAL SERVICE
Washington



16 June 1945

TO THE SECRETARY:

In connection with a request by Mr. Thomas J. Watson, President of International Business Machines Corporation, for a signed article by you relating to the part which invasion money has played in the prosecution of the war, I have been asked to call your attention to the fact that a number of Cabinet officers have contributed articles which have been published in Think.

They expressed the hope that you would give this favorable consideration inasmuch as they feel that such an article by you would be of great interest. They point out that Think is not a trade paper or house organ in any sense of the word. It carries no advertising of the International Business Machines Corporation or its products and its text matter never refers to them. Its circulation normally is in excess of 100,000, covers outstanding officials in governmental, educational, financial, industrial, and business institutions all over the world; and it has as fine a collection of hand-picked, high-class readers as is possessed by any cultural magazine in this or any other country.

There is attached hereto for your convenient reference a copy of the April issue of Think, on page 16 of which you will note is an article by Secretary of State Stettinius on the subject "Writing a Charter for a World Organization."

I have discussed the matter with Mr. Fussell and he has authorized me to say that he has withdrawn his previous objection to your contributing an article.

I should add that Mr. Watson would like to have the article reprinted in pamphlet form along the lines of the pamphlet attached hereto but dressed up in a style of much superior quality.

W. B. Egan

118

Money has served in all of our wars, but never before as it has served in World War II. In earlier conflicts, its role was to pay for guns, bayonets, powder, lead and all the other munitions of common military knowledge. In the present struggle, money has itself been utilized as a weapon -- and a most effective one. In the form of special war currencies -- "money in uniform" -- it has played an important part in every major World War II campaign.

The war currencies have served purposes both of tactics and of strategy; they have been employed both offensively and defensively. The Allied nations provided them in wide variety, to meet widely varied requirements under the swiftly changing military, political and economic conditions of worldwide combat. Governments in exile cooperated with the great powers in making the currencies available.

Through the foresight and planning from which the war currencies emerged, Allied military commanders were supplied at all times with an adequate circulating medium in all war zones. This was a chief goal of the "money in uniform" enterprise. Without the special currencies, shortages of local moneys due to such causes as confiscation or destruction by the retreating enemy might have hampered some of the Allied operations seriously.

119

- 2 -

Various other needs were met by one currency or another, at one time or another and in one theater of war or another. The details of all these needs and of the monetary expedients adopted to deal with them make up a completely new chapter in the history of warfare and of finance. It was through close cooperation of the War and Navy Departments and the Treasury that our share of the chapter was written.

One dollar silver certificates and \$5, \$10 and \$20 Federal Reserve notes with the word Hawaii overprinted on both face and back comprised the first United States war currency issue. As an additional identifying mark the seals on the notes were printed in brown instead of the usual colors. The Hawaiian currency "went to war" soon after the Japanese attack on Pearl Harbor. Supplies of it were rushed to Honolulu, and the specially marked bills were exchanged for all regular dollar currency then outstanding in the islands.

This financial operation was our answer to the threat of Japanese invasion of Hawaii. If any of the islands had been conquered, only marked money would have fallen into the invaders' hands, and we would have seen to it that the Japanese made no use of this to further their war aims.

- 3 -

The Hawaiian dollars later were used in some of the Central Pacific islands as our forces began pushing toward Tokyo. Now, with the Nipponese penned close to the Asiatic mainland, their schemes of conquest wrecked beyond repair, restrictions on the use of the Hawaiian currency are being withdrawn and it is now being treated as any other United States currency.

As plans began to mature for our armies to take the offensive against Germany and Italy, monetary problems arose on a much larger scale than those presented in Hawaii, and with characteristics sharply different.

In any invasion, the needs of military commanders for funds are commensurate with the size of the operation, and it was not contemplated that our offensives in North Africa, Italy and Germany would be of small dimensions.

With our troops ashore in any of these theaters, supplies would have to be bought, labor hired, military payrolls met. Money might have to be advanced to civilian agencies for a time, as an aid to the restoration of business and of such services as policing. Banks and other normal sources of local currency supply might be found looted or destroyed.

- 4 -

In the case of the invasion of North Africa -- the first great test of our offensive power -- safeguarding of whatever currency we used was a necessary consideration, for the possibility existed that the operation would fail and that whatever we took ashore might fall into the hands of the enemy.

"Spearhead currency" -- ordinary silver certificates of \$1, \$5 and \$10 denominations, but bearing yellow seals instead of the conventional blue ones -- was supplied to the United States commanders for the North African campaign. British commanders received British Military Authority pound notes from the British Treasury. If we were driven out of North Africa, and the cash boxes of the Allied commanders were captured by the Germans or Italians, the distinctive markings of the currencies would make it possible to isolate them and prevent the enemy from turning them to his own uses.

Confining our expenditures in North Africa to the yellow seal dollars had other advantages. We were able to distinguish these official funds from any ordinary United States currency which the enemy might be circulating in the invasion zone, and less rigid controls on the

- 5 -

return of the spearhead currency to America were necessary than in the case of ordinary money.

As it happened, the spearhead dollars were used for only a comparatively short time in North Africa. As quickly as local governmental agencies were able to provide us with their own currencies, in franc denominations, the yellow seal currency was withdrawn.

For our attack on Italy, the first of a series of true "invasion currencies" -- an issue of Allied Military notes in lire denominations -- was secretly prepared in the United States Treasury's Bureau of Engraving and Printing.

Italy was enemy territory, and under the laws of war could be held responsible for our occupation costs. We did not want to repeat an experience of World War I, when our occupation forces in Germany spent millions of American dollars and our claims for reimbursement by Germany proved worthless. The Allied Military invasion currency provided the solution of this problem. Use was made of it by British and American forces, as well as by the Canadians, French, Brazilians and others who fought together under the Allied command.

- 6 -

Following the collapse of Italian resistance, the currency was declared legal tender by the new Italian government. Italy is solely responsible for this currency's redemption. It is part of the Italian currency system.

By direction of the President, dollar credits have been extended to Italy by the United States covering net amounts of Allied Military lire paid to American troops. This action was taken after Italy became a co-belligerent.

For the Allied invasion of western Europe, currency supplies could be arranged for in advance through consultation with the French Committee of National Liberation and such governments in exile as those of Belgium, the Netherlands and Luxembourg. It was not necessary to maintain the secrecy that had to be thrown around our operations in the Mediterranean; the whole world knew that we were preparing to move in (but not when or exactly where) on the German-occupied territories of western Europe and then on Germany itself.

Special issues of French francs, Belgian francs and Netherlands guilders were made available to the invasion commanders, and the Bureau of Engraving and Printing of the United States Treasury produced a supply of Allied Military marks as the second of its invasion currency series.

- 7 -

For advances of currencies of the friendly governments used for strictly military purposes, these friendly governments received dollar credits to the extent that expenditures were not covered by reverse lend-lease.

As we reached Germany, Allied Military marks were put into use by all the Allied military commanders -- American, British and Russian. As Allied Military lire were made a part of the Italian currency system, so Allied Military marks were made a part of the German currency system, with Germany solely responsible for their redemption. This procedure is in keeping with international law, under which the military commander of an occupied enemy area becomes that area's lawful government.

In the Pacific, our forces engaged in the liberation of the Philippines were supplied with a new "Victory series" of Philippine currency, in peso denominations, and also with a new issue of Philippine coins. In Dutch territories of the Pacific, a special issue of Netherlands Indies guilders was made available to General MacArthur.

Our third issue of true invasion currency -- this time denominated in yen, the money of Japan -- made its debut with our assault on the Ryukyu Islands in April, 1945.

- 8 -

This issue was labeled merely "Military Currency". Denominations, and the inscription "Issued pursuant to military proclamation", appear on the notes in Japanese characters as well as in English.

Use of the war currencies has not lessened control by Congress of military funds. When the war currencies -- any of them -- are expended for purely military purposes, equivalent dollar amounts at fixed exchange rates are charged against relevant Army or Navy appropriations.

When our soldiers in the war zones are paid in foreign currency, whether a special war issue or otherwise, and find that they have more of the currency than they need for personal expenditures, they may return it to a military finance officer and receive credit in dollars.

The liberated countries have found introduction of the special currency issues advantageous in dealing with abnormal monetary conditions left in the wake of German retreat. Reestablished governments were able, through use of the special issues, to immediately identify pre-liberation and post-liberation accumulations of funds, a necessary preliminary in many cases to steps intended to restore economic stability and remedy German or collaborationist manipulations.

12"

126

- 9 -

In this war, the description "fighting dollars" has been more than a figure of speech. We ^{literally} ~~actually~~ have had fighting dollars, fighting pounds, fighting roubles, fighting francs, fighting guilders, fighting pesos -- yes, and fighting lire, marks, and yen. The Allies have made unprecedented use of "money in uniform", and it has hastened victory.

- 10 -

12"

137
Radiotype

JUN 13 AM 9:41

WHQ NR 11 6/12/45 4:53 PM

TO: MR. L. H. LA MOTTE
SEN, WASHINGTON, D.C.

FOR YOUR INFORMATION /THINK/ THOUGH PUBLISHED BY THIS CORPORATION IS NOT A TRADE PAPER OR HOUSE ORGAN IN ANY SENSE OF THE WORD. IT CARRIES NO ADVERTISING OF THE COMPANY OR ITS PRODUCTS AND ITS TEXT MATTER NEVER REFERS TO THEM. ITS CIRCULATION, NORMALLY IS IN EXCESS OF 1,000,000, COVERS OUTSTANDING OFFICIALS IN GOVERNMENTAL, EDUCATIONAL, FINANCIAL, INDUSTRIAL, AND BUSINESS INSTITUTIONS ALL OVER THE WORLD AND IT HAS AS FINE A COLLECTION OF HAND-PICKED, HIGH-CLASS READERS AS IS POSSESSED BY ANY CULTURAL MAGAZINE IN THIS OR ANY OTHER COUNTRY. SOME OF THE NAMES OF OFFICIALS OF OUR GOVERNMENT WHICH HAVE APPEARED ABOVE ARTICLES IN /THINK/ IN THE PAST ARE: BIDDLE, CLAYTON, GRADY, HULL, JONES, MORGENTHAU, PERKINS, STETTINIUS, CONNALLY, WALLACE, WELLS, LANDIS, MACLEISH, STUDEBAKER, FEIS, FINLETTER.

128
Radiotype

WHQ NR 11 PAGE 2

IN MAY 1942 /THINK/ PUBLISHED AN ADDRESS ON INFLATION DELIVERED BY HENRY MORGENTHAU, WHICH WAS ADDRESSED TO THE ADVERTISING CLUB.

E. F. HACKETT

129

"MONEY IN UNIFORM"

Aids Allied Arms

*To be
done up
in
quality*

E. F. Barrett

*The Story Behind the Invasion Currency
issued by the U. S. Treasury Department*

INTERNATIONAL BUSINESS MACHINES CORPORATION



PRECISION

TRADE MARK

MICROSTAT

REG. U. S. PAT. OFF.

MICROFILM

ROLL NO.

12"

"MONEY IN UNIFORM"

Aids Allied Arms

*The Story Behind the Invasion Currency
issued by the U. S. Treasury Department*

INTERNATIONAL BUSINESS MACHINES CORPORATION



"MONEY IN UNIFORM" AIDS ALLIED ARMS



Reproduction of the U. S. Treasury Department display "Money in Uniform" exhibited in the office of International Business Machines Corporation, 111 Connecticut Avenue, Washington, D. C. by special permission of the Secretary of the Treasury. Further reproduction in whole or in part, is strictly prohibited.

*The Story Behind the Invasion Currency
issued by the U. S. Treasury Department*

The wide geographical scope of military operations in this war and the great development of techniques of economic warfare have made money an important offensive and defensive weapon of war. Providing this weapon in its most efficient form has required careful and detailed planning far in advance of military operations. Just as we need many varieties of military weapons, of ships and of planes, so we have found that the effective conduct of war on the financial side requires a variety of currency measures designed to meet varied and changeable situations. This pamphlet explains some of the principal currency measures which have been carried out during this war.

Keeping Dollars from the Axis

Even before we entered the war, this Government, through the Foreign Funds Control of the Treasury Department, took steps to prevent the Axis from using American currency which it looted when it overran the countries of Western Europe and other territories. If we had taken no protective measures, the Germans would have been enabled to use freely the dollars they looted in Holland, in Belgium, in France, and elsewhere, to buy critical war materials in the United States or in other markets, to finance propaganda and espionage, and for a host of other activities constituting an important part of the Axis total war. The strength of the dollar and its universal acceptability throughout the world made it of particular importance that we take steps to prevent use of this currency by the Axis. What we did in substance was to say that no one would be permitted to import dollars into the United States unless he could prove that the dollars were not looted by the Axis.

-2-

We could not stop trading in dollars in foreign countries entirely, but we did serve notice on anyone who bought the dollar bill anywhere in the world that before he or anyone to whom he might pass the dollar note could bring it into the United States and use it for purchases here, he would have to prove that the dollar did not pass through Axis hands. These measures went a long way in accomplishing their purpose. The Axis realized far less from the dollars they stole than otherwise.

When the Japanese descended upon the Philippines we were able to take even more effective measures. While the Japanese were still marching toward Manila, we invited people to deposit all dollar and Philippine peso currency they had with the American authorities, against receipt. Careful records were made of the currency so received, and the records are in Washington today. When the defense of the Philippines became hopeless, we burned the currency to make sure that the Japanese would not get it.

After the attack on Pearl Harbor, Hawaii became a danger spot in our defenses, and we could not be blind to the possibility that the Japanese might attempt to invade the Islands, as, indeed, they evidently intended to do when we stopped them at Midway. As a defensive measure, we introduced the Hawaiian dollar, which is simply regular United States currency with the word "Hawaii" overprinted in large letters. We exchanged all regular dollar currency in Hawaii for Hawaiian dollars, and we were then ready for the Japanese from the point of view of money. Had the Japanese conquered Hawaii, the distinctive Hawaiian currency would have made it possible to take appropriate measures to prevent the enemy from using this currency to any advantage. In 1943 and early 1944, the Hawaiian dollar was put to further use in the occupation of certain Japanese-held islands in the Pacific, for the convenience of our naval personnel, since they operated out of Pearl Harbor. More recently, since our successes in the Pacific have

-3-

removed all danger of an invasion of Hawaii, we have discontinued issuing Hawaiian dollars and are gradually withdrawing these dollars from circulation by replacing them with regular currency as they are turned in to banks.

U. S. Military Disbursements in the United Kingdom

Large American forces have been in Great Britain at all times since the early days of our participation in the war. These men had to be paid, and the Army and Navy had to make incidental expenditures for their maintenance and for other military purposes not covered by reverse lend-lease. The British Government did not want American dollars paid to our troops, and thus put into circulation on a large scale in Britain. British exchange control laws forbid the circulation of foreign currencies, and the use of American dollars for troop pay and other purposes would have broken down the British domestic and foreign exchange controls. Moreover, dollar payments would have been inconvenient for the men as well, since everything they might want to spend the money for was priced in terms of British currency. For these reasons, it was obviously undesirable to pay our men in dollars. In the United Kingdom we followed the usual practice, and the one that we followed in the last war; we bought British pounds from Britain and paid for them in American dollars. Then the British money was disbursed as net troop pay in Britain and for other purposes. No special problems arose because Britain was not an invaded country, the government was functioning normally, and banking facilities were readily available for this kind of exchange transaction.

It must be pointed out that in Great Britain as well as in all other parts of the world, whatever the currency arrangement may be, the soldier gets local currency only to the extent that he wants cash for

-4-

local expenditures. Much the greater part of the soldier's pay is not drawn in cash at all. It is allotted to dependents of the soldier. It goes to pay premiums on insurance policies. It is sent to people in the United States in the form of personal remittances. It is deposited through Army facilities in American banks, and it is used to purchase war bonds. All of these transactions are carried out wholly in dollars. It is only the minor percentage of pay which the soldier wants in cash for expenditures in the foreign country which is paid to him in foreign currency. If at any time a soldier finds that he has not spent all the foreign currency he drew, he can exchange what he has left, through Army facilities, for dollars to be sent to the United States as a remittance or for saving.

The same pattern has been followed in other lands, not occupied by the enemy, where our troops have gone in the course of the war. Thus, in Australia, Brazil, Canada, India, Iran, Iceland, and other far-flung places where our troops have gone to man the supply lines, we buy the local currency we need for dollars in the traditional manner.

Invasion Currency

When we prepared to invade enemy countries, and countries occupied by the enemy, we could not plan to use the procedure followed in Britain and other countries which have not been battlefields of the war. From the outside, we could not know with certainty what we would encounter in enemy-held territory. In Tunisia, the Germans flooded the territory with French francs, paid out with a lavish hand, in the hope of setting loose an uncontrollable inflation, as they did so much more thoroughly in Greece. In Sicily, the Germans ordered the banks to burn Italian currency before our forces arrived. We had to be ready to meet both these tactics, as well as others which have been used against us. We needed to assure our troops of necessary currency,

-5-

without depending upon local banks (because we might find banks destroyed, or unusable because their management's loyalty was questionable), without knowing whether civilian government would be in condition to permit normal business transactions, and without the opportunity (in the case of enemy and French territory) of making arrangements in advance with a recognized government. We had to anticipate the possibility that we would be required to provide currency for civilian needs, before local self-government could be re-established in liberated areas. Our assault forces would precede even a recognized government. We might find that the mayor of the first town liberated needed money urgently to keep his police force on the job, to hire laborers to clear the streets, or for a host of other work needed in the immediate wake of battle. Our supply officers needed an acceptable currency so they might purchase quickly and readily supplies and services which the Army might require of local civilians. It is obviously easier to hire a crew of laborers to unload ships if we pay them in cash at the end of each day, rather than give them receipts and tell them to submit their claims for future collection.

In our first invasion operation, North Africa, we used yellow seal dollars. Yellow seal dollars, like Hawaiian dollars, are regular American currency with a distinguishing mark to permit segregation if the situation so requires. We simply substituted yellow ink for blue in printing the seal on regular silver certificates of the United States. We did not know whether we would be welcomed as allies or resisted as invaders; we could not be certain that we would not incur reverses. The yellow seal gave us the opportunity to segregate the currency if we should be driven from North Africa. The yellow seal also gave us the opportunity to distinguish this currency from regular United States currency which we found in circulation in North Africa on our arrival there. In administering our controls designed to keep the Axis from realizing on looted dollars, we were able

-6-

to permit the yellow seal currency to be imported into the United States with less necessity of control than regular currency, which might have been looted by our enemies.

We stopped issuing yellow seal dollars in North Africa within a few months after our arrival there, and have succeeded in withdrawing almost all from circulation. When we planned to change over to the use of regular North African banknotes, we found that the French in North Africa had neither the paper, ink, nor printing facilities to supply the demand for local currency. Thus the French currency finally put to use in place of the yellow seal dollar was actually printed by a private firm in the United States, for the North African issuing banks. If General Eisenhower's invading forces had not carried a supply of currency, there would have been an actual physical shortage of money for the circulation required in North Africa. The new North African currency made possible a prompt currency conversion by the French authorities after the Nazis were expelled from Tunisia, thus stemming the inflation the Germans tried to create.

In planning for the invasion of Italy, we had another important consideration in mind. We did not want to pay our men in dollar currency, and thus turn dollar claims against the United States into general circulation in an enemy country. After the last war, our Army of Occupation made gross disbursements of almost \$300,000,000 in Germany, most of it by cashing dollar checks for marks at German banks, and by paying out actual dollars to our troops. These dollars were never recovered. We filed a claim for our net costs of occupation, and we have been no more successful in collecting than have the European reparation claimants against Germany. By using an invasion currency assimilated to the currency of the occupied territory, we can keep the dollars pending final settlement rather than give them to the enemy.

-7-

In the first few weeks of the Sicilian operation, we used yellow seal dollars, as in North Africa. While preparations were under way for months in advance to use the Allied Military lira, we did not want to print the word "Italy" or the word "lire" until the world knew where the Allied armies would strike. We discontinued issuing yellow seal dollars in Sicily within a short time, and, as in North Africa, have since succeeded in withdrawing the bulk of this currency from circulation.

The AM lira, which has been used ever since in Italy, is not a currency of the United States in any sense. It is an Italian currency, or originally declared legal tender in Italy by the occupying Allied armies acting as the military government of occupied Italy. Under settled international law, the military governor of occupied enemy territory can make laws for the territory, with the full governmental authority. Thus, the Supreme Court of the United States has said:

"The right of one belligerent to occupy and govern the territory of the enemy while in its military possession, is one of the incidents of war, and flows directly from the right to conquer. We, therefore, do not look to the Constitution or political institutions of the conqueror, for authority to establish a government for the territory of the enemy in his possession, during its military occupation, nor for the rules by which the powers of such government, are regulated and limited. Such authority and such rules are derived directly from the laws of war, as established by the usage of the world, and confirmed by the writings of publicists and decisions of courts - in fine from the law of nations.*** The municipal laws of a conquered territory, or the laws which regulate private rights, continue in force during military occupation, except so far as they are suspended or

-8-

changed by the acts of the conqueror. *** He, nevertheless, has all the powers of a de facto government, and can at his pleasure either change the existing laws or make new ones." Dooley v. United States, 182 U. S. 222 (1901).

The military governor declared AM lira to be legal tender in Italy, and thereby made the currency equivalent to and assimilated with the previously issued regular Italian lira. AM lira contains no promise of redemption on the part of the Allied forces, and the currency has in every way been made part of the currency issue of Italy. The Italian Government made the AM lira legal tender as one of its first official acts after its arrival in liberated territory in September 1943.

The Allied Military lira, while printed in the United States, was not issued by the United States. It was issued by the Allied Military Commander of the Mediterranean Theater, acting for the armies under his command, British and American, with contingents of other countries. The printing could just as well have been done in Brazil or India; we did it here because we had the printing facilities.

Our preparations for D-Day, for the invasion of Western Europe, were simpler in two respects. First, we had legally recognized governments-in-exile with which we could deal, in the case of Belgium, the Netherlands and Luxembourg. Second, plans for an invasion of Western Europe were publicly announced, and the currencies for all of the occupied Western European countries were produced simultaneously.

The Allied forces landed on the Normandy beaches with "supplemental francs". This currency was printed in the United States, because printing facilities were available here, in agreement with the British Government and after consultation with the French

-9-

Committee of National Liberation. Subsequently, the French Committee, which was successfully recognized as the de facto authority in France and as the Provisional Government of the French Republic, assumed responsibility for the issue of all the supplemental francs used since D-Day. Our arrangements with the French authorities thus are the same as the arrangements with Belgium, the Netherlands and Luxembourg, made before D-Day.

The Belgian Government in London had prepared a new issue of Belgian currency which was printed at its order in England. The Belgians were asked to advance to General Eisenhower as much of this new Belgian money as might be needed by the liberating armies. We undertook to pay the Belgian Government in dollars for any expenditures made by the American forces for net troop pay or for certain other strictly military purposes not covered by reverse lend-lease. Any advances made toward the conduct of normal civilian affairs in Belgium would be for the account of the Belgian Government, and we would not be expected to reimburse the Belgians.

Netherlands currency was printed privately in Canada at the order of the Netherlands Government-in-Exile, and similarly was supplied to General Eisenhower. The new Luxembourg currency was printed both in Britain and in the United States.

The availability of a new currency for each of these liberated countries provided a necessary monetary instrument, necessary both for the military forces of liberation and for the government of the liberated country. Thus, the Belgian Government, after its re-establishment in Brussels, called in all old high denomination Belgian currency circulating, and made the new notes the only legal tender. This was done as part of a financial program designed to reduce the inflated currency circulation imposed on the Belgians by the Germans and to help stabilize the Belgian economy.

-10-

In the Pacific theatre, we followed the same procedure in our arrangements with the Dutch Government for military operations in the Netherlands Indies. The forces of General MacArthur and Admiral Nimitz were armed with Netherlands Indies guilders prepared upon the order of and issued by the Netherlands Government supplied to General MacArthur and Admiral Nimitz and paid for in dollars to the extent that they were used for net troop pay and other strictly military expenditures not covered by reverse lend-lease.

United States Army and Navy forces in the Philippines are using a new "Victory Series" of Philippine currency and a new 1944 series of Philippine coins prepared in anticipation of our return. The currency, as in the pre-war days, was produced by the United States Bureau of Engraving and Printing, and the coins were manufactured by the United States Mint, at the request of the Philippine Commonwealth Government. As in pre-war days, every two pesos of the new Philippine Treasury certificates is backed by one United States dollar on deposit in the United States, and in addition the Commonwealth maintains an exchange stabilization fund amounting to between 15 and 25% of the currency in circulation.

In each of the Allied countries, the invasion currency used was not in any sense a currency of the United States. It was provided by the local government of the liberated country itself, and each government or its central bank is solely responsible for the redemption of the currency. We pay in U. S. dollars for the foreign currency we use for net troop pay and certain other strictly military expenditures not covered by reverse lend-lease. The moment any such disbursements are made by Army Finance officers, Washington is notified and the dollar amount is taken from the Army appropriation and set up in a special account in the Treasury. A similar procedure is followed with Navy expenditures.

-11-

Thus, Congressional control over the size of Army and Navy appropriations is strictly maintained. Generals Eisenhower and MacArthur and Admiral Nimitz are supplied with ample local currency of the country in which they are operating and the Allied government is paid later when the accounts are balanced up.

As the picture changed in Italy, and Italy became a co-belligerent in our war against Germany, the AM Lira demonstrated its usefulness. It was decided to make available to the Italian Government, for vital rehabilitation, the dollar equivalent of net American troop pay disbursements made in AM Lira, thus following, in part, the pattern of our arrangements with our Allies. This action, taken in such a way as not to prejudice any ultimate financial settlement with Italy, is helping Italy today to share in the struggle to liberate Northern Italy.

The Allied Military mark has now been introduced in occupied areas of Germany by the Allied armies. It is being issued under the same conditions as provided the basis for the original issuance of AM Lira.

Who Will Redeem These Currencies?

When invasion currencies were first put to use by the Allied forces the question was frequently raised, "Who will redeem these currencies?" Writers in various popular periodicals, as well as financial journals, speculated from time to time as to whether the United States did or did not intend to redeem invasion currencies, or whether some other government or agency did or did not intend to do so.

All of this speculation about whether or not the United States will "redeem" such currencies arises from a fundamental misconception of their nature. The United States Government did not issue any of this invasion currency (except, of course, yellow seal and Hawaiian dollars, which, as pointed out

-12-

above, are in every respect United States money, and therefore is under no obligation to "redeem" such currencies. No promise of redemption was ever made. No invasion currency carries any legend suggesting redemption by the United States. In fact the words "United States" do not appear on any of the invasion currencies at all. These currencies serve the same purpose of providing local means of payment as is served by the British sterling used to pay our troops in Britain and our obligation of redemption no more exists in the former case than in the latter.

Every local currency used by the Allied forces is issued by the authority of the lawful government of the country in which the currency is disbursed. Belgian, French and Dutch currencies used by our troops are issued by the lawful Belgian, French and Dutch Governments, just as the British pounds we use are issued by the British Government. AM lire and AM marks are issued by the lawful governments of the portions of Italy and Germany occupied by the Allied forces; under international law the military commander of these areas is the lawful government. Due to the destruction of Italian facilities, it has been necessary for the Allied Financial Agency to continue to make available AM lire, which has been made legal tender by the Italian Government in territory controlled by it, both for the needs of the Italian Government and the Allied forces.

Thus, it is perfectly clear that the United States has not obligated itself in any way to "redeem" any invasion currency issued in a foreign land, and we have no "secret understandings" that we will ever do so.

We have arranged to pay the Allied Governments dollars equivalent to the net amount of invasion currency disbursed to our troops as pay and allowances in these foreign lands, as we pay dollars to the British when we buy sterling with which to meet

-13-

our Army and Navy payrolls in the United Kingdom. Similarly, other strictly military expenditures originally effected in invasion currency in these Allied countries are also compensated in dollars to the Allied country whose currency we use, if they do not come within the scope of reverse lend-lease.

The local currency which is paid to our troops in foreign territories is furnished to the military forces by the governmental authority concerned. When the U. S. forces obtain a foreign currency for military expenditures, the relevant military appropriation is charged for the dollar equivalent thereof in the United States. In this manner the control of Congress over the expenditures of the U. S. military forces is maintained. The amounts of the dollar equivalent of the net troop pay and other strictly military expenditures not covered by reverse lend-lease which have been certified to the Treasury by the War and Navy Departments are paid to the Allied government concerned. In the case of Italy, we held the money in a suspense account until recently, when it was decided, in view of Italy's status as a co-belligerent, to make the net troop pay dollars available to the Italian Government for the purchase of necessary rehabilitation supplies in the United States, as pointed out above.

When our troops are paid in new Belgian francs supplied by the Belgian Government, they are getting the lawful currency of Belgium. Similarly, when they are paid in AM lire, they are getting a currency which is a lawful currency of Italy.

It is the same in each of the countries into which our armies have moved. Invasion currency is not something separate and apart from the currency of the country. It becomes, immediately upon issue, part of the currency of the country in which it is issued. We use the currency system we find for the needs of our troops, because that is the quickest and most efficient way of providing our armies with

-14-

the money they need for carrying on their operations.

Our allies have followed similar procedures in providing currency for their military forces in foreign lands. The British used a British Military Authority note, denominated in pounds in their early operations in Africa; again, side by side with our yellow seal dollar, in North Africa and in the early weeks of the Sicilian operations; and, only a few months ago, in the operations in Greece. The British joined us in the use of AM lire in Italy. British arrangements with the Western European countries for currency are much the same as ours. Canada is being supplied with francs and guilders in the same way. The Russian forces introduced a military lei in their invasion of Rumania, and are today using the same AM mark in eastern Germany as we are using on the Western Front. We have planned with our Allies for the use of money as well as for the use of other weapons of war.



12"

THINK

APRIL 1945



Spring Freshets

THINK

Learning without thought is labor lost.

—Confucius

Vol. XI

Contents for April, 1945

No. 4

	Page
Frontispiece	2
Editorial: First Day of School	THOS. J. WATSON 3

ARTICLES

"I Call Upon All Americans"—From Inaugural Address of Harry S. Truman	4
In Memory of Franklin Delano Roosevelt	NICHOLAS MURRAY BUTLER 11
Highlights of President Roosevelt's Leadership	12
Writing a Charter for a World Organization	EDWARD R. STETTINIUS, JR. 16
The Peace to Come	JAMES T. SHOTWELL 17
A Woman Looks at Dumbarton Oaks	HARRIET EAGER DAVIS 19
Victory and Vision	WILLIAM MATHER LEWIS 21
Friend of the Family	REAR ADM. F. E. McHILL 23
"God's Law of Adjustment"	WALTER McDONALD COOL 25
Land of Superlatives	LT. COLDR. LINCOLN ELLSWORTH 26
"Portraits of Americans by Americans"	28

FEATURES

Horizons	31
Literature—"The Young Jefferson"	34
Drama—"The Play's The Thing"	36
Poetry	37
Music—Music's Part in the War	38

MISCELLANY

Harry S. Truman—32nd President of U. S.	4
Tributes to Harry S. Truman and Franklin Delano Roosevelt	THOS. J. WATSON 5, 9
Franklin Delano Roosevelt—1882-1945	8
Tomorrow	FRANKLIN DELANO ROOSEVELT 10
Poem: Is It the Dawn?	JAMES T. SHOTWELL 18
Personalities in the News	30
Thoughts	35
The Bookcase	39
New Contributors	39
A Prayer for the San Francisco Conference	REV. HENRY SLOANE COFFIN 40

THINK Magazine is published monthly by International Business Machines Corporation, New York, N. Y. (Officers: Thos. J. Watson, President; Frederick W. Stibitz, Vice-President and General Manager; Charles A. Risk, Vice-President in Charge of Manufacturing; Roy Stephens, Vice-President; L. H. McHenry, Vice-President; Ruth M. Lewis, Vice-President; J. G. Phillips, Secretary and Treasurer.) Address all communications to THINK Magazine, 500 Madison Ave., New York 17, N. Y.; Edmund F. Ruckert, Editor. THINK accepts no responsibility for unsolicited manuscripts nor for opinions expressed by its authors. Its signed articles may not always represent the views of its publishers. Copyright © E. A. 1945, by International Business Machines Corp.



SAN FRANCISCO'S CIVIC CENTER

(Inset: War Memorial Opera House where
the United Nations Conference will be held.)

THINK

First Day of School

WHEN the San Francisco Conference ends the delegates will have experienced their "first day of school" for the study of the complex problems of world peace and for the development of a curriculum for a permanent school.

Everyone everywhere should clearly understand that this Conference is the most important international meeting in history.

We can be thankful that our nation is represented by wise and experienced statesmen with a sincere desire for peace, and we are sure the other nations have the same type of representation.

The Conference will furnish the leadership and the plan, but peace depends upon the peoples of the United Nations—upon their will to peace, upon their sacrifice for peace, upon their works of peace.

The difficulties are enormous, some of the problems cannot be solved immediately, and compromises will be made by all nations in order to arrive at conclusions that will be fair to all countries.

The Conference cannot create an enduring peace. But it will lay the foundations for a plan for peace to be put into effect as soon as possible, and which we and future generations of the world must maintain.

Let us be sparing in our criticism and generous with our encouragement and constructive suggestions.

And above all let us pray that the thinking people of the world will take advantage of the opportunity afforded by the "first day of school" and build continuously toward an enduring peace.

Shof Watson

APRIL, 1945

13



HARRY S. TRUMAN

Thirty-second President of the United States

WHEN Harry S. Truman took the oath of office as President of the United States, he shouldered the greatest responsibility ever placed upon any man in the history of the nation.

In addition to the customary duties of the office, he assumed the major rôle in the prosecution of the world war and in the forces that are working for world peace.

In the short time that he has been our President he has demonstrated his broad understanding of the problems and needs of the times and his appreciation of the importance of human relations in world affairs.

We pay tribute to our new President and pledge to him and all branches of his administration our continued cooperation in the Victory Program and in the attainment of his objectives for the future of our country and the world.

Shof Watson

APRIL, 1945

15



"I Call Upon All Americans"

From the Inaugural Address of Harry S. Truman, thirty-second President of the United States

ONLY yesterday, we laid to rest the mortal remains of our beloved President, Franklin Delano Roosevelt. At a time like this, words are inadequate. The most eloquent tribute would be a reverent silence. Yet, in this decisive hour when world events are moving so rapidly, our silence might be misunderstood and might give comfort to our enemies.

In His infinite wisdom, Almighty God has seen fit to take from us a great man who loved and was beloved by all humanity. No man could possibly fill the tremendous void left by the passing of that noble soul. No words can ease the aching hearts of untold millions of every race, creed and color. The world knows it has lost a heroic champion of justice and freedom.

Tragic fate has thrust upon us grave responsibilities. We must carry on. Our departed leader never looked backward. He looked forward and moved forward. That is what he would want us to do. That is what America will do.

So much blood has already been shed for the ideals which we cherished, and for which Franklin Delano Roosevelt lived and died, that we dare not permit even a momentary pause in the hard fight for victory. Today the entire world is looking to America for enlightened leadership to peace and progress. Such a leadership requires vision, courage and tolerance. It can be provided only by a united nation deeply devoted to the highest ideals.

With great humility I call upon all Americans to help me keep our nation united in defense of those ideals . . . proclaimed by Franklin Roosevelt.

I want in turn to assure my fellow Americans and all of those who love peace and liberty throughout the world that I will support and defend those ideals with all my strength and all my heart. That is my duty and I shall not shrink it.

So that there can be no possible misunderstanding, both Germany and Japan can be certain, beyond any

shadow of a doubt, that America will continue the fight for freedom until no vestige of resistance remains.

We are deeply conscious of the fact that much hard fighting is still ahead of us. Having to pay such a heavy price to make complete victory certain, America will never become a party to any plan for partial victory. To settle for merely another temporary respite would surely jeopardize the future security of all the world.

Our demand has been, and it remains—unconditional surrender. We will not traffic with the breakers of the peace on the terms of the peace.

THE responsibility for making of the peace—and it is a very grave responsibility—must rest with the defenders of the peace. We are not unconscious of the dictates of humanity. We do not wish to see unnecessary suffering. But the laws of God and of man have been violated and the guilty must not go unpunished. Nothing shall shake our determination to punish the war criminals even though we must pursue them to the ends of the earth.

Here in America we have labored long and hard to achieve a social order worthy of our great heritage. In our time tremendous progress has been made toward a really democratic way of life. Let me assure the forward-looking people of America that there will be no relaxation in our efforts to improve the lot of the common people.

In the difficult days ahead, unquestionably we shall face problems of staggering proportions. However, with the faith of our fathers in our hearts, we do not fear the future.

On the battlefields we have frequently faced overwhelming odds—and won. At home Americans will not be less resolute. We shall never cease our struggle to preserve and maintain our American way of life.

At this moment America, along with her brave Allies, is paying again a heavy price for the defense of our freedom. With characteristic energy, we are

assisting in the liberation of entire nations. Gradually the shackles of slavery are being broken by the forces of freedom.

The armies of liberation today are bringing to an end Hitler's ghastly threat to dominate the world. Tokyo rocks under the weight of our bombs. The grand strategy of a United Nations war has been determined, due in no small measure to the vision of our departed Commander-in-Chief. We are now carrying out our part of that strategy under the able direction of Admiral Leahy, General Marshall, Admiral King, General Arnold, General Eisenhower, Admiral Nimitz and General MacArthur.

I want the entire world to know that this direction must and will remain—unchanged and unhampered.

Our debt to the heroic men and valiant women in the service of our country can never be repaid. They have earned our undying gratitude. America will never forget their sacrifices. Because of these sacrifices the dawn of justice and freedom throughout the world casts its gleam across the horizon.

Our forefathers came to our rugged shores in search of religious tolerance, political freedom and economic opportunity. For those fundamental rights they risked their lives. We well know today that such rights can be preserved only by constant vigilance, the eternal price of liberty.

We will face the problems of peace with the same courage that we have faced and mastered the problems of war. In the memory of those who have made the supreme sacrifice—in the memory of our fallen President—we shall not fail.

It is not enough to yearn for peace. We must work and, if necessary, fight for it. The task of creating a sound international organization is complicated and difficult. Yet, without such organization, the rights of man on earth cannot be protected. Machinery for the just settlement of international differences must be found. Without such machinery, the entire world will have to remain an armed camp. The world will be doomed to deadly conflict, devoid of hope for real peace.

Fortunately, people have retained hope for a durable peace. Thoughtful people have always had faith that ultimately justice must triumph. Past experience surely indicates that, without justice, an enduring peace becomes impossible.

During the dark hours of this horrible war, entire nations were kept going by something intangible—hope. When warned that abject submission offered the only salvation against overwhelming power, hope showed the way to victory. Hope has become the secret weapon of the forces of liberation. Aggressors could not dominate the human mind. As long as hope remains, the spirit of man will never be crushed.

But hope alone was not and is not sufficient to avert war. We must not only have hope, but we

must have faith enough to work with other peace-loving nations to maintain the peace. Hope was not enough to beat back the aggressors as long as peace-loving nations were unwilling to come to each other's defense. The aggressors were beaten back only when the peace-loving nations united to defend themselves.

If wars in the future are to be prevented, nations must be united in their determination to keep the peace under law. Nothing is more essential to the future peace of the world than continued cooperation of the nations which had to muster the force necessary to defeat the conspiracy of the Axis powers to dominate the world.

While these great states have a special responsibility to enforce the peace, their responsibility is based upon the obligations resting upon all states, large and small, not to use force in international relations except in the defense of law. The responsibility of the great states is to serve and not to dominate the world.

TO BUILD the foundation of enduring peace we must not only work in harmony with our friends abroad, but we must have the united support of our own people.

Even the most experienced pilot cannot bring a ship safely into harbor unless he has the full cooperation of the crew. For the benefit of all, every individual must do his duty.

I appeal to every American, regardless of party, race, creed or color, to support our efforts to build a strong and lasting United Nations organization.

You, the members of the Congress, surely know how I feel. Only with your help can I hope to complete one of the greatest tasks ever assigned to a public servant. With divine guidance, and your help, we will find the new passage to a far better world, a kindly, friendly world, with just and lasting peace. With confidence, I am depending upon you all.

America must assist suffering humanity back along the path of peaceful progress. This will require time and tolerance.

We shall need also an abiding faith in the people, the kind of faith and courage which Franklin Delano Roosevelt always had.

Today, America has become one of the most powerful forces for good on earth. We must keep it so. We have achieved a world leadership which does not depend solely upon our military and naval might.

We have learned to fight with other nations in common defense of our freedom. We must now learn to live with other nations for our mutual good. We must learn to trade more with other nations so that there may be—for our mutual advantage—increased production, increased employment and better standards of living throughout the world.

May we Americans all live up to our glorious heritage. In that way America may well lead the world to peace and prosperity.



FRANKLIN DELANO ROOSEVELT

1882 - 1945

WE ALL mourn the loss of President Roosevelt, whose tragic passing has brought grief not only to his countrymen but to the peace-loving peoples throughout the world who looked to him for guidance and help in their time of need.

We pay tribute to his courageous leadership, in peace and in war, during the most crucial period of our history.

Because of this leadership, and the vision and faith which characterized it, victory is in sight and the foundation laid for the reconstruction of the world.

The ideals for which he fought and his contributions to the salvation and progress of civilization stand as a monument to a great world citizen and the outstanding American of our time.

The faith in ultimate success which he inspired in his fellow Americans and our Allies, the United Nations, will remain with us, strengthening our determination to carry on until victory is won and a sound peace established.

History will perpetuate his good deeds for the benefit of all mankind and his human relations principles will live on forever. We shall always revere his memory.

A handwritten signature in dark ink, which appears to be "H. S. Truman". The signature is written in a cursive, flowing style.

Tomorrow

TODAY this nation is playing a tremendous part in the battle for the rights of man all over the world.

TODAY we have learned in the agony of war that great power involves great responsibility.

TODAY we are faced with the pre-eminent fact that, if civilization is to survive, we must cultivate the science of human relationships — the ability of all peoples, of all kinds, to live together and work together, in the same world, at peace.

THE only limit to our realization of tomorrow will be our doubts of today.

LET us move forward with strong and active faith.

FRANKLIN DELANO ROOSEVELT

(From speech written by the late President the night before he died)

In Memory of Franklin Delano Roosevelt

By NICHOLAS MURRAY BUTLER
President of Columbia University



NICHOLAS MURRAY BUTLER

THIS is a day of sorrow and of mourning for all Americans wherever they may be. They have lost their President, President Franklin Roosevelt, at the very height of his career. His leadership in national and international policies and his foresight have been taken from us without warning and with startling suddenness. It is the saddest of moments and it is not possible to exaggerate the seriousness of our loss.

Franklin Roosevelt, who had served in the Presidency longer than any of his predecessors, had made himself not only a captain of the American mind but a leader in the constructive statesmanship of this modern world. With the support of American public opinion and with the background of American power and influence, he had made himself a powerful dominating force in the life of the world and a constructive leader in the movement to organize this world so that the awful events upon which we are now compelled to look may never take place again.

FRANKLIN ROOSEVELT laid down his life for his country. He had exhausted his vitality by his years of overwork and by his deep concern, and the efforts which that concern involved, for all of these great movements with which he was identified in every part of the globe. No longer young, he had recently made journeys to Africa, to Egypt, to Malta, to Turkey and to Russia in order to confer on the spot, so to speak, with leaders of opinion, and to see at first-hand the conditions which had to be dealt with in order to go forward with the constructive policies of international cooperation and organization to establish peace, to maintain peace and to give to America both safety and prosperity.

At the very moment when he passed from earth, he had on his mind the speech which he was to have made—a speech of welcome—at the coming Conference on international organization to be held in San Francisco within a few days. His mind was on that great constructive undertaking. He had already brought about the

very important Conferences on specific topics which had been held at Hot Springs, Virginia; at Atlantic City, New Jersey; at Bretton Woods, New Hampshire, and at Dumbarton Oaks in Washington. With all of that material thus gathered together, he was ready now to propose to this new International Conference in San Francisco the next steps to be taken to make sure that that which had brought suffering to the world in so colossal a fashion for the last few years could never occur again.

What a program, what an outlook, what an achievement! Franklin Roosevelt possessed the three fundamental characteristics of constructive statesmanship. He had foresight, he had courage and he had faith. It was foresight which enabled him to look into the future and see what had to be done. It was courage that carried him forward to its doing. It was faith in what it would all mean that gave him the vigor, the power, the influence over his fellow men.

He was the thirty-first—not the thirty-second—of our Presidents, and one of the very greatest. One would have to go all the way back to Abraham Lincoln to find any President who had faced problems of like importance and Lincoln's problems were entirely domestic. They related to the United States and to the United States alone. But these problems were world-wide, and the man that we have lost was a world-wide statesman and not merely an American leader or an American President. We Americans owe to his memory everything which gratitude

can pay and we owe every effort that we can give to the carrying out by our Government and our people of those great constructive policies, so that the name of Franklin Roosevelt will be remembered and honored through the ages as the captain of the mind who set our national feet on this path toward great achievement.

May he rest in peace and God bless his memory.



Cortège moving through capital en route to White House.

APRIL, 1945

Tomorrow

TODAY this nation is playing a tremendous part in the battle for the rights of man all over the world.

TODAY we have learned in the agony of war that great power involves great responsibility.

TODAY we are faced with the pre-eminent fact that, if civilization is to survive, we must cultivate the science of human relationships—the ability of all peoples, of all kinds, to live together and work together, in the same world, at peace.

THE only limit to our realization of tomorrow will be our doubts of today.

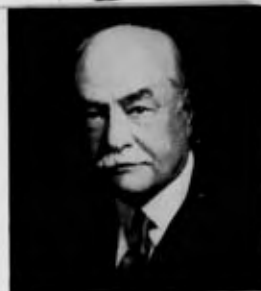
LET us move forward with strong and active faith.

FRANKLIN DELANO ROOSEVELT

(From speech written by the late President the night before he died)

In Memory of Franklin Delano Roosevelt

By NICHOLAS MURRAY BUTLER
President of Columbia University



NICHOLAS MURRAY BUTLER

THIS is a day of sorrow and of mourning for all Americans wherever they may be. They have lost their President, President Franklin Roosevelt, at the very height of his career. His leadership in national and international policies and his foresight have been taken from us without warning and with startling suddenness. It is the saddest of moments and it is not possible to exaggerate the seriousness of our loss.

Franklin Roosevelt, who had served in the Presidency longer than any of his predecessors, had made himself not only a captain of the American mind but a leader in the constructive statesmanship of this modern world. With the support of American public opinion and with the background of American power and influence, he had made himself a powerful dominating force in the life of the world and a constructive leader in the movement to organize this world so that the awful events upon which we are now compelled to look may never take place again.

FRANKLIN ROOSEVELT laid down his life for his country. He had exhausted his vitality by his years of overwork and by his deep concern, and the efforts which that concern involved, for all of these great movements with which he was identified in every part of the globe. No longer young, he had recently made journeys to Africa, to Egypt, to Malta, to Turkey and to Russia in order to confer on the spot, so to speak, with leaders of opinion, and to see at first-hand the conditions which had to be dealt with in order to go forward with the constructive policies of international cooperation and organization to establish peace, to maintain peace and to give to America both safety and prosperity.

At the very moment when he passed from earth, he had on his mind the speech which he was to have made—a speech of welcome—at the coming Conference on international organization to be held in San Francisco within a few days. His mind was on that great constructive undertaking. He had already brought about the

very important Conferences on specific topics which had been held at Hot Springs, Virginia; at Atlantic City, New Jersey; at Bretton Woods, New Hampshire, and at Dumbarton Oaks in Washington. With all of that material thus gathered together, he was ready now to propose to this new International Conference in San Francisco the next steps to be taken to make sure that that which had brought suffering to the world in so colossal a fashion for the last few years could never occur again.

What a program, what an outlook, what an achievement! Franklin Roosevelt possessed the three fundamental characteristics of constructive statesmanship. He had foresight, he had courage and he had faith. It was foresight which enabled him to look into the future and see what had to be done. It was courage that carried him forward to its doing. It was faith in what it would all mean that gave him the vigor, the power, the influence over his fellow men.

He was the thirty-first—not the thirty-second—of our Presidents, and one of the very greatest. One would have to go all the way back to Abraham Lincoln to find any President who had faced problems of like importance and Lincoln's problems were entirely domestic. They related to the United States and to the United States alone. But these problems were world-wide, and the man that we have lost was a world-wide statesman and not merely an American leader or an American President. We Americans owe to his memory everything which gratitude can pay and we owe every effort that we can give to the carrying out by our Government and our people of those great constructive policies, so that the name of Franklin Roosevelt will be remembered and honored through the ages as the captain of the mind who set our national feet on this path toward great achievement.

May he rest in peace and God bless his memory.



Cortège moving through capital en route to White House.

APRIL, 1945

11

HIGHLIGHTS OF PRESIDENT ROOSEVELT'S LEADERSHIP



March 9, 1933: PRESIDENT ROOSEVELT signing the Emergency Banking Act providing for reopening banks of the nation closed by his proclamation of March 5.



Members of the Pan American Society presenting the "Good Neighbor" medal, awarded the President in 1934.



Above: As the Social Security Bill was signed by the President in August, 1935.



At the Inter-American Conference for the Maintenance of Peace at Buenos Aires in December, 1936—The President's departure.



The joint session of Congress, December 8, 1941, as the President called for a declaration of war against Japan.



Above: "Somewhere in the Atlantic," August, 1941... Outlining terms of Atlantic Charter in conference with PREMIER CHURCHILL.



First fruits of the President's Good Neighbor Policy: Rio de Janeiro Conference of the Pan American States declaring against the Axis, January, 1942.



Above: PRIME MINISTER CHURCHILL's first visit to Washington—December, 1941—following this country's entrance into the war.



Signing the original Lend-Lease Bill in March, 1941.

As the Selective Service Act became law in September, 1940.



Below: At the Casablanca Conference in 1943: the President and PRIME MINISTER CHURCHILL, with GENERAL GIRAUD (left), then High Commissioner of North Africa, and GENERAL DE GAULLE (third from left), who was the leader of the fighting French.



Signing an executive order, March, 1942, authorizing the financing of war contracts through guaranteed loans.



In Monterrey, Mexico, April, 1943: the Pres. and Mrs. ROOSEVELT with PRES. and SENORA Cárdenas, touring Mexican troops.

ROOSEVELT'S LEADERSHIP

(Continued)



PRIME MINISTER CHURCHILL's second visit to the White House, May, 1943.



The Pacific War Council meeting in the White House, May, 1943.



The September, 1944, Quebec meeting of the President and PRIME MINISTER CHURCHILL with their combined Chiefs of Staff.

Above: Quebec Conference, August, 1943. Seated, the President and the EARL OF ATHLONE, Gov. Gen. of Canada; (standing) PRIME MINISTER CHURCHILL, KING and PRIME MINISTER CHURCHILL.

Below: As the Joint Four-Power Agreement was signed at Moscow, November, 1943. Left to right: DR. TAO PING-SHENG, China; SECRETARY OF STATE CORDELL HULL, U. S.; COMMISSAR V. MOLDOTOV, Russia; HON. ANTHONY EDEN, Great Britain.



The White House, November 9, 1943: Representatives of 44 nations signed the United Nations Relief and Rehabilitation Administration Agreement.



The Yalta Conference, February, 1945, as the President, MARSHAL STALIN and PRIME MINISTER CHURCHILL planned the fate of Germany and agreed upon plans for the San Francisco Conference.



The President at the Tehran Conference, December, 1943, with MARSHAL STALIN (left) and PRIME MINISTER CHURCHILL.

Below: GENERALISSIMO CHIANG KAI-SHEK with President and PRIME MINISTER CHURCHILL at Cairo Conference in December, 1943.



Right: Signing the "G.I. Bill of Rights" — June 22, 1944.



SECY. OF STATE CORDELL HULL and the then UNDER-SECY. of STATE STETTINUS, with full delegation of Great Britain, Russia and this country at Danborton Oaks, August, 1944.



Below: Inter-American Agreement of 20 American Republics, which includes the Act of Chapultepec, being signed by SECY. STETTINUS at Mexico City, 1945.





HON. EDWARD R. STETTINIUS, JR.

Writing a Charter for a World Organization

By HON. EDWARD R. STETTINIUS, JR.
Secretary of State

WE ARE fighting this war in order that all Americans may gain the opportunity to live securely and in peace. I say opportunity—for victory in itself, as we all know but sometimes forget, will not be enough. Victory is the essential condition of our success, but not the assurance of it. The foreign policy of the United States is directed toward providing that assurance—in combination with domestic policy. Our objective in all our relations with other nations is to prevent aggression abroad from again disturbing the peace of the United States and to develop those conditions of international life that will make it possible to maintain high levels of productive employment and farm income and steadily rising standards of living for all the American people.

THIS is a tremendous undertaking. We face difficulties and dangers whose magnitude it is hardly possible to over-estimate. Idealism and good intentions will not be sufficient. Our only chance of success is to face squarely the realities and to pursue a course of action firmly based upon these realities. Without bold, realistic and effective action it will not be possible to prevent this war from being followed by economic collapse and economic anarchy far more disastrous than the depression of 1929; nor will it be possible to prevent another war from bringing sorrow and suffering to every American home.

Of one reality I believe the great majority of the people of the United States are now wholly convinced. After two World Wars and a terrible worldwide depression, all within the space of twenty-five years, we are firmly of the belief that political isolationism and economic nationalism are utterly unrealistic and can only lead on to complete disaster for our country and for the world.

So our foreign policy is based upon the hard facts that if we are to prevent the disaster of another war for the United States, we must find the means to act effectively with other nations to prevent aggression anywhere in the world; that we cannot have prosperity in the United States if the rest of the world is sunk in depression and poverty.

In other words, since we live in a world where every nation has become virtually our next-door neighbor, we cannot achieve our objectives alone, but

only in the close cooperation that neighbors in any American town are accustomed to practice in settling affairs that mutually concern them.

Upon these facts the United States Government has based its foreign policy program to help achieve security and prosperity for the United States after the war is won.

The United Nations Conference at San Francisco will mark a critical turning point in the history of the United States and of the world. For at San Francisco it is the purpose of the United Nations to write the charter of a world organization which will become strong enough to maintain peace for generations to come.

Most of the public discussion of the Dumbarton Oaks Proposals upon which the Charter will be based has centered upon the security aspects of the Organization—upon its power to prevent or to suppress aggression through the Security Council.

That is a vital part of the plan, but it is, in fact, only half of the task that the World Organization must accomplish if it is to be successful. At the conclusion of the Crimea Conference, President Roosevelt, Marshal Stalin and Prime Minister Churchill declared that the earliest possible establishment of the world organization was "essential both to prevent aggression and to remove the political, economic and social causes of war through the close and continuing collaboration of all peace-loving peoples."

THE removal of the political, economic and social causes of war—that is the responsibility which will fall principally upon the Assembly and the Economic and Social Council of the Organization, rather than upon the Security Council. That is the task to which the energies of the United States and the other members of the World Organization must be principally directed now and in the years following the war.

This is so, because no machinery for combined action to prevent or suppress aggression will work for any length of time in a world in which the causes of war—particularly the economic causes—are permitted to poison relations between countries.

Economic warfare, depressions, hunger, poverty, and despair—these are the conditions that undermine democracy, that breed tyrants and aggressors and that turn nations one against the other. These are conditions that we must master if any international organization is to succeed in preserving peace.

THINK

The Peace to Come

By JAMES T. SHOTWELL

THERE are at least two sound reasons for confidence in the ultimate success of the San Francisco Conference.

One is that the second World War has at last driven home to the mind and conscience of all peace-loving nations the fact that only by organizing peace with at least some of the efficiency of the organization of war can future wars be prevented.

The second reason is that the planning for post-war organization today has been definite and concrete instead of abstract and general.

In this regard it is the opposite method from that employed at the end of the first World War. In saying this, I wish to make it clear that the Wilsonian method was the only one that was possible in its time. The world was not yet ready to organize its international life in the way in which it finds itself forced to do at present. But the fact remains that this time we are covering a wider field and covering it more intensively than was ever dreamed of in the Covenant of the League of Nations.

THERE are three great areas of international organization—security, justice and welfare. The Dumbarton Oaks program deals with all three. Although the accent is properly enough upon security, the vital force of the international community lies in the field of welfare, cultural, social and economic. Strangely enough, the international institutions in this area are rudimentary, or entirely lacking. Here is the greatest challenge for statesmanship, greater even than the most dramatic problems of power. In the field of international education, for example, the Nazi-Fascist philosophy has created ruins in the spirit of man fully as dreadful as the material de-

THE need for "adequate instruments for the development of a world community conscious of its inter-dependence."



JAMES T. SHOTWELL

The conclusion, therefore, is that the only hope for a permanent organization of peace lies in the creation of adequate instruments for the development of a world community conscious of its inter-dependence in the whole area of welfare, especially in economic relations. The problem of security, difficult as it is, is by no means so hard to solve as that of the daily peacetime relations of nations which, throughout all modern history, have never been able to escape wholly from the mercantilist theory of modified economic warfare. The recrudescence of this mercantilist policy in recent years reached its climax in the autarchies which formed a part of the German economic empire. The escape from the shackles of this phase of economic nationalism will not be easy; indeed it is perhaps the most difficult of all post-war problems, more difficult even than that of the reduction of armaments. But unless it is dealt with, not only now but systematically throughout the future, the resultant economic anarchy will inevitably bring political antagonisms, involving the threat of future wars.

The provision in the Dumbarton Oaks Proposals

[17]

British Ambassador LORD HALIFAX, Secretary of State EDW. R. STETTINIUS, JR., Russian Ambassador ANDREI GROMYKO, and Chinese Ambassador WEI TAO-MESU confer in Washington in preparation for the San Francisco Conference.



for the erection of an Economic and Social Council under the Assembly, a provision unfortunately absent from the Covenant of the League of Nations, has not yet received anything like the attention which it deserves. Naturally the provisions for security take the precedence in all discussions of the plan for world organization, but in the long run the provision for the economic organization is more important, if the security organization succeeds in the establishment of peace for even a generation. The advancement of science will ultimately outlaw war, if it has not already done so, but it creates vast new problems in the field of economic relationships.

Looking back over past efforts to achieve a lasting peace, we see all the more clearly by contrast the realism of the planning of today. It recognizes the fact that institutions are not static but must be continually adjusted to the circumstances with which they have to deal. The idealist who refuses to accept these limitations which condition all human activity is critical of the Dumbarton Oaks Proposals because they make the necessary compromise with the political world of today. It is our conviction that in this compromise lies the best guarantee of success, and that nothing could be more misleading and harmful than to offer to a war-torn world expectations which cannot be fulfilled. The vision of a world government has all the magnificence of poetry, but no nation today, even the most peace-loving, is ready to surrender its domestic liberties to the dictate of any international government, how-

ever august and splendid it may seem to those who think of peace as an ideal in itself. There can be no lasting peace without justice, and justice is not an abstraction but a practice of fair, honest and decent ways of living in an imperfect world. The pathway of progress to both peace and justice is by the erection of institutions which are the embodiment of experience. The development of the international community is bound to resemble that of the national state. It cannot spring suddenly to life panoplied with power but, as in the case of the national state, it can create the conditions for future growth. Seen in this light, the Conference at San Francisco is a part of the long process of history, and a comparison of its program with that of the Paris Peace Conference at the close of the first World War

is illuminating. Woodrow Wilson believed that the imperfections of the Peace Treaties could be ironed out by the League of Nations, and in theory he was right. But the world was not yet ready to accept the right. But the world was not yet ready to accept the substitution of reason for force, and the war system, feeding upon discontent, grew rapidly to challenge the institution for international peace, and ultimately overthrew it. The only assurance that this will not happen again lies in the education of the public mind. No institution can be devised which will automatically and on all occasions ensure international peace. Its strength will always depend upon the support which it receives within the various nations composing it. Fortunately, that support is now assured, not only in the United States, but in all other countries which cherish freedom. This time we are definitely set upon the task of making the victory over the Axis powers a victory over war itself. But the memory of our failure to do this the last time is one which brings sobering thought, for it reminds us that we must get away from that fallacy which has rendered the peace movement so ineffective in the past. I refer to the tendency to rely upon slogans, as though problems could be solved by wishful thinking, a tendency against which the publications of the Division of History and Economics of the Carnegie Endowment for International Peace have so often warned. We know now that the problems of international relations are as real as those of domestic politics, and that they must be dealt with realistically or they will return to plague us and frustrate all our hopes.

At San Francisco, therefore, we are witnessing the drafting of a constitution which will take its place alongside our own and that of any other constitutional government. There need be no conflict of loyalties, because both the international community and the national state will be henceforth integrated like the various governments within the federal system. The acceptance of international obligations does not therefore mean a lessening of our sovereignty, but rather an extension of it in cooperation with other sovereign states.

These are new problems which confront us, but there is no reason to doubt our ability to solve them. We have learned much in the most tragic of all experiences. Let us hope we will never forget the lesson.

THINK

IS IT THE DAWN?

By JAMES T. SHOOTWELL

*Behind us, blood and sweat and tears,
Before us, like a veil withdrawn,
Light strikes the pathway of the years,
Is it the dawn?*

*In distant lands the battle rages,
Will this bleak horror never cease?
Can we, who fought through all the ages,
Make lasting peace?*

*A million years they fought and slew
With ruthless tooth and dripping claw,
In brutal borders who only knew
The jungle law.*

*Now, lords of earth, as we aspire
To meet the sun at heaven's gate,
Is dust of Nineveh and Tyre
Our only fate?*

*Blind not the mind with ancient fears;
Time turns the glass; the sands have run.
Dawn on another million years
Has just begun.*

A Woman Looks at Dumbarton Oaks

By HARRIET EAGER DAVIS

IF WE American women, who occupy perhaps the highest position of respect in the world, who possess a vote with which to realize our objectives and who wield tremendous personal influence on our children, did nothing to prevent World War II, we are just as guilty for the death of our sons as their fathers. Either today's horror was a tragic human fate which none could have prevented, or else all women and men everywhere are, in the deepest sense, to blame, as we shall be even more guilty if a World War III should plunge us again into blackness too hideous to imagine.

Nor can any of us, men or women, claim the excuse of not having been forewarned. Many serious and objective thinkers tried in vain to convince America that to throw our tremendous weight into international affairs was our only hope of escaping world conflict and the death that was daily creeping closer to our beloved boys.

THE strength of youthful temperament built our great country in fortunate isolation, but in the shrunken world today, with national neighbors, the good and the bad, all too close for comfort, we must—alas!—grow more grimly realistic. If American women want a safe personal life, we shall have to pay insurance installments on world security in the form of many personal sacrifices, of which not the least will be understanding and then taking action in what looks to most of us the vastly dull, complicated and impersonal world of international politics.

True, American women hate war; we are vaguely "for" peace, "for" a World Security Organization, provided we do not have to think too much about it. Although it was last October that President Roosevelt made public the text of the Dumbarton Oaks Proposals upon which the four leading United Nations—the United States, Great Britain, the Soviet Union and China—had agreed as a tentative plan for a United Nations Organization, few of us have had the courage to wade through the twelve "chapters" of a document which may nevertheless decide the fate of every one of us. There is something about the very look of such an official statement, printed in small type, so solid-looking, so complex and so impersonal, from which the feminine mind—and I suspect, many a masculine—blies off. Yet, somehow, if we are to translate our sincere but vague yearnings for peace into the practical political action which decides the fate of countries and their citizens, if we

"If American women want a safe personal life, we shall have to pay insurance installments on world security."



HARRIET EAGER DAVIS

are to bring intelligent pressure to bear upon our State representatives in Congress when the decision about America joining the United Nations Organization comes up for debate, we must first of all understand what it is all about.

Although comparisons are always limited and inaccurate, one might liken the world in its present situation to a frontier town, not politically amalgamated, with no mayor or central government of its own, its districts widely varied and full of potential conflict, some far more developed than others. From the other side of the railroad tracks two bunches of hoodlums, each with a set of pet grievances, have broken loose, unlawfully seizing property, murdering children and generally so disrupting everyone's life that at last all normal citizens were forced, in desperation, to band together to stop them. Precious years, precious energy and precious lives have been wasted, but now, with the end in sight, sobered delegates from the four main defending districts have met to discuss a Town Safety Committee to prevent such lawless and wasteful outbreaks in future.

For this is not the first time trouble has started from some quarter, last time so bad that a similar Safety Committee got off to a good start. But one of the strongest and richest groups, despite having fought a good defensive fight, refused to commit itself in advance to any mutual action. So for this and other reasons, trouble broke out again, infinitely worse. Now, even before we finally make the hoodlums cry "Enough!" we are all so alarmed at the possibility of a third and more hideous shambles that the very district which did not join the first Safety Committee is taking the lead in organizing the second one. It even invited the leaders of the four main defensive groups to a discussion meeting in its own district. This was the conference of representatives from the United States, the United Kingdom, the Soviet Union and China, held at the former Bliss estate in Virginia, just outside of Washington, D.C., now the property of Harvard University, which bears the name of "Dumbarton Oaks."

To pursue our simile, in which the "town" is the

{ 19

world and "districts" are nations, the leading citizens finally agreed, by and large, on what kind of Town Safety Committee was needed and how it should work, in order to combine democratic representation for everybody with a realistic and strong security program, which could really stop trouble before it got under way; and, in order that residents from every district might form their own opinion of a plan so vital to their own welfare, before it was solidified into any final form, this tentative outline was widely published. These were the Dumbarton Oaks Proposals.

MANY details were left open for further discussion and decision, at a meeting half a year later—and this is the San Francisco Conference, to which all the United Nations have been invited to send representatives, and at which it is hoped a final decision may be reached as to just what kind of United Nations Organization we need and want, and how far we shall accept and how far we shall modify the Dumbarton Oaks Proposals. When the final form has been worked out, it will be submitted to each United Nation for decision by process of its own political system, as to whether or not it will become a member. In our country, this crucial moment will arrive when American membership in the United Nations Organization comes before the United States Senate for adoption or rejection.

Now just what are the Dumbarton Oaks Proposals? What did our delegates from the four largest "districts" decide about the make-up of their proposed "Safety Committee" to keep the peace and promote the general welfare?

First of all, who will belong? Obviously every district which has joined in the fight on the hoodlums, although even those few groups who managed somehow by the skin of their teeth not to get involved, will be asked to become members and send delegates. As for the hoodlums themselves, perhaps, after years of probation and proof of lawful behavior, they may be admitted, but this is far in the future. If we who fought them can keep in agreement, we can take care of the hoodlums.

What is the purpose of our Safety Committee? Well, as stated, it is to keep the peace, to handle efficiently any element which threatens the peace, to promote general welfare and to keep a center alive, where the interests of all the town districts may be harmonized. Members are expected to pledge them-

20)

selves to live up to these agreements and to promise to settle their own disputes peacefully, as well as to refrain from helping any disturber.

Since any Committee works best by dividing responsibility among sub-committees made up of men and women especially qualified for their job, our new Organization will work in five sections: the General Assembly, the Security Council, the Court of Justice, the Economic and Social Council and the Secretariat.

Every district, irrespective of size or wealth, will have one vote through its delegate to the Assembly. The Assembly will meet often, to debate and decide general questions of policy; it will wield considerable power by controlling the budget; and it will also elect members of some of the other subdivisions.

Perhaps the greatest improvement over the first attempt at a Safety Committee (The League of Nations) is the new Committee's Security Council, because it has power to act quickly and practically if trouble starts or even threatens to start. It has only eleven members, four permanently from the four leading districts (the United States, Great Britain, Russia and China) and a fifth seat reserved for one which has not yet sent a delegate to any meetings, (France). The six other positions will be rotated among the smaller districts. The theory of this is that since it is obvious that the largest and wealthiest groups will have to furnish the greatest proportionate numbers of men and arms in case of trouble, they have a right to be always represented.

So, if the hoodlums ever try to pick a fight, or if a neighborhood quarrel starts between two heretofore peaceful members, and the Security Council believes this may lead to more serious trouble, it has the authority either to try to settle it locally, or, if this fails, to "quarantine" the guilty parties by cutting off all communication with the outside world, or as a last resort to send a special air police force, backed by other police, to enforce peace before the trouble spreads. In these decisions the Security Council will be aided by a Military Staff Committee of the chiefs of staff of the five permanent members. Since great responsibility rests in the hands of the eleven members of the Security Council, only our most able and responsible men should be elected to these high posts.

Obviously, no community can hope to manage its affairs without some Court (Contd. on page 38)

THINK

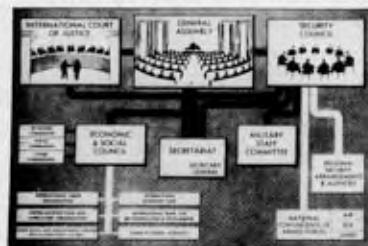


Chart showing structure of proposed United Nations Organization as drawn up at Dumbarton Oaks.

Victory and Vision

By WILLIAM MATHER LEWIS
President of Lafayette College

As we approach the moment of Allied triumph in Europe, we would do well to remember that "V" stands for vision as well as for victory. For victory without vision will be a fleeting thing. Youth has preserved for us the priceless boon of freedom. What are we called upon to give youth in return?

"Your young men shall see visions—your old men shall dream dreams," says the Scriptures. Today we should pay more attention to the idealistic visions of youth than to the dreams of those who live in the past.

Just what is youth thinking? Just how has the cataclysm of war affected their point of view? In the first place, they will demand an educational system geared to the realities of life; they will not be interested in any course which has as its only objective intellectual ornamentation. Their challenge will be—how will my studies prepare me to serve my generation?

Dr. McLaughlin of Cornell College, Mount Vernon, Iowa, quotes a high school senior as saying: "America's present educational system must be changed if democracy is to survive. Our system of representative government depends upon the ability of the citizens to think intelligently about matters of public concern. And the current educational setup fails miserably in teaching young people to think. Moreover, this training in thinking must be given around the specific problems that the citizen will be called upon to solve in adult life. Will the next generation of voters and legislators be alertly informed, world-minded citizens or will our civilization be impaired by a stupid, prejudiced, gullible public? The answer depends on America's schools."

These are searching questions. We may say that the indictment of present educational methods is too severe but it is youth speaking! Youth is less and less interested in the mere acquisition of knowledge, and rightly so. President Hutchins of the University of Chicago puts it this way: "Illiteracy is better than literacy if what is read is depraving, and free communication will not be a help to world peace if what is communicated is lies, invective and propaganda."

Youth, then, asks for vital teaching on vital problems. The veterans who enter college after the war are going to have very definite ideas on what they wish to study. They will not be content to "go through the motions." They have been matured by the experiences of war. The college that says, "Here is the routine which we have planned for you; take

Why education and the Church must "reconvert its thinking" to meet the demands of battle-tested and realistic youth.



WILLIAM MATHER LEWIS

it or leave it," will find that they will leave it alone. The faculty members, who have been with them in the foxholes and on flat-tops, will know what they need, and should have a large part in guiding them. Those teachers who have been in war industry will also have a great contribution to make in the technical field because they will know the demand

of industry. Briefly, then, youth says to education: Lock up the ivory towers, prepare us for our tasks in the post-war world.

Youth is asking for something very real and compelling in the field of religion. It is not true that "there are no atheists in foxholes." There is plenty of skepticism, but there is also a real yearning for the understanding of eternal truth. Bishop Hart of the Episcopal Church states: "The Church must offer the moral equivalent of war, a genuinely Christian cause in which service personnel may give themselves as completely as they have done in the war. One soldier writes, 'the traditional parochial approach will never touch the returning servicemen. The average minister who has led a cloistered life, or whose interests have been limited to the paltry problems of church finance, will never be able to reach the men who are fighting this war. The traditional sermon will not interest him. The small and circumscribed interests of the average parish will seem nostalgic in the light of his own service pilgrimage. The talk of sacrifice will seem paltry compared to his own experiences of personal suffering.'"

AGAIN let us realize that this is youth speaking. Commenting upon this statement, a thoughtful chaplain with the 7th Army says, "Believe me these words are true of the men I know—none of our servicemen will return to their homes as they left. We will all be changed men . . . those who have served as chaplains will change too. Many of them will not fit into the parishes they have left."

Certainly it will be a tragedy if that last sentence proves true, for it will demonstrate the inability of those parishes to adjust themselves to the spiritual needs of the hour. As Thomas J. Watson has suggested, we who have remained at home are the ones who shall have to make adjustments and consider "the reconversion of our thinking, our ideas and

[21



Prayer service in the South Pacific... "Adjustments will be necessary if the Church is to appeal to battle-tested youth."

our ideals so that we can prepare to face the world we must face after victory." One of those adjustments which will be necessary, if the Church is to appeal to battle-tested youth, is the elimination of denominational suspicions and quarrels. When those three young Chaplains, Catholic, Protestant and Jew, having given their lifebelts to soldiers, clasped hands on the sloping deck and met death together, they set an example which organized religion does well to follow.

An Army doctor is quoted as summarizing the opinions of two hundred soldiers as follows: "I am fighting to keep America American"—those who preach an easy tolerance concerning all kinds of un-American activities in our country should heed that statement, for it is the thought of millions of others in the battle lines. We have been timid about preaching the American way of life and at the same time have really encouraged alien propaganda.

Dean Virginia Golderleeve of Barnard College, one of the most competent educators in the United States, recently said: "We must reconsider our attitude about 'indoctrination.' We weren't supposed to indoctrinate students. But we can learn something from the Army and Navy which have made 'indoctrination' a good word. We should in a democratic way indoctrinate our students in the spirit as well as the facts of our history, the American tradition, and standards of conduct, to promote the feeling of responsibility of good citizenship."

Is there any need for such indoctrination?

Evidently there is. A short time ago a woman educational leader at a meeting in Ohio protested against inclusion of a certain publication in a magazine list because its articles had capitalistic leanings. Well, if it is undesirable to have capitalistic leanings in a capitalistic country, heaven help us!

The indoctrination has been, primarily, on the

other side; fascism, communism and other alien doctrines have been propounded in our schools, not so much in classes in political science or economics, but in English, German and other courses where self-styled intellectuals found it easier to expound bizarre political ideas than to do thorough teaching in their own subject.

Democratic indoctrination is nothing to be shunned by the intelligent teacher. Such indoctrination comes naturally in the proper teaching of American history and literature and biography; in the study of the steady development of our national life and our national power. Education was defined by an old Greek philosopher as that which teaches people to love that which they should love and to hate that which they should hate. Hitler in ten or twelve years through the German Youth Movement taught boys and girls of his nation to love what they should hate. If he could dramatize untruth, it should not be difficult, if we set our hand to it, to make American youth love what they should love—freedom, personal initiative, the democratic way of life.

Some press correspondents, the day after Heidelberg fell, asked a young German woman to guide them about the city. During the excursion she tried to impress them with German propaganda. And she had been for two years a student in an American college! When the facts are known we may discover that the German exchange students in the United States did a very thorough job for Hitler. Certainly they were not successfully indoctrinated with the American way of life.

A basic element in keeping America American is the home. Hitler broke down this institution in Germany and trained youth to spy on their parents. When our youth come back from the wars they will expect to find the American home intact. Will they be disappointed? War breeds much looseness on the home front along moral and ethical lines. Often both parents are busy in war industries and other activities and too often the home becomes merely a place to sleep and eat; devoid of companionship, wholesome discipline and unity. Before it is too late, let us strengthen the foundations of the home for those who left it to fight our battles.

Youth looks forward to the opportunity to work and to advance. There must be no apple baskets and soup kitchens after this war if we are to avoid a tragic social and political upheaval. We have treated the men of our armed forces well while they have been in uniform; we have provided entertainment and comfort in every community. Will we do as well when civilian status is resumed?

We should transfer the war dynamics into peace activities. We should guard against the cynical reactions which followed the emotional exaltation at the time of World War I. Let the moment of victory be the moment of vision—let us serve our youth as unselfishly and as ably as they have served us.

THINK

Friend of the Family

By REAR ADMIRAL F. E. McMILLEN (SC) USN
Chief, Field Branch, Navy Bureau of Supplies and Accounts

WHAT the Field Branch of the Navy's Bureau of Supplies and Accounts does for Navy men and women in virtually every corner of the world and for their dependents.

IN QUIET, unpretentious offices on the south shore of Lake Erie in the heart of downtown Cleveland is one of the most vital activities of the United States Navy. Surrounded by fashionable beauty parlors, fur and dress shops, is the Field Branch of the Navy's Bureau of Supplies and Accounts.

All in the day's work for this Navy Supply Corps agency is the global task of serving an estimated 7 million dependents of Navy personnel, and 3½ million men and women in the U. S. Navy. In serving these 10 million Americans, the Field Branch transacts 200 million dollars' worth of business every month and examines records covering 550 million dollars in military pay-roll expenditures alone. During the last 6 months of 1944 more than 1 billion dollars in family allowance payments, pay-roll allotments, and mustering-out payments were mailed from its offices. In the past two years a total in excess of 3 billion dollars in family allowances and allotments-of-pay has been disbursed, replenishing the purses of Naval dependents in forty-eight states and thirty-four foreign localities from Iceland to Turkey.

Excluding the Army's corresponding setup, the Field Branch probably writes and distributes more checks than any other single, wartime office in the world. The efficiency with which it performs its operations was singled out recently by a report of the Ramoepck Congressional Committee, which referred to the performance of the Field Branch as "a striking demonstration of Government efficiency."

The office performs a variety of financial services

in connection with all locations of military pay. These include allowances to dependents, payment of life insurance premiums, purchase of war bonds, and various administrative functions directly connected with military pay rolls.

The dual function—disbursement of moneys and administrative examination of financial records—is carried out in offices covering one-half million square feet of space in four buildings at Euclid and 13th Street, Cleveland.

ONCE an officer or enlisted man, through his disbursing officer aboard ship, authorizes the Field Branch to make monthly deductions from his pay and to buy war savings bonds, pay insurance premiums or remit checks to a dependent relative back home, he can safely dismiss those responsibilities from his mind until he returns home. Practically every Navy station or base, mobile unit or fighting ship of our several fleets has its own disbursing officer. It is through these officers, scattered all over the world, that Naval personnel are able to register allotments, file applications for family allowances, subscribe for war savings bonds, make personal remittances, and otherwise initiate business that is ultimately processed by the Field Branch. The Branch thus becomes a gigantic banking house writing and mailing each month millions of checks addressed to Navy families in every town, hamlet and city in America.

There are 1,438,000 family-allowances and 6,104,000 allotment-of-pay currently active accounts on the books of the Field Branch. The combined allotment and allowance disbursements amount to nearly \$2,162,768,000 per annum. A Field Branch statistician has figured that the Family Allowances Division has disbursed \$1,018.89 per minute since payments under the Servicemen's Dependents Allowance Act began in August, 1942.

Major items of business comprise:

Approximately one and one-half million family allowance checks monthly, totaling 91 million dollars; allotments for the payment of premiums on government and commercial insurance policies, held by Navy personnel, with a face value in excess of 17 billion dollars; mustering-out payments totaling \$1,710,000 each month.

"The success of the Field Branch's large-scale operations is traceable directly to clerical production-line methods."



REAR ADMIRAL F. E. McMILLEN



{ 23

Of the more than 6 million allotments in effect, about three and one-third million are for insurance, over one and one-half million are for the purchase of war bonds and nearly one million represents payments to individuals—collectively amounting to a monthly disbursement of over 100 million dollars. In the first month of Field Branch operations in Cleveland—February, 1943—the office paid 1½ million allotments as compared to 6 million currently. Average monthly disbursements were about 33 million dollars as compared to the present volume of 100 million dollars.

With a clientele of such proportions, the volume of correspondence is enormous. Every month the Branch receives between 175,000 and 200,000 letters

for Mrs. Jones is only one of nearly 200,000 new allotments received every month, the scale of operations in the division becomes evident. Control and a check of the accuracy of each step are highly important. It is necessary that the right Mrs. Jones get her check, in the proper amount at the correct address and promptly on time. If this does not happen, the Jones family may suffer real distress and the fighting morale of the serviceman may be adversely affected.

The Field Branch came into being two and a half years ago under the President's program of decentralization, moving numerous Federal offices out of Washington to relieve wartime pressure. Five units of the Bureau of Supplies and Accounts in Washington were allocated to Cleveland.

Below: Off for active duty... Transfers add to Navy "bank's" global task.

The planners of this move, in the winter of 1942, faced the task of disassembling an intricate mechanism and of reassembling it in a community 410 miles distant, without interruption of business. Checks had to go out on time—checks that mean daily bread in millions of American homes.

There were, too, difficult manpower problems to be met. Of the 210 civilian employees in the Family Allowances

Division in Washington, only eighty-five elected to move to Cleveland. The Allotment Division lost nearly one-half of its 330 trained workers. The shift was completed in the winter of 1942 and 1943. Shop was set up in a former department store building, and the checks went out on time. There was no interruption of service.

The five units of the early days of the Field Branch have grown to eighteen divisions, staffed by 1,300 civilian and 1,900 military employees.

Its military personnel is comprised largely of WAVES—nearly 1,100 of them—most of whom are quartered in hotels which have been converted into Naval Barracks, one of the largest groups of WAVES in the United States.

In its rôle as a link between the fighting front and the home front, the Branch enjoys the dual character of a servant of America's fighting sailor and a friend of his family. Although thousands of land and sea miles separate it from the actual battlefronts, this important Naval activity, as must be clear from this account of its work, is nonetheless in the thick of the fight.

THINK

"God's Law of Adjustment"

By WALTER MACDONALD COOL

The necessity of reliance on moral law if mankind is to find a durable basis for world peace.

IN THE sixteenth century, the Spaniards came to California in search of gold. Four hundred years later, representatives from many nations are coming to California in search of a treasure infinitely beyond the greatest hopes of the Spaniards—namely, a basis for permanent peace.

That for which the Spaniards sought—great wealth and power—was lying at their very feet. If the conquerors, instead of enslaving and exploiting the natives, had been willing to make use of the methods which the English later applied, it is probable that Spain would today be a great power.

What business can hope long to prevail if the owners' gaze is fixed only on immediate profits rather than on a long-range, steady income? The latter basis has been the inspiration which has governed British colonization in the past one hundred years.

ABOUT TWO years ago, three American businessmen during a radio broadcast presented a symposium of their opinions on the major problems facing the world. The first two expounded their views from the

theoretical standpoint, to the effect that improved international ethics would bring about the needed purification. However, they did not regard the problems as realistically as did Grover Cleveland when, in speaking of world problems, he declared: "This is not a theory, but a condition." Therefore it was inspiring when the third businessman conducting the symposium declared that divine influence is necessary in handling of human affairs.

No one can deny this need or fail to appreciate the motives of the first two speakers, but to the listener their reasoning seemed to be founded upon a mere material basis, which left God entirely out of the picture. The third businessman was mindful that everyone who claims the name of Christian knows that the founder of this religion declared that man's duty is to put God first. He was mindful also, as Jesus taught, that if, in addition, we would follow the Golden Rule, we will automatically

obey all the Commandments. "Religion is a theory about God. Christianity is living our understanding of God."

Perhaps the teachings of Jesus have been too little tried and tested; but they have been practiced sufficiently for thinking persons to know that they are not to be dismissed today as being outmoded. They are, if anything, less subject to change than the multiplication table.

To correct erroneous conditions we must get at the source—to the place where the roots are. We do this through constructive thinking.

There is no other real power than that which is spiritual, as we can see if we will, by observing the abundant evidence all around us. Today there are unquestionable signs of a greater awakening as to what is real—more of us are being touched by the finger of God.

And why is this? What lies behind this renaissance? Is it not, perhaps, that mankind recognizes as never before the futility of material methods? Every device conceived by man has been utilized in unlimited quantity in the endeavor to bring about a world-wide peace. Yet, it is not obvious that as this awful holocaust begins to burn itself out, there is grave danger that a phoenix of fresh conflict will arise from the ashes?

IN EVERY successful business, it is found necessary to take inventory from time to time. At this crucial period let us pause to take inventory of our thinking. As the hope for a cessation of hostilities draws nearer, let us ask ourselves: Are we truly seeking a peace which will be lasting? Are we willing to make concessions to achieve that end? Or are we motivated mainly by revenge and by material profit?

The need of this hour is for self-expression in acts of kindness and sacrifice without publicity.

How shall we be compensated if we do our utmost and succeed in fulfilling this need? We shall be compensated through the certainty that "God's law of adjustment" will prevent recurrence of the tragedy.

{ 25



Pay day aboard a U.S. warcraft: "Practically every... fighting ship has its own disbursing officer."



WALTER MACDONALD COOL



L.T. COMDR. ELLSWORTH (rl.), fourth person to be honored by the American Polar Society, receiving scroll of Honorary Membership recently from R. J. WALRATH, president.

Land of Superlatives

By LT. COMDR. LINCOLN ELLSWORTH

THE Antarctic—unlimited "field for scientific investigation" and "young man's land of opportunity."

that averages 5,000 feet in thickness now covers the continent, it didn't always; for seventy million years ago, in Cretaceous time, semi-tropical or tropical vegetation covered the continent. On my last 1937 expedition I brought back a fossil trunk of a tree identified as that of Sequoia, so the climate must have resembled California's.

While on this last expedition, I received a wireless from the editor of *The New York Times* as follows: "The Russians say the North Pole is getting warmer. What do you say about the South?" I replied that it would take a number of years of meteorological observations to determine this point, but that the evidence pointed the same way.

It appears pretty certain that the ice-cap is now receding, for on my last voyage down there, south of Australia, we counted at least 100 islands from three to ten miles out from the ice-cap that were entirely ice-free and covered with glacial boulders, evidence that the cap had once extended out that far. These islands appeared highly mineralized, for the limestone cliffs were streaked with iron and copper wash.

I brought back fifty pounds of ore containing nickel, iron and copper. I always maintain that if the Antarctic Continent approximates the size of North America, then why shouldn't it contain all the resources of this great continent? What man needs he always has found a way of getting, if it is there. Alaska is a fine example. The Antarctic ice-cap influences the weather of the whole Southern Hemisphere more than one realizes; for example—from weather data gathered by the whalers, a cold winter in the Weddell Sea of Antarctica generally presages a drought in the cereal belt of Argentina 1,500 miles away. Thus the necessity for a chain of weather stations around the whole Antarctic Continent for long-range forecasting. It will come after the war.

In my little, 400-ton *Wyatt Earp* I have sailed three times around Cape



Ellsworth and Hollick-Kenyon encamped, in 1935, on plateau where noted explorer raised the American flag and named the area James W. Ellsworth Land after his father.



The supply ship *Wyatt Earp* in ice of Weddell Sea, Antarctica... "A measure of courage is required to lure one there."

Horn, once across the South Pacific, which without doubt is the loneliest stretch of ocean in the world, and once across the Indian Ocean, which doubtless is the wickedest ocean in the world. There is no definite motion to the ship; she twists and screws around in all sorts of gyrations so that we had hardly left Capetown heading south when I was thrown into the engine room, dislocating my arm and breaking a tooth.

WE WERE heading for the Kerguelen Islands, just midway between Africa and Australia, in the Indian Ocean, to take on fresh water. Gales of sixty miles an hour are continually sweeping over the archipelago. It is a French possession, and while once profitable sealing was done there, today the only inhabitants are rats, rabbits and wild dogs. The rats were brought by the old sealers, and the rabbits by a scientific expedition in an attempt to establish on the islands a source of food for shipwrecked mariners, while the wild dogs are descendants of the old sledge dogs used by the Gauss Expedition.

But what is unique is the fact that no insects found there have any use of their wings; through long disuse because of the winds, they long ago lost all power to fly. The rabbits are little stunted, inbred things with short legs and they have cropped to the ground all of the coarse shrubbery that covers the islands, and the dogs are so wild one rarely sees them.

Snow Hill Island is one of the most interesting spots in Antarctica—a small dot in the vast region of ice and snow—made famous by the expedition of the great Swedish explorer, Nordenskjöld. One of our most dramatic moments on Snow Hill Island was finding Nordenskjöld's hut thirty-three years after he wintered there in 1902 and 1903.

Nordenskjöld's ship, returning to pick him up after his first winter there, was crushed in the ice. This meant that he and his party of five had to spend

a second winter in the Antarctic. We could reconstruct the belter-skelter scene as the men made a mad rush to reach the rescue ship, an Argentinean gunboat, that reached them just in time to effect their rescue before the ice shut them in for the third winter.

Three sledge dogs lay just where they had been shot thirty-three years ago. Their bodies were mummified and still covered with hair. Unopened sardine cans and packages of chocolate lay about. The chocolate was still good. Hats lay where they had been dropped; a pair of boot trees were there, and the most amusing thing was a pair of ice skates. We also found an old phonograph and a dozen wax records, but even in Antarctica the tunes were terrible.

The hut itself was a bare dwelling, guyed on the four corners with steel cables. This was done to keep the hut from being blown away. A sound precaution, for in his book Nordenskjöld speaks of ninety-mile gales that roared for weeks at a time.

WHEN we looked through one of the small windows into the hut, we were amazed to see nothing at first but a huge block of blue ice that almost filled the interior. How that ice came to be there we never could discover, until I came to New York and met the botanist of that expedition who is now a research professor at Yale University.

When I asked how that ice ever got there he drily replied, "We always did intend to mend that roof." It happened to be the accumulation of thirty-three years of drip into the cabin.

Of course, I am going back to the Antarctic again—to the fog-bound coast of James W. Ellsworth Land, where I plan to erect a permanent weather station and include a personnel of young scientists, to be replaced each year, for the investigation of the high mountain ranges over which my pilot, Hollick-Kenyon, and I flew in our crossing of Antarctica.

APRIL, 1945

THINK

127



"MOUNTAINEER," BY
EUGENE SPEICHER

BELOW, "BROTHER AND SISTER," BY M. JEAN MACLANE.



"JUDGE PETER S. DINEY," BY GEORGE BELLOW.

BELOW, "DR. CHARLES H. PARKHURST," BY HERMON A. MACNEIL.



ABOVE, "PRESIDENT JAMES BRYANT CONANT," BY CHARLES S. HORTINGTON.

BELOW, "MRS. THEO. CORBACUSSEY, JR.," BY JOHN W. ALEXANDER.



ABOVE, "MRS. HAMILTON M. TATUM," BY JOHN SINGER SARGENT.

RIGHT, "FRANCIS BRIST HART," BY ROBERT I. ALTSH.



"Portraits of Americans By Americans"

THE commanding position occupied by our native portrait painters is strikingly illustrated at the current exhibition at the New York Historical Society, from which selections are reproduced on these pages. It is presented by the National Association of Portraiture Painters, a society founded in 1912 by leading artists of that era, among them John W. Alexander, Cecilia Beaux, William M. Chase, Charles Dana Gibson, Samuel Montgomery Rosevelt and several others. The last previous exhibition of the Association was held in 1921 at the Thruway Galleries, in New York City. In the present display are works stretching from the Gay Nineties to the present time. Both the paintings and the sculpture, to which a section is devoted, memorials outstanding persons in American life.

29

LEFT, "SAMUEL GOMPERS," BY LEOPOLD SEFFERT.



ABOVE, "MRS. CHARLES E. ALEXANDER," BY JOHN SINGER SARGENT.

RIGHT, "CAPTAIN ELIJAH DYER," BY CHARLES DANA GIBSON.



LEFT, "RICHARD WATSON GILDER," BY CECILIA BEAUX.



"GENERAL VAN DERBILT," BY GERTRUDE VANDERBILT WHITNEY.



ABOVE, "LIEUTENANT GENERAL ROBERT LEE BULLARD," BY DEWITT M. LOCKMAN.



ABOVE, "JOSEPH S. ALIENRACH," BY LYDIA FIELD EMMET.



RIGHT, "THE LAMBEER CHILDREN," BY LOUIS BETTS.



BELOW, "HARLAN FISKE STONE, CHIEF JUSTICE OF THE SUPREME COURT OF THE UNITED STATES," BY HENRY SALEM HUBBELL.



ABOVE, "HOBART NICHOLS," BY WAYMAN ADAMS.



LEFT, "ALFRED P. SLOAN, JR.," BY JOHN C. JOHANSEN.





Thirty-second President of U. S. takes oath of office. HARRY S. TRUMAN sworn in by CHIEF JUSTICE HARLAN STONE.



FOREIGN COMMISSAR MOLOTOV and BRITISH FOREIGN SECRETARY ANTHONY EDEN in conference with SECRETARY OF STATE STETTINUS in Washington.



GEN. A. A. VANDUGRIFF, Commandant of United States Marine Corps, who is to become its first four-star general.

301



JOHN W. SNYDER, formerly exec. vice-pres., RFC, appointed Federal Loan Administrator by President Truman.

PERSONALITIES IN THE NEWS



MRS. TRUMAN, the new "First Lady," and her daughter, MARY MARGARET TRUMAN.



Below: MAJ. GEN. LUCIUS D. CLAY, appointed to Gen. Eisenhower's staff to handle civil affairs in Germany.



HORIZONS

In the truly great, virtue governs with the sceptre of knowledge.

—SIR PHILIP SIDNEY

FORECAST: A highly encouraging prospect for post-war employment, as compared with the situation in 1940, the last year of normal production before the war, emerges from a detailed analysis of the returns of a state-wide questionnaire sent out by the Connecticut Post-War Planning Board at the instance of Governor Baldwin. The business and industries questioned included agriculture, forestry, fishing, mining and quarrying; construction; manufacturing; transportation, utilities and communications; wholesale and retail trade; finance, insurance and real estate; business and professional services; government—hence a fair composite of wealth-producing activities. On the basis of the returns a total labor force of 859,800 workers is expected one year after the end of the war, or eleven per cent higher than in 1940. All industry groups except manufacturing, which during the war, like government, has undergone a tremendous expansion, will offer more employment, the returns

indicate, than in 1943. But as compared with 1940, employment in manufacturing is expected, three months after the return of peace, to be eight per cent above the levels of that year and twenty-four per cent higher in another nine months. The loss of employment relative to 1943 will come in the large manufacturing plants, whereas the smaller ones, those employing less than two hundred, are expected to show a gain... As to women employees, about 41,300 of the increase of 103,100 occasioned by the war effort are counted upon to resume household duties, retire or return to school. For the remainder, it is predicted, there will be enough jobs to go round unless it is found desirable to give some of them to men, who, either holding or seeking jobs, returns from the questionnaire show, will outnumber the men now at work... All industries combined, it is revealed, plan to spend on various projects of new construction more than three times as much as they estimated that they spent in an average pre-war year.

HOUSING: With the land already acquired and in some instances the plans drawn, three large housing projects which will replace more than a score of blocks of slum buildings in New York City, only await the lifting of war restrictions. The Metropolitan Life Insurance Company, which is sponsoring these projects, together with the enlargement of some of its residential colonies on the West Coast, has a rich background of experience in this field, such as its Parkchester development of 150 acres in the Borough of the Bronx, accommodating



German prisoners by the thousands, march to the rear as vehicles of the U. S. 3rd Army press forward to the attack.

more than 12,000 families. Two of the three new projects memorialize resounding New York names—Stuyvesant Town and Peter Cooper Village—both on New York's lower east side. The former will house 8,800 families in buildings ten to fourteen stories high at rents averaging about \$14 a room monthly. Even with provision made for tenant garages to accommodate 3,000 automobiles, all the buildings will occupy but 25 per cent of the ground area, an arrangement which will leave generous space for landscaping. This area, running from Fourteenth to Twen-

APRIL, 1945

131



Rocket ship... Devastating fire-power of these vicious, terrorized Japs who call them America's "secret weapon."

tieth Street near the East River, will adjoin Peter Cooper Village, bounded by Twentieth and Twenty-second Streets, where there will be about 2,000 suites in thirteen-story buildings. In similar buildings, in the development named Riverton, bounded by 131st and 138th Streets and Fifth Avenue and the Harlem River, 1,250 families will be accommodated in wholesome surroundings.

NUTRITION: Solution of the problems of vitamin deficiency is being advanced by controlled research on a large scale at Hillman Hospital in the great industrial section of Birmingham, Alabama. There last year 1,845 patients were treated. The condition of some of the patients had been regarded as desperate, beyond the

Crew members of sinking Jap vessel dropping into the sea after bomb hit by U. S. airmen off China coast.



competence of the ordinary hospital or medical practitioner; other patients had been judged insane. Many of them are reported to have returned to their work normal and healthy. The director of this clinic, Dr. Tom D. Spies, associate professor of medicine in the University of Cincinnati, was the first to show by large-scale clinical study that nicotinic acid is an effective remedy for pellagra. Although not championing vitamins as cure-alls, he recognizes the wide bearings of malnutrition and he believes that physicians in prescribing for one vitamin deficiency may neglect others. Such deficiencies, he says, rarely occur singly. At a recent dinner in New York, Dr. Spies related his experience to some two hundred nutrition experts and physicians.

VETERANS: More than meeting the expectations of educators, returning veterans are said to be adapting themselves to courses of study in our colleges and universities with admirable facility. This conclusion is based on a recent survey made by *The New York Times* of thirty representative institutions. At the University of Michigan "almost all show a greater seriousness and desire to learn than the average undergraduate student. They are anxious to work, and on the whole are making a better than average record." At the University of Virginia, "we are pleased, and just a little surprised, at the ease and speed with which returning veterans have adjusted themselves to university life." At Cornell University it is found that veterans present only the "usual problem of any individual whose work has been interrupted—a temporary lack of initiative and inability to make decisions easily." The eagerness with which the men look forward to

academic training is exemplified at the University of California where some 250 inquiries a day are received. Although special counseling services have been estab-



Tank trails... American tanks fan out in field to attack German tanks hidden behind shelled farm buildings.

lished in all the institutions, there is little discrimination between veteran and civilian students. A note of jubilation is frequently heard from veterans enjoying what they had not supposed possible for them—a college education.

SCIENTISTS: What the continuance of cooperation among scientists such as that produced by the war effort may mean to the ways of peace was strongly emphasized at the eighth annual American Design Award luncheon at the Waldorf-Astoria, New York. The 1945 award was made to the National Academy of Sciences in recognition of the collective achievements of American scientists in supplying the arsenal of democracy with the greatest war weapons the world has ever seen. Donated by Lord and Taylor, New York, the award was \$25,000 and will be spent "in the encouragement of research in those things which are deemed most likely to enhance the security of

THINK

our country." Dr. Frank B. Jewett, President of the Academy, in accepting the award, referred to the pattern for peace which the demands of war had outlined and declared, "New developments in clothing, nutrition, transportation, aircraft, chemicals, plastics, metallurgy, electronics and medicine will inure to the benefit of the peoples of the world."

HANDICAP: The potential importance to American life of the two and a half million persons in the United States who speak Spanish as their native tongue is one of the chief concerns of the Office of Inter-American Affairs. The vast majority of these people are said to be retarded by lack of education and the language barrier. To overcome such handicaps and to help build up among these people a stalwart leadership, grants-in-aid are being established in states having large Spanish-speaking populations in order to develop projects according to local needs. For example, in collaboration with local agencies of California, the Mexican Affairs Committee carries out measures for the promotion of health education, vocational guidance and the control of juvenile



U.S.S. Franklin D. Roosevelt, 41,000-ton paper carrier named in honor of late President, launched at Brooklyn.

APRIL, 1945

delinquency among the 210,000 citizens of Mexican extraction in metropolitan Los Angeles. In Texas grants-in-aid have been made to the University of Texas and to the Central Council of Social Agencies of El Paso. They have for their purpose the fostering of sympathetic understanding of the problems posed by this element of the population, which numbers one million. Especial attention is given to the education of the children. Similar work is being directed by the University of New Mexico; and in Michigan Spanish-speaking workers in war plants in and around Detroit are receiving assistance through a grant-in-aid administered by the Detroit Council of Social Agencies.

CUISINE: Glances of what may be in store for households after the war are furnished by meals now being provided for the Naval Air Transport Service. Tender steaks and hot mince pies with flaky crusts, besides the more usual dishes, come piping hot from the oven after but fifteen minutes of cooking. A demonstration of this new art was recently given in New York City. "Blue-plates" containing a variety of meals each article of which, meat, vegetables, pastry, by a predetermined schedule had been cooked to within fifteen minutes of being done and then frozen were taken from a specially devised oven done to a turn at the end of the appointed quarter of an hour. The plates are treated with a lacquer which is said to be tasteless and impervious to moisture, to cold or heat, and hence easily handled. At present the entire production is devoted to the Naval Air Transport Service and other war agencies, but post-war service in large volume is prophesied for commercial airlines and housewives.



Huge trailer trucks roll through Belgian street with landing craft which enabled Allies to cross Rhine in force.

COLDS: Immunization tablets, credited with an 80 per cent reduction in illness among 15,000 workers during an epidemic of colds and influenza, are the outcome of research sponsored by the Willys-Overland plant of Toledo, Ohio. In the early stages of the epidemic absenteeism due to illness had risen as high as 50 per cent on certain days. From the viruses and bacteria, or the combination of both, causing the colds, water-soluble substances have been derived which are said to serve as effective antibodies. In this plant more than 375,000 tablets were distributed, patients starting with one tablet, with a glass of cold water, every morning for seven days, and after that taking but two tablets a week for the duration of the "cold season."

War planes over Fujiyama... U. S. Navy carrier planes pass Japan's sacred mountain on their way to bomb Tokyo.



{ 3 }

"The Young Jefferson"

Ideas seen in the making which inspired the philosophy and achievements of a foremost statesman.

THE extraordinary talents and attainments of Thomas Jefferson and his unwavering devotion to democracy are brought to focus anew in the concluding volume of Claude G. Bowers' study of this great statesman: "The Young Jefferson, 1743-1789" (Boston: Houghton Mifflin Company). This fills in the important period untouched by the preceding volumes, "Jefferson and Hamilton," dealing with the years 1789 to 1800, when Jefferson was elected President, and "Jefferson in Power," which discusses his efforts to consolidate for this country a democratic rather than an aristocratic republic. All told, these studies represent a labor of some twenty years, always a labor of love, by a talented historian who is now our Ambassador to Chile.

A REVIEW of Jefferson's young years leaves one amazed at the resourcefulness and precocity of this figure who during his life was actively interested in the history of art, in science, literature, politics, government, agriculture, music, architecture, education, mathematics, trade, anti-slavery, religion. "Everything that enters into the political philosophy of Jefferson," says Mr. Bowers, "had been thought out, formulated and clearly and concisely expressed before the establishment of the Republic under the Constitution."

This is not difficult to believe when we are reminded that at seventeen years of age he was a friend, on a "plane of intellectual equality," of the Royal Governor of Virginia; that at twenty-four he was one of the five most prom-

inent lawyers in the colony and at twenty-six he was a member of the House of Burgesses. In these early years, too, he had entered into scientific investigations and had begun to design buildings and gardens, including those on the broad acres of his Monticello. When but thirty-three years of age, lest we forget, he won lasting fame as the framer of the Declaration of Independence.

In the circumstances, it is refreshing to hear that this tall, red-headed lad enjoyed the usual pleasures of youth. He was a good horseman and hunter, was youthfully fond of girls, dancing and conversation, and he was devoted to his violin, which he often took with him on horseback.

He admitted sorrowfully that he had wasted his first year at William and Mary College, having, as he said, squandered altogether too much money at cards. He determined to do better the

next year and adhered to this resolution, often studying fifteen hours a day.

It was at this time that he began to cultivate the friendship of such liberals as the scientist William Small, the jurist George Wythe and that accomplished man of the world, Governor Francis Fauquier.

THE years covered in this volume include Jefferson's brief but brilliant career as a lawyer, his membership in the House of Burgesses, his membership in the Continental Congress, his leading part in writing the Declaration of Independence, his Governorship of Virginia and his diplomatic mission to Paris.

It is significant of his insight that while he was sojourning in Paris he voiced to Lafayette his belief that the French people were not prepared for a republic, and he favored reforms which in due time would prepare the way for a democracy based on sound conviction.

As Jefferson observed the fate of the common man over there, he became more and more thoroughly convinced of the rightness of his own conception of democratic Americanism.

For to Jefferson our American Revolution was far from being merely a war for political independence.

It furnished a magnificent opportunity by reforms without violence to further the democratic ideals which had been so notably expressed in the Declaration of Independence. He believed in independence, in a people's democracy, in separation of Church and State and in religious freedom and assuredly in the value of popular education.

"Jefferson," says Mr. Bowers, "was one of the comparatively few with whom the Revolution was to mean something infinitely more important than a change in government—it was to mean a change in system."



THOMAS JEFFERSON at 43, . . . from earliest known portrait, painted by Mather Brown.

THOUGHTS

The great secret of success in life is to be ready when opportunity comes.

—BENJAMIN DISRAELI

Our great problem of the new post-war age will be not how to produce, but how to use; not how to create, but how to co-operate; not how to maim and to kill, but how to live.

—ROBERT A. MILLIKAN

The future of nations cannot be frozen. The forces which will arise out of this war cannot be foreseen. If we are going to accomplish anything in

our time we must approach our problem in the knowledge that there is nothing rigid or immutable in human affairs. History is a story of growth, decay and change. If no provision, no allowance is made for change by peaceful means, it will come anyway—and with violence.

—HERBERT HOOVER

Some have an idea that the reason we in this country discard things so readily is because we have so much. The facts are exactly opposite—the reason we have so much is simply because we discard things so readily. We replace the old in return for something that will serve us better.

—ALFRED P. SLOAN, JR.

We know that we cannot succeed in building a peaceful world unless we build an economically healthy world.

—FRANKLIN D. ROOSEVELT

Be noble, and the nobleness that lies in other men, sleeping but never dead, will rise in majesty to meet thine own.

—JAMES RUSSELL LOWELL

APRIL, 1945

It is a very difficult task to draw up a constitution for a world organization. It was a difficult task, long ago, to draw up a Constitution for these United States. The document that resulted from that convention was the product of compromise. George Washington, in a letter to Patrick Henry, apologized for it as the best that could be secured under the circumstances and pointed out that it could be improved as time went on. The document turned out to be our long-revered Constitution of the United States, for 136 years the bulwark of our strength and our liberties. Let us remember this experience when we face the even more difficult task of drawing up a constitution for the world and let us go ahead with courage and confidence.

—DEAN VIRGINIA GILDERLEEVE

All mankind is divided into three classes: those that are immovable, those that are movable, and those that move.

—ARABIAN PROVERB

A man's character is the reliability of himself. His reputation is the opinion others have formed of him. Character is in him; reputation is from other people.

—HENRY WARD BEECHER

It has been said war does not settle anything. War does settle one thing; it determines who is going to have the responsibility of drawing the peace that follows.

—LORD HALIFAX

We never reach our ideals, whether of mental or moral improvement, but the thought of them shows us our deficiencies and spurs us on to higher and better things.

—TRYON EDWARDS

A man is relieved and gay when he has put his heart into his work and done his best.

—RALPH WALDO EMERSON

God is nearer to many of us today than ever before in all our lives. I refer not only to the servicemen, but to their families as well. Out of all the misery, pain, anguish and desolation that come with and follow in the wake of war, this veritable miracle has occurred. Many of us for the first time have found God. Let's keep Him always near.

—JULIUS OCHS ADLER

By the hard road of suffering the United States sees now that it can no longer live alone and should no longer live alone.

We will emerge from this war the most powerful and the most influential nation in the world. We cannot, if we would, ignore the responsibilities of leadership that will be ours.

—SEN. ALEXANDER SMITH

In the past we have always had time to raise and train our armed forces. Modern science has abolished that period of grace.

—JAMES V. FORRESTAL

There will be selfishness and greed and corruption and narrowness and intolerance in the world tomorrow and tomorrow's tomorrow. But pray God, we may have the courage and the wisdom and the vision to raise a definite standard that will appeal to the best that is in man, and then strive mightily toward that goal.

—HAROLD E. STASSEN

The soldier who dies to save his brothers reaches the highest of all degrees of charity, and this is the virtue of a single act of charity: it cancels a whole lifetime of sin.

—CARDINAL MERCIER

[33]

"The Play's The Thing"

Enthusiasm of soldier audiences for a simple Victorian romance proof of the wisdom of the Shakespearean adage.

THE enthusiastic reception given by our fighting men in Europe to performances of Rudolf Besier's simple play "The Barretts of Wimpole Street," depicting the romance of the early Victorian poets, Elizabeth Barrett and Robert Browning, has caused much comment both within and without theatrical circles. Even the impersonator of the leading character, Katharine Cornell, has confessed to surprise. Here is a drama which, though it has drawn well with certain classes of audiences in this country since it was first produced in 1931, proceeds in a highly cultured atmosphere and in a period and amid scenes remote from our time. No one with certainty could have predicted that, even with the best acting, it would make a great hit with the men in service.

Yet such was the enthusiasm shown for it that the tour, which was scheduled to last three months, had to be prolonged to six months. Begun last August, it covered many towns in Italy and France and even penetrated into liberated areas of the Netherlands.

Sponsored by the American Theatre Wing Services, the touring company was composed of seventeen members, including of the original cast, besides Katharine Cornell, Brian Aherne as Robert Browning and the director Guthrie McClintic, who also served in a minor role.

In Italy there were eighty performances in as many days, and sixty performances in France. For the mystery of the success of these performances with an audience of which it has been estimated, at least thirty-five per cent had never before seen a legitimate play, Miss Cornell has offered an explanation.

"The play is a Cinderella story. The hero rescues the heroine from an ogre and there's a happy ending." She believes that the Victorian costumes and the full production, with lighting, scenery and properties, were great assets. There was no playing from trucks or in makeshifts. For two hours, she says, the men were carried out of themselves. They thought not of the world as it is, but entered fully into the characters of the play—a test of drama at its best.

Sometimes the performances were as near as fifteen miles to the fighting front. The soldiers, it is stated, came under cover of darkness from foxholes, bearded, muddy, carrying their rifles. When the curtain rose, Brian Aherne has related, "there would be a great clicking as the men fixed the safety catches on their rifles. At one performance three rifles went off." This was a motley audience and, like occupants of the pit in Elizabethan days, it was on terms of familiarity with the actors, getting so interested in the story and

the situations that on occasions it spontaneously voiced its comments and suggestions. Lines in the play which in the many performances in the States had never created laughter, appeared now to have been written specially for the delectation of our men.

Thus at the first performance of the tour, in Naples last August, the men pondered quizzically the Doctor's observation: "England is no climate for you, Miss Barrett. You ought to live in Italy," and they weighed it against another observation in the play: "Italy is a greatly overrated country." Our soldiers in war-ridden Paris audibly expressed their amusement at Miss Barrett's remark, "Mr. Browning says to travel light. We can buy everything in Paris." Then in the play a British officer says: "I should be more than willing, if necessary, to give up soldiering to take up some money-making business." Something very like "You said it!" came from voices in the audience.

The enthusiasm elicited by this romantic drama has been interpreted by Katharine Cornell as a tribute to the power of stage drama in all walks of life which the universal vogue of motion pictures has not dulled. Obviously "the play's the thing" still.



MISS CORNELL giving autographs after show for hospitalized troops in Italy.

THINK

POETRY

DELEGATE UNNAMED: SAN FRANCISCO

By ELEANOR D. LITCHFIELD

I am the Unknown Soldier,
In marble tomb I lie in state in
Arlington.
I am not one,
I am the host of men who gave
their lives,
And those who gave their more
than lives
For freedom. And that wars
should cease
We paid the price.

Today, my son lies dead,
As I lay dead in Flanders fields.
In mud and cold, again he fought
The foe we fought and overcame.
'Mid tropic heat and jungle
gloom,

On coral beaches where no tower-
ing rock
Gives friendly shade,
Young G.I. Joe goes through the
deadly hail.
We paid the price.
Why is it so?

Oh you, who live, when others
died:
And ere they died, passed on the
torch,
How did you let the flame die out?
And you today, who stand un-
scathed,
Who in our stead must make the
peace
For which we've paid the double
price—
The bargain that we made.
Hold fast the faith, defend the
peace!

—Permission, The New York Times

THE SPIRIT OF NATURE

By RICHARD KEALF

O Earth! thou hast not any wind
that blows
Which is not music; every weed
of thine,
Pressed rightly, flows in aro-
matic wine;
And every humble hedge-row
flower that grows,

And every little brownbird that
doth sing,
Hath something greater than
itself, and bears
A living word to every living
thing,
Albeit it holds the message un-
aware.

All shapes and sounds have some-
thing which is not
Of them: a spirit broods amid
the grass,
Vague outlines of the everlasting
thought
Lie in the melting shadows as
they pass,
And touch of an eternal presence
thrills
The fringes of the sunsets and the
hills.

THE FAMILY

The family is like a book:
The children are the leaves;
The parents are the cover that
Protective beauty gives.

At first the pages of the book
Are blank and purely fair;
But Time soon writeth memories
And painteth pictures there.
Love is the little golden clasp
That bindeth up the trust;
Oh, break it not, lest all the leaves
Shall scatter and be lost.

—Author Unknown

LEISURE

By WILLIAM H. DAVIES

What is this life if, full of care,
We have no time to stand and
stare?
No time to stand beneath the
boughs
And stare so long as sheep or cows.
No time to see, when woods we
pass,
When squirrels hide their nuts in
the grass.
No time to see, in broad daylight,
Streams full of stars, like skies at
night.
No time to turn at Beauty's glance,

And watch her feet, how they can
dance.
No time to wait till her mouth can
Enrich that smile her eyes began.
A poor life this if, full of care,
We have no time to stand and
stare.

MARINES ON IWO JIMA

By WIN BROOKS

Out of the ages distant, dark and
dim
Where decency and courage,
twins, were born
Leaped a new flame to Suribachi's
rim,
Towering high against the sul-
len morn,
The sullen sea. It rose, fell, rose
again,
Burned deep, burned steep,
burned bright, burned fier-
cely clean,
Red from young hearts and nour-
ished rich by pain,
Fed from the crater of the soul
unseen.

So creeps the flame from slope to
beach to mountain,
Short inch by inch, short life on
lava spread,
And black ash from the old vol-
canic fountain
Sweetens with white ash of the
dearly dead;
So sweeps the fire till Iwo is con-
sumed,
Cleansed by such sacrifice as
God designed
To keep man's hope and selflessness
enshrined.

So small the land, so vast the an-
gered sea,
So grim the morn, so tall and
clean the flame,
So short the life, so long eternity
No one man's hour is everlast-
ing fame;
Yet in this little time, this little
space,
In this bleak island a repository
Was built by human hands and
Heaven's grace
For all men's glory.

—Permission, Hearst Pub. Co.

Music's Part in the War

The dependence of our men, particularly in distant lands, on the power of classical music to soothe and inspire.

THE power of good music to assuage and lighten our men in the services, especially in distant and primitive lands, is attested by letters received from various battle fronts. These are a tribute to libraries assembled and shipped overseas by the Armed Forces Master Records, Inc. Founded in June, 1942, it has as sponsors and contributors such leaders in the music world as Walter Damrosch, Serge Koussevitzky, Deems Taylor, Toscanini, Gladys Swarthout, Helen Traubel, Josef Hofmann and several organizations, including the American Academy of Arts and Letters. Thus far more than twelve hundred record libraries have been provided. They have been sent as far afield as Iceland, Dutch Harbor, Alaska, the South Pacific and Burma.



THE records are good ones and new ones and they are chosen to meet the wishes of the men. What their wishes are may come as a surprise to many. The following are two programs which were given at Milne Bay, Papua, New Guinea. The first was arranged by the chaplain, as he explains in a letter to the Records headquarters in New York: The Lord's Prayer; a Bach Chorale; Mozart's "Eine Kleine Nachtmusik"; Victor Herbert's melodies; First Rumanian Rhapsody, Enesco; symphonic suite, "Schéhérazade," Rimsky-Korsakoff; "Emperor Waltz," Johann Strauss; "He Shall Feed His Flock," Handel. Who were the listeners? They were "yomen, corpormen, truck drivers, pipe fitters, carpenters, electricians, linemen, coxswains and seamen first and second class."

The second program was one arranged by the men themselves. Beginning with Bach's song "Bist

du bei mir," it continued with Enesco's First Rumanian Rhapsody; Saint-Saëns' "Danse Macabre"; Richard Strauss' "Rosenkavalier" waltzes; Polka and Fugue from Weinberger's "Schwanda"; Karl von Weber's "Invitation to the Dance"; a Trumpet Voluntary, author not given; De Falla's "Ritual Fire Dance"; Elgar's "Enigma" variations.

If one is tempted hastily to infer that the men listened to such classical music because that was the only sort furnished to them, the chaplain reminds us of boys in sick bay who "flatly announced that we needn't bother to bring along the popular stuff when we played concerts for them."

The fundamental experiences which the men are undergoing and the strange, exotic settings in which they are stationed demand as compensation, judging by their comments, the stabilizing influence of music which is associated in their minds with the best in their own civilization.

FROM a general hospital in the Philippines has come similar testimony in a letter written by an Army captain. "The success of last Sunday's concert was proved by two rows of 'standees' who remained for the entire concert—standing. The sight of these boys sitting quietly in their blue or wine-colored pajamas enjoying the music was very touching and heart-warming in the extreme. There are a great many people in this hospital, both officers and men, who have commented from time to time that this music was one of the mainstays of their morale."

They are turning to music of this sort, as people have traditionally done in great emergencies, for the universal language that it speaks.

Dumbarton Oaks

(Continued from page 20)

of Law, and the general opinion seems to favor keeping the one we already have (The World Court) but making it an integral part, instead of as before a separate entity, of the new organization. Members will promise, when they join, to submit their disputes to this Court and then, if unsatisfied, to appeal to the Security Council, which has final authority.

To promote cooperation and understanding in the social and economic fields which always seem to get tangled up in the problem of keeping the peace, there will be an Economic Council and a Social Council to assist the Assembly, making special studies and reports. Naturally a staff of able workers in various lines will be needed and these will be organized into a Secretariat, chosen, it is to be hoped, entirely for ability and not under any dictation from their governments, thus keeping their work free of politics.

Once peace is won, and if the new United Nations Organization is already well under way, the Security Council and the Military Staff Committee can work out a general agreement for adoption by all members, by which the time, money and human energy heretofore wasted on manufacturing defensive weapons may be turned to more productive uses. Many other questions have been left open for further treatment.

Such a brief commentary on the Dumbarton proposals will outline at least the question upon which we Americans, through our representatives in Congress, must pass when we decide: Shall we or shall we not become members of a United Nations Organization? In a democracy like ours, the vote and the three-cent stamp can make or break any national decision. Backed by the power of her individual vote, every woman who writes an affirmative letter to her State representative in Congress is paying eye insurance on future safety for herself, her family and her country.

New Contributors

REAR ADM. F. E. McMILLAN (SC), USN, Chief, Field Branch, Navy Bureau of Supplies and Accounts, entered the Navy in July, 1907, becoming pay director in 1929.

LT. COMDR. LINCOLN ELLSWORTH, USNR, "the only man to have crossed both Polar Ice Caps," organized the Ellsworth Expedition in 1924, sponsored by Johns Hopkins University, making a cross-sectional geological study of the Andes Mountains from the Pacific to the Amazon. Perhaps his most noteworthy expedition was in 1931, across Antarctica, in which he claimed 300,000 square miles of new land, for which he was awarded a Congressional Medal.

REV. HENRY SLOANE COFFIN, President of Union Theological Seminary, New York City, is the author of a number of books on religion. He received his Master's degree from Yale University, and the doctor of Sacred Theology degree from the Jewish Theological Seminary.

ELBERT D. LITCHFIELD, author of the poem, "Delegate Unnamed: San Francisco," which appears in this issue, is a frequent contributor to newspapers and magazines. He is a resident of New York City.

WIN BROOKS, author of the poem, "Marines on Iwo Jima," is managing editor of the *Boston Evening American*.

OUR COVERS

Inside Front—Woodland brook, Silvermine, Conn.

Inside Back—Apple tree in blossom, Peterburg, N. Y., at foot of Taconic Trail, only a few miles from junction of Massachusetts, Vermont and New York State.

Back—Magnolia tree in bloom, Ridgewood, N. J.

Photograph of Pres. Roosevelt on page 8, copyright by Perskie.

APRIL, 1945

The Bookcase

QUOTATIONS from responsible Japanese sources, revealing the inordinate ambitions of Japan in the world order, have been gathered together in an anthology of frightfulness, "Through Japanese Eyes" (New York: Reynal and Hitchcock), by Otto D. Tolischus, distinguished foreign correspondent. Last May, Captain Etomazu Kurihara, Chief of the Naval Press section, stated: "Our objective in this war is not only to bring about the destruction of the United States and Britain, but also to spread the New Order to the whole world." Because of the Emperor's alleged direct descent from the gods, Major General Tada proclaimed: "For Japan, any means justifies the end."

AT THE age of seventy-five Ray Stannard Baker looks back, in his autobiography, "American Chronicle" (New York: Charles Scribner's Sons), upon years crowded with exciting thoughts and experiences. From the time he started as a reporter for the *Chicago Record* and a bit later, when, with Ida M. Tarbell and Lincoln Steffens, he was one of the distinguished investigators for *McClure's Magazine*, he eternally sought to be "a maker of understandings" about social, economic and political problems. He investigated Coxe's Army, the great Pullman strike and labor relations. Twenty-one years of his life, he estimates, were devoted to writing about Woodrow Wilson, whom he knew at Princeton, whom he served as agent of the State Department in Europe in 1918 and whose official biography he fashioned in eight volumes. "I can predict with absolute certainty," he reports Wilson as saying in 1919, "that within another generation there will be another war if the nations of the world do not concert the method to prevent it. . . . What the Germans used were toys

as compared with what would be used in the next war." Although Mr. Baker's main literary ambition was to write the "great American novel" which was never realized, he has given pleasure to millions by his engaging essays about country living which first appeared as "Adventures in Contentment" by David Grayson.

RESTORING a good name to a famous man whose reputation for centuries has been smirched is the pleasant task undertaken by Frederick J. Pohl in "Amerigo Vespucci" (New York: Columbia University Press). Vespucci, as is well known, has been accused of depriving Columbus of priority in the discovery of America by claiming that he was the first to reach the mainland of Latin America. Such a claim, according to the author, cannot be ascribed to him, who in reality was a fine fellow, greatly admired by his fellow countryman, Columbus, and appointed chief instructor and examiner of all Spanish pilots by King Ferdinand. The mistake was brought about, says the author, by an unscrupulous publisher of a series of letters purporting to have been written by Vespucci but in reality so embroidered and falsified by the publisher as to bear no resemblance to the originals. They were good reading and became best-sellers—and America was named after Amerigo. Vespucci made only two voyages, whereas he is said to have made four, and in reality he never said he had been the first to reach the mainland. However, it turns out that there was enough fame for both explorers without either impinging on the other. Vespucci was a pioneer in ascertaining longitude by lunar observations, instead of merely by dead reckoning. Once to study the ways of an ancient people he lived for twenty-seven days with South American Indians.

139

A Prayer for the San Francisco Conference

By REV. HENRY SLOANE COFFIN
President, Union Theological Seminary

Most high God, who rulest in the kingdom of men and givest unto every people its heritage to enrich the commonwealth of mankind, send Thy spirit of good counsel upon the representatives of the United Nations about to meet in conference. As Thou hast bound their peoples together in a costly struggle for liberty, hold them in one resolve to devise measures to maintain order and to prevent war. Keep in the thoughts of the delegates the bloodshed, suffering and loss of these years of strife, and let the sacrifices of brave men for freedom sanctify their purposes. Enlighten them to discern and guard against causes of conflict and to provide means for peaceful change in a world which does not stand still. Kindle in their hearts a passion for righteousness and brotherhood. Rid them of desire for advantages for their own countries which do not include the weal of all lands. And of Thy mercy so guide their deliberations with Thy wisdom that the nations may be linked in lasting fellowship.

In the day of victory, purify the conquerors' souls of vengeance; and move them to seek justice with kindness that they may further a healing peace. Humble every people in penitence for its part in the greed and pride and lust for power which plunged the world in disastrous war. And do Thou, who givest grace unto the lowly, consecrate the nations to relieve the dire need of the victims of strife and to plan an ampler life for the children of men everywhere, in the spirit of Him, who, because He made himself servant of all, is the Prince of Peace, even Christ the Lord. Amen.



Blossoming

*Magnolia*

12

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 16/6/45

TO Secretary Morgenthau
FROM E. B. Fussell

MAIL REPORTS

Herewith the detailed mail report from War Finance Division. It shows virtually no letters of complaint dealing with either War Bonds or general matters.

Outstanding in the reports of the Secretary's mail and White House mail (previously submitted by Mrs. Forbush) are these items:

Letters criticizing instructions on currency .. 5

Letters approving instructions on currency..... 36

Letters reporting alleged tax evaders are appearing in considerable number in the Secretary's mail (43) and a few (3) in White House mail.

Three letters to date on Roosevelt-Hartford loan.
(These from Forbush report as of Friday.)



12"

132

16/6/45

Secretary Morgenthau

E. B. Fussell

MAIL REPORTS

Herewith the detailed mail report from War Finance Division. It shows virtually no letters of complaint dealing with either War Bonds or general matters.

Outstanding in the reports of the Secretary's mail and White House mail (previously submitted by Mrs. Forbush) are these items:

Letters criticizing instructions on currency .. 5

Letters approving instructions on currency..... 36

Letters reporting alleged tax evaders are appearing in considerable number in the Secretary's mail (43) and a few (3) in White House mail.

Three letters to date on Roosevelt-Hartford loan.
(These from Forbush report as of Friday.)

12"

133

WAR FINANCE DIVISION

16 June 1945

J.M. Morse
to
Mr. RussellDIGEST OF MAIL
FOR
REPORT TO SECRETARYConstructive Suggestions

Have more Bond publicity among "working youth."-- 1

("...your publication 'The Working Student' could be very helpful if circulated among our working youth...unless it has been given rather wide publicity, I believe we could be helpful along the line of the best use of money that these boys and girls are making by circulating this type of information through our farm labor offices." Russell M. Adams, Asst. State Supervisor, Emergency Farm Labor, State of Oregon)

Have shorter Loan drives-- 1

Use Japanese Invasion currency (Philippines) as bonus memento with bond purchases-- 1

Award volunteer salesmen at end of program with medal like that used at conclusion of Liberty Loans in World War I-- 1

Have all Loan drives fall in January and July to take advantage of savings bank interest payments-- 1

(Transmitted by Representative Ramspeck for a constituent)

Have closer working relations with Veterans Administration so can be more symbolic "sponsorships" of their facilities-- 2

(From our WFCCommittee in Pittsburgh)

Put more emphasis on sponsorship of hospital or convalescent equipment-- 2

(Continuation of replies reported previously, from Education members of local War Finance Committees)

Put more emphasis on bonds as hedge against inflation-- 1

(Frank A. Clarboe, managing editor San Francisco News, expresses doubt as to effectiveness of much of our promotional material. Thinks we should "spell out what Inflation means in simple terms." Suggests slogan "Buy A Share of Peace." We should do more with survey results on what people expect to do with the proceeds of their bonds.)

J.M. Morse
15/6/45

134

War Finance Division

- 2 -

16 June 1945

Suggestion for newspaper assistance at end of Loan drives-- 1

(William C. Kren, managing editor San Francisco Examiner, says his paper will wind up the 7th by printing a lot of comparative figures on bond sales in his city compared to others. This will stimulate civic pride and some late sales.)

War Finance Division

- 3 -

16 June 1945

Criticism

Volunteer (in Miami) treated rudely by member of local committee-- 1

7th War Loan E Bond quota is too large; annual limit on E Bond purchases should be raised; too little emphasis given F and G bonds; and not enough bonds made available to banks-- 1

(Local WFOCommitteeman in Marshalltown, Ia.)

Willys-Overland released publicity on jeep model promotion which at variance with desire of State Committee-- 1

(From Maine; we handled most of these before the digest got under way; this a hang-over. J.M.W.)

Congressman A. Willis Robertson, Virginia, wanted to know if full page bond ad in June 13 Post a Treasury release, and if so should be killed as an insult to farmers-- 1

(Ad not ours; Lansburgh's; drawing good; language a bit synthetic-- city man's idea of how farmers are supposed to talk. No harm done, I think. J.M.W.)

Mistake in one of our Ads featuring B-29-- 2

(Several similar reactions noted in preceding reports. J.M.W.)

Hope we will keep next War Loan period away from Community Chest-- 1

(From Senator Warren E. Austin, for Vermont constituent.)

Anonymous reaction to pay-raise bill-- 1

(*If Congress and the Postal Service are to get more pay give the public a break by giving us more interest on War Bonds." Anon. Ridgewood, N.J.)

136

War Finance Division

- 4 -

16 June 1945

Miscellaneous

Does Washington headquarters of War Finance have any way of dealing satisfactorily with reams of poetry submitted by our well-wishers?-- 1

(From our Chairman in Georgia, who must live in a land of poetry, though see next entry. J.M.W.)

Poems submitted-- 6

Slogans submitted-- 5

Songs submitted-- 4

Can Treasury poster, Iwo Jima design, be used on cover of song sheet to be sold commercially?-- 1

How about getting Hitler's private automobiles to auction off for bonds?-- 1

Can English children, evacuees, now returning to their home country take their bonds with them, and will they be able to redeem them from abroad?-- 1

Request that we put pressure on Ambassador Gromyko to provide several dozen Russian silk stockings to be used as prizes to volunteers in Fayette County, Pa., after the drive-- 1

Postmaster in Meeker, Colorado, not cooperating with bond program-- 1

Is it legal to have drawings for bonds, and to give away scarce articles with bonds as premiums?-- 1

12"

25

16 JUN 1945

Dear Mr. Kirm:

For the Secretary, I wish to acknowledge receipt of your inquiry of 22 May 1945, relating to various types of paper currency.

The information you desire concerning the amounts outstanding of particular kinds of currency may be found in the enclosed copy of the latest available "Circulation Statement of United States Money". The type of currency you described as that "with the red seal and red serial numbers" is listed therein as United States Notes. In addition to the dollar amounts, which you requested, outstanding as of 30 April 1945, the explanatory note in the lower right-hand corner will answer your further question regarding the security required for Federal Reserve currency.

The types of gold certificates are represented in the enclosed statement. Gold certificates issued prior to the Gold Reserve Act of 1934 are canceled and retired when received by the Treasury Department. The \$50 millions of these certificates outstanding which have not been presented in accordance with the law are indicated in the table as the amount outside of the Treasury and in circulation. Pursuant to the provisions of the Gold Reserve Act of 1934 a new form of gold certificate has been issued to Federal Reserve Banks against certain credits established on the books of the Treasurer of the United States. These certificates are not paid out by the banks but are held as reserve against deposits of Federal Reserve Notes, and are represented in the enclosed table by the \$2,615 millions listed as outside of the Treasury, held by Federal Reserve Banks and Agents.

In connection with your questions regarding Invasion Currency, I believe the enclosed copy of a statement on that subject, released to the press 14 March 1945, contains most of the information you desire. Figures relating to the amounts of Invasion Currency issued and redeemed have not been released because of security reasons. I am, therefore, unable to comply with that particular part of your request.

- 2 -

I trust that I have sufficiently covered the subject matter of your inquiry and that the data submitted will be helpful to you. If you have any further questions, please do not hesitate to write again.

In reply to your personal requests relating to the Secretary, I wish to advise you that Mr. Morgenthau was educated at Cornell University in Ithaca, New York. We shall send separately, as soon as Secretary Morgenthau returns to Washington, a signed photograph for display purposes in your bank.

Very truly yours,

(Signed) E. F. Bartlett

Fiscal Assistant Secretary

Mr. J. Keller Kirm, Jr.
Assistant Cashier
The Farmers & Citizens Bank
Lancaster, Ohio

Enclosures

Enclosed 6/14/45 E.H. WSK

16 JUN 1945

TO:

Mr. Heffelfinger

Because Mr. Morgenthau
will not be available until
next week I suggest that
the second page be rewritten
to the effect that we are
sending, separately, soonest
the requested autograph
picture of him.

CPS
CPS

MR. Shaeffer

TREASURY DEPARTMENT

140

TO

Mr. Shaeffer

You were going
to get a signed
picture of the Secretary
to send along with
this copy. - Can
he count on it -
as mentioned in
last paragraph.

WJF

MR. HEFFELFINGER

6/12

141
THE FARMERS & CITIZENS BANK117 WEST MAIN
LANCASTER, OHIOC. F. KORN, JR.
PRESIDENT
JOHN J. KORN
VICE PRES.
AMOS B. THOMAS
CASHIERHERMAN C. ROLLER
ASST. CASHIER
E. DANA STEWART
ASST. CASHIER

May 22, 1945

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

Dear Mr. Morgenthau:

Information in regard to the following will be highly appreciated by me.

How much is there outstanding in gold certificates?

How much is there outstanding in silver certificates?

How much is there outstanding in Federal Reserve currency and what is it secured by?

How much is there outstanding in unsecured currency with the red seal and red serial numbers?

How much Invasion Currency has been issued and how much has been redeemed, also where was it sent and how much to each army or country? What will be done with the amount not used? Will more be issued? By whose authority and instructions was it issued?

Which college did you attend and in what did you major?

I would like very much to have an autographed picture of you to frame and display in this bank. I will gladly pay for same.

Thanking you, I remain

Sincerely Yours

Hellmuth K. Korn
Asst. Cashier

12"



FISCAL ASSISTANT SECRETARY

TREASURY DEPARTMENT
FISCAL SERVICE
Washington

16 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 PAYMENTSUNDERS. I. BILL OF RIGHTSWeek ended 5 June 1945

	<u>Number of</u>	<u>Amount</u>	<u>Cumulative</u>	<u>Number</u>	<u>Amount</u>
	<u>recipients</u>				
Unemployment benefits a/	32,043	\$655,681	32,043	\$15,886,269	
Self-employed.. b/	875	87,182	10,023	2,445,131	
Students' subsistence allowances ... c/	766	59,313	11,029	661,651	
Tuition and fees for students d/	1,301	121,902	2,740	301,965	
Total	34,984	\$824,085	55,835	\$19,295,216	

- 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.

DEPARTMENT
OF
STATEINCOMING
TELEGRAMDIVISION OF
CENTRAL SERVICES143
DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

GCP- 1100

PLAIN

1945 JUN 17 AM 10 44

Rome

OO/L
LIAISON

Dated June 16, 1945

Rec'd 5:14 p.m.

Secretary of State

Washington

1640, sixteenth

FOR MOSES LEAVITT AJDC FROM RESNIK 45

World Jewish Congress continues to request information which completely confuses local community concerning orphans and dependent children in Rome. Problem here well in hand with establishment of adequate institutions in Rome, Milan, Turin and elsewhere. Other children have returned to their families. Private opinions expressed to World Jewish Congress from persons here do not reflect effective need it would be in the interest of the community and in solving this problem. If they were not deluged with many such requests World Jewish Congress indicates that it is ready to send nurses and educators and also make payments to foster homes. If necessary local facilities exist to take care of all these problems and are adequately financed by our organization.

KIRK

RB

DEPARTMENT
OF
STATEINCOMING
TELEGRAMDIVISION OF
CENTRAL SERVICES144
DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

GAC-1163

PLAIN

1945 JUN 17 AM 11 21

Rome

OO/L
LIAISON

Dated June 16, 1945

Rec. 5 p.m.

Secretary of State,

Washington.

1640, sixteenth

FOR MOSES LEAVITT AJDC FROM RESNIK 45

We have requested on several occasions the receipts handed in to you by Oswego refugees. Allied Financial Agency here requires them. Please forward.

KIRK

LMS

DEPARTMENT
OF
STATEINCOMING
TELEGRAMDIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

EVB-1167

DIVISION OF
CENTRAL SERVICES

PLAIN

55 JUN 17 AM 11 22

Rome

DC/L
LIAISON

Dated June 16, 1945

Rec'd 5:07 p.m.

Secretary of State,

Washington.

1635, Sixteenth.

FOR MOSES LEAVITT AJDC FROM RESNICK 42.

For your information Kurt Grossmann New York in-
forms Union Jewish Communities that 6561 pounds of
used clothing turned over to American relief for ship-
ment here.

KIRK

LMS

DEPARTMENT
OF
STATEINCOMING
TELEGRAMDIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTIONDIVISION OF
CENTRAL SERVICES
EDM-1159

PLAIN

Rome

1945 JUN 17 AM 10 56

Dated June 16, 1945

DC/L
LIAISON

Rec'd 8:14 p.m.

Secretary of State

Washington

1641, Sixteenth.

FOR MOSES LEAVITT AJDC FROM RESNICK 44.

Ben Brook arrived today. Voluntary Society unit
attached to us are making plans to leave for assignment
in camps in Germany or Austria since they were trained
for and prefer to work in camps. Two members of the unit
may remain with us (one) Amy Zahl in Greece, (two) Hyman
Yantian whom we have offered to employ on our regular
staff as junior fieldman. If he accepts we will clear
with London Committee Schwartz informed of this plan.
Must underscore extreme urgency of additional fieldstaff
and stenographic and secretarial assistance from US staff
should we underway soonest.

KIRK

RB

DEPARTMENT
OF
STATEINCOMING
TELEGRAMDIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

Adm-108

PLAIN

Born

Dated June 16, 1945

Rec'd 6:23 a.m., 20th

Secretary of State,
Washington.

3212, Sixteenth

EMB FROM MCCLELLAND

Kindly deliver Vadha Hatzala, New York, following
message which Sternbach received from Shanghai.

Remittance received and all distributed according
instructions thanks to arrangements made by A.V. Rombach.
Astounded that subsidies for seven persons smaller.
Individual beneficiary named Irohoff could not be located.
Perhaps name was garbled.

Health of Rabbi Feuerung is endangered and calls
for immediate remittance of extraordinary relief fund
for livesaving particularly since our group possesses
no reserves. Signed Rabbis Wolmark, Szymanowicz, Krawiec,
Meyerpanetel, Zytman, Raiczuk, Sorotzkin, Bokow, Kopelowicz,
Browde and Schneider. 1280.

HARRISON

JM

 RECEIVED
DIVISION OF
CENTRAL SERVICES
JUN 21 AM 29
DC/L
LANSON

NEW YORK TRIP

Wednesday -

Washington to New Hackensack

6:00 p.m. Secretary, Mrs. Roosevelt and party
(General and Mrs. Elliott Roosevelt,
Mr. and Mrs. George Bye, Miss Malvina
Thompson, S. George Little, Lieut. David
Levy) due at main building A.A.F. Con-
valescent Hospital, Pawling, New York.

Colonel Hobart Todd, C.O., will be host
and escort party to nearby farm where
dinner will be served.

Rehearsals for Radio Program following
dinner.

10:30 p.m. Broadcast from Hospital Auditorium -
Blue Network.

Thursday -

6:30 p.m. Elk's Dinner - Presentation of medal to
Mrs. Roosevelt - Elk's Lodge, Poughkeepsie

Friday -

8:06 p.m. Broadcast from Farm - The City of Rochester
salutes Canada - Canadian Broadcasting Co.

Saturday -Sunday -

3:30-4:00 p.m. Broadcast from Central Park Mall with
Labor leaders.

New York to Washington following broadcast
(Drawing Room and Seat reserved on 4:30 p.m.
train in case of bad weather).

0

0

HM JR'S READING COPY OF SPEECH AT LABOR RALLY
IN NEW YORK - June 17, 1945

149

I am happy to have a share in "Labor's
Salute to the Seventh War Loan."

In greater measure than ever before, the
Seventh War Loan makes its appeal to the men
and women of America who live by weekly wages.
These are the people whose response will determine
the success of the drive.

We have an overall goal of 14 billion
dollars. Half of this great sum must be raised
by the sale of bonds to individuals -- as
distinguished from banks, corporations, life
insurance companies and other such institutions.

- 2 -

Of the seven billion dollar quota for individuals, four billions must come through the sale of E Bonds -- the bonds which are bought through payroll deductions, through taking a goodly amount out of your weekly pay envelope -- the bonds which are bought by most of you who have assembled here today.

The reason for this emphasis on E Bonds and on sales to individuals is a simple one. Taken collectively, your incomes represent the great bulk of American purchasing power. And, again taken collectively, your incomes therefore represent the most serious danger of inflation.

- 3 -

The civilian goods which you can buy with your money are very scarce. They are going to be scarce for a good long while to come. We need to make up our minds to this fact and face it. We must buy only the things we actually need. The time will come when peace is restored to the earth, when men can once more turn their talents and their strength to making the good things of life. The money you save now, the money you set aside in the form of war bonds, will buy the things you want, when that time comes.

The men and women of America who work for wages have done their part magnificently throughout the whole of the War Loan program.

- 4 -

Since May 1, 1941, the Treasury has received about 34 billion dollars from the sale of E Bonds. More than 15 1/2 billions of this amount have come from the systematic month-by-month allotment of wages on the part of some 27 million American workers.

In addition, workers in thousands of plants and the leaders of all the great labor unions, have played an indispensable part in making the payroll savings plan effective, and in organizing American labor participation in the series of special War Loan campaigns. Both Mr. Green and Mr. Murray have been unstinting in their sympathy and their support.

- 5 -

Three great tasks remain ahead of us. The first of these, of course, is to turn all the might of America to the crushing of Japanese barbarism, and to the liberation of China as speedily as possible. The second is to turn some of the bounty of America into rebuilding civilization in Europe. The third is to see to it that the economy of America is kept on an even keel -- so that the men who have done the fighting can come home to a land of opportunity.

These tasks present a challenge to our quality as free men. They present a test of our capacity for self-government.

- 6 -

154

The manner in which we meet them will shape the nature of the victory, which has already been achieved on one great battlefront, and which is in the process of achievement on another. We must not, we cannot, falter now that the goal has been brought into view. The responsibility belongs to all of us, as individuals, and must be met by each of us in accordance with his own conscience and his own sense of partnership in the great American tradition. Your sons, your husbands and your brothers will carry on the fight on distant *lands* ~~lands~~ overseas. They look to you, with high faith, to carry on the fight at home.

155
draft 6/17/45

I am happy to have a share in "Labor's Salute to the Seventh War Loan."

In greater measure than ever before, the Seventh War Loan ~~drive~~ makes its appeal to the men and women of America who live by weekly wages. These are the people whose response will determine the success of the drive.

We have an overall goal of 14 billion dollars. Half of this great sum must be raised by the sale of bonds to individuals -- as distinguished from banks, corporations, life insurance companies and other such institutions. Of the seven billion dollar quota for individuals, four billions must come through the sale of E bonds -- the bonds which are bought through payroll deductions, through ^{a goodly amount} ~~something~~ out of your weekly pay envelope -- the bonds which are bought by most of you who have assembled here today.

The reason for this emphasis on E bonds and on ~~individual~~ sales to individuals is a simple one. Taken collectively, your incomes represent the great bulk of American purchasing power. And, again taken collectively, your incomes therefore represent the most serious danger of inflation.

The civilian goods which you can buy with your money are very scarce. They are going to be scarce for a good long while to come. We need to make up our minds to this fact and face it. We must buy only the things we actually need. The time will come when peace is restored to the earth, when men can once more turn their talents and their strength to making the good things of life. The money you save now, the money you set aside in the form of war bonds, will buy the things you want when that time comes.

The ^{done} ~~men~~ and women of America who work for wages have ~~done~~ their part magnificently throughout the whole of the War Loan program. Since May 1, 1941, the Treasury has received about 34 billion dollars from the sale of E bonds. More than 154 billions of this amount have come from the systematic month-by-

- 2 -

month allotment of wages on the part of some 27 million American workers.

In addition, workers in thousands of plants, and the leaders of all the great labor unions, ~~of which we have representation~~, have played an indispensable part in making the payroll savings plan effective and in organizing American labor participation in the series of special War Loan campaigns. Both Mr. Green and Mr. Murray have been unstinting in their ^{support} ~~help~~ and their support.

Three ^{tasks} ~~great~~ ~~tasks~~ remain ahead of us. The first of these, of course, is to ^{and to the liberation of China} turn all the might of America to the crushing of Japanese barbarism as speedily as possible. The second is to turn some of the bounty of America into rebuilding civilization in Europe. The third is to see to it that the economy of America is kept on an even keel -- so that the men who have done the fighting can come home to a land of opportunity.

~~To perform these tasks, we must continue to support the war effort.~~

These tasks present a challenge to our quality as free men. They present a test of our capacity for self-government. The manner in which we meet them will shape the nature of the victory which has already been achieved on one great battlefield and which is in the process of achievement on another. We must not, we cannot, falter now, that the goal has been brought into view. The responsibility belongs to all of us, as individuals, and must be met by each of us in accordance with his own conscience and his own sense of partnership in the great American tradition. Your sons, your husbands and your brothers will carry on the fight on distant islands overseas. They look to you, with high faith, to carry on the fight at home.

FROM: Newspaper Section
War Finance Division
Treasury Department
Washington 25, D. C.



NEWS DESK

Room 746, Washington Building, Washington 25, D. C.

Release date 157
A. M. _____ P. M. _____
Release No. _____

FRANK D. TERRY, Chairman, Allied Newspaper Council, <i>Concord Newspaper, Director</i>	EDWIN D. STAN, <i>International News Service</i>	L. JAMES LORSON, <i>Labor Editor</i>
S. GEORGE LITTLE, <i>Special Consultant, Treasury</i>	MISS KENNEDY, <i>Negro Newspaper Publishers Association</i>	FRANCIS J. MCCORMACK, <i>Financial Writer</i>
BENJAMIN DAVIS, <i>War Finance Division, Editor</i>	DORIS SHERMAN, <i>Home Newspapers</i>	MAX HALL, <i>Associated Press</i>
ANGUS COOK, <i>Mississippi Star-Journal</i>		PAUL HARRISON, <i>United Press</i>
ROBERT TAYLOR, <i>Scraps Herald Newspapers</i>		

Office of War Information cooperating

INTERMEDIATE RELEASE

SP. RELEASE "333"

Washington, D. C., June 00 - Secretary of the Treasury Henry Morgenthau, Jr., Mayor Fiorello LaGuardia, AFL President William Green and CIO President Phillip Murray will headline Labor's special all-star War Bond program to be broadcast over the Mutual network on Sunday, June 17 from 3:30 to 4 PM EDT. Bea Wain, Lawrence Tibbett, Mark Wornow's Orchestra and other national favorites of radio, stage and screen will provide the musical entertainment.

The broadcast will emanate from Manhattan's Central Park as part of a huge three-hour War Bond show being sponsored jointly by the country's Labor unions in cooperation with the U. S. Treasury.

###

June 16, 1945 158
3:17 P. M.

HMJr: Hello.

Mr. Harry
Hopkins: Hello, Henry.

HMJr: How are you?

H: Well, I'm better.

HMJr: That's good.

H: I'm better today.

HMJr: Good.

H: And I'd like to see you.

HMJr: I'd like to see you.

H: What time are you going home?

HMJr: Oh, I hope to get away from here early today.

H: I'm going down to see the President at half past four.

HMJr: Oh.

H: Is that late for you?

HMJr: No you mean you - what did you mean?

H: Well, I could do one of two things - I could come over and see you, or you could stop by the house and I can give you a nice lemonade.

HMJr: Well, you mean after you see the President?

H: Yeah.

HMJr: How long will you be with him?

H: Ten minutes. Not more than that.

HMJr: Would it be a discomfort to you to walk over here?

H: No, I'll ride over.

HMJr: You'll ride over?

H: Yes, sir.

- 2 -

HMJr: Well, why don't you do that. We might ride home together then.

H: All right.

HMJr: How's that?

H: That's good.

HMJr: Will you be over here around quarter --?

H: I'll be over at your place about a quarter to five.

HMJr: Fine.

H: All right, Henry.

HMJr: Thank you.

H: Good bye.

June 18, 1945
4:20 P. M.

160

Operator: Mr. Bell is at the War Department attending a meeting, but they just sent a car for him so he'll be back shortly.

HMJr: Let me talk to his secretary.

Operator: All right. Miss Wondrack. Go ahead.

HMJr: Miss Wondrack, when Mr. Bell comes back ask him to send to the twelve presidents of the Federal Reserve Banks over my signature a telegram saying that they send back to me a telegram - I want the gossip and the news what's happening about currency.

Miss Wondrack: Yes.

HMJr: You see, I mean in Chicago they said the first day twenty million dollars worth of currency was turned in the banks. Is that happening anywhere else - are there any big transactions. I want to know the news and the gossip.

W: Yes.

HMJr: See? Particularly is there a lot of currency coming back to the bank, and are they finding any - just how things are going and how the banks in their district are cooperating.

W: All right.

HMJr: Tell them what I want from them is a newsy gossip telegram in answer.

W: All right.

HMJr: In other words - how's the bootleg business going in their districts and is there much currency coming back.

W: All right, sir.

HMJr: If Mr. Bell would send that out.

W: All right, sir.

HMJr: Tell him I want them each to be a Drew Pearson.

W: (Laughs) All right, I'll tell him that.

- 2 -

161

HMJr: No, no, don't tell him that.

W: Yes.

HMJr: No, don't tell him that.

W: All right.

HMJr: But that's - I want the gossip.

W: Yes, sir.

HMJr: And the lowdown.

W: All right, sir, good bye.

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its de-
scribed character is in-
dicated by a suitable
initial shown at pre-
ceding the address.

WESTERN UNION

A. H. WILLIAMS
PRESIDENT

SYMBOLS

DL = Day Letter
NL = Night Letter
LC = Deferred Cable
SLT = 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.

BID 37 DL=CNT OTTAWA ONT 17 1104P

1945 JUN 18 AM 12 40

THE HON H MORGENTHAU JR=

SECY OF THE TREASURY WASHDC=

PERSONAL AM DEEPLY GRATEFUL TO MRS MORGENTHAU AND YOURSELF
FOR KIND CONGRATULATIONS YOUR CHARMING LETTER SHALL EVER
REMEMBER ITS GOOD WORDS AND GOOD WISHES WARMEST REGARDS
AND REMEMBRANCES TO YOU BOTH AND TO JOAN AND THE BOYS=
MACKENZIE KING.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

12"

163

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.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
18 June 1945TO Secretary Morgenthau (for action)
FROM Mr. Coo

Subject: Military Responsibility for Civilian Supplies in Italy

The War Department is trying to throw off any responsibility for civilian imports into Italy. Crowley is reluctant to ask Congress for funds for Italy.

In this situation, State is asking for Treasury's views, since Treasury is represented on the Liberated Areas Committee.

We propose saying:

(1) that the British and American military authorities continue to be responsible for civilian supplies in Italy so long as Allied Military Government persists in Italy;

(2) that the joint Roosevelt-Churchill statement of 26 September 1944, directing that first steps be taken toward the reconstruction of the Italian economy, be carried out, notwithstanding the fact that the War Department did not implement this program prior to conclusion of European hostilities.

MEMORANDUM FOR THE FILES

June 18, 1945

Meeting in Secretary Morgenthau's Office
June 18, 1945
9:00 a.m.

Present: Secretary Morgenthau
Mr. Harriner Eccles
Mr. White

Mr. Eccles had asked for the appointment.

Mr. Eccles told the Secretary that he had been informed that Sproul and Williams were going to testify before the Senate Banking and Currency Committee that week. He considered their appearance unfortunate and hoped to dissuade them from so doing. He said he felt that the question of the authority of the Board over the Federal Reserve bank presidents would be somewhat undermined by the President of the Federal Reserve Bank of New York taking a position on a bill before Congress that was contrary to the Administration's position, to the decision of the Board, and to the view of almost all the presidents of the Federal Reserve banks of the System. Mr. Eccles stated that he was going to do his best to dissuade them from appearing and that if he was not successful he would insist on not appearing before the Committee on Tuesday as he had been scheduled to do but to appear after Sproul and Williams had testified. He would then be in a position, he said, to make clear how the Board stood on the Bretton Woods proposals and that Sproul and Williams in no sense represented the opinion of the Board or the Federal Reserve banks. He felt he would also be in a better position to try to dissuade them from appearing if he were not scheduled to appear and would likewise be more justified in taking any subsequent disciplinary action against Sproul and Williams that the Board might decide was called for.

The Secretary agreed with him entirely that it was preferable for Mr. Eccles to appear after they appeared, if at all. It was also agreed that if they insisted upon appearing that they should be permitted to do so inasmuch as it would be a mistake to attempt to stop them and thereby allow them to become martyrs. In any case, the Secretary said he would like to keep the Treasury out of it, that the issue was a matter between the Board and the New York Bank. It was so agreed.

After leaving the Secretary's office, I commented to Mr. Eccles that I thought it would be most unfortunate if he, in his discussion with Mr. Sproul, indicated that the Board intended to punish either Sproul or Williams for their appearance; if the Board later on felt they wanted to do something about it, that was a decision they could make later. Mr. Eccles agreed.

H.D.W.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 18,
1945

TO Secretary Morgenthau

FROM J. W. Pehle

Re: Earl Harrison Mission

I called William Phillips' office this morning to inquire about the reply to the cable sent Bob Murphy. I obtained a copy of this reply. It came in today and is attached hereto.

I also talked to Earl Harrison and to George Warren of the State Department. Harrison is ready to leave at any time. Warren is working on the arrangements, including passports, transportation, etc., and said that he will try to get Harrison off late this week. In the meantime McClelland will be cabled to be ready to meet Harrison in Paris.

There are two matters on which Harrison may need help and about which he will probably speak to you about on Thursday.

1. I suggested to Harrison that it would be of assistance in the success of the mission if he were to go as the President's representative, or at least have a letter from the President endorsing the mission. Harrison feels very strongly that this should be done and did not get much encouragement from Phillips when he discussed it with him.
2. Also, as far as I can ascertain, the State Department is issuing Harrison a "special passport". If real importance is attached to this mission he should, of course, have a diplomatic passport.

If you are so inclined, I think both of these matters could be satisfactorily handled by a telephone call from you to Grew after you have seen Harrison.



COPY

June 18, 1945

PARAPHRASE OF TELEGRAM RECEIVED

FROM: Paris

TO: Secretary of State

The following telegram dated June 16 has been received from Mr. Murphy:

The visit of Mr. Earl Harrison and Mr. Roswald McClelland will be welcomed by SHAEF which approves of having the suggested survey made.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

18 June 1945

TO Secretary Morgenthau
FROM Mr. O'Connell

In re: Sammartino and Sanchirico Company
(Partnership), Providence, Rhode Island

You asked for my views concerning the tentative decision of the Special Agent's Boston office not to institute criminal proceedings in the above case. That decision is tentative since final decision must be made in Washington.

Pasco Sammartino and Anthony Sanchirico, operating as a partnership under the above name, manufacture jewelry for the luxury trade. Their war work has been inconsequential. From 1940 through 1944, they suppressed sales of approximately \$100,000 and appropriated the proceeds, failing to report any part as income in their individual returns. Through this device they evaded taxes of approximately \$55,000 apiece. The principal year is 1943. In this year each returned taxes of approximately \$35,000. They stand charged with additional taxes alone of more than \$47,000 each.

Based upon the reports submitted by the special agent who handled the case and the Special Agent in Charge at Boston, the evidence of evasion is clear, and nothing is shown which in my opinion would tend to defeat a successful prosecution.

The reasons given by the special agent and the Special Agent in Charge for the decision not to prosecute are that the taxpayers were cooperative in every way and thus reduced the time necessary for investigation and increased the accuracy of the tax determination. The Special Agent in Charge points to a situation in the jewelry trade whereby the agents have been defeated in their examinations because of non-cooperation and destruction of records. That office reached the conclusion that "for the purpose, therefore, of convincing

the jewelry trade that it would be to their interests to cooperate with investigating officials and report to them in full the evaded income, we have reached the conclusion that a distinction should be made between the cooperative and the non-cooperative taxpayers." The Special Agent in Charge also refers to the possible effect upon a jury of the spread between income evaded and taxes and penalties determined under the present high rates. He points out that in this case the taxes and penalties with interest, including loss of forgiveness, amount to \$228,000, whereas the amount of income omitted was only \$100,000.

I am not in accord with the conclusions reached, basing my decision solely upon the reports submitted. I have asked the Commissioner and the Chief Counsel to give me their views on the matter and will report to you further when I have them.

The taxpayers were advised by the office of the Special Agent in Charge that the final decision not to prosecute would have to be made in Washington. On this basis, the taxpayers signed agreements covering taxes, penalties and interest and paid approximately \$228,000 into the suspense account of the Collector.

James J. O'Connell

12

1692
18 June 1945

Secretary Morgenthau

Mr. O'Connell

In re: Sammartino and Sanchirico Company
(Partnership), Providence, Rhode Island

You asked for my views concerning the tentative decision of the Special Agent's Boston office not to institute criminal proceedings in the above case. That decision is tentative since final decision must be made in Washington.

Pasco Sammartino and Anthony Sanchirico, operating as a partnership under the above name, manufacture jewelry for the luxury trade. Their war work has been inconsequential. From 1940 through 1944, they suppressed sales of approximately \$100,000 and appropriated the proceeds, failing to report any part as income in their individual returns. Through this device they evaded taxes of approximately \$55,000 apiece. The principal year is 1943. In this year each returned taxes of approximately \$35,000. They stand charged with additional taxes alone of more than \$47,000 each.

Based upon the reports submitted by the special agent who handled the case and the Special Agent in Charge at Boston, the evidence of evasion is clear, and nothing is shown which in my opinion would tend to defeat a successful prosecution.

The reasons given by the special agent and the Special Agent in Charge for the decision not to prosecute are that the taxpayers were cooperative in every way and thus reduced the time necessary for investigation and increased the accuracy of the tax determination. The Special Agent in Charge points to a situation in the jewelry trade whereby the agents have been defeated in their examinations because of non-cooperation and destruction of records. That office reached the conclusion that "For the purpose, therefore, of convincing

1696
- 2 -

the jewelry trade that it would be to their interests to cooperate with investigating officials and report to them in full the evaded income, we have reached the conclusion that a distinction should be made between the cooperative and the non-cooperative taxpayers." The Special Agent in Charge also refers to the possible effect upon a jury of the spread between income evaded and taxes and penalties determined under the present high rates. He points out that in this case the taxes and penalties with interest, including loss of forgiveness, amount to \$228,000, whereas the amount of income omitted was only \$100,000.

I am not in accord with the conclusions reached, basing my decision solely upon the reports submitted. I have asked the Commissioner and the Chief Counsel to give me their views on the matter and will report to you further when I have them.

The taxpayers were advised by the office of the Special Agent in Charge that the final decision not to prosecute would have to be made in Washington. On this basis, the taxpayers signed agreements covering taxes, penalties and interest and paid approximately \$228,000 into the suspense account of the Collector.

(Signed Joseph J. O'Connell, Jr.)

CO/mm
6/18/45

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 18 June 1945

TO Secretary Morgenthau

FROM Mr. Gaston

The following four men interviewed by Mr. Irey and myself during our trip to Wisconsin and Minnesota are in our opinion worthy of serious consideration for appointment as Assistant Commissioner of Internal Revenue:

LAWRENCE LUNDEN, 38, Comptroller of the University of Minnesota, Associate Professor, School of Business Administration. Lunden has been for about ten years with the University of Minnesota and was recently appointed to the position of Comptroller from that of Assistant Comptroller. His present job is an administrative one which takes practically his full time. For most of the last ten years, however, he has been engaged in teaching. He is a graduate of Grinnell College, Iowa, and did post-graduate work at the University of Minnesota. He handles the investments of the University's endowment fund, amounting to twenty-two millions, besides other business affairs of one of the largest universities in the country. Prior to his designation to the office of Comptroller, he gave practically all of his time to teaching, lecturing and advising on investments. Transfer to pure administrative work is raising for the present an apparent bar against his work as a professor and has put him in a receptive mood toward an administrative job which might entail even greater responsibilities. His income now is \$7,000 salary and \$1500 from outside jobs. In view of the greater expense in Washington the work here would mean nothing to him financially, but it is attractive to him from the standpoint of experience. He was recommended by John Peyton and is known by Cy Upham and Robertson in the Comptroller's office. He is an independent in politics, was a banking adviser to the Farmer-Labor State Government of Olson and Benson, voted three times for Roosevelt but for Dewey in the last election because of the belief of men in the medical faculty of the University, whom he knew, that President Roosevelt would not live more than a year after election. He has registered variously as a Republican, a Democrat and a Farmer-Laborite. From the standpoint of ability, I think he is the best bet of any of the men mentioned to us. He is of Scandinavian descent. Appointment of him would not make a great hit

with the leaders of either branch of the party organizations in Minnesota, but I think would be generally recognized in the State as a high class appointment and would do us good in that way.

RAY KNOX, Assistant Collector of Internal Revenue at St. Paul. If you should change your mind and decide on someone for Assistant Commissioner from within the service, I don't think you could do better than Knox. The opinion of most people in the field, whom I have encountered, is that he is the best of the Assistant Collectors. I think a similar opinion is held in the Bureau. He is an extremely forceful, shrewd and able man, an originator of ideas, and a man who can cooperate and does cooperate with other branches of the service. He is outspoken, with a somewhat caustic tongue, but is not offensive and is generally well liked both by those under him and by associates. He was appointed a deputy collector in 1914, during the first Wilson administration, but appears to be quite non-political. He is 52 years old.

LAVERN R. DILWEG - Dilweg is a lame duck Democratic Congressman who served one term and was defeated last fall. He is a lawyer of Green Bay, Wisconsin, member of the firm of Martin, Clifford and Dilweg, but has recently started practice in Washington in association with, or at least in the office of Kingman Brewster, well known as a tax lawyer. He filed application to practice before the Treasury on May 14 of this year. Dilweg was the first man mentioned to me by Judge Wickhem of the Supreme Court of the State of Wisconsin at Madison. Wickhem is the liberal Judge who was formerly a Professor at the University of Wisconsin Law School. He is one of two Democratic members of the Court. The other, Judge Martin, is a former State Chairman and an obvious politician. Dilweg was an All-American end at Marquette University in 1925 and played end on the Green Bay Packers football team from 1927 to 1934. Besides being a Democrat, he is a Mason, Knight Templar and Shriner, and is, of course, of Scandinavian descent. I have not talked to Dilweg and think it would be worth while to do so.

BRUNO BITKER - Milwaukee lawyer of the firm of Bitker and Marshall. Bitker was recommended to me by Andrew Biemiller, Democratic Congressman from Milwaukee, and was highly spoken of by all those whom I met in Milwaukee. He was formerly in charge of the O.P.A. office in Milwaukee where, I was told, he did a good job. He is an idealistic type of man, but

- 3 -

192

apparently has good administrative capacity. He is around 50 years old, his hair being prematurely snow white. He told us that it took him six months to rest up from the O.P.A. job and expressed disinclination to tackle anything of the kind again on the ground that he had done his share, but nevertheless I think he was attracted by the idea of work in the Bureau of Internal Revenue. I would be inclined to recommend him more strongly for the position of Special Enforcement Assistant to the Commissioner, where, it is my judgment, he would be fearless and incorruptible. I discussed him with at least a half dozen people, including Judge Ryan Duffy, and all spoke well of him.

Of the four persons named above as possibilities for the position of Assistant Commissioner, two - Dilweg and Bitker - are lawyers and are worth careful consideration for the position of Special Assistant to the Commissioner in Charge of Enforcement.

WMA

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 18 June 1945

TO Secretary Morgenthau

FROM Mr. Gaston

193

On our trip west to obtain names of candidates for the positions of Assistant Commissioner and Assistant to the Commissioner of Internal Revenue, Mr. Irey and I visited Milwaukee and Madison, Wisconsin, St. Paul-Minneapolis, Minnesota, and Chicago. We were at Milwaukee on Monday, 11 June, at Madison on Tuesday, 12 June, at Minneapolis-St. Paul on Wednesday, Thursday and Friday, 13, 14 and 15 June.

At Milwaukee we talked to Judge Charles Aarons of the Superior Court and his friend Benjamin Posa, a lawyer, to the United States Attorney, Mr. Timothy Cronin, to Ryan Duffy, Federal District Judge, to Henry Schwalbach, Collector of Customs, Frank J. Kuhl, Collector of Internal Revenue, Thomas R. King, State Director of the Federal Housing Administration, the former Democratic State Chairman, and Robert Tehan, Minority Leader of the Wisconsin State Senate and present Democratic State Chairman. At Madison we talked to Judges Martin and Wickham of the State Supreme Court, both Democrats, and William T. Evjue, Publisher of the Capital Times, the LaFollette newspaper. In Minneapolis and St. Paul we talked to Lelf Gilstead, Executive Director of the War Finance Committee, Judge Harry C. Peterson, Farmer-Labor Supreme Court Justice, John Peyton, President of the Federal Reserve Bank, Russell Wiggins, Editor of the St. Paul Pioneer Press and Dispatch, Dean Frazier of the University of Minnesota Law School, George B. Leonard, a liberal lawyer whom I have known for a good many years, and John R. Coan, the Postmaster.

In Wisconsin, other than the suggestions made by Judge Wickham and by Congressman Blenmiller, all of the names given to us were those of Democrats who were members of the Crowley machine. In Wisconsin the chasm between the Democrats and Progressives is wide and both parties complain that the Administration favors the other. Phil LaFollette has returned and will probably begin organization, which will widen the rift rather than otherwise. In Minnesota the situation is similar.

The plan to get names of heroes of this war did not work out well. Judge Wickham gave me two such names. One, a former

- 2 -

State Senator of River Falls, Wisconsin, turned out to be a Republican. Of another, Colonel Howard J. Lowry of Madison, decorated in both wars and still in the Army, we had high hopes until we met him in Chicago. His military record looks good, but we were told that he had only a mediocre reputation as a lawyer and in addition we found him to be fat and flabby. We have some additional names that are probably worthy of further checking and the promise of at least half a dozen men to write information to me may result in still additional names.

The following names may be worth additional investigation:

EDGAR M. ALSTAD of Madison, characterized by Judge Wickhem as a "better than average" lawyer, is a Major and Inspector General of the 42nd Infantry now on duty.

ANTHONY E. O'BRIEN, a lawyer of Madison, partner of Harry Sauthoff, Progressive Congressman, was characterized by Judge Wickhem as a good man.

JEROME FOX of Chilton, Wisconsin, has been a Lieutenant Colonel in the Army and has returned to resume his practice. He is a former Democratic candidate for Governor of Wisconsin.

LEO J. FEDERER was mentioned by Judge Wickhem as a "good tax lawyer" engaged principally in estate tax practice. He was also recommended by Judge Aarons.

RAY ANDREWS BROWN was formerly tax adviser to the Department of Justice but is now Tax Counsel for the A.T. and T. and it is inconceivable that he would be a candidate.

MAJOR FRANK WICKHEM, 0917670, A.P.O. 456, Box No. 1, C/o Postmaster, San Francisco, is a cousin of Judge Wickhem and is the chief representative of the office of the Judge Advocate General in Hawaii. He is a liberal Democrat and former head of the Young Democrats of America.

PRECISION

TRADE MARK

MICROSTAT

REG. U. S. PAT. OFF.

MICROFILM

ROLL NO.

12"

June
18
1945 -

INDEX

INDEXISummary of Facts.IIEXHIBITS:

- A. Character Investigation Report from the District Coordinator's Office - Agents M. R. Loring and H. C. Gregg - Attachment Judge O'Connor's Recommendation.
- B. Labor Section - War Finance Division Reports.
- C. Letter to Assistant Attorney General Clark from Chief Counsel of the Bureau of Internal Revenue Vencil - Dated October 12, 1939.
- D. Letter to Assistant Attorney General Clark from Chief Counsel of the Bureau of Internal Revenue Vencil - Dated October 27, 1939.
- E. Oftedal Telegram.
- F. Report from Special Agent Ivan W. Gowdey.
- G. Views of Former Treasury Employee.

MEMORANDUMCHARLES H. CARRBACKGROUNDPersonal History:

Born on August 18, 1903 in Mississippi.

Now almost forty-three years old.

Married in 1936 to Margaret Applewhite, whose two sons by her previous husband are now approximately eighteen and twenty years old.

Education:

Attended elementary and high schools in Mississippi. Graduated from Vanderbilt College at Memphis, Tennessee. Graduated from Yale Law School in 1926. Member of the California State Bar Association.

Employment:

1926 - 1929	Practiced law in Memphis, Tennessee.
1929 - 1933	Practiced law in Los Angeles, California.
1933 - 1936	Assistant United States Attorney, Los Angeles, California.
1936 - 1940	Tax Division, Justice Department, Washington, D. C.
1940 - 1943	Practiced law in Los Angeles.
1943 - to date	United States Attorney, Southern Judicial District of California.

- 2 -

Financial Condition:

Net worth believed to be approximately \$50,000 to \$60,000.

Credit standing good, and has filed timely income tax returns.

References:

All of the following have endorsed Mr. Carr as to his character and reputation, loyalty and ability:

Hon. Pierson Hall	U. S. District Judge, Los Angeles.
Hon. J. F. T. O'Connor	U. S. District Judge, Los Angeles.
George Bouchard	Attorney, Los Angeles.
Charles McGaughey	Attorney, Los Angeles.
James Carter	Assistant U. S. Attorney, Los Angeles.
W. D. McEachen	Assistant U. S. Attorney, Los Angeles.
J. C. R. McCall	Assistant U. S. Attorney, Los Angeles.
Ronald Walker	Assistant U. S. Attorney, Los Angeles.
Charles H. Veale	Assistant U. S. Attorney, Los Angeles.
Joe Scott	Republican leader.
Manchester Boddy	Publisher of the Los Angeles Daily News.
Norman Chandler	Publisher of the Los Angeles Times.

Judge O'Connor particularly remarked about the able manner in which Carr handled the Charlie Chaplin case, where he was opposed by Jerry Geisler, an outstanding criminal attorney. (See Judge O'Connor's statement which accompanied report of the District Coordinator, and is attached as part of Exhibit A).

Labor Organizations:

The Labor Section of War Finance reports after checking Labor's point of view that, "the sources checked, are one hundred per cent favorable. Carr is said to be indomitable, absolutely conscientious and a tremendous fighter. He is a man of very fine public point of view. He is not a New Dealer but is a liberal Democrat and his reputation in the community is excellent."

The War Finance report (Exhibit B) goes on to state: "As far as organized labor is concerned, particularly the American Federation of Labor, they state that he is absolutely objective and impartial, so much so that they give him an unreserved endorsement."

Unfavorable Comments:General:

Mr. Carr has been criticized for being in some respects too impetuous; as not displaying a great amount of tact; and as being too quick in formulating judgments. (Page three of report from the District Coordinator's office in Los Angeles - attached as Exhibit A).

Bioff-Schenck Case:

Prior to September 1939, information was received by the United States Government, indicating that a secret payment of \$100,000 had been made by Joseph M. Schenck to Bioff, labor racketeer, and that a Treasury Agent named Kadis had been bribed. Proceedings were held before the grand jury

- 4 -

beginning September 20, 1939, and Mr. Carr, acting as Special Assistant to the Attorney General, examined Mr. William Goetz and Mrs. Frances Webb. Prior to the examination, Carr was furnished by Special Agent Oftedal, with a memorandum of the facts known to be within the knowledge of Goetz and Mrs. Webb. Carr examined the two witnesses as to the matters covered by Oftedal's memorandum. The examination of the two witnesses was completed within one hour and twenty minutes, with very disappointing results.

It is stated by Mr. Wenchel in his letter to Assistant Attorney General Sam Clark, of October 12, 1939 (Exhibit C) that - "Mr. Carr was not aggressive in his questioning of these two witnesses and the questions propounded by him generally invited negative answers with the result that Mr. Goetz and Mrs. Webb both denied knowledge of facts which this office has every reason to believe are within their knowledge."

Mr. Wenchel also points out that - "Mr. Goetz was permitted to communicate with Mrs. Webb after the conclusion of his testimony and previous to the commencement of hers which is considered unfortunate in that it may have given him an opportunity to inform her as to the results of his examination."

Mr. Wenchel's letter quotes from Carr's report as follows:

"It took only a short time before the grand jury with Goetz for the writer to determine that the Government was on a hopeless fishing trip. It was

- 5 -

apparent, however, that Goetz made no effort to tell the truth concerning the matters about which he was questioned."

Wenchel goes on to comment: "If Mr. Carr reached the determination that the proceedings were 'hopeless' before he had finished the examination of Goetz and before he had examined Mrs. Webb it would appear that he misconceived the nature and purpose of his assignment to conduct the grand jury proceedings."

Wenchel's letter went on to suggest that Goetz and Mrs. Webb be called again before the grand jury and examined at length and in detail, and that a group of other witnesses including Joseph M. Schenck be called before the grand jury; that all persons called before the grand jury be kept separated during the course of their examinations and not permitted to communicate with each other; and that every effort be made to induce the witnesses before the grand jury to divulge the matters within their knowledge.

In another letter to Sam Clark from Wenchel, dated October 27, 1939 (Exhibit D), it is brought out that Schenck was not called before the grand jury. Wenchel states: "It is understood that Schenck was told that he might be called before the grand jury and that he very definitely stated that he would not sign a waiver of immunity under any circumstances. It is believed that he should be called before the grand jury and if it is his intention to stand upon his constitutional immunity, he should be forced to openly declare such an intention."

On December 30, 1939 a meeting was held in Secretary Morgenthau's office, attended by Secretary Morgenthau, General Counsel Foley, Chief Counsel of Internal Revenue Wenchel and Assistant Attorney General Sam

- 6 -

Clark and Keep. The Bioff-Schenck case was the subject of the discussion.

During the discussion Secretary Morgenthau said that the man (Carr) sent before the grand jury to try the case was "terrible". The Secretary said that he thought it was the most "outrageous performance" he had ever read.

Sam Clark admitted that on the record it was clearly a "superficial and incompetent performance", but stated that in the light of the circumstances he was not inclined to agree entirely with the Secretary's criticism.

Keep took a similar position, stating that apparently Carr had felt that if he went further in the examination of the witnesses he might disclose a confidence. (A full report of the meeting in the Secretary's office is contained in the Secretary's Diary, Book 232 - Page 468).

Oftedal Views:

At the time of the Bioff-Schenck case, Oftedal, who was then a Special Agent of the Intelligence Unit of the Bureau of Internal Revenue, was in close and almost constant contact with Carr. Oftedal was very critical of Carr's handling of the case. A telegram from Oftedal of June 17, 1945, (Exhibit E) indicates that he is still of the view that Carr improperly handled the case. Oftedal, who retired in 1945 after refusing to work under Agent Madden on some Chicago facets of the case, states in his telegram "in his opinion Carr has never favored prosecutions of any principal movie producer largely because of his personal aspirations professionally; that his analysis of the evidence affecting Schenck and Bioff in particular was extremely faulty; according to his understanding Carr always believed everything that Schenck stated to him respecting the reason for turning over one hundred thousand dollars to Bioff."

181

- 7 -

Gowdey Views:

Ivan V. Gowdey, Special Agent in charge in San Francisco, in his report of June 18, 1945 (Exhibit F) is very favorable to Carr. Gowdey says that Oftedal's statement should be considered in conjunction with the fact that "at the time Mr. Carr was engaged on the Bioff-Schenck cases, none of the evidence which was later brought to light and disclosed the immense scope of Mr. Bioff's extortions from motion picture directors had come to light and there was at that time no very conclusive evidence that the story then told by Mr. Bioff and Schenck, namely, that the one hundred thousand dollars was a loan from Mr. Schenck to Mr. Bioff was not the truth."

Views of Former Treasury Employees:

There is attached hereto, as Exhibit G, a telegram addressed to Elmer Irey by a person previously connected with the Treasury Department. It contains very damaging statements with respect to Carr and should be read in full.

Grand Jury Proceedings:

A review of the transcript of the grand jury hearing reveals the following:

- a. The questioning of Goetz and his secretary, Mrs. Frances Webb, took place on September 29, 1939, and lasted only one hour and twenty minutes.
- b. Carr was very differential in his questioning of the witnesses and did not press them vigorously, although he later indicated that Goetz "made no effort to tell the truth".

182

183

- 8 -

- c. At the conclusion of Goetz's testimony, Carr asked Goetz to ask Mrs. Webb to come in. Accordingly, Goetz was given an opportunity to confer with Mrs. Webb prior to her testimony and after his. The proper procedure would have been for these witnesses to be kept separated and not allowed to confer once the hearings were started.

Final Conclusion on the Case:

Bioff was finally indicted on the west coast for tax evasion. He was never tried, however, in view of his conviction in New York. Bioff was indicted, tried and convicted in New York. Schenck was indicted, tried and convicted in New York for both tax evasion and perjury.

Apparently, the decision to try Schenck in New York was motivated by several factors, including the following:

- a. The Treasury's dissatisfaction with the handling of the case on the west coast, plus the fact that a competent man, Mr. Cahill, later succeeded by Matt Corren, was ready to try the case in New York.
- b. Schenck was being tried for filing false returns. These returns had been filed in New York and accordingly, New York was the proper place for such offense to be tried.
- c. The local situation in New York was obviously better for trying prominent movie producers than in Los Angeles.

12"

EXHIBITS

OFFICE OF
DISTRICT COORDINATOR

TREASURY DISTRICT NO. 14

MHL and HOC:smc

VIA AIR MAIL

Chief Coordinator,
Treasury Enforcement Agencies,
Washington, D. C.

TREASURY DEPARTMENT

TREASURY ENFORCEMENT AGENCIES

Los Angeles, California

18 June 1948

In re: Charles H. Carr
U. S. District Attorney
U. S. Post Office & Court House
Los Angeles, California

This report relates to an investigation to determine the character, reputation and loyalty to this Government, of Mr. Charles H. Carr, U. S. Attorney for the Southern Judicial District of California. At the time of this investigation Mr. Carr was in Washington, D. C., and the information set out herein was obtained from his friends, acquaintances and office associates. The information pertaining to Mr. Carr's personal history and appearance was obtained from Mr. James M. Carter, Chief Assistant to the United States Attorney, Los Angeles, California.

PERSONAL HISTORY AND APPEARANCE:

It is stated that Mr. Carr's parents were native-born Americans; that he was born on August 18, 1908, at Coahoma, Mississippi; that on August 1, 1936, he was married to Margaret Applewhite, whose two boys by her prior husband are now approximately 18 and 20 years old; that he has blue eyes and red hair; that he is 5' 11" tall and weighs approximately 180 pounds; and that he has an alert manner and presents a fine personal appearance. He has no apparent physical disability or outstanding peculiarity.

EDUCATION:

It is stated that Mr. Carr attended elementary and high schools in Coahoma, Mississippi; that he attended Vanderbilt College at Memphis, Tennessee, where he received an A. B. degree in 1928; that he attended Yale University from 1928 to 1929 when he graduated with an L.L.B. degree; and that he is a member in good standing of the California State Bar Association.

EMPLOYMENT:

It is stated that Mr. Carr practiced law from 1926 to 1929 in Memphis, Tennessee; that from 1929 to 1933 he practiced law in Los Angeles, California;

185

that from 1935 to 1936 he was Assistant United States Attorney at Los Angeles, California; that from 1936 to 1940 he was stationed in Washington, D. C., as Special Assistant to the Attorney General; that from 1940 to 1943 he was engaged in the private practice of law in Los Angeles; and that from June 1, 1943, to date he has been United States Attorney for the Southern Judicial District of California.

Mr. James M. Carter, Chief Assistant, United States District Attorney, Los Angeles, California, states he has known Mr. Carr practically since boyhood; and that he is splendidly qualified for the position he occupies, is doing an excellent job and is well regarded by the California State Bar Association.

Mr. Willie I. Morrison, Attorney, Chapman Building, states that in approximately the year 1930 Mr. Carr was employed by him as an attorney; that he was an alert, industrious young man; that he possessed a pleasing manner; and that he resigned of his own accord.

Mr. Eugene Overton of the firm of Overton, Lyman and Plumb, Attorneys, Roosevelt Building, Los Angeles, California, states that in approximately the year 1940 Mr. Carr was an associate of their firm; and that he was well versed in the law and, due to his legal knowledge and personality, he was regarded as a valuable member of the firm.

FINANCIAL CONDITION

It is stated that Mr. Carr's net worth is believed to be approximately \$80,000 to \$90,000; that his wife possessed some money when he married her; and that he made considerable money when practicing law in Los Angeles.

The files of the Los Angeles Retail Merchants Credit Association disclose that Mr. Carr's credit rating is regarded as being good. The records of the Office of the Collector of Internal Revenue, Los Angeles, disclose that he filed timely income tax returns for the years 1930 to 1943, inclusive. All returns for the year 1944 have not as yet been indexed.

GENERAL INQUIRIES AND MISCELLANEOUS INFORMATION

Inquiries concerning Mr. Carr have been made of the following prominent attorneys and officials at Los Angeles, California, who have known him since he came to Los Angeles, and who have been closely associated with him subsequent to that time:

- 17 Hon. Pierson Hall, U. S. District Judge, Los Angeles.
- Hon. J. F. T. O'Connor, U. S. District Judge, Los Angeles.
- George Bouchard, Attorney, Los Angeles.
- Charles McGaughey, Attorney, Los Angeles.
- James Carter, Assistant U. S. Attorney, Los Angeles.
- W. D. McEachen, Assistant U. S. Attorney, Los Angeles.
- J. C. R. McCall, Assistant U. S. Attorney, Los Angeles.
- Ronald Walker, Assistant U. S. Attorney, Los Angeles.
- Charles H. Venle, Assistant U. S. Attorney, Los Angeles.

186

Judge O'Connor states (Exhibit "1") he was very favorably impressed by the manner in which Mr. Carr conducted one of his cases involving a prominent motion picture actor and the ability displayed by him in the successful prosecution of that case in which he was opposed by one of the most brilliant criminal lawyers on the Pacific Coast.

The above-named attorneys and judges were in complete agreement in the statements made relating to the character, reputation, loyalty, ability and representative characteristics of Mr. Carr. The statements made by each individual may be summarized as follows:

Mr. Carr has had sufficient practical experience in Federal procedure to give him an excellent background in Federal practice which is further strengthened by a good liberal education and a sound intellect. He is an indefatigable worker and his cases are thoroughly prepared. He is imbued with the idea of rendering efficient public service and to become an outstanding trial lawyer. His honesty and integrity are above reproach and all business dealings and obligations are fulfilled with scrupulous fairness. He is critical of those whose ethics do not conform to a high sense of duty and justice. He has the courage of his convictions and is ambitious to match wits with any opponent in the legal profession. He is aggressive and forceful and has been somewhat criticized for being in some respects too impetuous and not displaying a greater amount of tact or being too quick in formulating judgments. He is regarded as one having strong likes and dislikes and has a temperament, manner, impulsiveness, and polish of a Southern gentleman. In short he is regarded as one who would do an excellent job in any position to which he aspired and it would be very difficult to secure a more capable or efficient employee or one who would conscientiously devote himself to the best of his ability to protect the interests of the Government.

Mr. Joe Scott, a prominent attorney and Republican, Black Building, Los Angeles, California, states it is his belief that the office of the United States District Attorney is well represented by Mr. Carr; that he believes him to be well qualified in the profession of law; that he is fair; that he believes him to be of good character and in good repute; and that he recommends him for any position he may seek.

Mr. Manchester Roddy, Editor of the Daily News, Los Angeles, California, states that when Mr. Carr was a candidate for the office of United States District Attorney his staff made a thorough investigation of the applicant and they could find nothing derogatory regarding his character or reputation and he was considered well qualified for the job.

Mr. Morsan Chandler, Publisher of the Los Angeles Times, a Republican newspaper, states that he has met Mr. Carr only once, casually, but that the members of his staff who have had contact with him speak highly of his ability and his fairness and they feel that he is filling the position of United States District Attorney in a very satisfactory manner.

12

187

SUMMARY:

This investigation has disclosed that Mr. Carr is a native-born citizen of the United States; that he has had a college education and that he has practiced law in Memphis, Tennessee, and in Los Angeles, California. He is highly spoken of by the legal profession both in the private practice of law and in the positions of United States District Attorney and Special Assistant to the Attorney General. He maintains a good credit rating in Los Angeles County, is apparently well fixed financially, and has satisfied all income tax filing liabilities for the years 1939 to 1945, inclusive. References describe him as a loyal American citizen of good character and reputation. Neither the Police Department of the City of Los Angeles, the Sheriff's Office of Los Angeles County nor the anti-subversive sections thereof has any record of his arrest.

W. H. Loring
W. H. Loring, Agent
Office of District Coordinator

H. C. Gregg
H. C. Gregg, Agent
Office of District Coordinator

12"

188

United States District Court
Southern District of California
Los Angeles

Clerk of
J. F. T. O'Connor
United States District Judge

JUNE 18th, 1945

I have known Mr. Carr for several years, and more particularly since he became United States Attorney in this Los Angeles District. He has tried some important matters in my court, particularly: United States vs. Charles S. Chaplin, which was a case where he was opposed by one of the most brilliant criminal lawyers on the coast, Mr. Jerry Gissler. Mr. Carr prepared his evidence in splendid manner and showed high legal ability, and was a match for the defense attorney. His argument to the jury was of the highest standard.

Mr. Carr also prepared an important case in re United States vs. Chaplin, Griffin et al, involving interpretation of the civil rights statute. He submitted a careful, splendid brief in this important matter, and other matters that he has presented to my court have been on a high plane.

All of the judges on this Bench have a high opinion of Mr. Carr and of his legal ability and integrity, which has never been questioned. He is hard-working, aggressive in the right sense, a thorough gentleman, and has made a splendid record as United States Attorney.

I am confident that in whatever position he might be selected for, he will give excellent service and render a fine account of himself to the Government of the United States. Mr. Carr is married and Mrs. Carr is one of the very highly respected women of this community.

I unhesitatingly recommend him for any position. His cases have been well prepared and he is thorough. I know how particular the Secretary is about a man's integrity. Mr. Carr is thoroughly ethical and I regard him as a very fine lawyer.

J. F. T. O'Connor

Exhibit "1."



FISCAL ASSISTANT SECRETARY

TREASURY DEPARTMENT
FISCAL SERVICE
Washington

18 June 1945

TO THE SECRETARY:

In accordance with your instructions, I contacted Mr. Houghteling and Mr. Woolf on Saturday, 16 June, in regard to Mr. Charles H. Carr of Los Angeles.

Mr. Houghteling called Mr. Grillo, Regional Representative, Labor Section, War Finance Division, Los Angeles, and asked him to make a report by telephone either today or on Tuesday morning. Mr. Houghteling is out of the city today, and the report will be made to me.

Mr. Woolf issued instructions to Special Agent in Charge Ralph R. Read of San Francisco to submit a written report which will arrive not later than Tuesday.

As soon as these reports are received, I shall transmit them to you immediately.



FISCAL ASSISTANT SECRETARY

TREASURY DEPARTMENT
FISCAL SERVICE
Washington

19 June 1945

TO THE SECRETARY:

The following is the substance of a telephone report received from Mr. Gilbert Hyatt, Chief of the Labor Section, War Finance Division, regarding Charles H. Carr.

Mr. Hyatt stated that the reports on Mr. Carr, through the sources requested by you, are one hundred percent favorable. He is said to be indomitable, absolutely conscientious, and a tremendous fighter. He is a man of very fine public point of view. He is not a New Dealer but is a liberal Democrat and his reputation in the community is excellent.

As far as organized labor is concerned, particularly the American Federation of Labor, they state that he is absolutely objective and impartial, so much so that they give him an unreserved endorsement.

Mr. Hyatt states that he has seldom heard a man so highly endorsed.

We expect a written report from Mr. Woolf about noon today.

October 12, 1939

GC: P:WU
328904Hon. Samuel O. Clark, Jr.,
Assistant Attorney General
Department of Justice
Washington, D. C.In re: Joseph M. Schenck, et al.,
Los Angeles, California.

Dear Sir:

Receipt is acknowledged of your letter of September 27, 1939, in which you quoted part of a report made to you by Mr. Carr with respect to the proceedings before the grand jury in Los Angeles in connection with the above-mentioned cases and transmitting a transcript of the proceedings before the grand jury on September 20, 1939.

In his report Mr. Carr expressed the opinion that the facts in these cases do not warrant criminal prosecution and that the matter should be referred to the Treasury Department for consideration as to the civil liability. You stated that your office is inclined to agree with the views expressed by Mr. Carr and invited the comments of this office with respect to the bribery phase of the cases and the advisability of conducting a further investigation of that phase of the cases before the present grand jury.

In the proceedings before the grand jury on September 20, 1939, Mr. Carr examined Mr. William Goetz and Mrs. Frances Webb. Before he commenced such examinations he was furnished a memorandum by Special Agent Oftedal of the facts in these cases which were known to be within the knowledge of Goetz and Mrs. Webb. The transcript of the proceedings indicates that Mr. Carr examined Mr. Goetz and Mrs. Webb as to the matters covered by Agent Oftedal's memorandum. However, the entire examination of both of the witnesses was completed in one hour and twenty minutes and both witnesses denied any knowledge of the bribery of the revenue agent. This office understood that the purpose of the grand jury proceeding was to elicit from Goetz and Mrs. Webb the true facts in the cases but the results accomplished were disappointing. It is noted that Mr. Carr was not aggressive in his questioning of these two witnesses and the questions propounded by him generally invited negative answers with the result that Mr. Goetz and Mrs. Webb both denied knowledge of facts which this office has every reason to believe are within their knowledge.

Hon. Samuel O. Clark, Jr.,
In re: Joseph M. Schenck, et al.

It is noted that Mr. Goetz was permitted to communicate with Mrs. Webb after the conclusion of his testimony and previous to the commencement of hers which is considered unfortunate in that it may have given him an opportunity to inform her as to the results of his examination.

The following paragraph from Mr. Carr's report was quoted in your letter:

"It took only a short time before the grand jury with Goetz for the writer to determine that the Government was on a hopeless fishing trip. It was apparent, however, that Goetz made no effort to tell the truth concerning the matters about which he was questioned."

This statement is confusing to this office because it was understood that the purpose of the grand jury proceedings was to elicit the truth from Mr. Goetz and Mrs. Webb. If Mr. Carr reached the determination that the proceedings were "hopeless" before he had finished the examination of Goetz and before he had examined Mrs. Webb it would appear that he misconceived the nature and purpose of his assignment to conduct the grand jury proceedings.

It would seem that you incline to the view that, on the basis of evidence thus far gathered by Treasury agents, no criminal tax case is or can be made out against Schenck, et al., and no bribery case against Schenck or Kadis. It would seem that you are of the opinion that the facts with regard to the reorganization transactions of Twentieth Century and Fox and the individuals associated with the reorganization, so far as presented, do not give rise to any liability in the cognizance of your Department. If such is your opinion, this office, if you so request, will reconsider the reports heretofore sent to you. However, with regard to the Kadis bribery, this office is strongly of the opinion that a broader, more comprehensive and thorough grand jury presentation and investigation of all the relevant facts by a vigorous and diligent prosecutor should be undertaken, and, if undertaken, should lead to an indictment against the person giving and the person receiving the bribe.

In connection with such presentation, it is suggested that Mr. Goetz and Mrs. Webb be again called before the grand jury and examined at length and in detail; that a great deal more time be devoted to their examination than was devoted to their examination on September 20; that Dover be called before the grand jury and similarly examined; that Moe Lesser, Joseph Moskowitz, J.B. Codd, Bertram Nayfact, and A. C. Michaels, who are believed to

193
Hon. Samuel O. Clark, Jr.,
In re: Joseph M. Schenck, et al.

have knowledge of important facts in the cases, be called before the grand jury; that Joseph M. Schenck and Darryl F. Zanuck be called before the grand jury; that all persons called before the grand jury be kept separated during the course of their examinations and not permitted to communicate with each other; that every effort be made to so conduct the proceedings before the grand jury as to secure the maximum effect of the secrecy attendant on grand jury proceedings; and that every effort be made to induce the witnesses before the grand jury to divulge the matters within their knowledge.

This office is, of course, especially interested in the bribery phase of the case and there is a necessity for immediate and quick action in view of the fact that the Statute of Limitations will have run against any prosecution next month.

In such an investigation this office is prepared to give every kind of assistance in its power. The suggestion is made for your consideration that the investigation be separate from the Bioff investigation, that it be referred to the United States Attorney, and that as respects assistance from Washington it be handled substantially as was the Annenberg case.

This office will be pleased to receive advice as to the final disposition of this matter by your office.

Very truly yours,

(signed) J. P. Wenchel

J. P. Wenchel,
Chief Counsel.

GC: P:INC
328904

October 27, 1939

Hon. Samuel O. Clark, Jr.,
Assistant Attorney General,
Department of Justice,
Washington, D. C.

In re: Joseph M. Schenck, et al.,
Los Angeles, California.

Dear Sir:

Pursuant to an understanding reached at a conference held in your office on October 21, 1939, there follows a list of persons who it is believed should be called before a grand jury, together with a statement as to each of them of the testimony it is expected can be elicited if they will testify truthfully and fully:

1. Moe Lesser. This man was regularly employed as tax adviser for Darryl F. Zanuck and William B. Dover, and he was present in New York at the time Kadis and Dover were having conferences concerning the income taxes of Zanuck, Schenck and Goetz. Despite the fact that he was the regularly employed income tax adviser of Zanuck, he was not permitted to participate in the conferences at which the disproportionate distribution of Twentieth-Century Fox Film stock was discussed.

2. Joseph H. Moskowitz. This man is the personal accountant and Eastern representative for Joseph M. Schenck and he should be familiar with the circumstances surrounding the conferences between Dover and Kadis in New York in 1936. The telephone call which Kadis made to Dover in 1936, when the case had been reassigned to Kadis, was made from the New York office of the Twentieth-Century Fox Film Corporation, and it may have been made from the office of Moskowitz. He probably could be profitably examined with respect to his knowledge of this telephone call.

3. J. B. Codd. This man is employed by the Twentieth-Century Fox Film Corporation, and he also has charge of Schenck's personal accounts on the West Coast. He may have knowledge as to funds secured by Schenck for payment to Kadis or of entries respecting such funds. He should also be examined as to any financial transactions he may have had with William B. Dover as intermediary for Schenck in the payment of money to Kadis.

Hon. Samuel O. Clark, Jr.
In re: Joseph M. Schenck, et al.

4. Bertram Mayhew. This man is a nephew by marriage of Schenck and acted as his attorney in certain phases of the income tax case. He should be examined as to why he secured an opinion from Dr. Klein in September 1936, with respect to the taxability of the reorganization transaction. He secured this opinion about the time that Kadis and Dover were having their conferences in New York City.

5. John Michaels. This man is the comptroller of Twentieth-Century Fox Film Corporation in New York, and the telephone call from Kadis to Dover may have been made in his office. He possibly has knowledge of funds secured by Schenck to be paid to Kadis or Dover as an intermediary for payment to Kadis. He was referred to in the cablegram which Dover sent to Zanuck at the time he arranged for the conference in New York with Kadis, and it is probable that he was consulted with respect to such conference.

6. William B. Dover. This man was the confidential employee of Darryl Zanuck and handled all of his financial transactions. Information available indicates that he acted as an intermediary in the payment of a large bribe to Kadis; that he collected the money for this bribe from Zanuck, Schenck and Goetz; and that a part of the time Kadis was waiting Goetz in the presence of Mrs. Webb at the time Kadis was waiting in an anteroom. It is understood that he has refused to sign a waiver of immunity and, as a consequence, was not called before the grand jury. It is felt that he is granted immunity from prosecution. This suggestion is made despite what is said to be the attitude of the District Court at Los Angeles to the effect that the calling of a person before a grand jury immunizes such person from criminal prosecution. This office feels that this attitude of the District court is not in accordance with the well settled law, and in the event the court should so hold, it is believed a reversal could be secured in the Circuit Court of Appeals.

7. William Goetz and Mrs. Frances Webb. If these two persons are recalled before the grand jury they should be examined as to the matters set forth in a memorandum of Special Agent Ottedal to Mr. Carr, dated September 11, 1939, a copy of which is available in your office.

196

Hon. Samuel C. Clark, Jr.
In re: Joseph M. Schenck, et al.

S. Joseph M. Schenck and Darryl F. Zanuck. It is the belief of this office that these individuals should be called before the grand jury and questioned with respect to the payment of the bribe to Kadis. It is understood that Schenck was told that he might be called before the grand jury and that he very definitely stated that he would not sign a waiver of immunity under any circumstances. It is believed that he should be called before the grand jury and if it is his intention to stand upon his constitutional immunity, he should be forced to openly declare such an intention. While Zanuck's attitude has not been definitely ascertained, it is probable that he will take the same position as Schenck and what has been said with respect to Schenck applies as well to him.

This office renews the suggestion made in its letter of October 12, 1939, that these cases be handled in the same manner as was the case of Moses L. Annenberg. The same sort of assistance as was furnished in the Annenberg case will be furnished in these cases if you so desire. This office also will be pleased to make available to you any and all of the facilities of the Bureau of Internal Revenue for this purpose. Accordingly, it will be appreciated if you will advise this office of your views in this matter in order that the necessary arrangements may be made should this suggestion be adopted.

Very truly yours,

(signed) J.P. Wenchel

J. P. WENCHEL
Chief Counsel.

Exhibit E

197

June 17, 1945

TELEGRAM

Re attitude of Carr Los Angeles my personal opinion largely based upon knowledge of correspondence Carr had with Clark in Washington and strongly confirmed by my numerous personal conferences with Carr and others during active investigation of cases is that Carr has never favored prosecutions of any principal movie producer largely because of his personal aspirations professionally further that his analysis of the evidence affecting Schenck and Bioff in particular was extremely faulty according to my understanding Carr always believed everything Schenck stated to him respecting reason for turning over one hundred thousand dollars to Bioff. These statements can be substantiated I am sure by inquiries directed to others who participated in investigation and prosecution of cases especially Mat Correa and Boris Kostelanetz

Oftedal



INTELLIGENCE UNIT

San Francisco

(Office of Technical)

ING:U

TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

844 U. S. Post Office and Court House,
Los Angeles 12, California,
18 June 1945

VIA AIR MAIL

PERSONAL AND CONFIDENTIAL

Mr. Elmer L. Irey,
Chief Coordinator,
Treasury Enforcement Agencies,
Room 3317 Treasury,
Washington 25, D. C.

In re: Charles H. Carr

Dear Mr. Irey:

Reference is made to the coded telegram transmitted through this office to you on June 16, 1945, in which Mr. Alf Oftedal states his opinion as to the attitude of Charles H. Carr toward the Bioff-Schenck cases on which Mr. Carr was, for a period of time, assigned as a special representative of the United States Attorney General.

During the time Mr. Carr was in Los Angeles in connection with the Bioff-Schenck cases, Mr. Oftedal, who was then a Special Agent, Intelligence Unit, Bureau of Internal Revenue, was in close and almost constant contact with him; while my official connections with the matter were very limited and I attended none of the formal conferences or none of the informal ones whereat plans and procedure were discussed and determined. I do not wish to question Mr. Oftedal's judgment of Mr. Carr but I do believe that, in all fairness to Mr. Carr, Mr. Oftedal's statements should be considered in conjunction with the facts that at the time Mr. Carr was engaged on the Bioff-Schenck cases none of the evidence which was later brought to light and disclosed the immense scope of Mr. Bioff's extortions from motion picture directors had come to light and there was at that time no very conclusive evidence that the story then told by both Mr. Bioff and Mr. Schenck, namely, that the \$100,000.00 was a loan from Mr. Schenck to Mr. Bioff was not the truth. A grand jury investigation of the matter was conducted in Los Angeles and the witnesses called before that grand jury were questioned by Mr. Carr. At that time Mr. Carr was unofficially criticized by Special Agent Oftedal for not having been more vigorous in his questioning of the witnesses but a

review of the case will disclose that at the time Mr. Carr was questioning those witnesses he was on a "fishing expedition" and had no "ace in the hole" with which he could confront any witness whom he thought was not telling the truth.

I have informally discussed the Bioff-Schenck cases with Mr. Carr since his return to Los Angeles and he states that he always believed, and yet believes, that the amounts collected by Bioff were paid him by the motion picture directors of their own volition for the purpose or circumventing certain provisions of the Wagner-Labor Relations Act or other Federal statutes pertaining to organized labor. Mr. Carr has told me that he attempted to have the whole case handled by the Department of Justice on the basis of a conspiracy to violate the Federal labor statutes but was unsuccessful in that effort.

I have found Mr. Carr to be very energetic and enthusiastic. He has the local reputation of being personally ambitious but that, of course, is not to be held against him unless he permits it to influence him to take unfair advantage of others. That he has not done in so far as I have ever heard.

A report of character investigation prepared by Agents Madison H. Loring and Henry C. Gregg with respect to Mr. Carr is being forwarded to your office this date.

With best personal regards, I am

Yours truly

Ivan H. Cowley
Ivan H. Cowley
Special Agent

200

TELETYPE

Subject forty one years old married two stepsons
A B Degree Vanderbilt University and LLB Yale Practiced
Law 1926 to 1929 Memphis and 1929 to 1933 and 1940 to
June 1943 in Los Angeles 1933 to 1936 Assistant U S
Attorney Los Angeles 1936 to 1940 Special Asst to Atty
General Wash and June 1 1943 to date has held present
office. Present and former professional associates endorse
him highly as to character, reputation, sound education,
personality, ability, honesty, integrity and scrupulous
fairness and state he is hard worker. His cases are
thoroughly prepared. He has the courage of his convictions
and is aggressive and forceful. Only criticism is that he
is sometimes impetuous and perhaps sometimes too quick in
forming judgments. Endorsements of similar nature by
Federal Judges Pierson M. Hall, J. F. T. O'Connor, by
Attorneys George Bouchard, Charles McCaughey, James Carter
and others, by Joe Scott, Republican leader and by
Publishers Manchester Boddy, Los Angeles Daily News and
Norman Chandler, Los Angeles Times. Subject's net worth
estimated fifty to sixty thousand dollars. He has excellent
credit rating and has filed all required income tax returns.

To: _____

201
The information contained
in the attached message was
received from a reliable
informant who asks that his
name be not divulged.

6-23-45

From MR. IRBY

B-4.6.7.6 302

WU27 235 GOVT COLLECT 1/155

HOLLYWOOD CALIF JUN 23 1945 853A

ELMER L IREY CHIEF COORDINATOR

TREASURY DEPARTMENT

Carr was Special Prosecutor here in Bioff-Schenck case and indicated Bioff was not backward about claiming he had saved Schenck. When vacancy occurred here Downey sent two names to Justice, one of them Carr. There was long delay making appointment because of two names. Carr finally went to Schenck who had just been paroled and at latter's insistence Downey, who was then in City, gave Carr letter to Justice recommending him solely. Carr then boarded plane for Washington presented letter and appointment was forthcoming. Downey's action due to fact he was and still financially heavily obligated to Schenck and had tried assist him in his trouble. Believe I told this story to Herbert soon thereafter and that he will recall it. As to Judge (Pierson Hall) he informs me he did tell personnel man foregoing facts but when asked stated so far as he knew Carr's conduct of official post was okay. As to any political reper-

- 2 -

cussions have reason to believe that Pawley now abroad would approve rejection because he had recently complained to friends including Judge that Carr had double crossed him in some manner. Latest rumor here was that Hannegan had informed certain people familiar with this phase that appointment would not be made until Pawley returned. Much adverse comment here currently following Carr's statement matter was settled because facts stated above are generally known.

203

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 18 JUN 1945

TO Secretary Morgenthau

FROM Mr. O'Connell

Mr. Wenchel has worked out the following with respect to decentralization of the Penal Division of the Office of the Chief Counsel for Internal Revenue.

1. An additional Assistant Chief Counsel has been created. This will make four. The new Assistant Chief Counsel, at a salary of \$8,000, will have general charge, under the Chief Counsel, of law enforcement. This includes all cases pending with or referred to the Chief Counsel involving prosecution. Mr. Lesser, after clearing with Commerce, expects to go on the job Tuesday 19 June.

2. There will be set up in the Division Counsel offices of the ten technical staff divisions a group of qualified criminal tax lawyers under an Assistant Division Counsel. As heretofore, the technical staff will have no jurisdiction over criminal cases. In practice the Assistant Division Counsel will operate under the general supervision of the Assistant Chief Counsel.

3. Pending decentralization at Justice, all new cases will flow directly from the Special Agents in Charge to the Assistant Division Counsel. Some of the pending cases will be sent to the field offices as rapidly as they are set up. Letters to Justice recommending prosecution will be prepared in the field and sent through the Chief Counsel's office. Such letters will be signed by the Commissioner as at present.

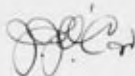
4. The field offices will be staffed in part by some of the men now in the Penal Division. That Division, however, will continue to function in disposing of pending cases not sent to the field and then as a service and advisory organization under the Assistant Chief Counsel.

-2-

5. This does not entail any supervision on the part of Mr. Wenchel's office of present administrative functions of the Bureau.

6. Field offices will be set up in New York, Philadelphia, Chicago, Kansas City and San Francisco immediately.

7. Mr. Lesser plans to go to New York this week to set up the New York office.



Secretary Morgenthau

Mr. O'Connell

18 JUN 1945

Mr. Wenchel has worked out the following with respect to decentralization of the Penal Division of the Office of the Chief Counsel for Internal Revenue.

1. An additional Assistant Chief Counsel has been created. This will make four. The new Assistant Chief Counsel, at a salary of \$8,000, will have general charge, under the Chief Counsel, of law enforcement. This includes all cases pending with or referred to the Chief Counsel involving prosecution. Mr. Lesser, after clearing with Commerce, expects to go on the job Tuesday 19 June.

2. There will be set up in the Division Counsel offices of the ten technical staff divisions a group of qualified criminal tax lawyers under an Assistant Division Counsel. As heretofore, the technical staff will have no jurisdiction over criminal cases. In practice the Assistant Division Counsel will operate under the general supervision of the Assistant Chief Counsel.

3. Pending decentralization at Justice, all new cases will flow directly from the Special Agents in Charge to the Assistant Division Counsel. Some of the pending cases will be sent to the field offices as rapidly as they are set up. Letters to Justice recommending prosecution will be prepared in the field and sent through the Chief Counsel's office. Such letters will be signed by the Commissioner as at present.

4. The field offices will be staffed in part by some of the men now in the Penal Division. That Division, however, will continue to function in disposing of pending cases not sent to the field and then as a service and advisory organization under the Assistant Chief Counsel.

-2-

5. This does not entail any supervision on the part of Mr. Wenschel's office of present administrative functions of the Bureau.

6. Field offices will be set up in New York, Philadelphia, Chicago, Kansas City and San Francisco immediately.

7. Mr. Lesser plans to go to New York this week to set up the New York office.

(Initialed) J. J. G.C., Jr.

208 ✓

18 JUN 1945

Dear Mr. Huber:

I would like to express to you and to the Gulf Oil Corporation my appreciation for making radio time available once again to the Treasury Department on your "We the People" program.

The problem of tax evasion has become an increasingly important one and the opportunity to speak on your program helped us to publicize the need for cooperation from all the people.

Thank you once again for your splendid cooperation.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. W. R. Huber
Advertising Director
Gulf Oil Corporation
Pittsburgh, Pennsylvania

DL:j4

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE 16 June 1945

TO : Secretary Morgenthau
 FROM : Mr. Hays
 Subject: The Business Situation,
 Week ending 16 June 1945.

Summary

Stock market: Due largely to further substantial gains in railroad stock prices, the Dow-Jones average of 65 stocks advanced to a new high for the year last week. Sharp gains were scored by numerous speculative railroad stocks, but leading industrial issues made little headway and the industrial stock average failed to rise above the 1945 high attained near the end of May. Second-grade railroad bonds continued to move higher.

Reconversion: The WPS has taken further steps to facilitate reconversion, including the open-ending of aluminum controls and the revocation of restrictions on the use of zinc. However, difficulties in the actual procurement of materials is proving a formidable barrier to reconversion. A recent NIOS survey indicates that the optimism of many pre-V-E Day estimates on the speed of reconversion to peace-time production has been dampened by actual realities.

Steel operations: After declining in May, steel operations thus far in June have shown a further recession, with operations last week scheduled to show a drop of 1.1 points to 90.0 percent of capacity. Moreover, a strike at the Carnegie-Illinois Steel Corporation cut operations in the important Pittsburgh district substantially below the scheduled rate. Cutbacks in war production have not been reflected to the extent expected in cancelled orders at steel mills, and the WPS has launched a drive to have consumers cancel steel orders as soon as war contracts are cut back.

Prices: Commodity prices continue to move higher. The Dow-Jones futures index last week advanced steadily to new war-time highs. Rye futures rose to a 30-year high on heavy buying attributed to distilling interests, since the sale or delivery of corn for distilling or for export has been prohibited by the War Food Administration in view of the uncertain crop outlook. The ELS all-commodity index has risen 1 percent in the past two months.

- - - -

- 2 -

Stock prices rise to new high

Featured by a renewed upswing in railroad shares and persistent buying of selected industrial and utility issues, stock prices moved up to a new 1945 high last week and trading activity increased. Many of the leading industrial issues failed to make any notable headway, but heavy buying occurred in the more speculative railroad stocks and low-priced industrial and utility issues. Gains in railroad and utility stocks lifted the Dow-Jones average of 65 stocks to a new high for the year, although the industrial stock average failed to rise above the recent high attained on 29 May. (See Chart 1.) Trading activity expanded in the latter part of the week and daily average trading on the New York Exchange was about 12 percent above the previous week. Trading volume on Saturday was the heaviest for any Saturday thus far this year.

Railroad securities show wide gains

Last week's strength in railroad stocks was accompanied by further gains in railroad bond prices, with the Dow-Jones average of second-grade railroad bonds now standing less than 1 point below the record high of 100.84 attained in 1930. The present level of prices contrasts sharply with the record low of 36.55 touched in May 1940.

Railroad stock prices are still moderately below the 1937 peak, but as a result of the long rise since mid-1942 they are now 121 percent higher than in August 1939, just before the outbreak of war in Europe. (See Chart 2.) This rise compares with a gain of only 22 percent in industrial stock prices, but it will be recalled that railroad securities were selling at very depressed levels in 1939 as an aftermath of the severe 1937-38 decline in railroad earnings. Railroad finances have improved remarkably during the war period as a result of sharp earnings gains, and reductions in fixed charges through refunding operations and heavy debt retirements.

Advance in stock prices after V-E Day

Contrary to the expectations of some observers earlier in the war, stock prices have advanced over 3 percent since V-E Day, although most of the gain has occurred in the railroad and utility stock averages. Stock prices as a whole now stand nearly one-third higher than in August 1939. (See Chart 1.)

- 3 -

While conditions now are markedly dissimilar to those prevailing in World War I, reference to Chart 3 will disclose that the war-time peak in stock prices then was attained late in 1916, before our actual entry into the conflict. After the Armistice was signed in November 1918, stock prices declined for about 3 months and then rose steadily until July 1919. A broad decline then set in, despite a continuing inflation in commodity prices which lasted a year longer.

Investment advisory services cautious

The recent strength in stock prices has developed in the face of cautious advices of many investment advisory services and considerable uncertainty over the nearby course of the market. On the other hand, cutbacks in war contracts and economic dislocations resulting from the end of the war in Europe thus far have been much less disturbing than many investors feared. Moreover, the expected heavy traffic demands of the war in the Pacific have probably contributed to the recent strength in railroad stocks.

Concern of stock traders over the possibility of higher capital gains taxes and margin requirements, which followed the Eccles proposals earlier in the year, appears to have waned somewhat. However, earlier this month the president of the New York Stock Exchange reiterated opposition to proposals for longer holding periods and higher capital gains taxes. At the same time he expressed the opinion that aliens actually residing in the United States, who are now technically regarded as nonresidents since they are here on visitors visas, should not be exempted from capital gains taxation as they are at present. While he disclaimed knowledge of the number or resources of these persons, he stated that "it is common knowledge that they are operating in our markets on a wide scale."

Progress of reconversion measures

Additional reconversion steps taken by the WPB last week included the open-ending of aluminum controls, permitting producers to fill unrated orders immediately, and the revocation of restrictions on the use of zinc. The action with respect to aluminum, however, is not expected to result in early output of substantial quantities of civilian goods, since the supply of semi-fabricated items such as aluminum sheets and strip has not been eased.

- 4 -

Similarly, the removal of controls on the use of zinc merely means that zinc purchasers are given a "hunting license," since zinc continues to be in very tight supply.

In connection with the reconversion outlook, a survey released by the NIOB last week states that "the optimism of many pre-V-E Day estimates of the speed with which reconversion of war industry to peace-time production could be accomplished has been dampened by the realities of continuing war against Japan on an all-out basis, manpower and materials shortages, and inevitable delays in refitting plants and reorganizing their personnel." Moreover, it is pointed out that while limitations on 239 products will have been removed or modified by mid-July, manufacturers will be handicapped in obtaining the materials needed for civilian goods output until war cutbacks become effective on a substantial scale at the rolling mill and foundry level. Particular concern was evidenced over the slowness of cutbacks in steel mill products.

Steel operations hampered by strikes

After declining to 92.2 percent of capacity in May, steel operations have shown further slackening in June. Steel ingot output last week was scheduled at 90.0 percent of capacity as compared with 91.1 percent in the previous week. (See Chart 4.) However, due to labor troubles, actual output undoubtedly was below schedule. Thus a strike at the Carnegie-Illinois Steel Corporation is reported to have cut output in the Pittsburgh district to 80 percent of capacity by the close of last week, as compared with scheduled operations in that district of 91.5 percent of capacity. Another strike of blast furnace workers at the Tennessee Coal, Iron and Railroad Company, which has since been terminated, cut operations in the Birmingham district recently to 26 percent of capacity.

The tight situation in steel supplies, which is looming as a major reconversion problem, has been complicated by the fact that cutbacks in war production have not been reflected in cancelled orders at steel mills to the extent expected. WPB officials suspect that some steel consumers are building up their steel stocks by keeping steel on order after cutbacks are made. In order to correct this situation the WPB has recently contacted major steel consumers and thousands of contractors and subcontractors, requesting them to cancel steel orders as soon as cancellations of war contracts are made. Moreover, punitive action under Controlled Materials Plan Regulations has been threatened if the current campaign to speed up cancellations fails to produce results.

- 5 -

Department store sales rise

After slackening in April and May, department store sales improved substantially in the week ended 9 June, rising 14 percent above year-earlier levels. This compares with sales gains of only 4 percent in the previous week and 11 percent in the year to date. (See Chart 5.) Sales gains were fairly uniform throughout the country, with the New York Federal Reserve District showing the widest gain, amounting to 20 percent. Improved weather is reported to have been accompanied by a marked expansion in consumer demand for summer merchandise, thus tending to corroborate reports that slackening retail sales in previous weeks had been due in part to unseasonal weather conditions.

Price rise continues

Evidence of continued pressure toward higher price levels is seen in the further strong advance in the Dow-Jones futures index during the past week. (See Chart 6.) Since spot prices, and consequently the near-month future for each commodity, are in most cases held down by price ceilings, the rise has been most pronounced in the more distant futures. Moody's spot index (shown on Chart 6) has held relatively steady because of the effect of price ceilings. The Dow-Jones futures index may therefore be regarded in some degree as an index of the pressure on price ceilings in the markets for staple commodities.

Rye futures were particularly firm last week, advancing to a 20-year high on heavy buying attributed to distilling interests in advance of the July whisky "holiday." The sale or delivery of corn for distilling or for export has been prohibited by the War Food Administration (with the exception of certain prior commitments) in order to conserve the supply for food and feed uses in view of the uncertain crop outlook.

The BLS all-commodity index confirms the rising trend in commodity prices, with an increase of approximately 1 percent in the past two months, chiefly because of increased prices for many farm products and higher OPA ceilings on a number of commodities. (See Chart 7.) The BLS basic commodity index (shown on the same chart) has been held down by price ceilings in the case of practically all commodities included, and its movements have therefore become of little significance.

- 6 -

In the week ended 9 June the all-commodity index declined very slightly, the first downturn since February, as the result of lower prices for fresh fruits and vegetables and seasonal declines for dairy products and poultry.

Sugar quotas cut further

The CPA has taken additional measures to stretch the small supply of sugar by cutting still further the allocations for both individual and industrial users, according to the third quarter allocations announced last week. Individuals will be allowed about five-eighths of the amount used in the third quarter of last year. The amount to be used by canners "per unit" of canned fruits and vegetables has been reduced about 20 percent, a method designed to reduce the sugar content but not to restrict the output of canned goods. Further reductions have been made in the amounts of sugar allotted for bakery products, ice cream, and various other uses.

A decrease of 20 to 25 percent in bakery goods production was forecast recently by spokesmen of the bakery industry, due to the prospective reduction in sugar allotments, and to the current shortage of oats. Current output of bakery products was said to be running 16 percent below the level of the first quarter. This will tend to reduce the national consumption of wheat, which is one major product of which a plentiful supply exists.

June crop prospect

The first general appraisal of the effect of this year's abnormal weather on the crop outlook was provided in the June crop report issued last week by the Department of Agriculture. While one of the coldest Mays on record held back the development of vegetative growth, and occasional freezing temperatures damaged fruits, vegetables, and some other crops, farmers have succeeded in planting practically as large an acreage as had been earlier intended. Prospects for winter grain crops, though lower than a month earlier, are still good, and the total wheat crop is tentatively placed at 1,685,000,000 bushels, which would be the largest on record.

No specific forecasts of production for individual crops were published, except for small grains and for certain fruits. The peach crop was estimated at 78,243,000 bushels, a record high, which compares with 75,963,000 bushels produced last year. The June condition of the apple crop indicated that the commercial production this year may reach a record low total, somewhat smaller than the short

12

- 7 -

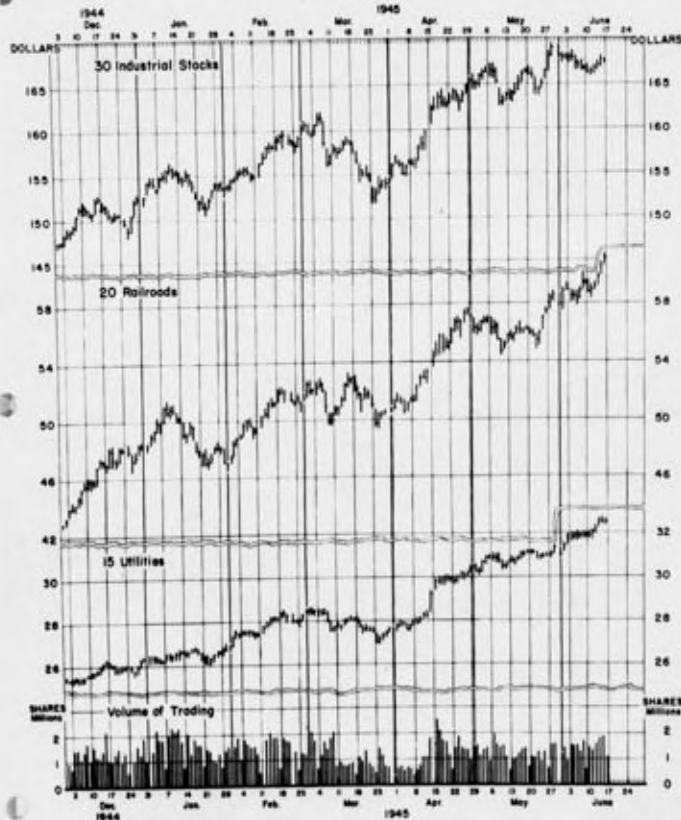
215

1943 crop. Corn planting has been delayed over much of the country, and a satisfactory crop outturn will depend upon an early change to favorable growing weather and another late fall.

Pasture conditions average 84 for the country as a whole, which is 7 points above the 10-year average but is lower than the 89 reported last year. While the condition is good to excellent over most of the country, severe to extreme drought is reported in two areas -- the southern half of Florida, and over a considerable area of West Texas and Eastern New Mexico.

STOCK PRICES, DOW-JONES AVERAGES

Daily

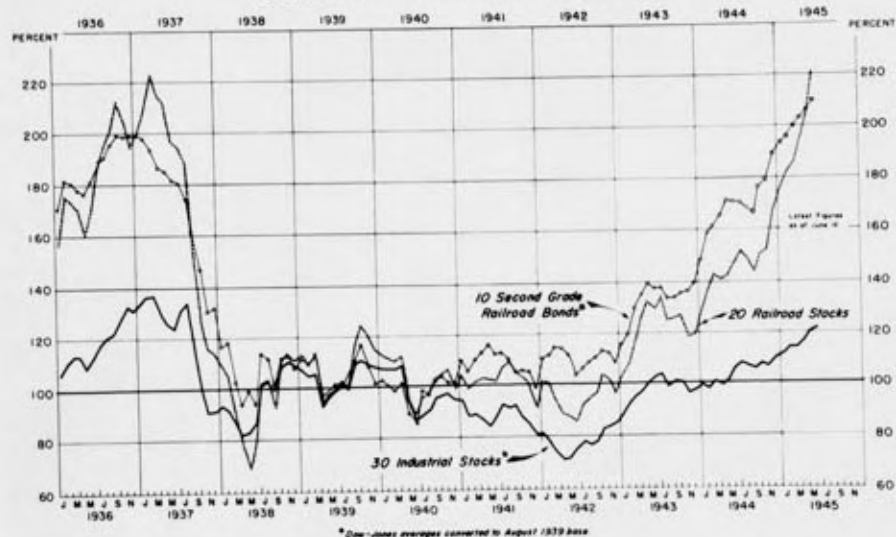


Price of the Security of the Treasury
Bureau of National Affairs

P-100-W-1

SECURITY PRICES

Selected Railroad and Industrial Indexes, August 1939=100



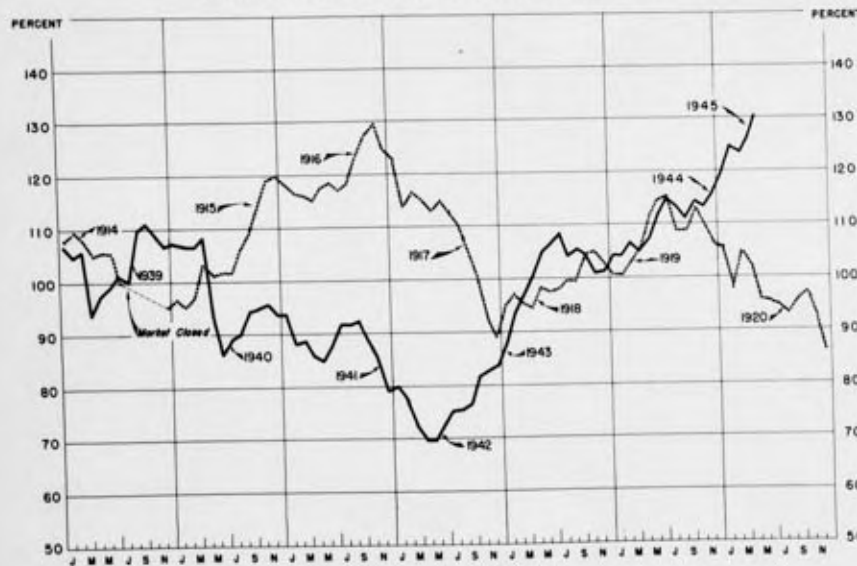
* Dow-Jones averages converted to August 1939 base

Office of the Secretary of the Treasury
Bureau of Economic Warfare

P-283

STOCK PRICES, 1939 TO DATE COMPARED WITH 1914 TO 1920

July 1914=100 World War I Period; Aug. 1939=100 Present Period



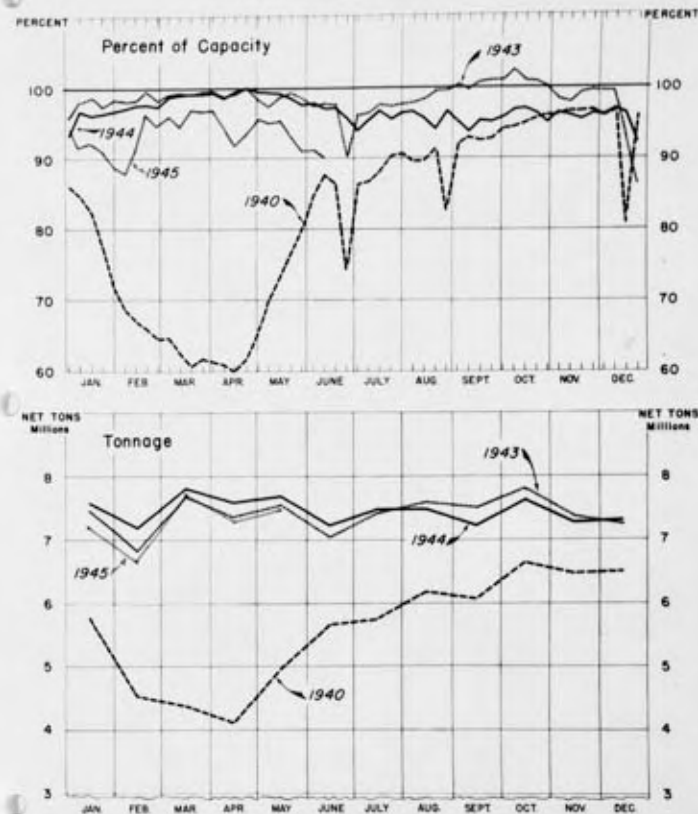
* 400 Common Stocks in Present Period
50 Common Stocks in 1914-20 Period

Office of the Secretary of the Treasury
Bureau of Research and Statistics

P-258-A

Chart 4

STEEL INGOT PRODUCTION



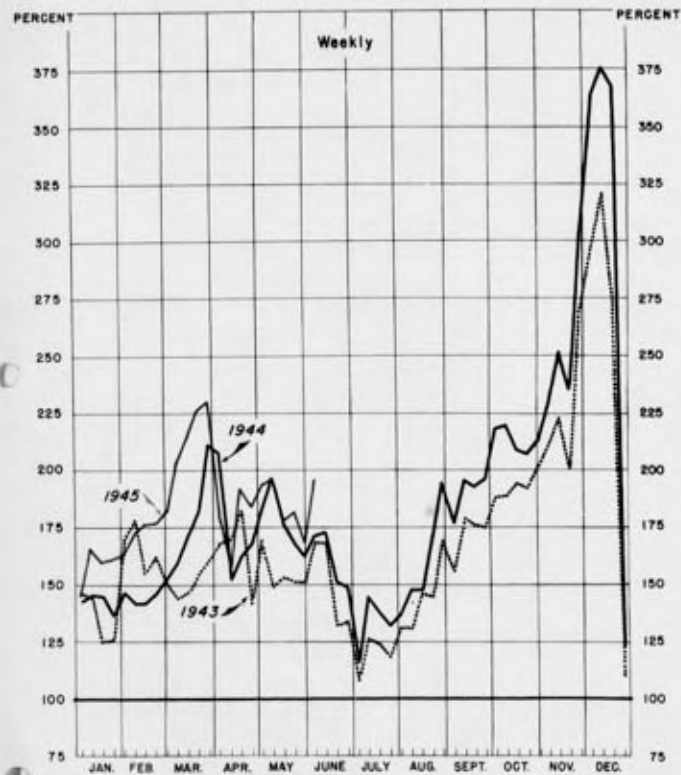
Source: American Iron and Steel Institute

Office of the Secretary of the Treasury
Bureau of Research and Statistics

C-532-A

Chart 5

DEPARTMENT STORE SALES 1935-'39=100, Unadjusted



Office of the Secretary of the Treasury
Bureau of Research and Statistics

C-390-D

COMMODITY PRICE INDEXES IN U.S.



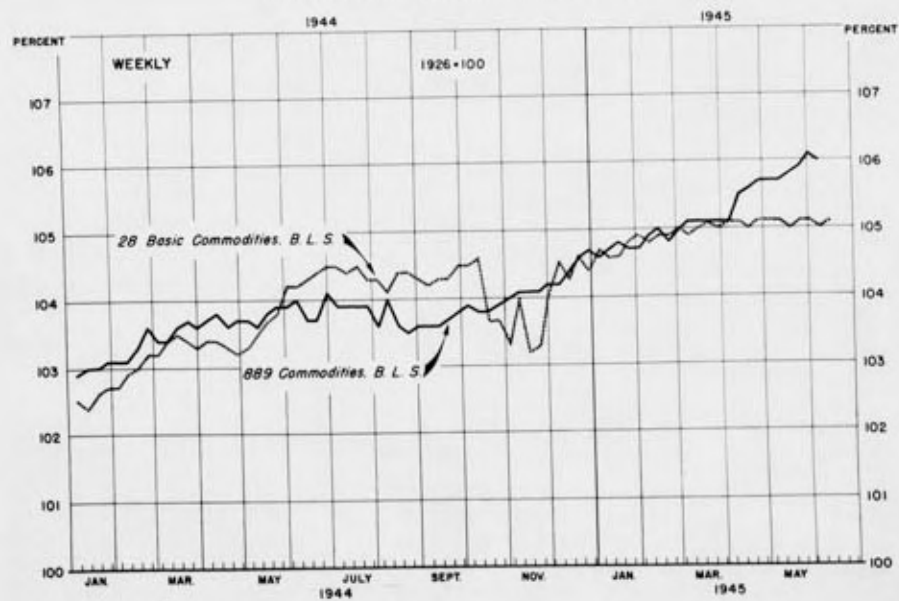
Office of the Secretary of the Treasury
Bureau of Research and Statistics

P-448-B

Chart 6

12"

WHOLESALE COMMODITY PRICES



Office of the Secretary of the Treasury
Division of Research and Statistics

P-196-G

Chart 7